

# Norsk Hydro ASA

Executive Vice President and CFO,  
John Ottestad  
London, 4th March 2003





# Norsk Hydro's core businesses

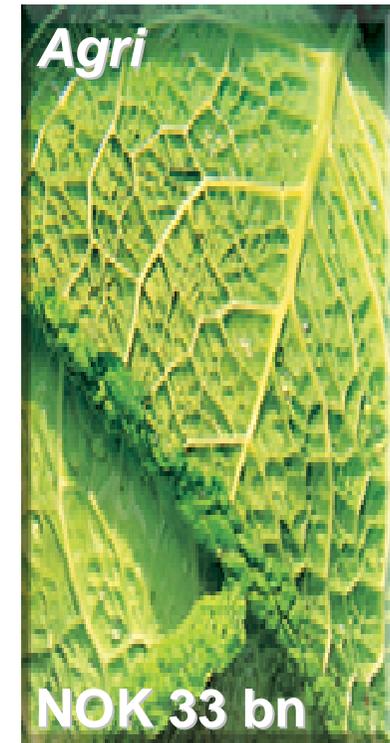
**Revenues 2002: NOK 163 billion**



**The largest European aluminium company and among the top three world wide**



**The second largest producer of oil and gas on the Norwegian Continental Shelf**



**The world's leading supplier of plant nutrients**



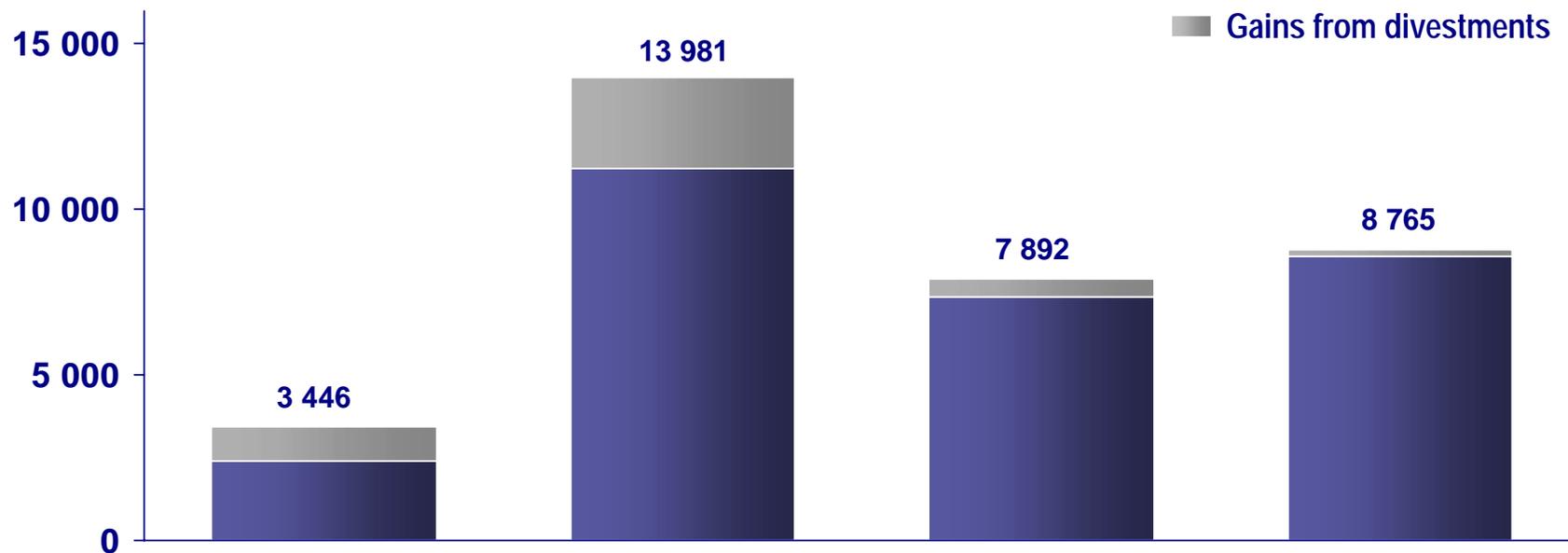
## Norsk Hydro – highlights 2002

- **Acquisition of VAW Aluminium**
- **Record high oil and gas production**
- **Weak markets for Aluminium and Agri**
- **Significant currency effects**
- **Delivering on financial targets**



