

Capital Markets Day



Light Metals



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and President Aluminium Metal Products Jon-Harald Nilsen**

Norsk Hydro ASA December 14, 2000

What we said and what we have done

<i>Objectives announced Oct. 99</i>	<i>Actions taken</i>
Strengthen alumina coverage	Alunorte 25% stake & decision to expand
Exploit brownfield smelter expansions	Sunndal 5,4 Bn NOK expansion decision
Leverage metal supplier concept	Casthouses UK, Spain, US and Venezuela. 1 mill. mt metal contract BZ
Leverage extrusion concepts and globalise Heat Transfer	Acquisitions of Wells (US) and HT JV in China
Focused growth in automotive	Breakthrough in high volume vehicles and exit Autoplastics
Maintain global leadership in Magnesium	Casthouse and metal sourcing base in China

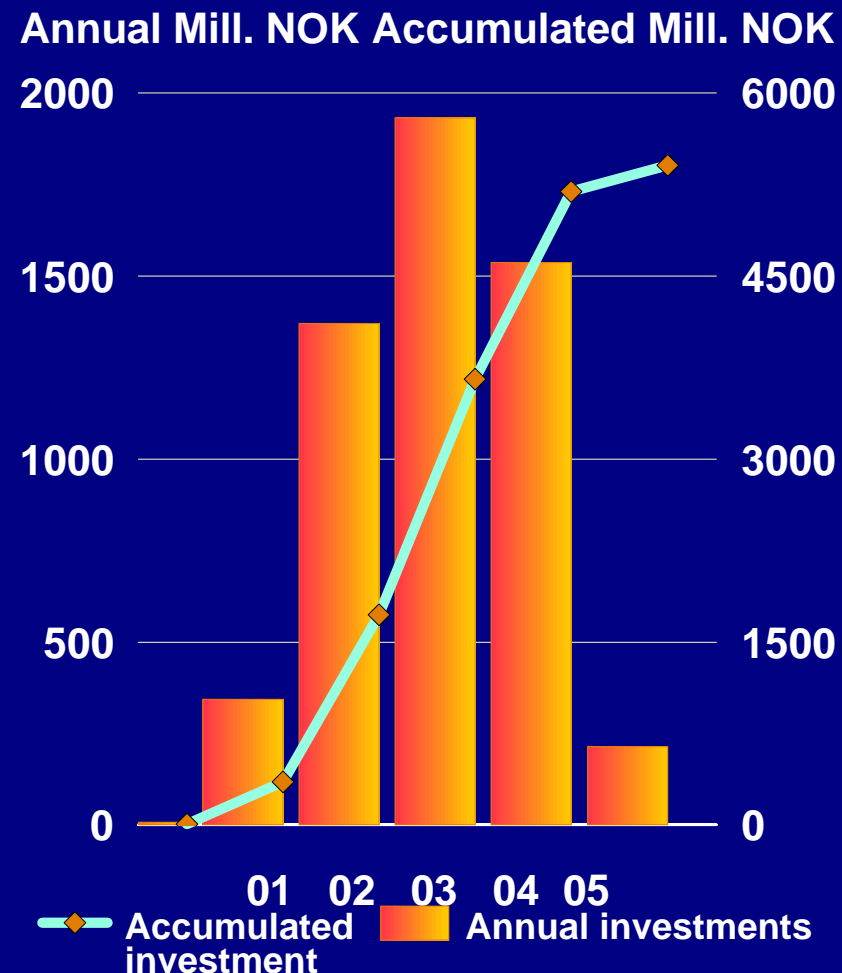
Strong top and bottom line growth realised



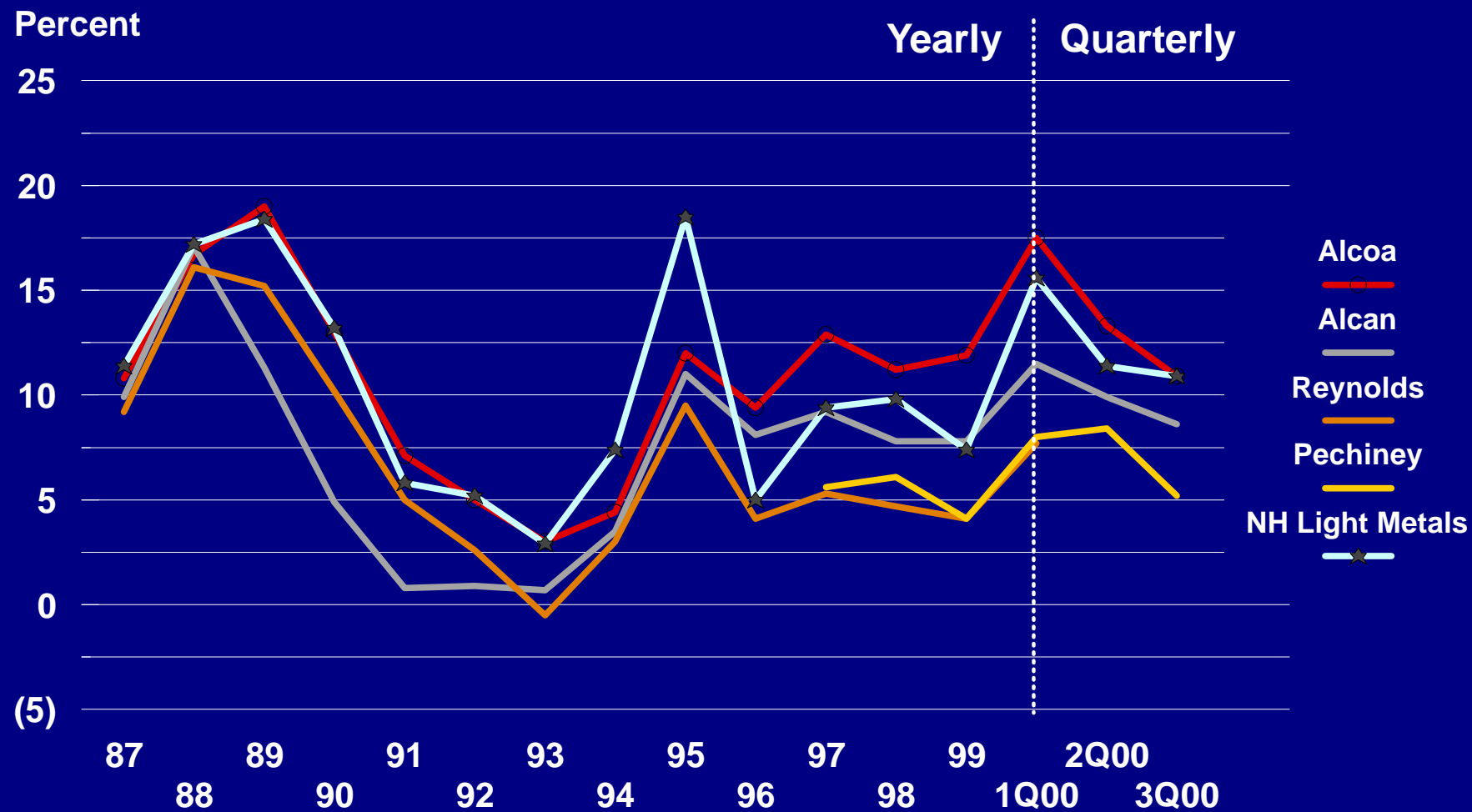
Sunndal expansion an attractive proposition

- ✓ Internal rate of return exceeds 15 percent
 - ▶ 234 kt expansion
 - ▶ manning productivity doubles
- ✓ Proprietary HAL 250 technology
 - ▶ capital and operating cost efficient
 - ▶ unique environmental features
- ✓ Assumptions
 - ▶ 18 øre (24 mills) per KWh
 - ▶ 7.50 NOK/ USD
 - ▶ LME 3M-price 1,550 USD/mt

