



HYDRO

Strategy for Hydro going forward

18 December 2006

Transaction background

- **The Boards of Hydro and Statoil have agreed to recommend a merger of Hydros's oil & gas activities with Statoil to form a new oil and gas company**
- **For Hydro's shareholders this means:**
 - They will hold 32.7 percent of the new company and receive 0.8622 shares in the new company for each Hydro share that they hold upon closing of the transaction
 - They will retain their shares in Hydro
- **Hydro continues as the world's third largest integrated aluminium company**
 - Attractive investment opportunities
 - Experienced management team and highly competent workforce
 - Financially strong

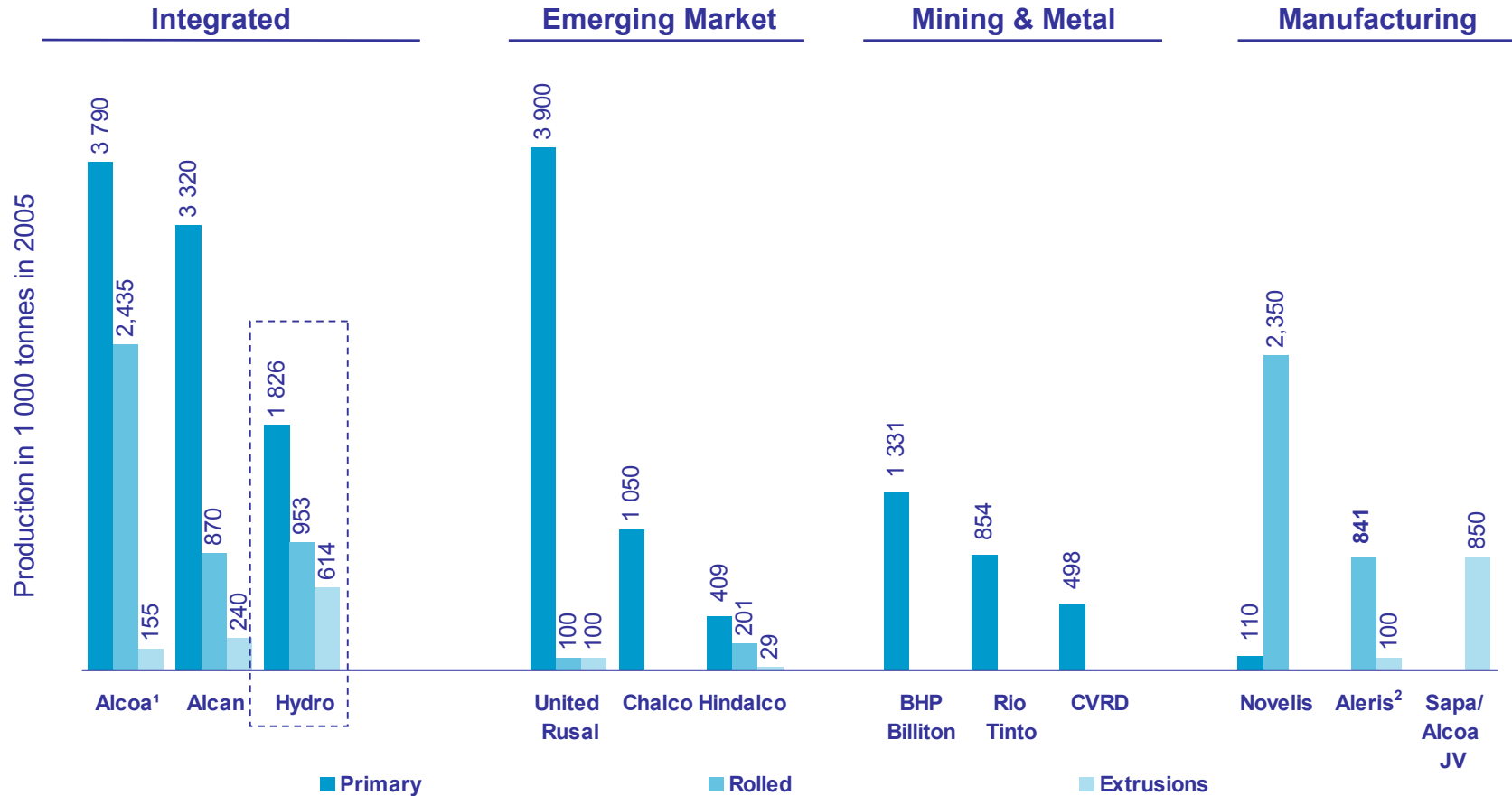
Key milestones

- 18 December 2006 Transaction announced
- 20 February 2007 2006 preliminary results
- 8 May 2007 Annual General Meeting
- Second quarter 2007 Extraordinary General Meetings
- Third quarter 2007 Expected closing