# Net income

NOK million



EPS

13.9

53.4

30.5

34.0

Dividend

8.0

9.5

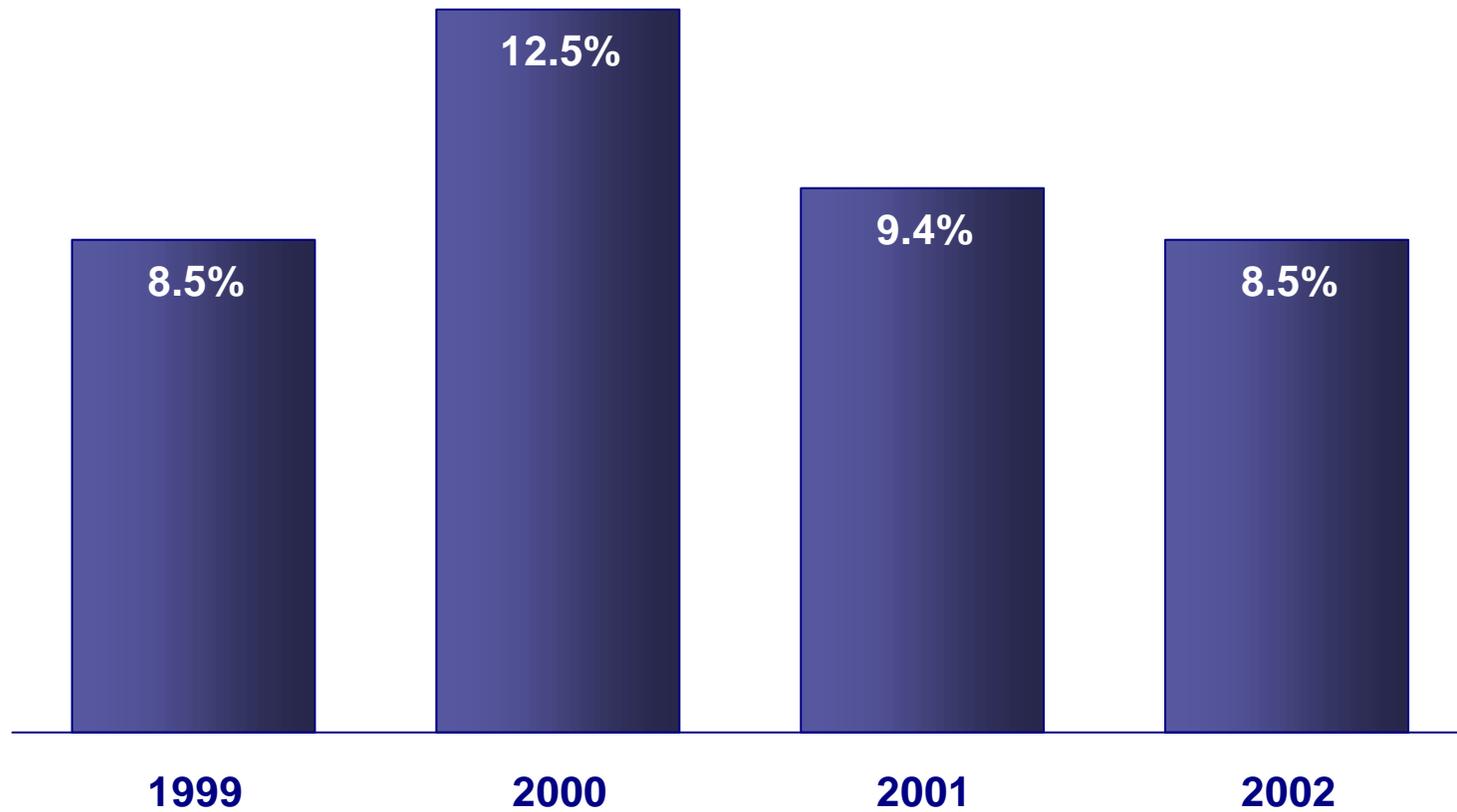
10.0

10.5



# CROGI

## Cash return on gross investment \*

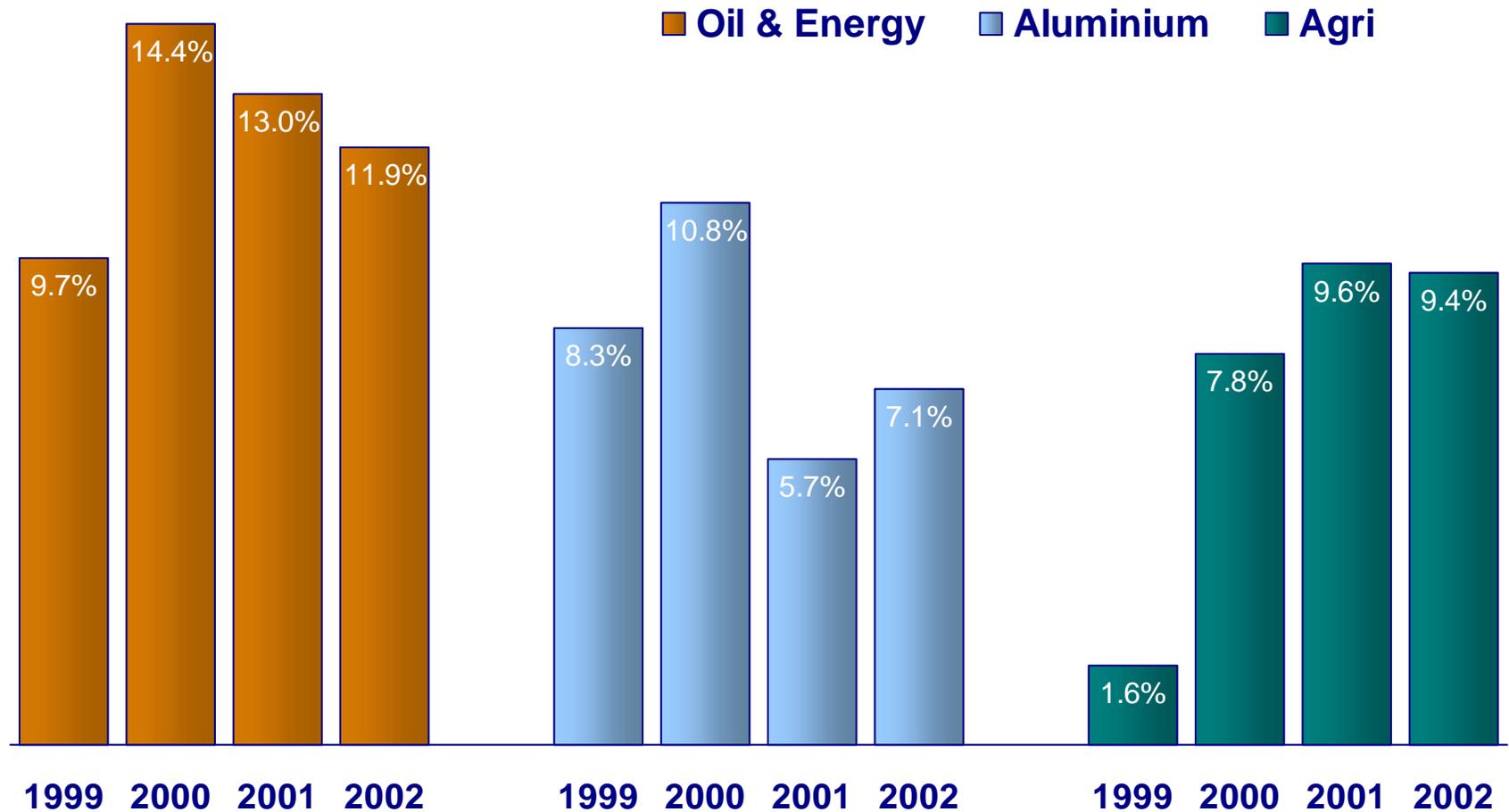


\* EBITDA less tax, divided by gross invested capital



# CROGI per business area

Cash return on gross investment \*

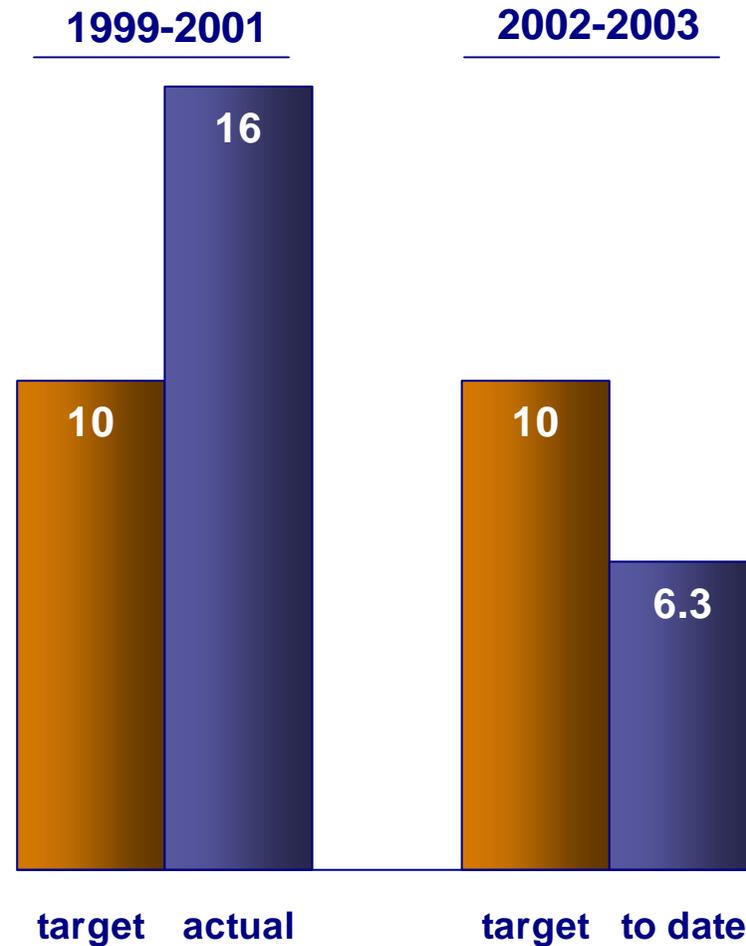


\* EBITDA less tax, divided by gross invested capital



# Divestments

NOK billion

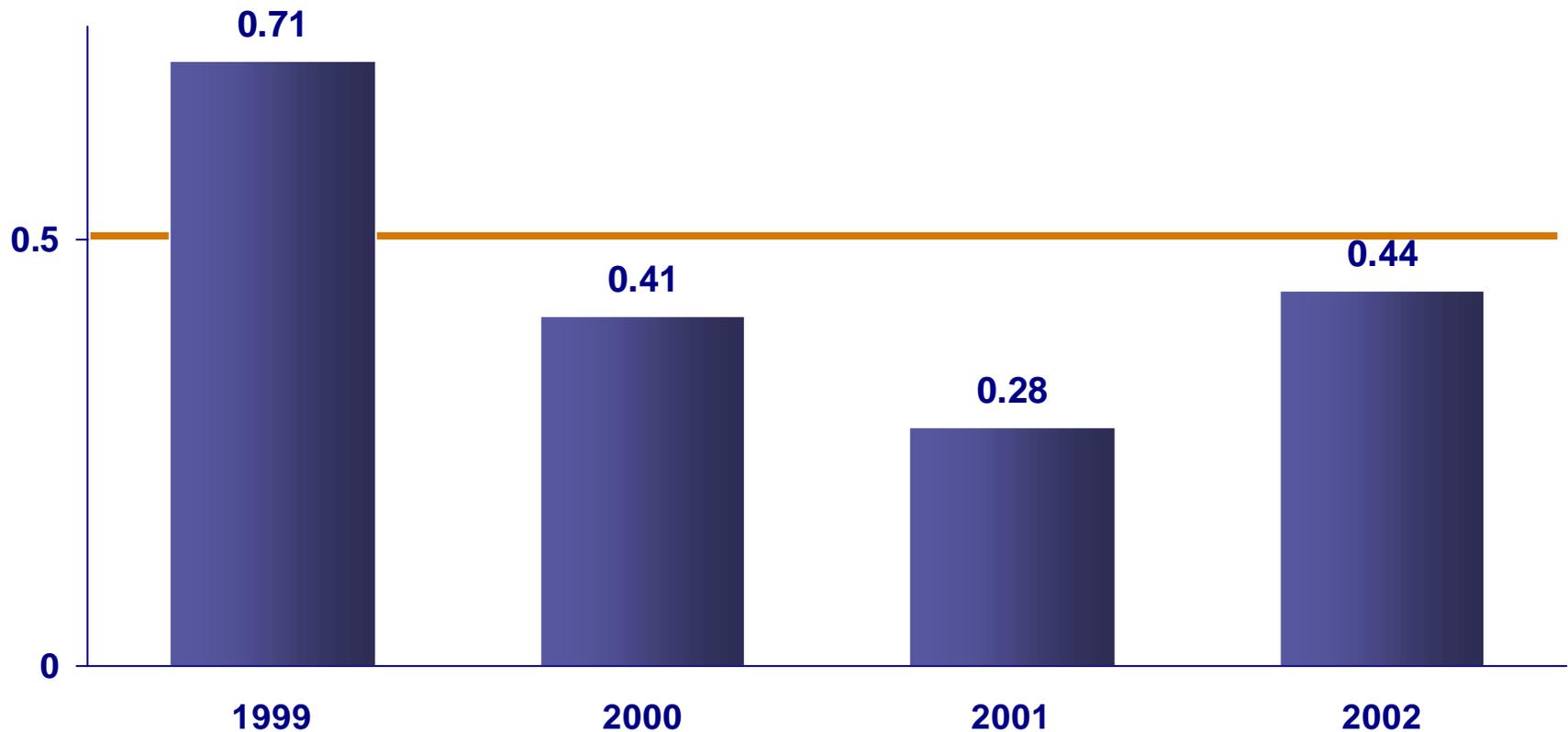


- On track to reach divestment target of NOK 10 billion by end of 2003
- Signed deals in 2002
  - KFK grain and feedstuff
  - Flexible Packaging
  - Other
- 2001 EBITDA for divested assets approximately NOK 600 million (pro forma)



# Comfortable financial strength

## Net interest-bearing debt / equity

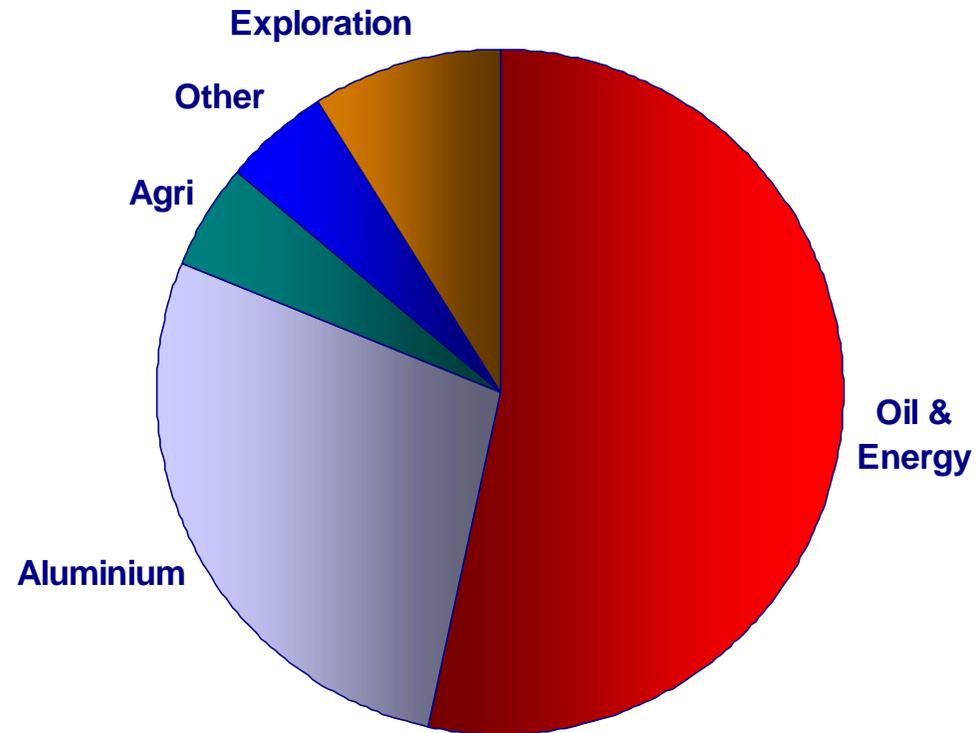


Net interest-bearing debt divided by shareholders' equity plus minority interest



# Capital allocation

- **Planned 2003 capex: NOK 22 billion**
- **Strict capital discipline**
- **Strong competition for funds**