Payment Profile



Return on assets benchmark shows Hydro outperforming Alcan and trailing Alcoa



* Operating income in % of total assets

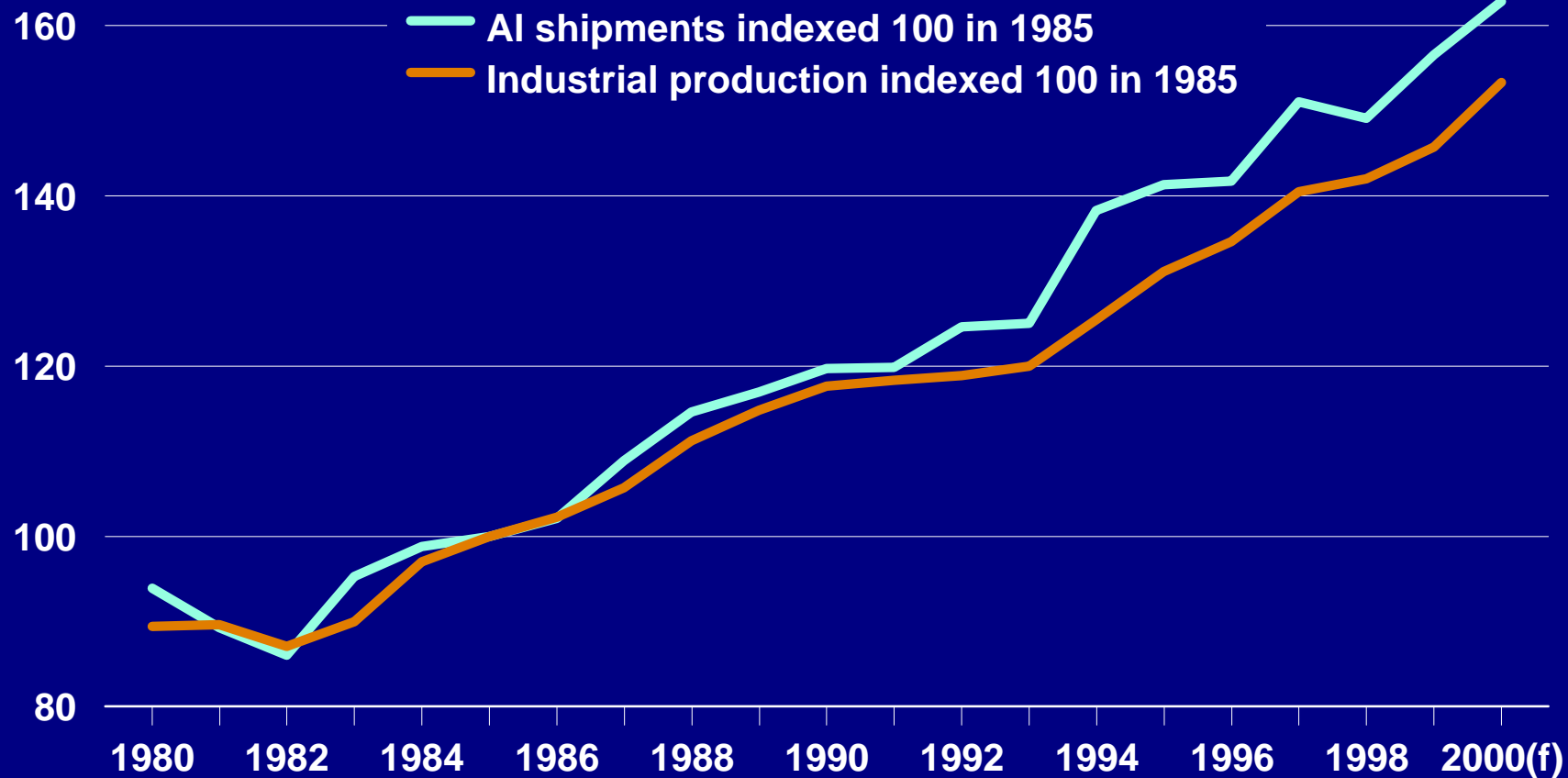
Mg included in Hydro LM from 1999
Source: Company reports



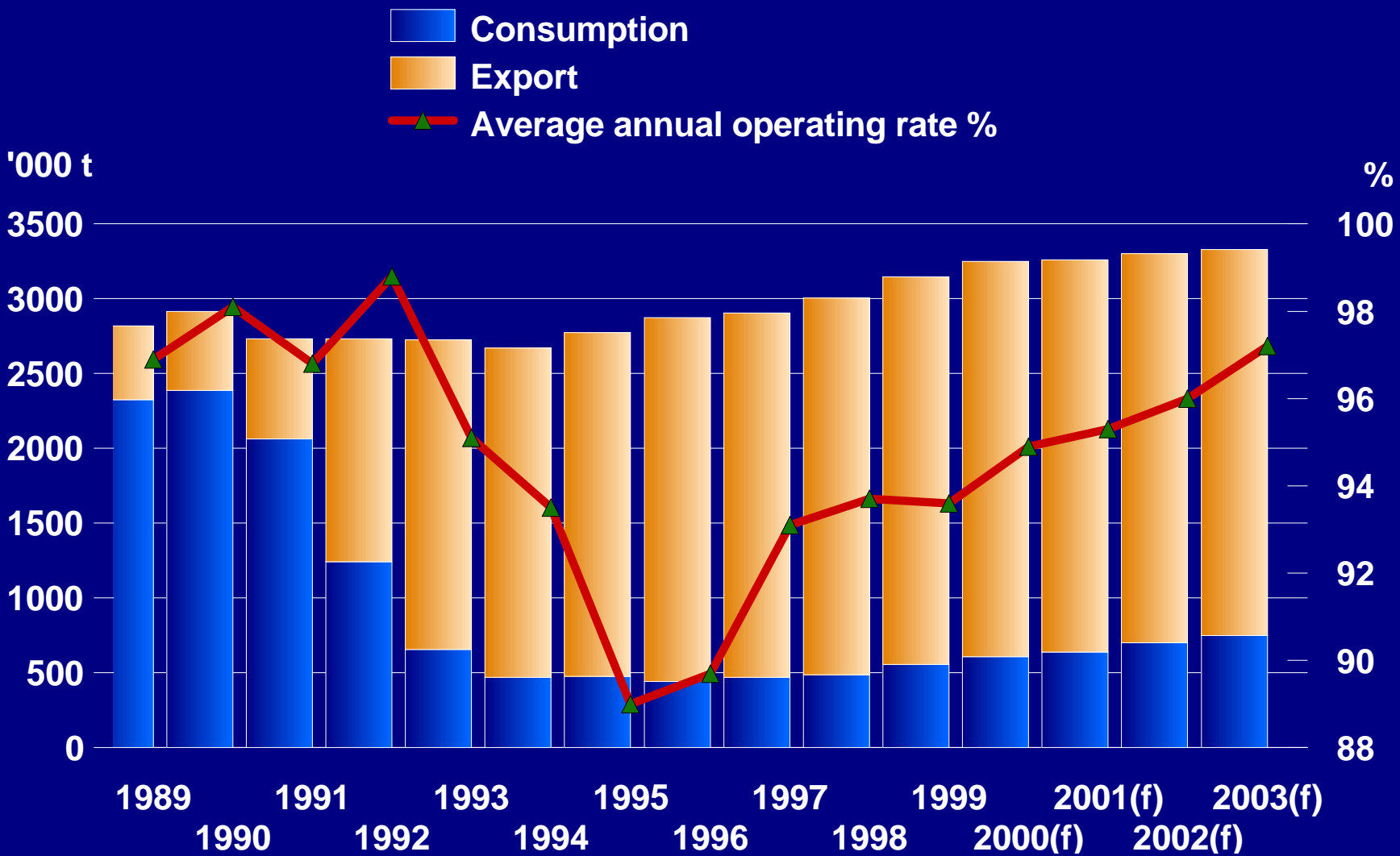
Primary aluminium apparent consumption exceeding growth in industrial production