Strategy for long-term growth

- Building on a leading, global position in metal production
- Pursuing new, attractive opportunities in alumina and metal
- Leveraging unique platforms in Extrusion, Precision Tubing and Building Systems and strong position in Rolled Products

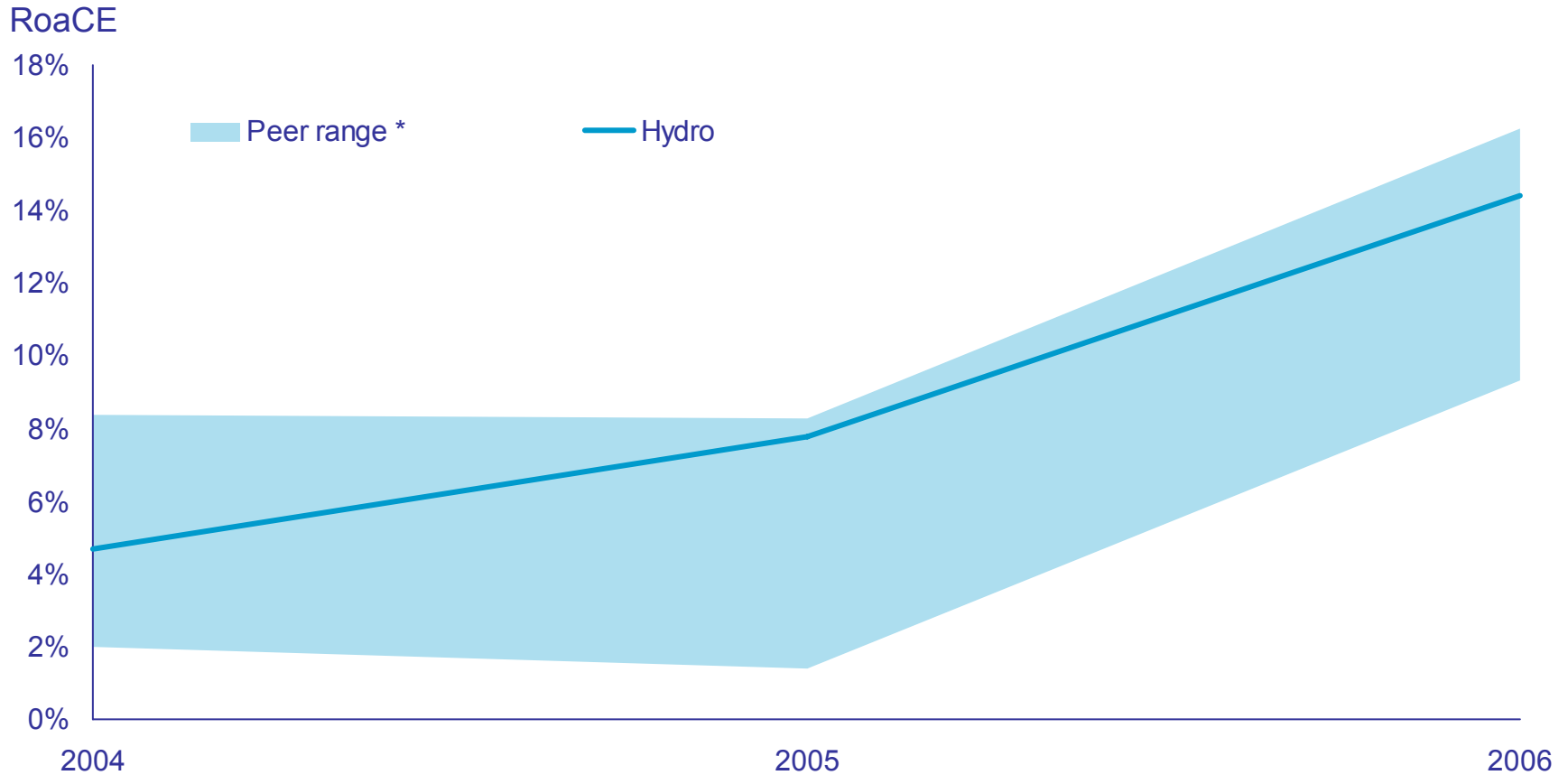
Strong industry position



1. Alcoa pro forma for SAPA JV on extrusion.

2. Pro forma figures for acquisition of Corus Aluminium's rolled and extrusions businesses

Competitive return on capital



* Alcoa and Alcan

Source: Bloomberg return on capital methodology. Hydro figures are approximations to Bloomberg methodology.