# Hydro Oil & Energy





# Hydro Oil & Energy – strategic direction



- International growth E&P
- Further integration in the european energy market





# Hydro Oil & Energy – highlights 2002

- **Record high petroleum production**
- **High oil and gas prices**
- **Reduced production costs per unit**
- **Disappointments in exploration**
- **Major projects on track**
- **Reserve replacement**
  - **98% organic<sub>1</sub>**
  - **187% total<sub>2</sub>**

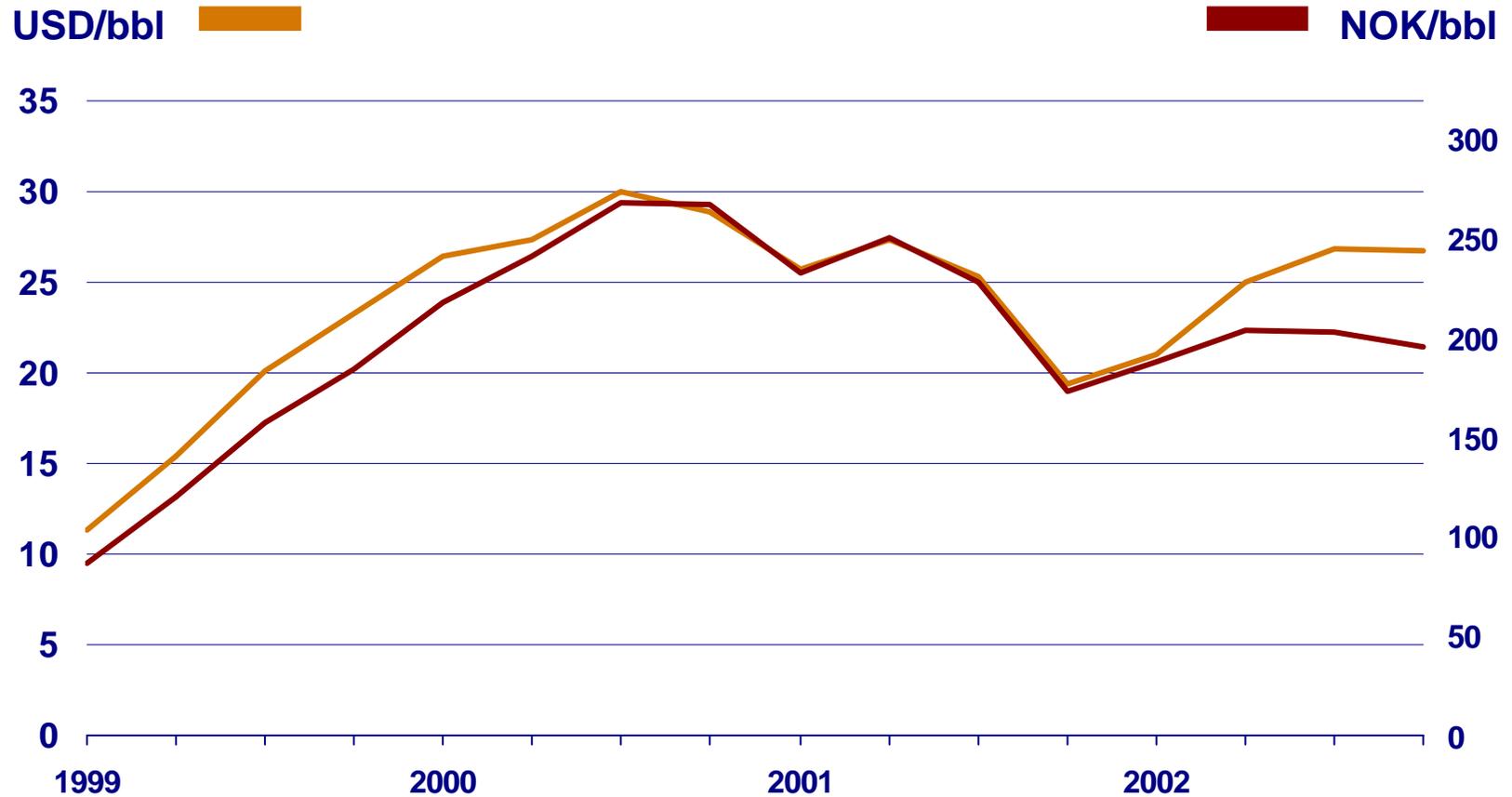
1) Excl. sales, purchase, swaps and PSA effects

2) Incl. sales, purchase, swaps and PSA effects



# High oil prices

## Average Brent Blend dated per quarter



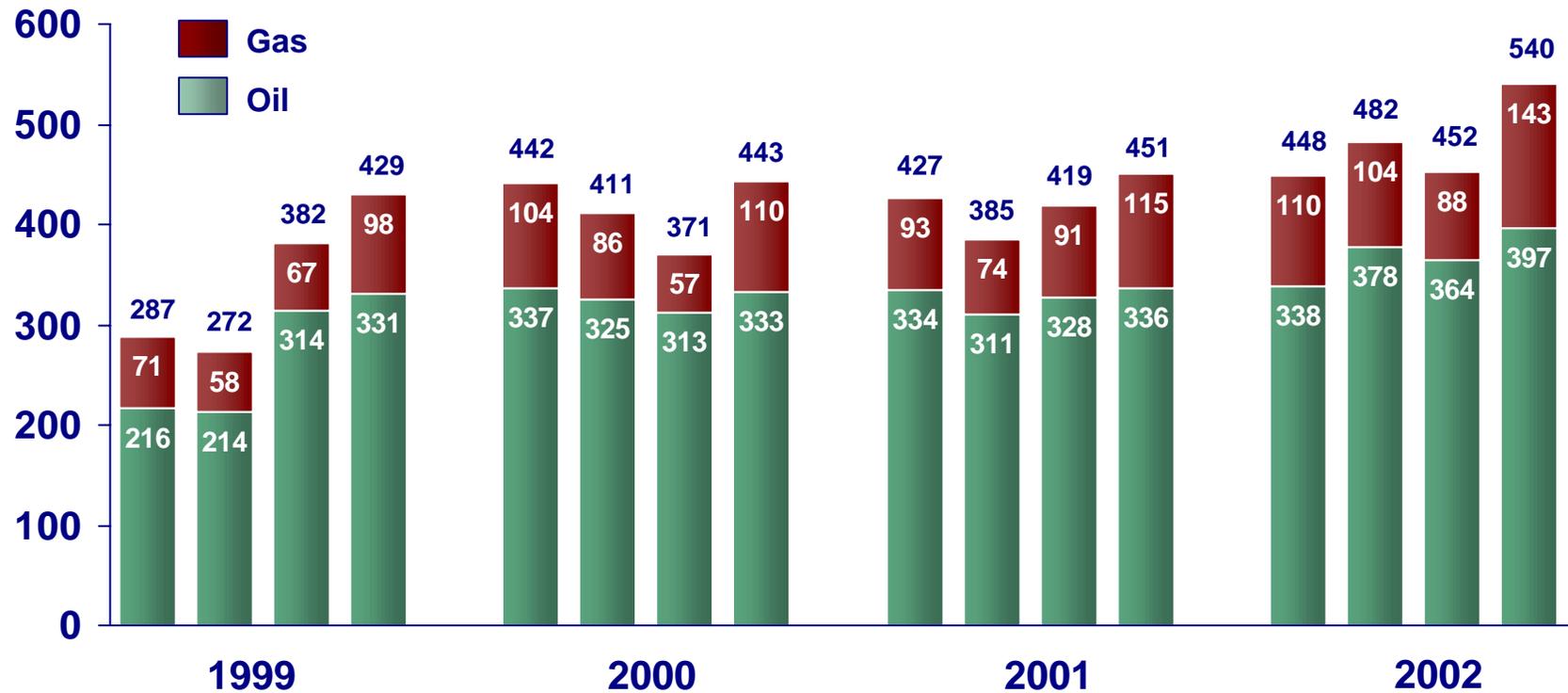
... but weaker USD



# Strong petroleum production

## Per quarter

1 000 boe/day



Average per year:

343

416

421

480



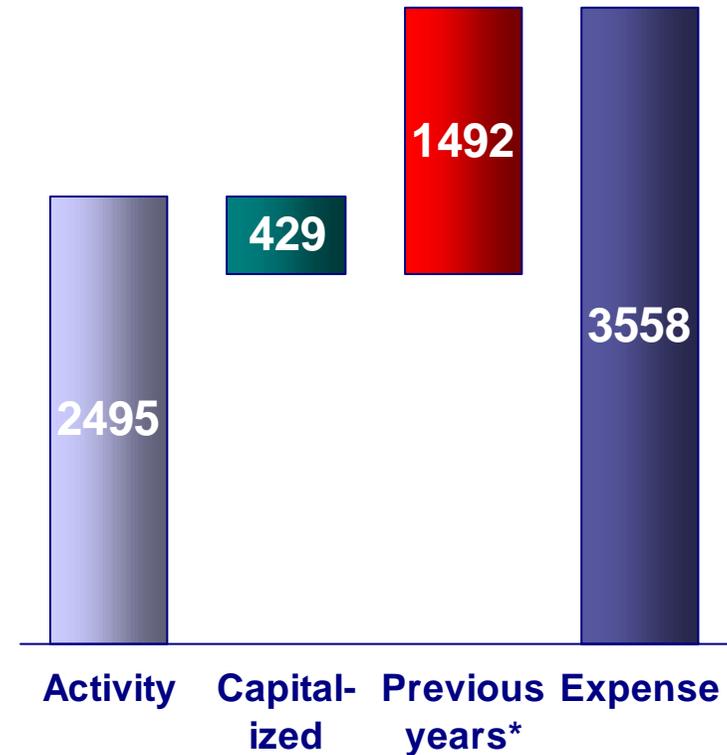
# High exploration activity

## Exploration activity



■ Norway ■ International

## Costs 2002



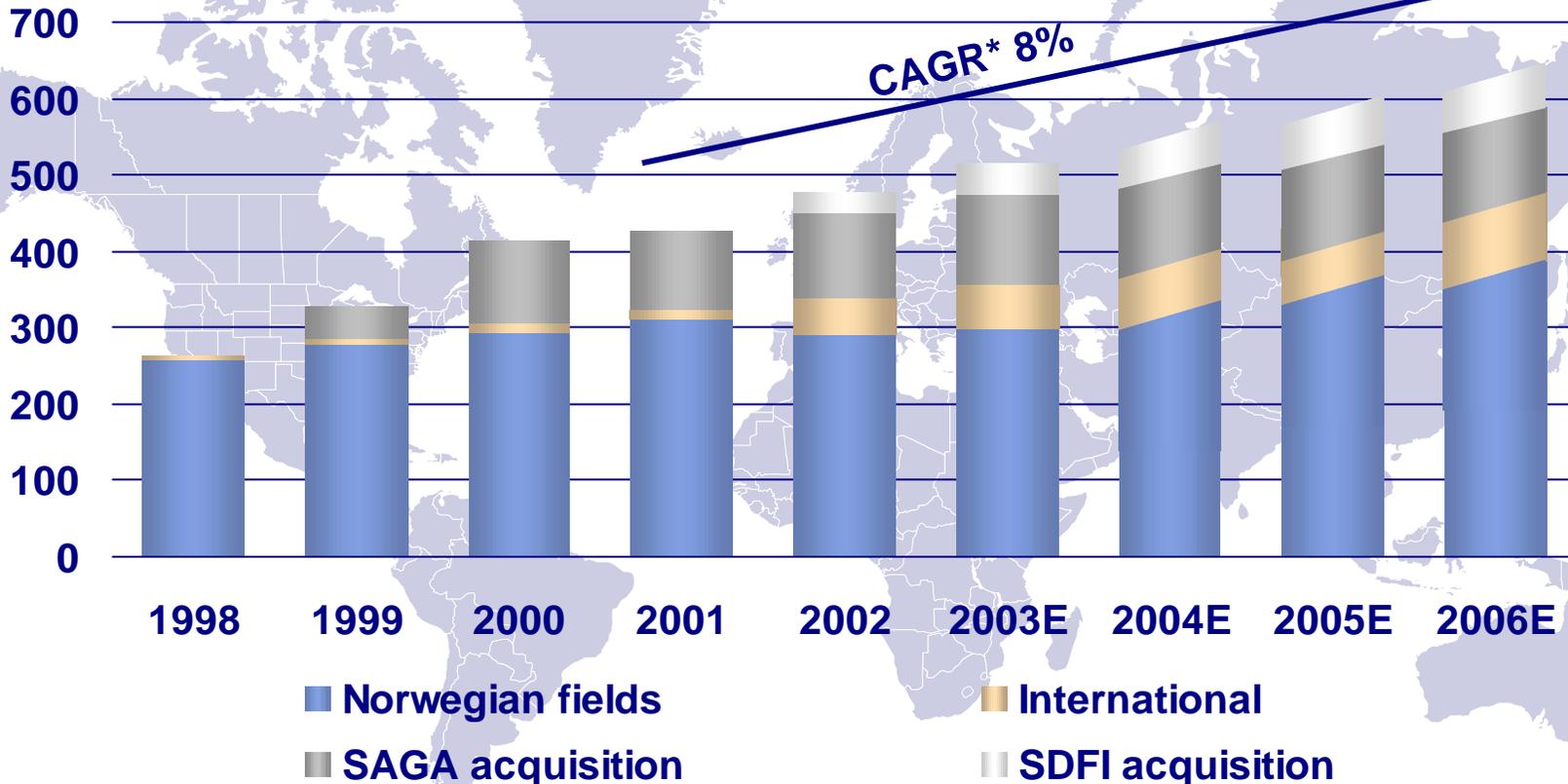
... but few discoveries

\* Costs capitalized in previous years, charged to earnings in 2002



# Well positioned for further growth

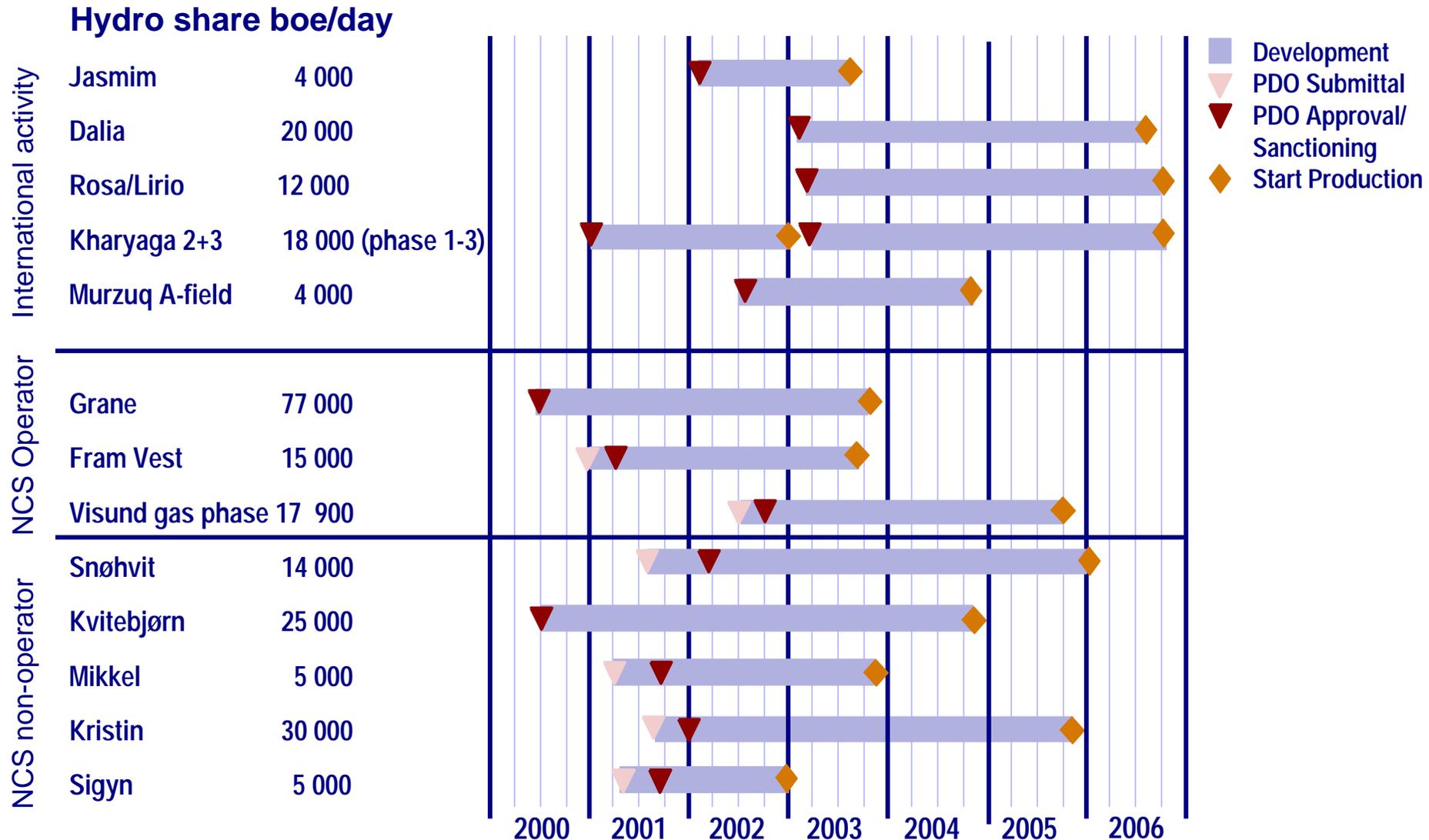
1 000 boe/day



\* Compound Annual Growth Rate, 2001 baseline



# New fields on stream 2003-2006





# Hydro Oil & Energy – the way forward

## ● Operations

- Production growth
- Cost discipline

## ● Developments

- Grane start-up
- Ormen Lange development plan

## ● Exploration

- Substantial exploration activities in 2003
- Evaluation of future exploration strategy