Western World

Index



Russian primary al production and Western World capacity utilisation



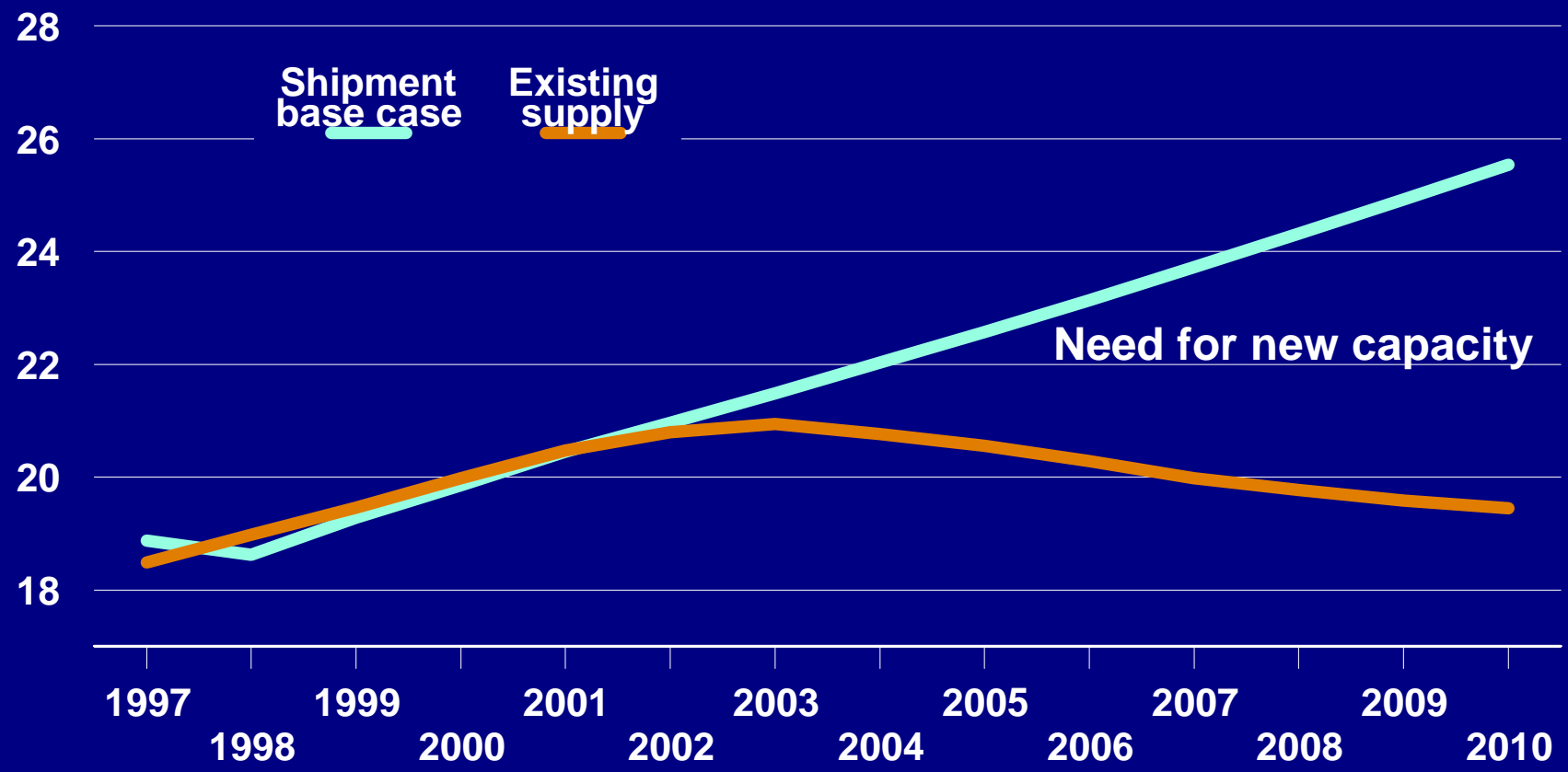
Source: WBMS, IPAI
updated Oct. 2000



Primary aluminium balance

Western World

Mill. mt



Source: HAMP Market Analysis Dept.