Aluminium Metal

- **Strong focus on return on capital**
- **Restructuring on track**
- **Operational excellence and production creep**
- **Long-term profitable growth**

Upstream aluminium positioned for growth

Bauxite



Alumina



Primary



Casthouse products



- **65 percent equity alumina position at low cash cost**
- **1.7 million tonnes per year primary production in 2007, target 2 million tonnes per year 2010**
- **Global leader in casthouse technology and products**
- **Financials first nine months 2006**
 - Operating revenues NOK 52.1 billion
 - Adjusted EBITDA NOK 7.8 billion



Alunorte alumina refinery – key asset in repositioning

- Targeting 6.5 million tonnes production by 2009
- Hydro stake 34 percent of world's largest refinery
- First-quartile investment costs and highly competitive conversion costs
- Platform for pursuing new opportunities in Brazil and in other bauxite rich areas



Qatalum – profitable mega-smelter in key region

- **585 000 tonnes per year – expansion potential to 1.2 million tonnes per year**
- **First quartile operating cost – captive power**
- **50/50 joint venture between Hydro and Qatar Petroleum**
- **Final cost estimate and build decision summer 2007**



Competence and technology provide basis for growth

- **Distinct project management skills**
- **Proprietary technology opens doors for new business opportunities**
- **Next-generation smelter cell technology being developed**
- **Value-added primary products attractive to partners**



Power – a solid fundament

- **10 TWh in Norway of hydroelectric power**
- **Solar energy ventures**
- **Financials first nine months 2006**
 - Operating revenues NOK 4.2 billion
 - Adjusted EBITDA: NOK 1.2 billion

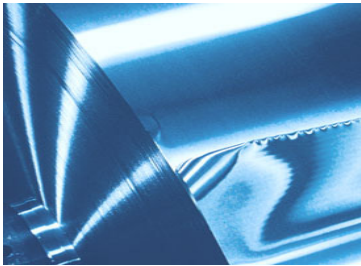


Aluminium Products

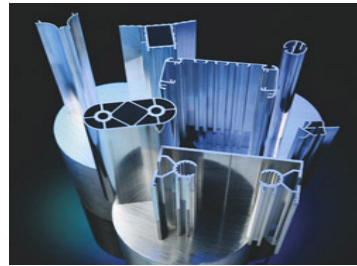
- **Strong momentum in restructuring**
- **Global organization well positioned for growth in 26 countries**
- **State of the art material technology**
- **Strong record in delivering innovative aluminium solutions**
- **Financials first nine months 2006**
 - Operating revenues NOK 39.9 billion
 - Adjusted EBITDA NOK 2.1 billion

High-graded portfolio of downstream assets

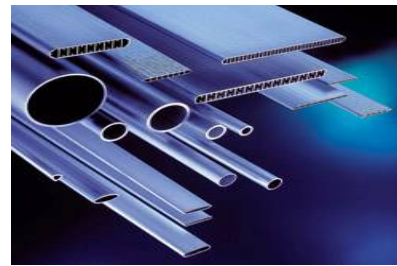
Rolled Products



Extrusion



Precision Tubing



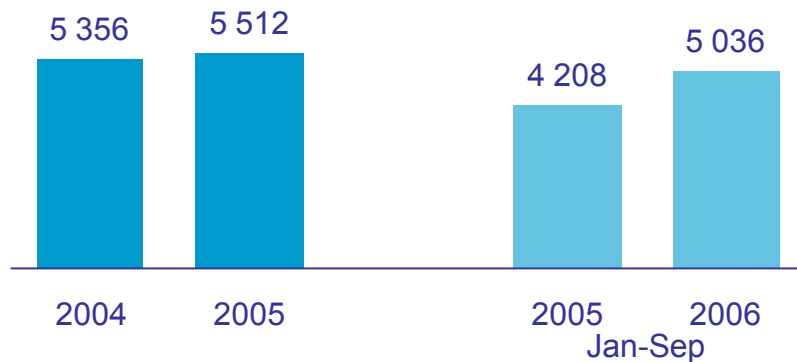
Building Systems



- **Leading Rolled Products assets in Europe**
 - Global leader in high value added products (litho, aseptic foil, heat exchanger)
- **Proven business model in Extrusion**
 - Close to customer, supplying innovative solutions
- **Global leader in Precision Tubing**
 - Well positioned for global customers
- **Building Systems leading brands**
 - Wicono, Technal, Domal