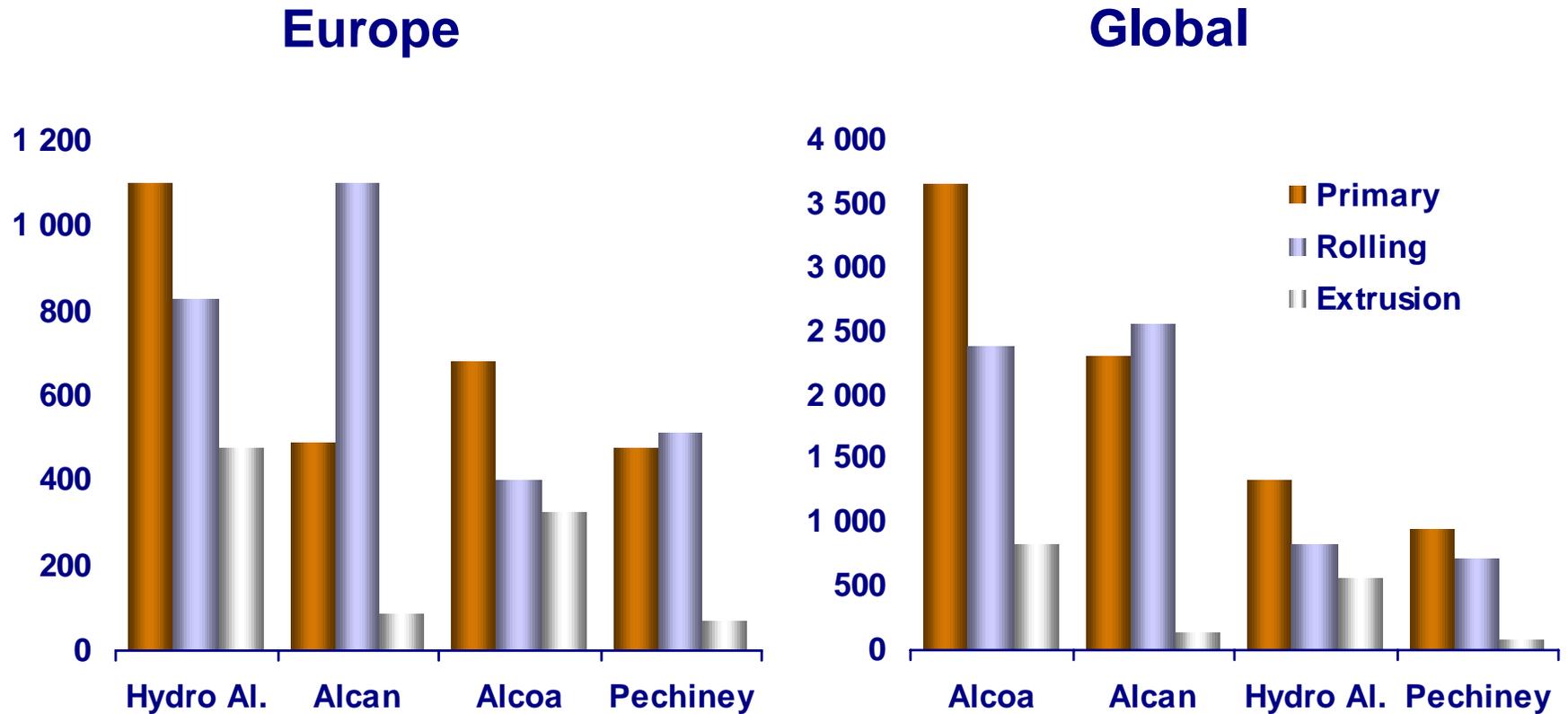
# Hydro Aluminium





# Hydro Aluminium – one of the majors

## Total production 2002, thousand tonnes





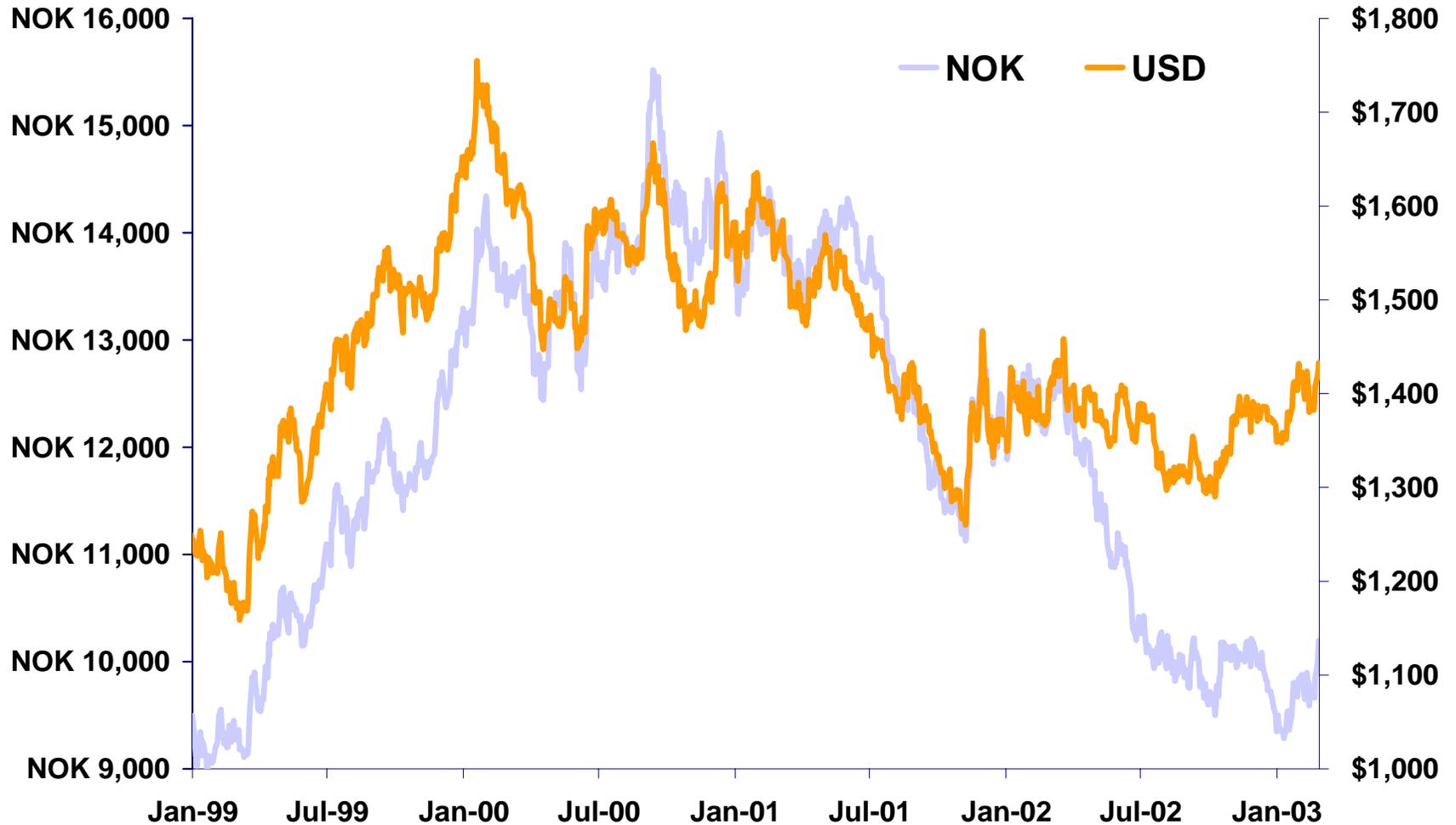
## Hydro Aluminium – highlights 2002

- **Acquisition and integration of VAW Aluminium**
- **Challenging aluminium markets**
- **Improvement program launched – progressing well**
- **Major development projects on track**



# Weak aluminium prices

## Aluminium, LME 3M Fwd

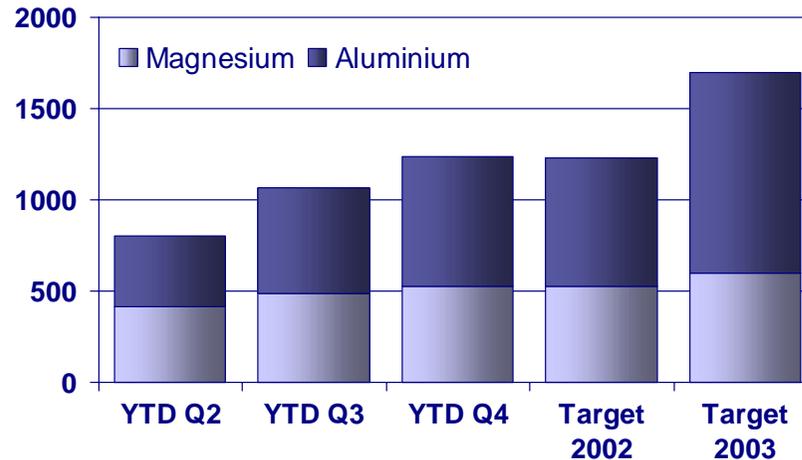


Source: Reuters

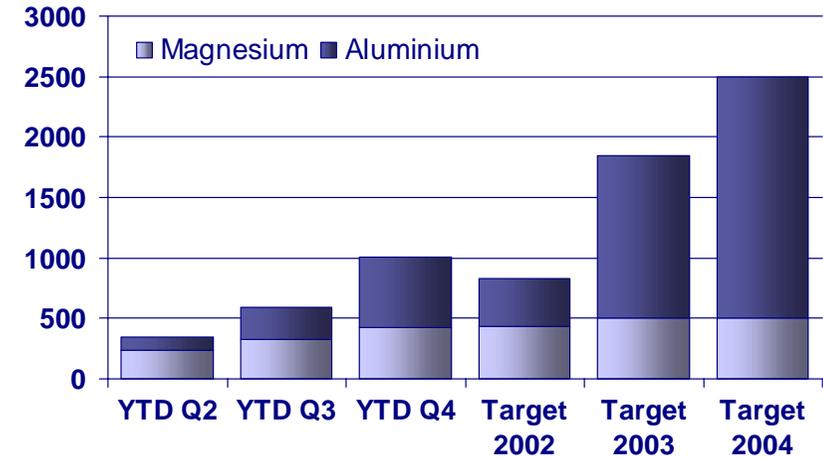


# Aluminium improvement program on track

## Workforce reduction



## Cost reductions



## Restructuring and rationalization costs (NOK million)

	Realized		Remaining	Total
	2001	2002	Estimate	
Magnesium	700	-10	24	714
Aluminium	-	300*	370	670

Workforce and cost reductions relative to 2001.

\* of which NOK 89 million charged to VAW opening balance.



# Aluminium – the way forward

- **No immediate help from the markets**
  - Flat demand expected
  - Inventories building up
  - No immediate rebound in prices
  
- **So we must help ourselves**
  - Cost reductions NOK 2.5 billion (2004 vs 2001)
  - Harvest synergies
  - Turnaround, sell or close underperforming units
  - Selective growth in most profitable segments