Global aluminium metal flow

Surplus and deficit regions

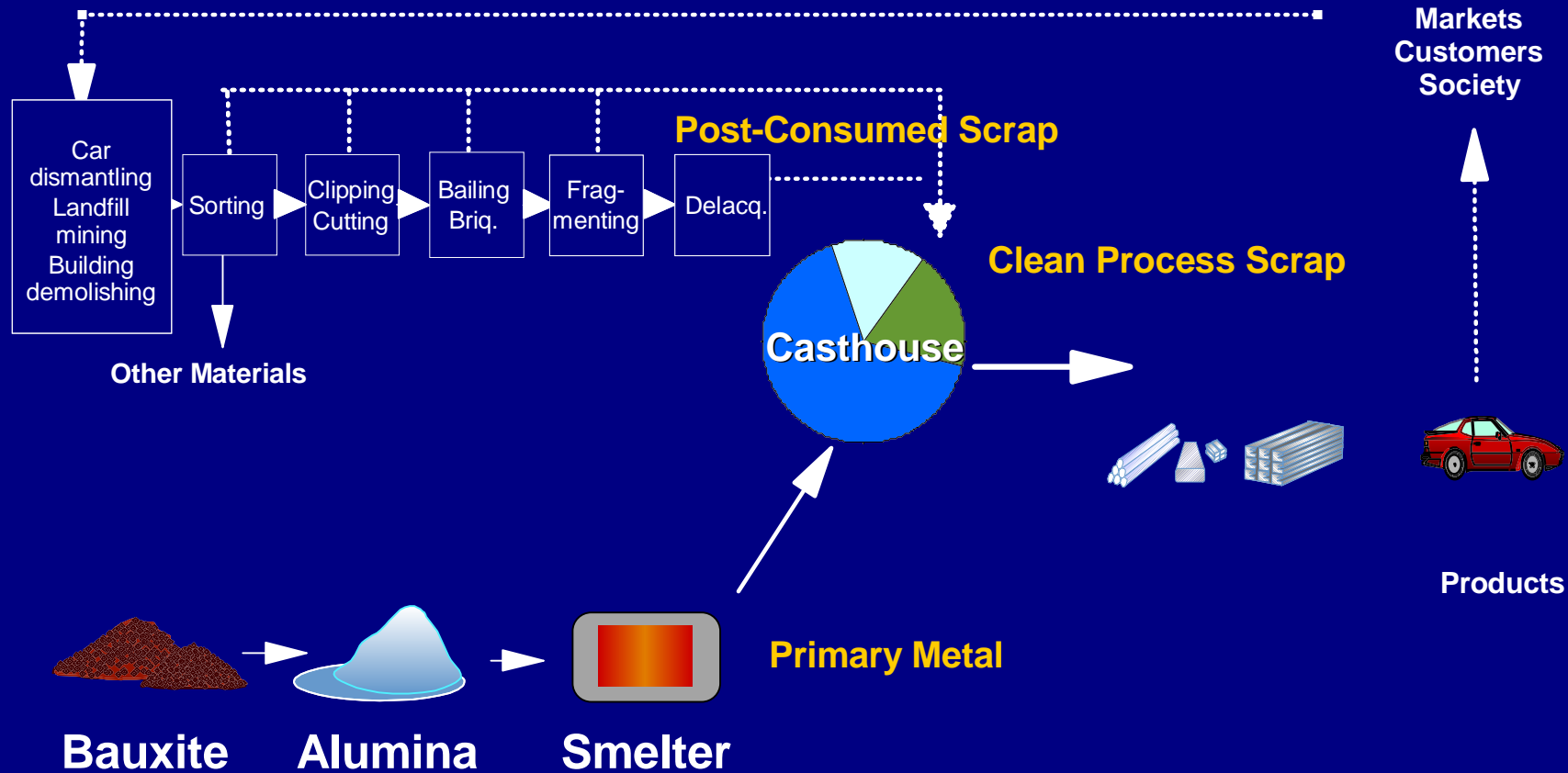


Source: EAA/HAMP

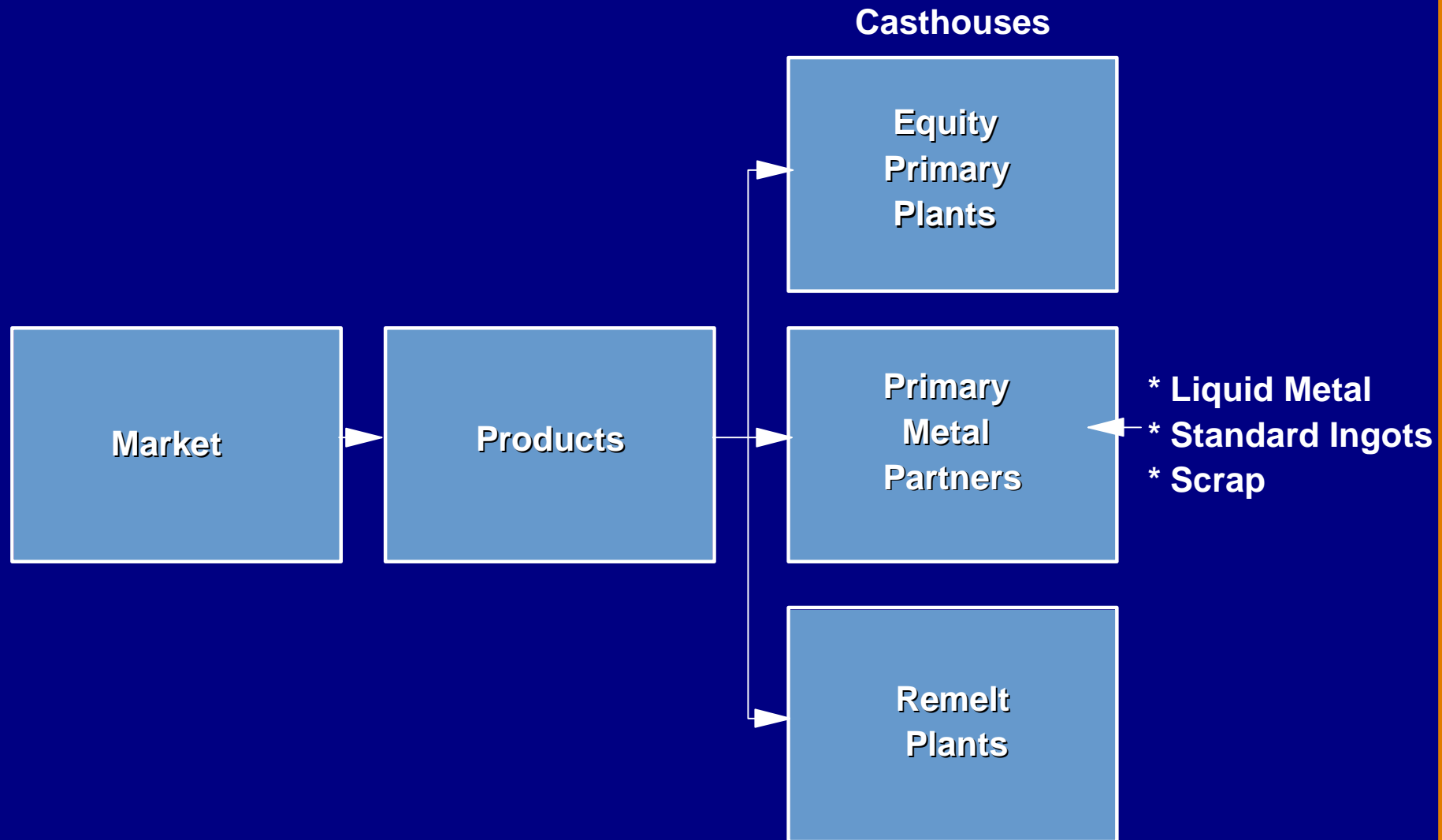


Aluminium supply

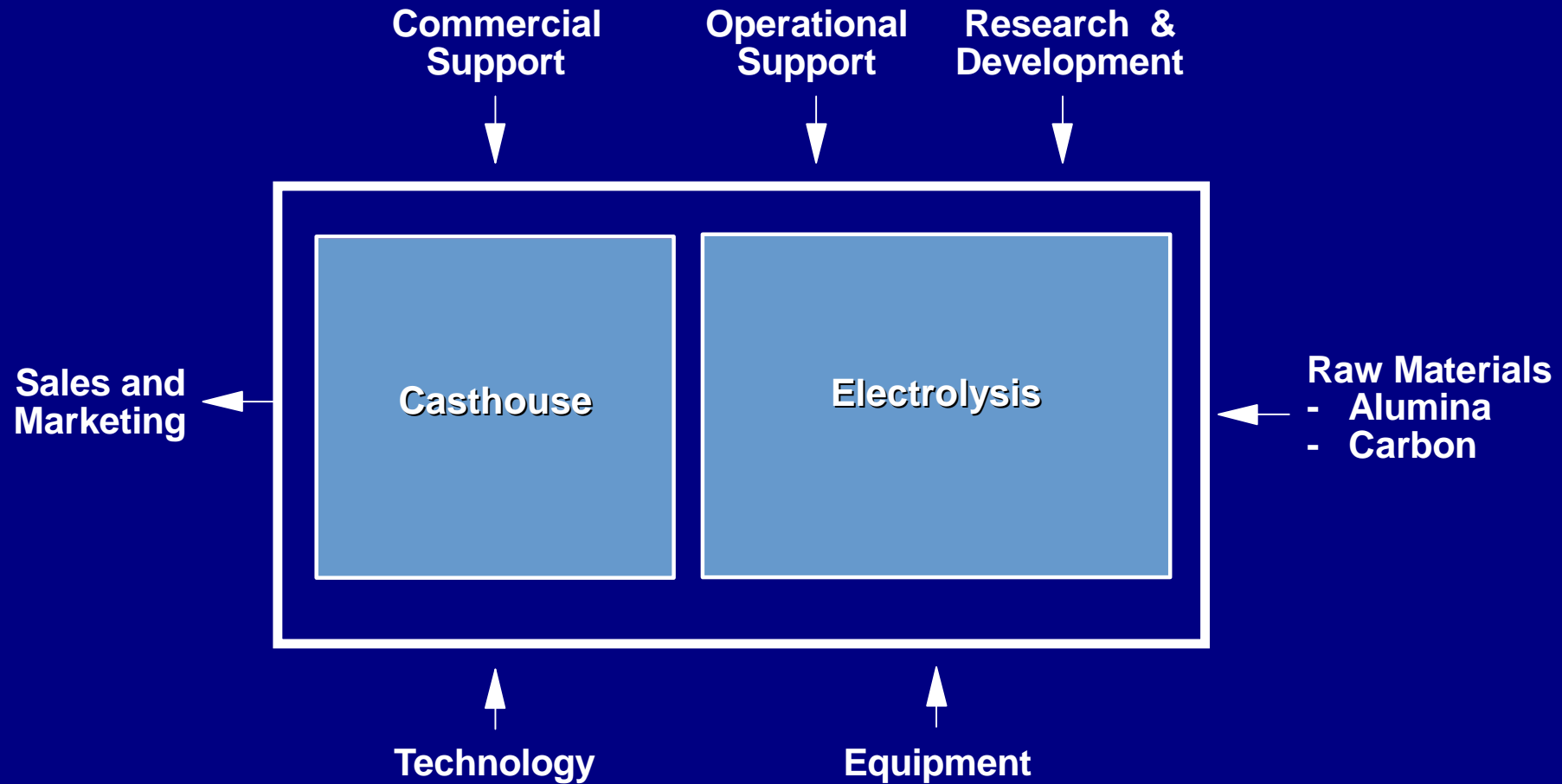
Increased share of remelt



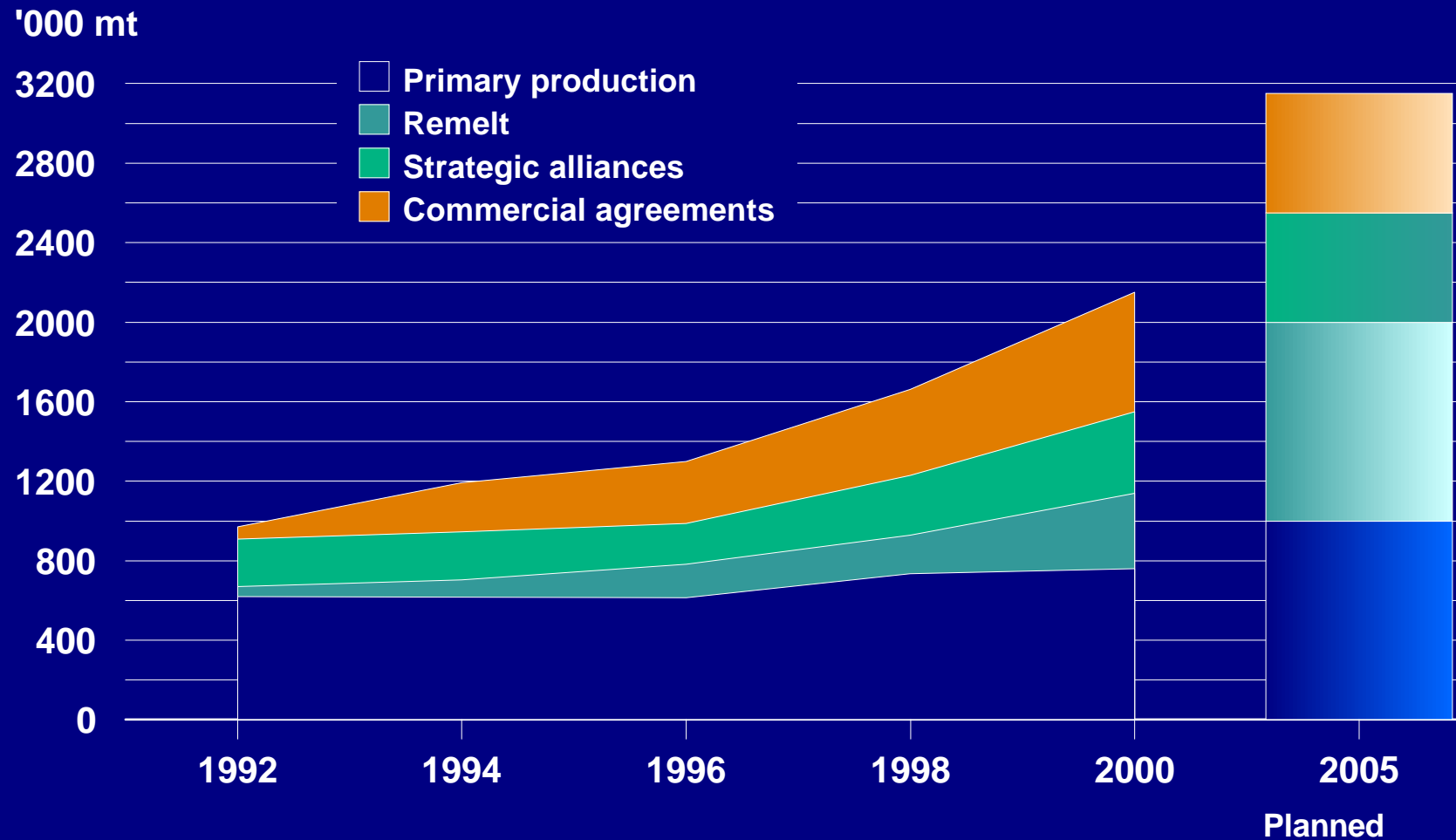
Multi Sourcing Concept