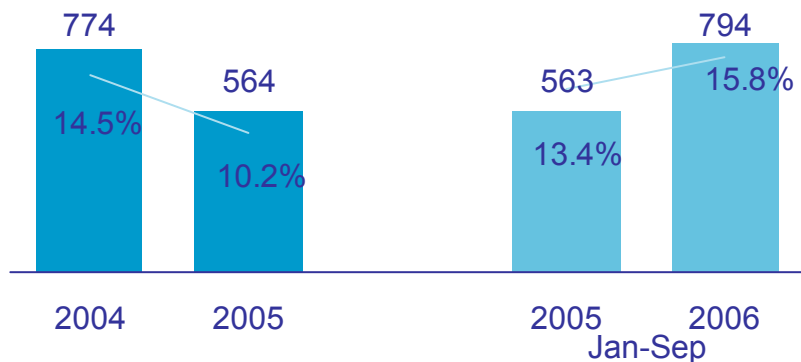
Hydro Polymers – Listing or divestment being considered

Operating revenues in NOK million



- Solid turnaround delivered
- Adjusted EBITDA first nine months 2006 NOK 794 million
- Competitive position, strengthened through chlorine and ethylene investments at Rafnes, Norway
- Positive outlook

Adjusted EBITDA in NOK million and margin in percent



Strong financial position

- **Net interest-bearing debt is estimated at NOK 4 billion at year-end 2006**
- **Maintain dividend policy**
 - 30 percent average pay-out ratio over the cycle
 - 2006 dividend to be funded by Hydro's oil and gas business
- **Increase leverage to finance attractive growth opportunities**

Preliminary carve-out statements

NOK billion	First nine months ended 30 September 2006
Operating revenues	81.8
Depreciation, depletion and amortization	3.1
Other operating cost	70.4
Operating income	8.3
Non-consolidated investees	0.7
Financial income (expense), net	(0.1)
Income before tax and minority interest	8.9
Income tax expense	(3.0)
Minority interest	(0.2)
Net income	5.7

NOK billion	30 September 2006
Total current assets	47.0
Total non current assets	52.5
Total assets	99.5
Total current liabilities	24.1
Total long term liabilities	14.7
Minority interest	0.7
Shareholders equity	60.0
Total liabilities and shareholders' equity	99.5



Hydro – growth and value creation

- **Strong return on capital**
- **Operational excellence**
- **Delivering new growth opportunities globally**
- **Solid financial position**

Cautionary note in relation to certain forward-looking statements

Certain statements contained in this announcement constitute “forward-looking information” within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. In order to utilize the “safe harbors” within these provisions, Hydro is providing the following cautionary statement.

Certain statements included within this announcement contain (and oral communications made by or on behalf of Hydro may contain) forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management’s plans, objectives and strategies for Hydro, such as planned expansions, investments, drilling activity or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in Hydro’s markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by “expected”, “scheduled”, “targeted”, “planned”, “proposed”, “intended” or similar statements.

Although Hydro believes that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause Hydro’s actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to, world economic growth and other economic indicators, including rates of inflation and industrial production, trends in Hydro’s key markets, and global oil and gas and aluminium supply and demand conditions. For a detailed description of factors that could cause Hydro’s results to differ materially from those expressed or implied by such statements, please refer to the risk factors specified under “Risk, Regulation and Other Information – Risk Factors” on page 92 of Hydro’s Annual Report and Form 20-F 2005 and subsequent filings on Form 6-K with the US Securities and Exchange Commission.

No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Use of non-GAAP financial measures

With respect to each non-GAAP financial measure Hydro uses in connection with its financial reporting and other public communications, Hydro provides a presentation of what Hydro believes to be the most directly comparable GAAP financial measure and a reconciliation between the non-GAAP and GAAP measures. This information can be found in Hydro's earnings press releases, quarterly reports and other written communications, all of which have been posted to Hydro's website (www.hydro.com).