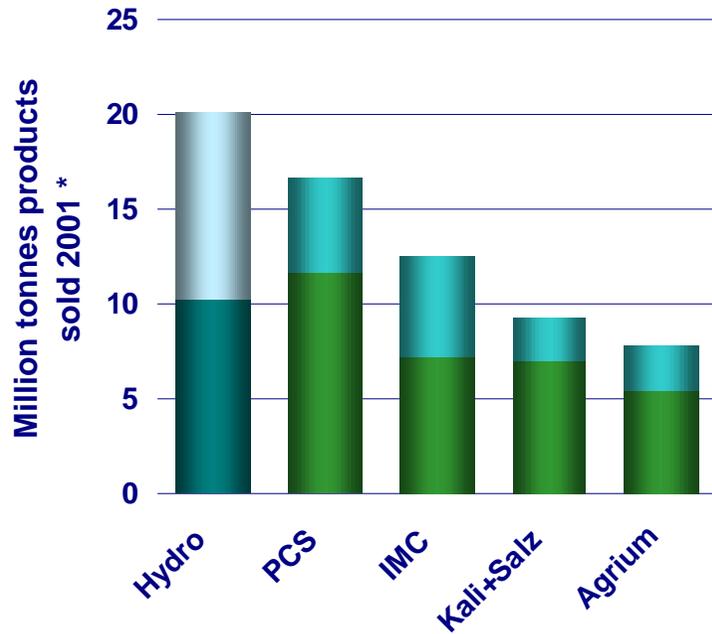
# Hydro Agri



# Hydro Agri – combining size and global presence



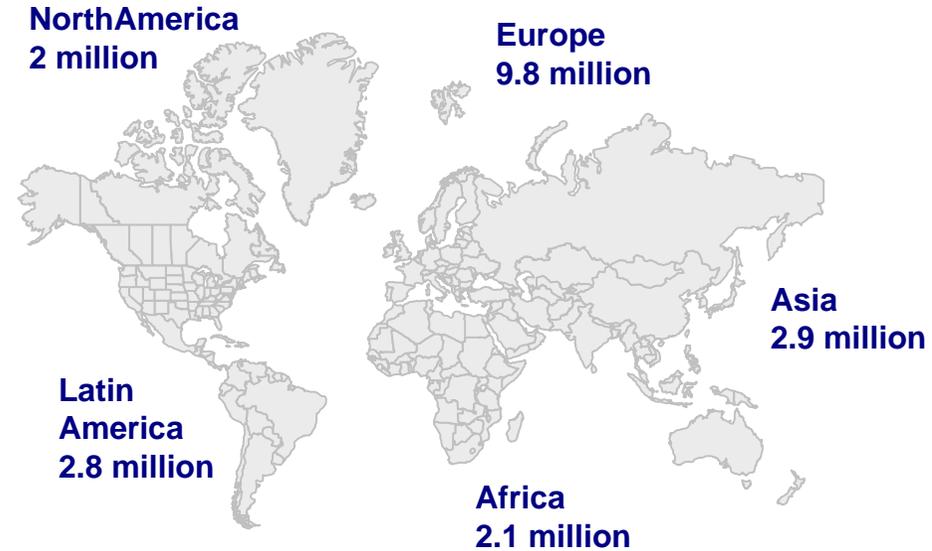
**All fertilizer products**



- Hydro Overseas
- Hydro Europe
- Overseas
- Home market

\* Kali & Salz figures based on year 2000

**Agri sales tonnes**



**Accumulated  
20 million**



## Agri – highlights 2002

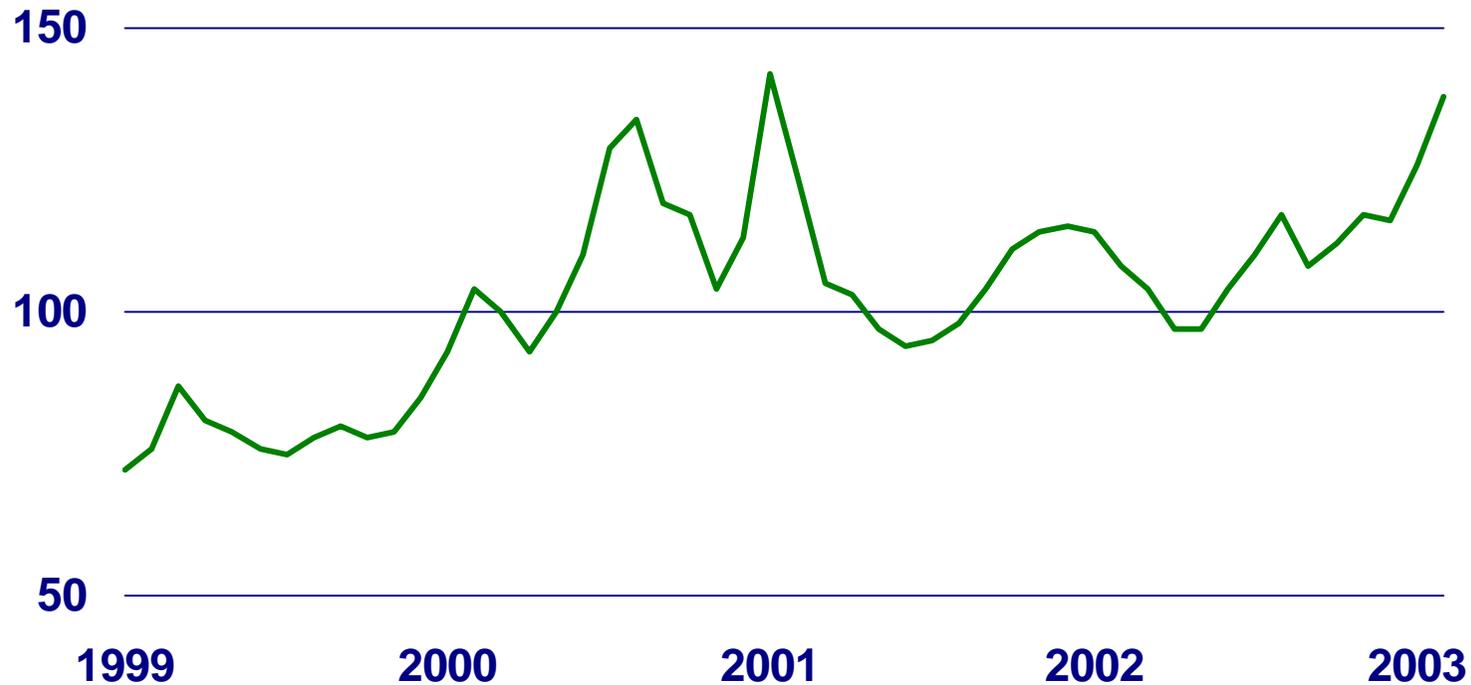
- **Turnaround project completed**
  - Fixed costs reduction > NOK 2.5 billion (> 35%)
  - Closed/sold 11 plants, 12 sales offices
  - Substantial productivity improvement
  - Created a simpler, more focused Agri
  
- **2002 market trends**
  - Fertilizer prices low
  - Gas costs high
  - Depreciation of USD, appreciating NOK



# Fertilizer prices were low in 2002

## Urea fob Middle East

USD/tonne



... but on the rise so far in 2003



## Hydro Agri – the way forward

- **Tighter supply/demand balance, increasing fertilizer prices**
- **Margins under pressure due to currency effects and high gas costs**
- **Stable fertilizer sales volumes expected**
- **Continued productivity improvements**



## Norsk Hydro – priorities 2003

- **Meet 2003 CROGI target 8.5% - 9.5% (normalized)**
- **Deliver on Aluminium improvement program**
- **Deliver on petroleum production target**
- **Strengthen Agri's global leading position**
- **Complete NOK 10 billion divestment program**
- **Maintain financial strength**

# Additional information





# Indicative P&L sensitivities

NOK million

Price sensitivity	Pre tax	After tax	
OIL price sensitivity, O&E	1 300	350	\$1 increase
OIL price sensitivity, Agri	(110)	(80)	\$1 increase
OIL price sensitivity	1 190	270	\$1 increase
LME price sensitivity, Aluminium	830	580	\$100 increase
CAN price sensitivity, Agri	500	350	\$10 increase
USD sensitivity *			
USD sensitivity O&E	3 000	810	1 NOK increase
USD sensitivity Aluminium	1 650	1 160	1 NOK increase
USD sensitivity Agri	800	560	1 NOK increase
USD sensitivity Hydro	5 450	2 530	1 NOK increase
USD sensitivity Financial Items **	(2 440)	(1 340)	1 NOK increase
USD sensitivity NET	3 010	1 190	1 NOK increase

All sensitivities are calculated using the normalized price assumptions as basis.

\* USD sensitivity estimates assuming USD/NOK changes, all other currencies fixed against NOK

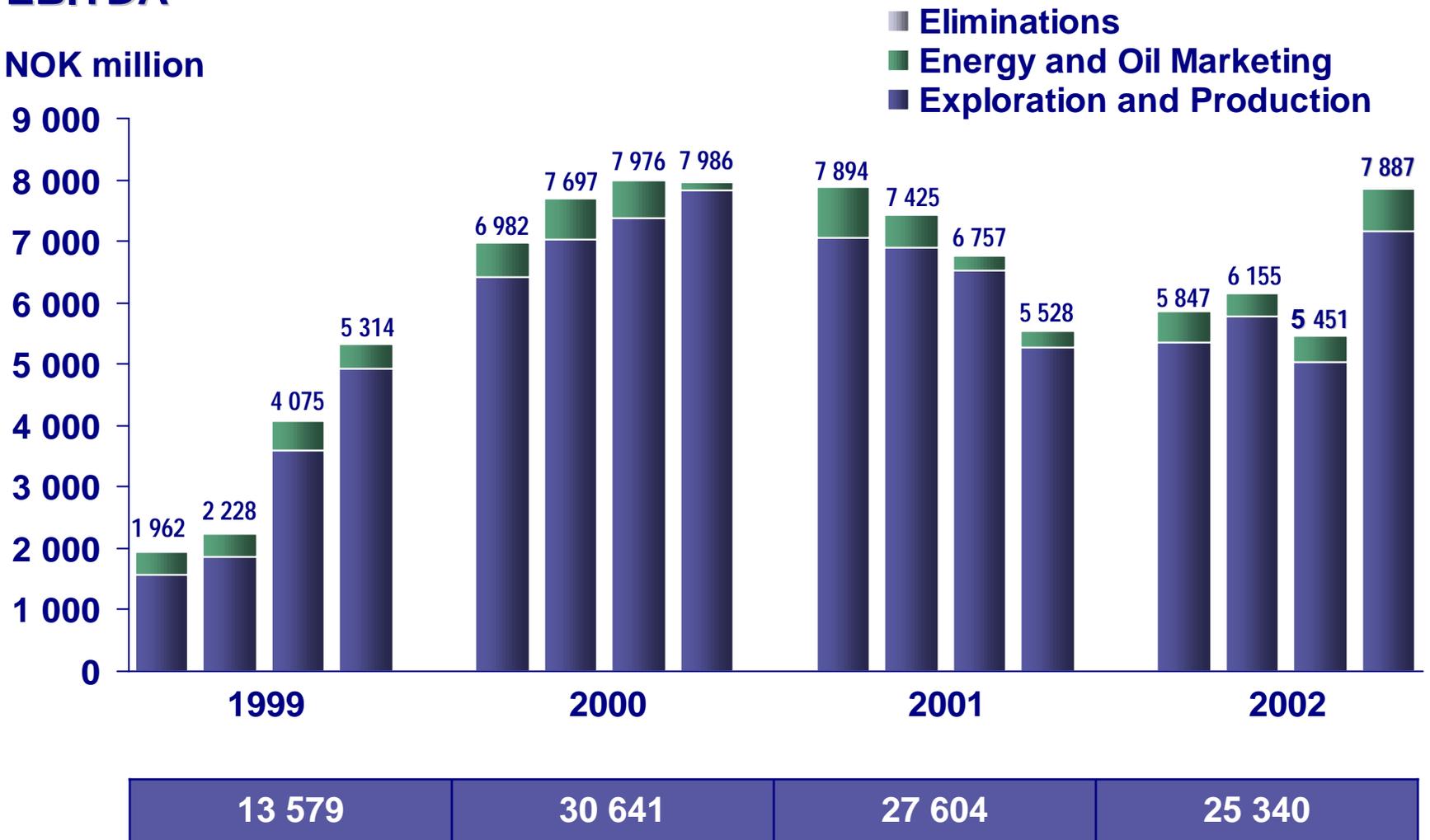
\*\* Excluding cash flow and equity hedge total exposure USD 1 275 mill and USD 400 mill debt in USD-based subsidiaries