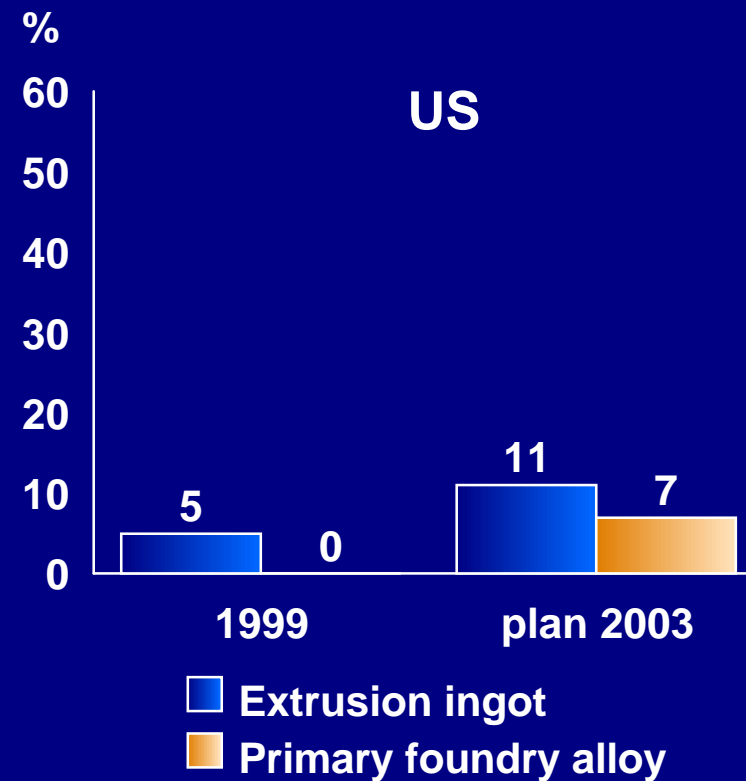
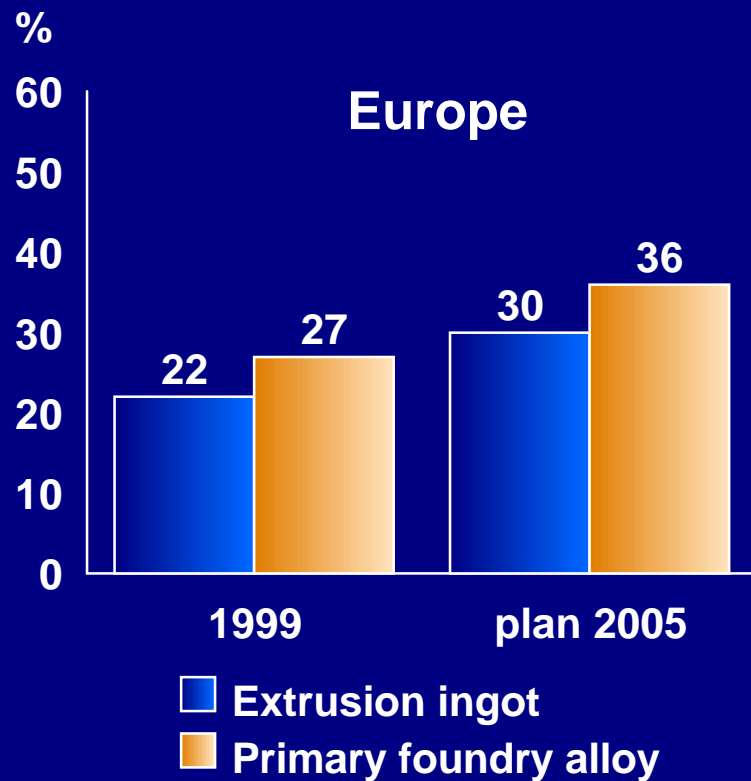
Partner/Alliance Concept



Increased business volume through limited asset investments

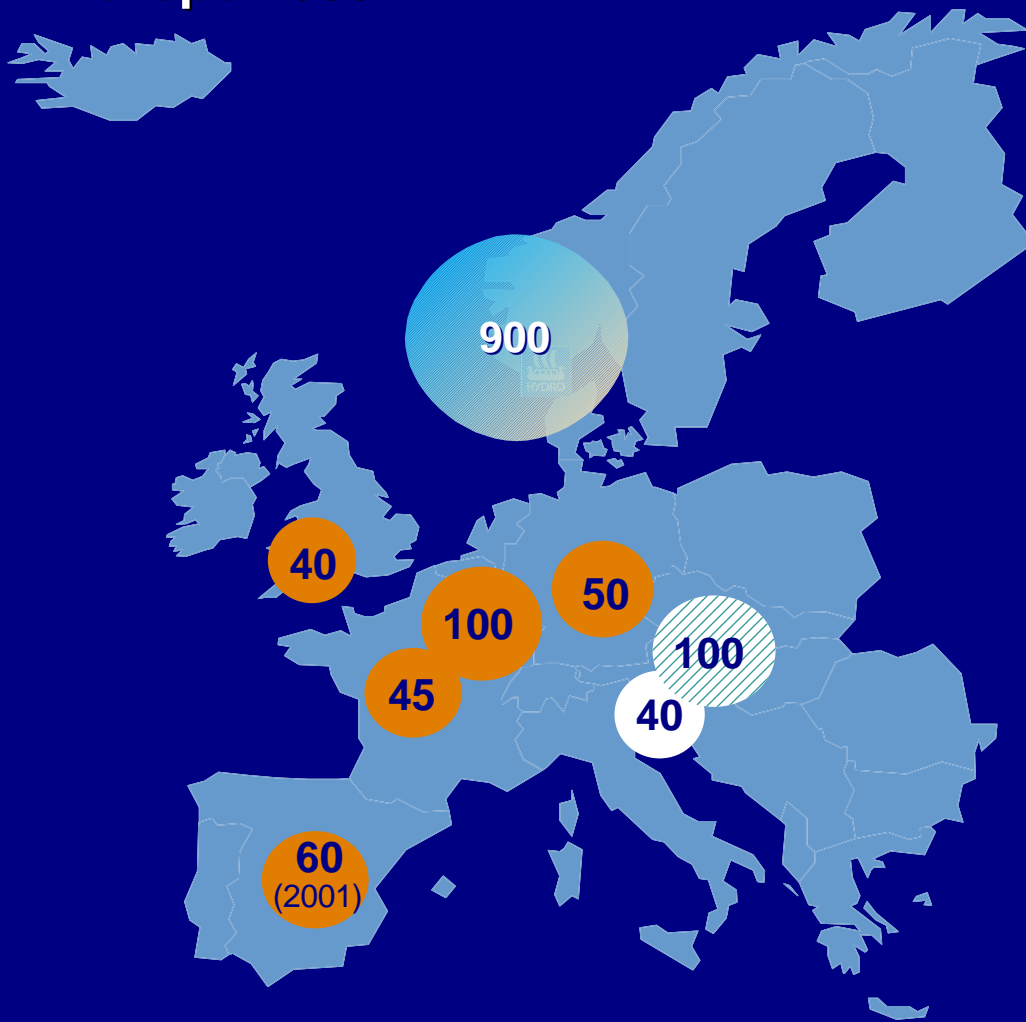


Hydro market shares aluminium products



Building multisourcing network ...

Europe 2000



100% Equity

Equity share

Strategic alliance

Primary

Remelt

Numbers describe volume in 1000 t



Building multisourcing network

North-America capacity end 2000






100% Equity

Equity share

Strategic alliance

Primary

Remelt/
casthouse

Numbers describe volume in 1000 t



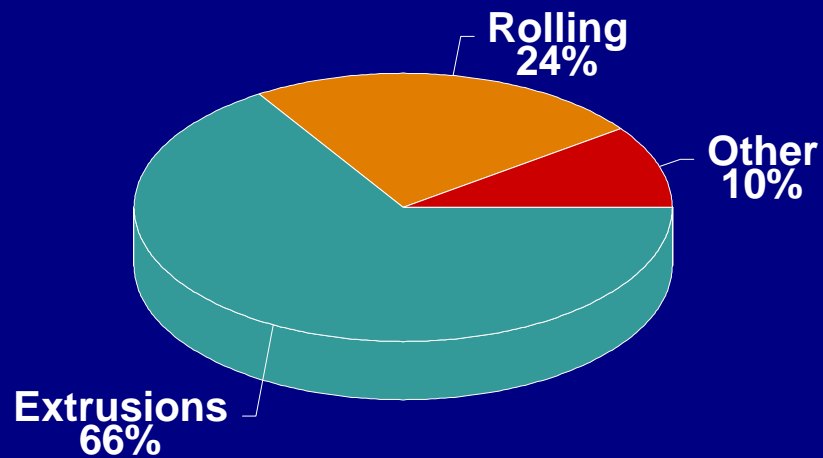
Aluminium projects yielding attractive returns

	Typical tonnage kT/year	Investment pr. ton USD/ton	IRR real after tax %	Net op. cash flow USD/ton
Greenfield smelter	250-500	3,800-4,500	8 -13	450-550
Brownfield smelter expansion	10-250	2,000-3,500	13 -18	400-500
Remelt plant	40-110	350-450	15 -20	70

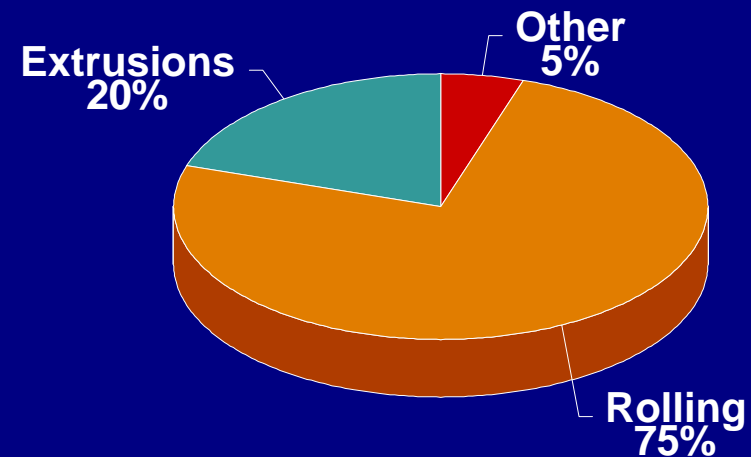


Hydro not like other integrated al companies

Hydro Aluminium

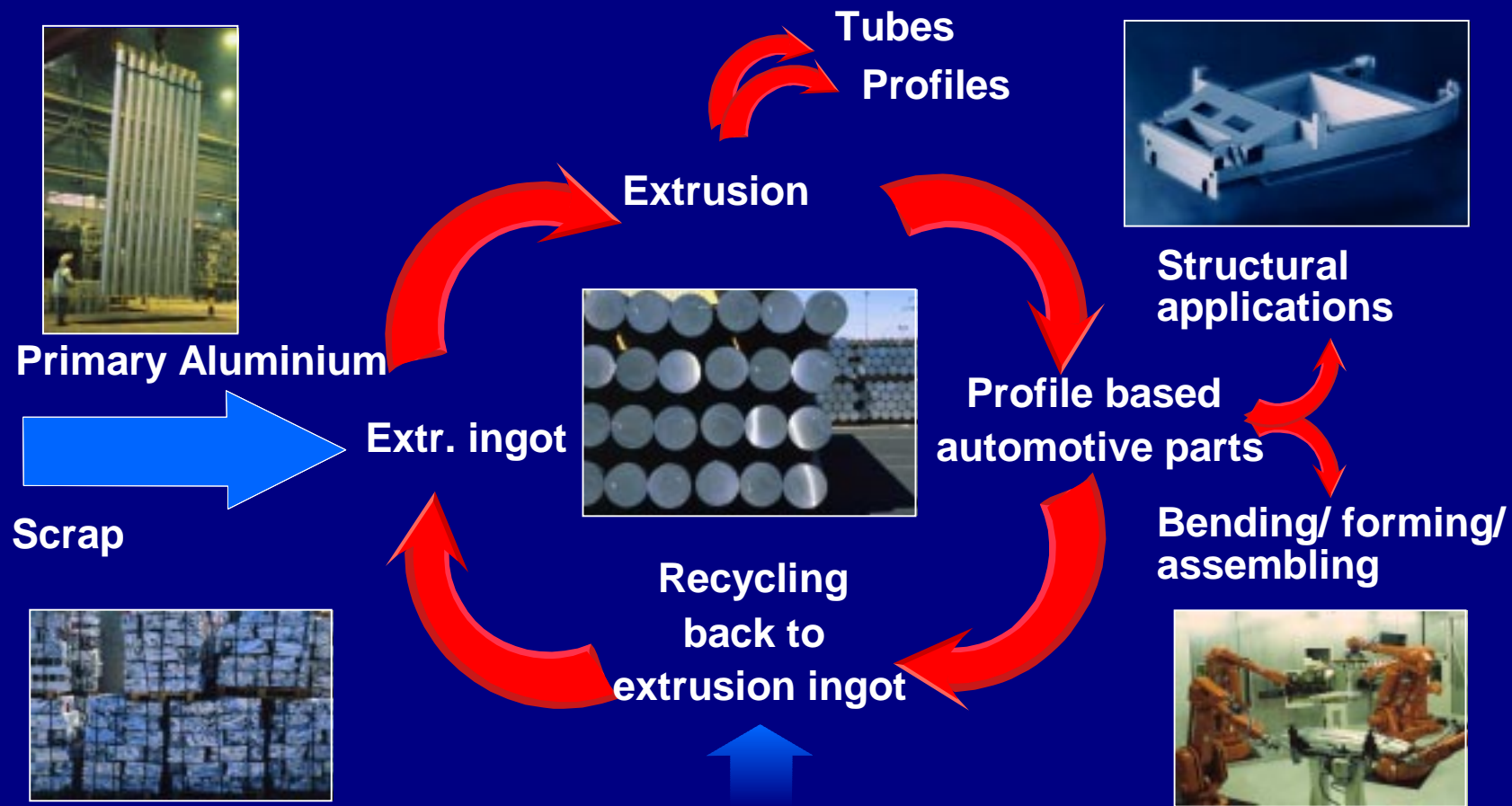


Other integrated



Downstream volume distribution

Profiles are a common denominator...