# Hydro Oil & Energy – financial performance

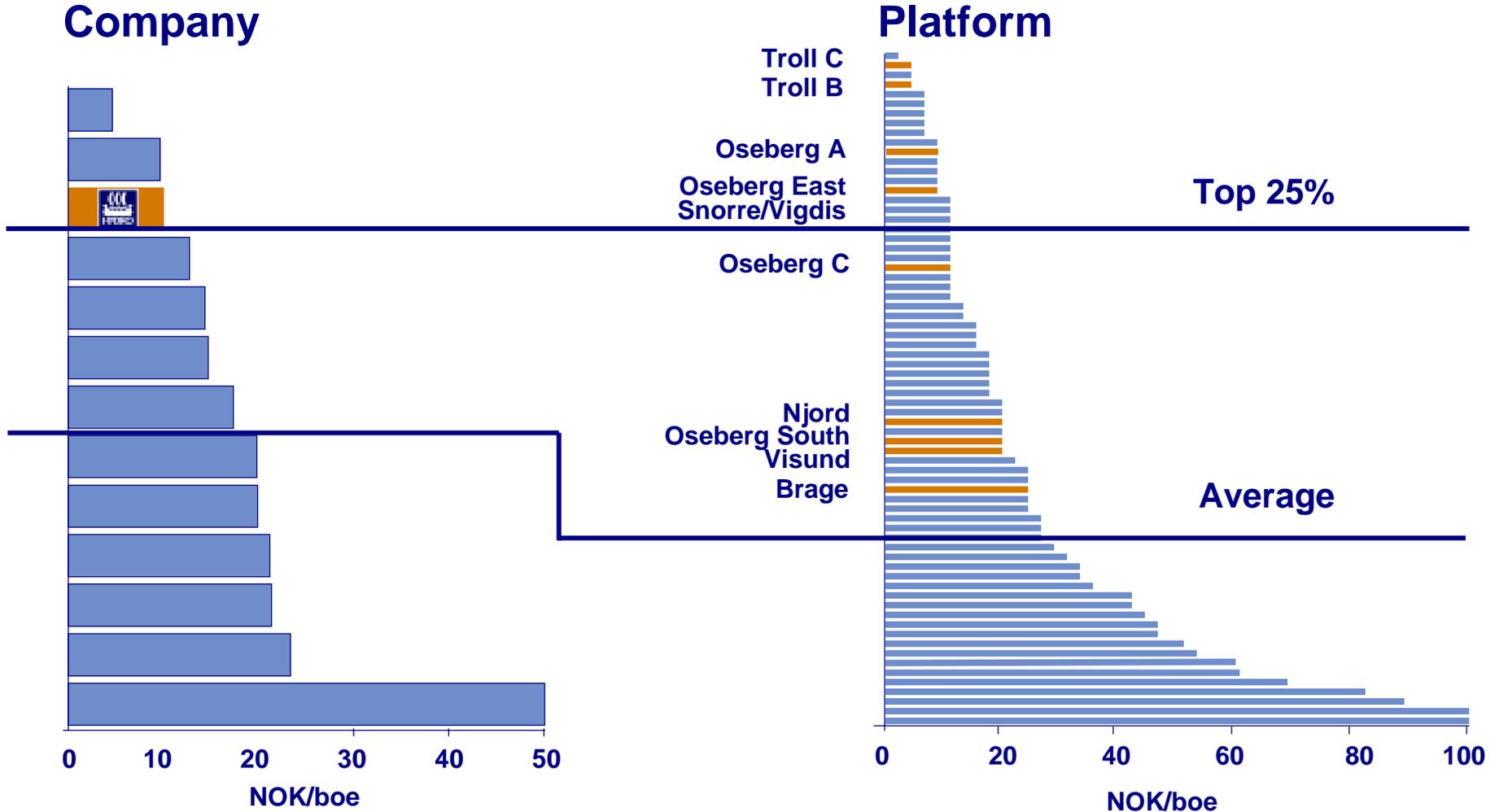
## EBITDA

NOK million





# A cost-efficient offshore operator



**Benchmark of Norway and UK Central North Sea**

Source: McKinsey, June 2002



# Major offshore development projects

## ● Grane

- Start-up Oct 2003
- Plateau production 200 000 bbl/day
- Hydro share 38%
- Development costs below plan

## ● Ormen Lange

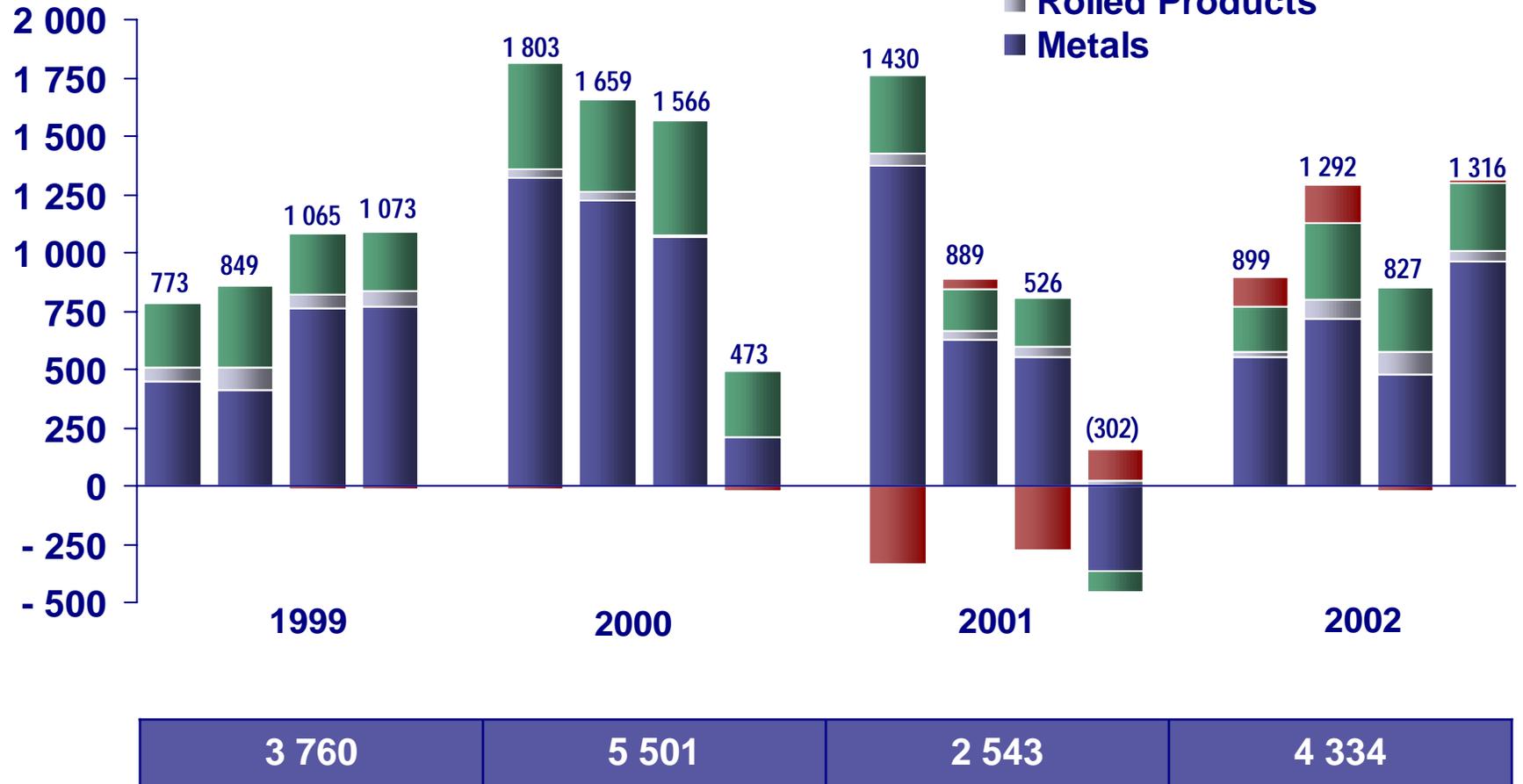
- Second largest gas field in Norway
- Expected reserves 375 bcm
- Plateau production 15-20 bcm/year
- Hydro share 18%
- PDO in Q4 2003
- Planned start-up 2007