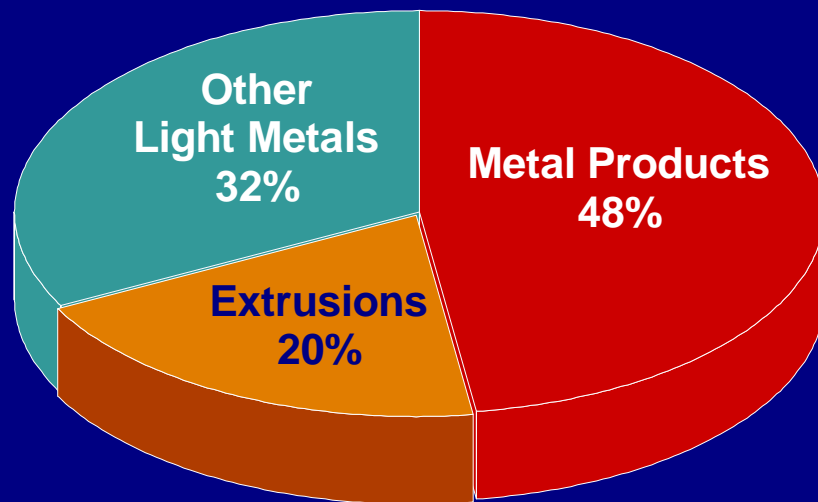


Research & Development - processes, applications & products



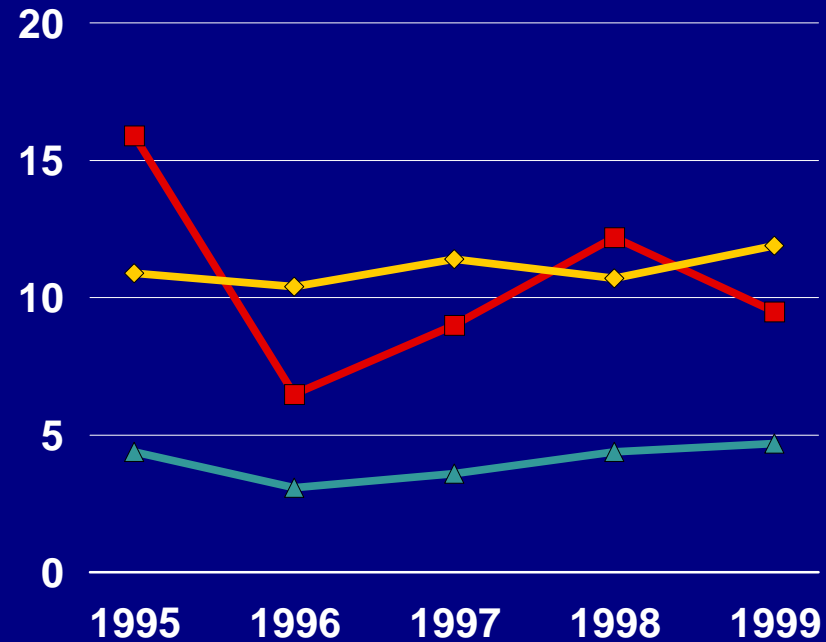
Cash Return On Gross Investments

Gross investment
distribution 1999
38 Bn NOK



CROGI Light Metals

Percent



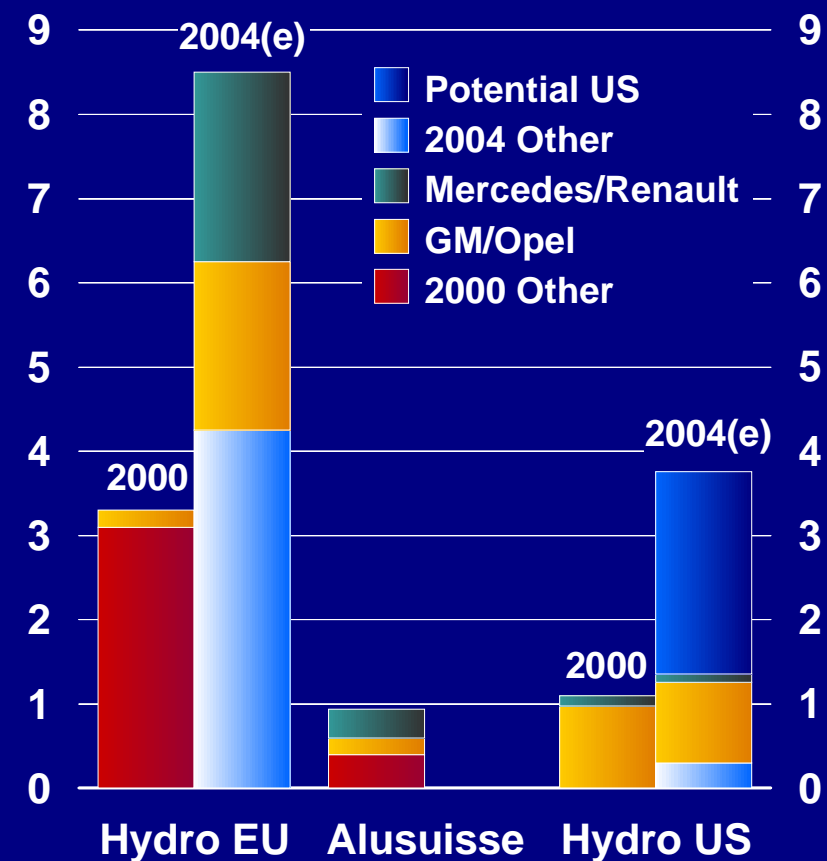
- Metal Production
- ◆— Extrusions
- ▲— Other Light Metals



Automotive - challenges & opportunities

- ✓ **Automotive Structures - product leadership strategy**
 - ▶ **strong order intake within crash management**
 - main product area & industry leadership
 - ▶ **aluminium space frames, penetration of highly profiled niche**
 - still nascent but segment with large potential
 - ▶ **capability game; front loading now, critical mass in 2003**

Al bumpers produced p.a.
Mill. bumpers

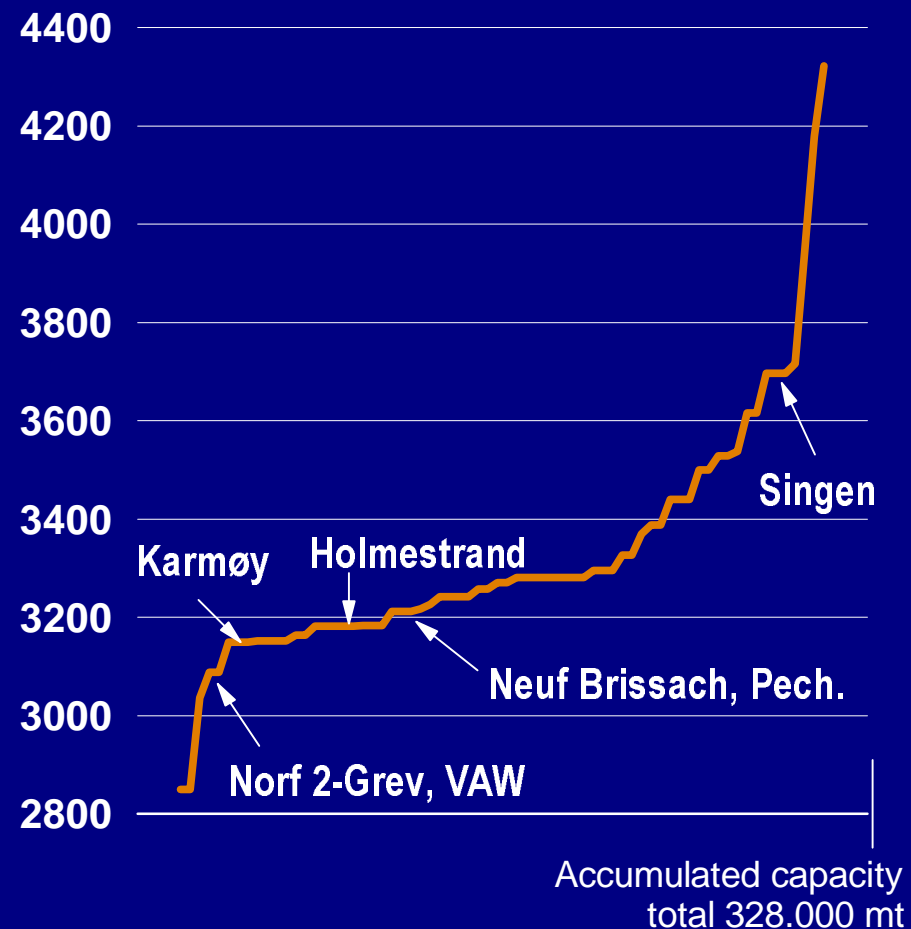


Rolling - challenges & opportunities

Hydro is a European low cost niche producer

- building value added capabilities on present asset base
- evolving as a profitable niche player
- scrap based sourcing & technologies - synergies with upstream activities
- continuous casting - lowest cost route for flat rolled products