# Aluminium – financial performance

## EBITDA

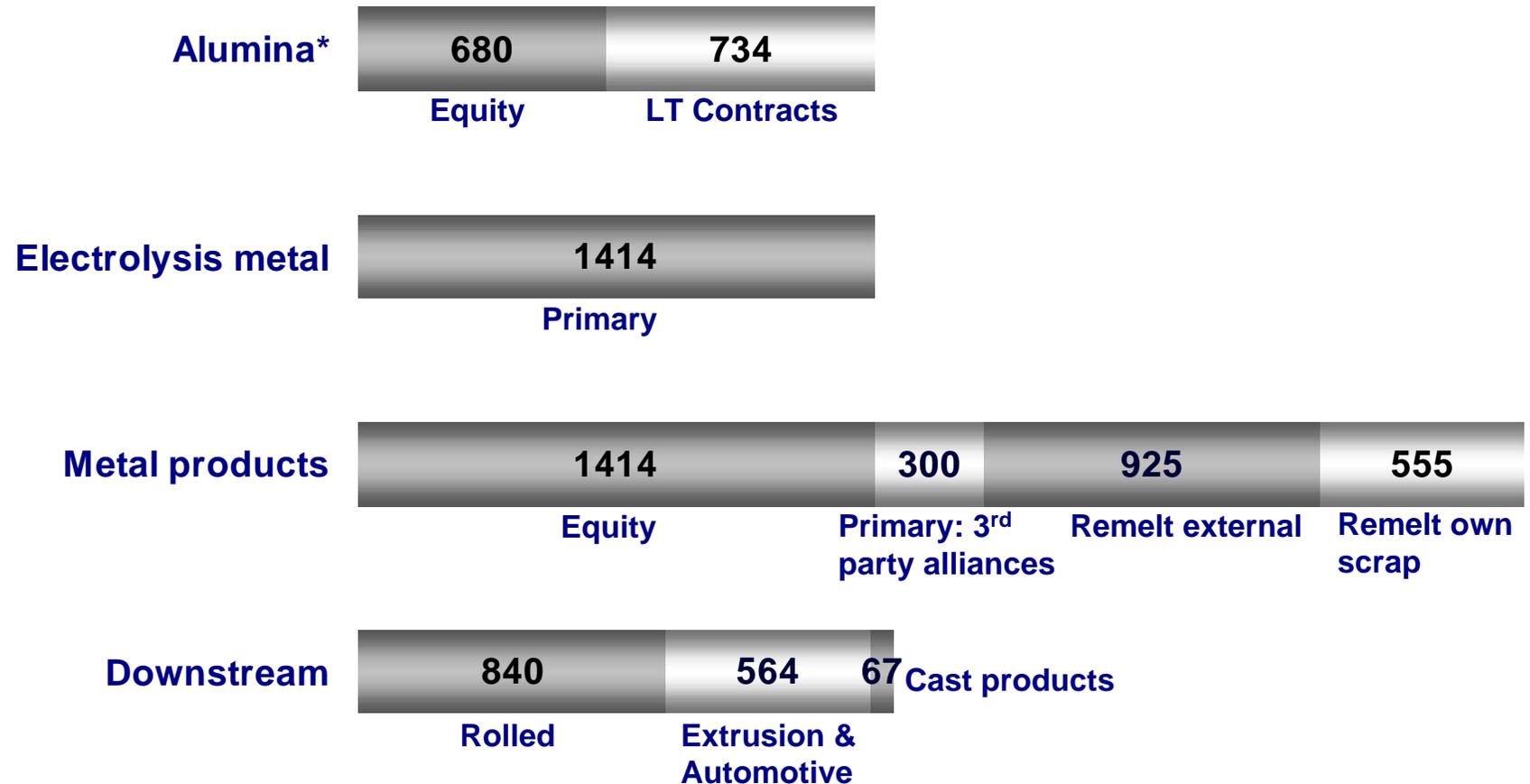
NOK million





# Hydro Aluminium value chain

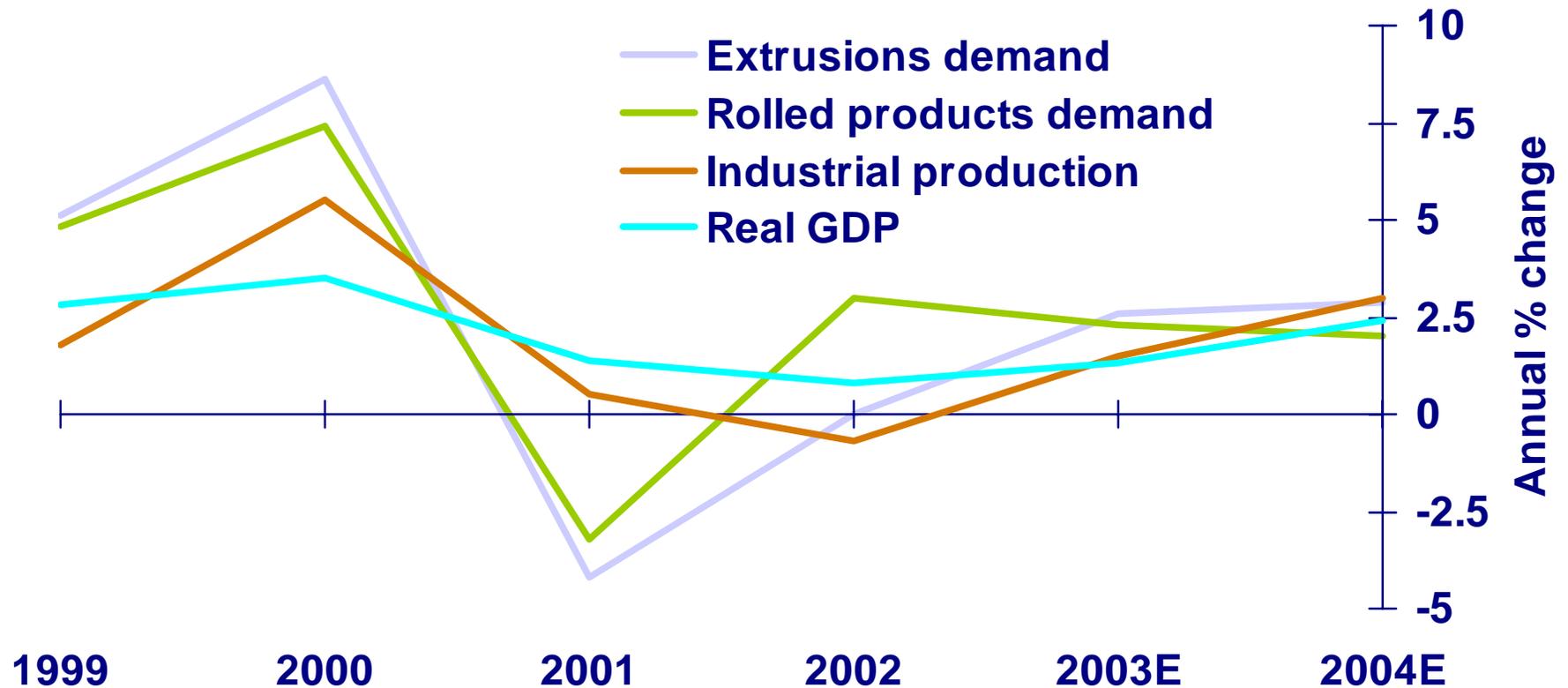
## Pro forma 2002



\*Aluminium equivalents



# Aluminium – cyclical demand



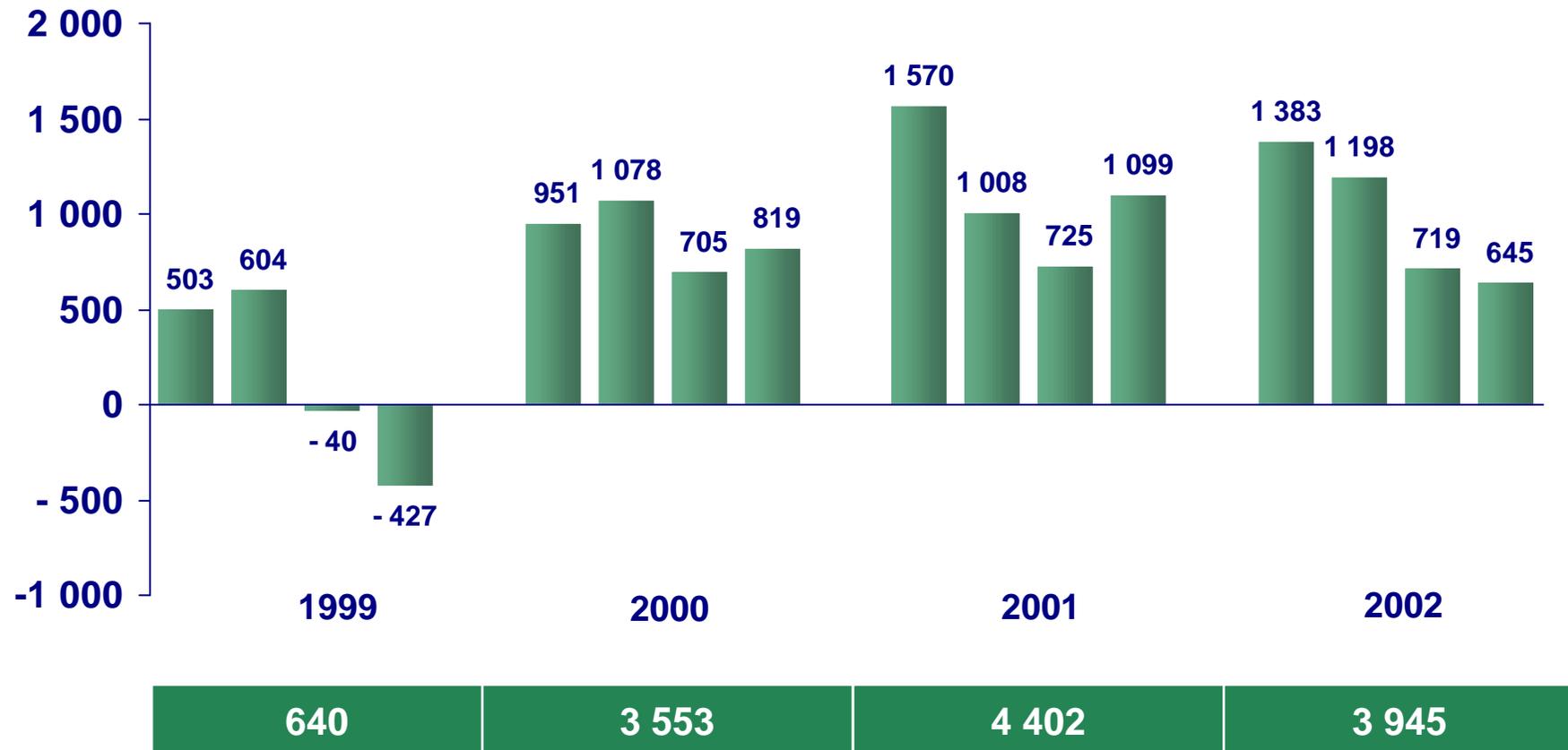
**Sharp turning points are mainly explained by major changes in inventory levels**



# Agri – financial performance

## EBITDA

NOK million





# Our six areas of global strength

**Ammonia**

- **Leading position**

**Nitrates**

- **Leading position**

**Balanced fertilization  
(NPK)**

- **Leading position (high value crops)**

**Speciality fertilizers**

- **Leading position with SQM (cash crops)**

**Selected industrial  
applications**

- **Leading West European position**

**Distribution and  
marketing**

- **Only global player**



# Agri value drivers

	Drivers	Effect on
<b>Income</b>	<ul style="list-style-type: none"> <li>Gas price USA</li> <li>Ammonia price</li> <li>Grain prices</li> <li>European market balance</li> <li>Market segmentation</li> </ul>	<ul style="list-style-type: none"> <li>➔ Ammonia price</li> <li>➔ Urea price</li> <li>➔ Urea price</li> <li>➔ Nitrate margin</li> <li>➔ Value added margins</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Oil price</li> <li>Production volume</li> <li>Productivity</li> <li>Scale</li> </ul>	<ul style="list-style-type: none"> <li>➔ Gas costs Europe</li> <li>➔ Unit cash cost</li> <li>➔ Fixed cost</li> <li>➔ Unit cost</li> </ul>
<b>Growth</b>	<ul style="list-style-type: none"> <li>Organic growth</li> <li>Expansion investment</li> </ul>	<ul style="list-style-type: none"> <li>➔ Enterprise value</li> </ul>



# Safe harbour statement

**In order to utilize the "Safe Harbour" provisions of the United States Private Securities Litigation Reform Act of 1995, Hydro is providing the following cautionary statement: This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company and certain of the plans and objectives of the Company with respect to these items. By the nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The actual results and developments may differ materially from those expressed or implied in the forward-looking statements due to any number of different factors. These factors include, but are not limited to, changes in costs and prices, changes in economic conditions, and changes in demand for the Company's products. Additional information, including information on factors which may affect Hydro's business, is contained in the Company's 2001 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.**