1999 CRU Cost curve Building Sheet Europe/Middle East/Africa (DM/mt)



Magnesium - challenges & opportunities

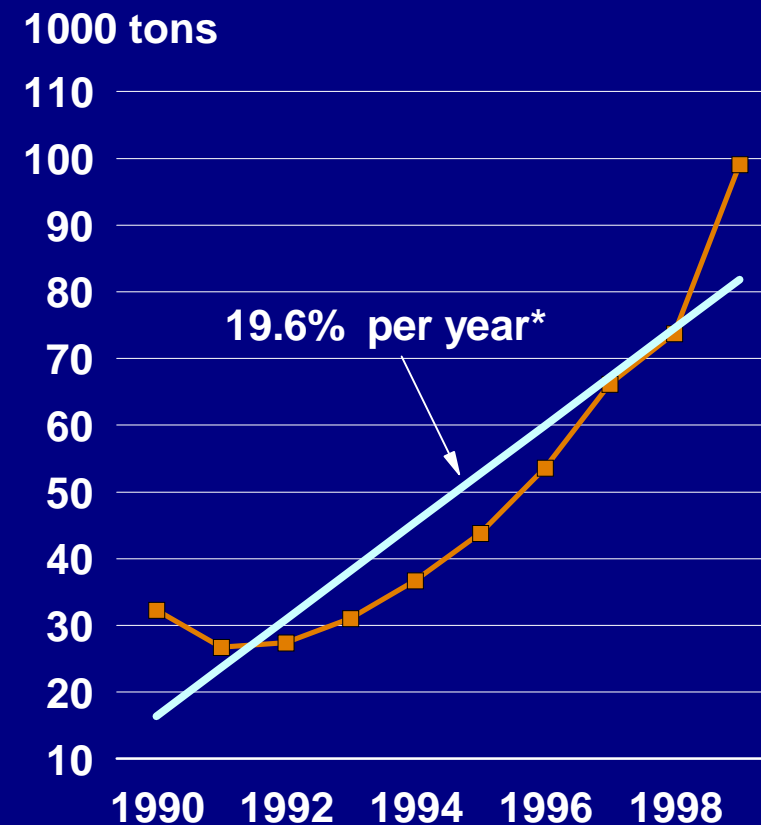
Market

- ▶ Chinese challenge - 1/3 of market captured with low cost material
- ▶ Price deterioration increases competitiveness of Mg
- ▶ Explosive growth in automotive

Hydro's position

- ▶ 50% of premium alloy segment
- ▶ lowest cost western producer - but medium term outlook remains below cost of capital

Global demand for Mg die casting



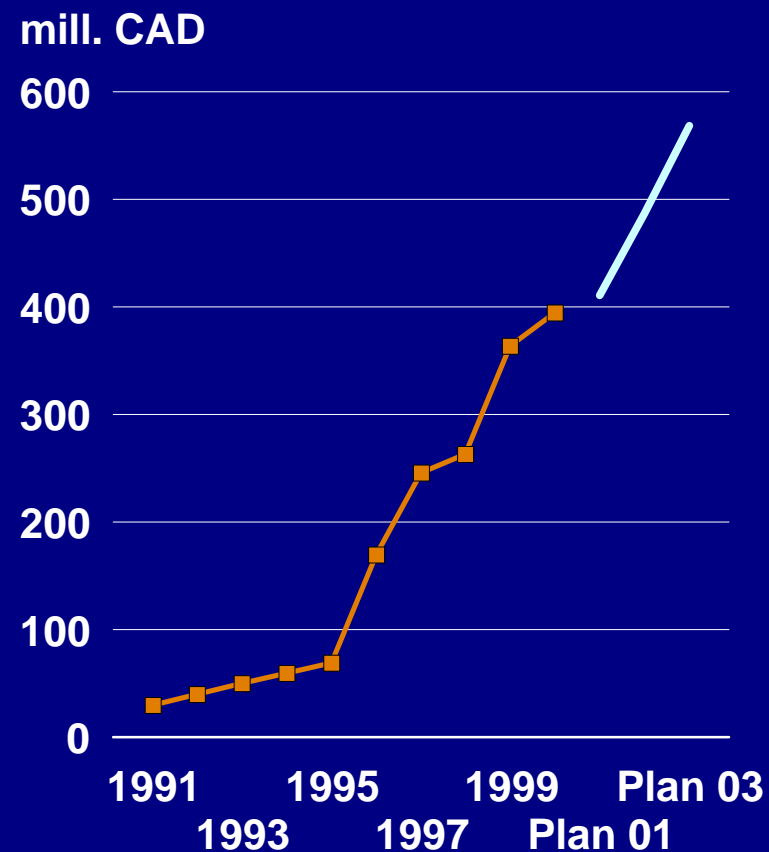
*23% per year since 1994

Magnesium - challenges & opportunities

Hydro's response to market challenge

- ▶ secured long term contracts
- ▶ casthouse in China - leverage global market position with low cost metal
- ▶ 49% in Meridian Technologies Inc. - the world's largest diecaster, EBIT margin > 10%

Meridian turnover
Mg die castings



Light Metals going forward

- ✓ **Continue to leverage our strengths**
 - roll out metal supplier & extrusion concepts
 - develop existing and new partnerships
 - capitalise on metallurgical & technological competencies
 - exploit attractive brownfield opportunities

- ✓ **Continued top & bottom line growth**
 - increase differentiation & value adding for customers
 - profitable organic growth and acquisitions

- ✓ **Participate in industry restructuring**
 - Opportunistic approach i.e. when price & timing is right



Back-up foils

Light Metals



Aspirations for Hydro Light Metals

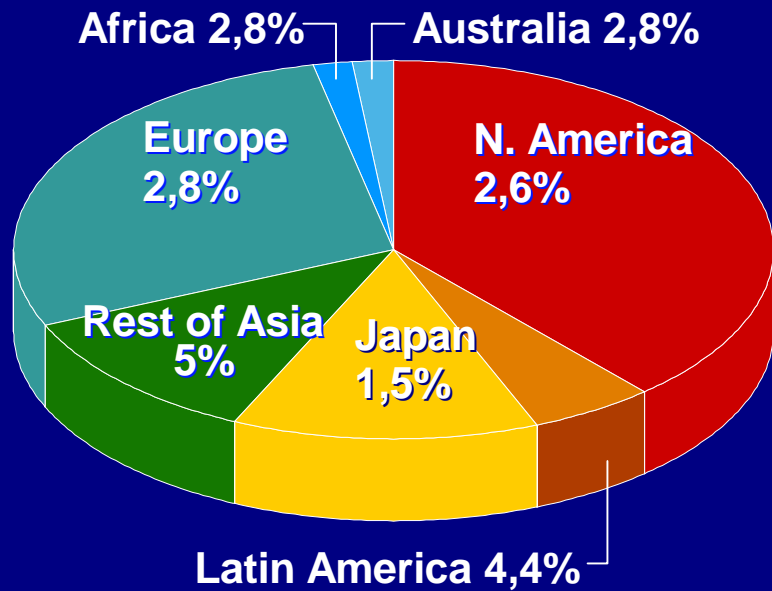
**A profitable position
among the world's top
three integrated light
metals companies**



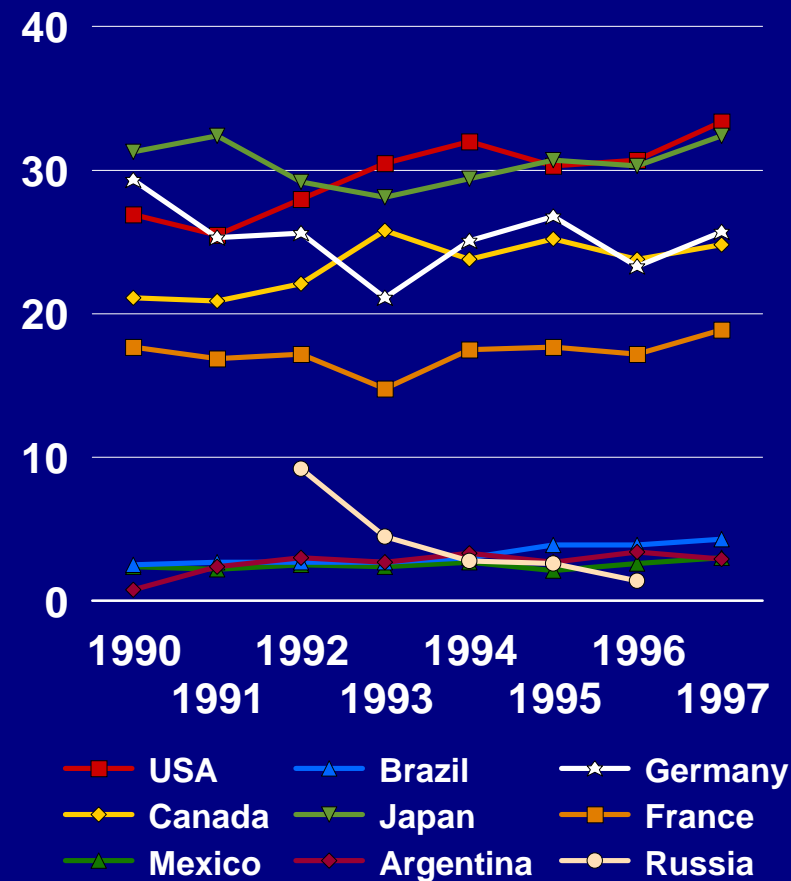
Strongest demand growth expected in Asia (excl. Japan) and Latin-America



Average growth rates 2000-2010



Per Capita AI Consumption

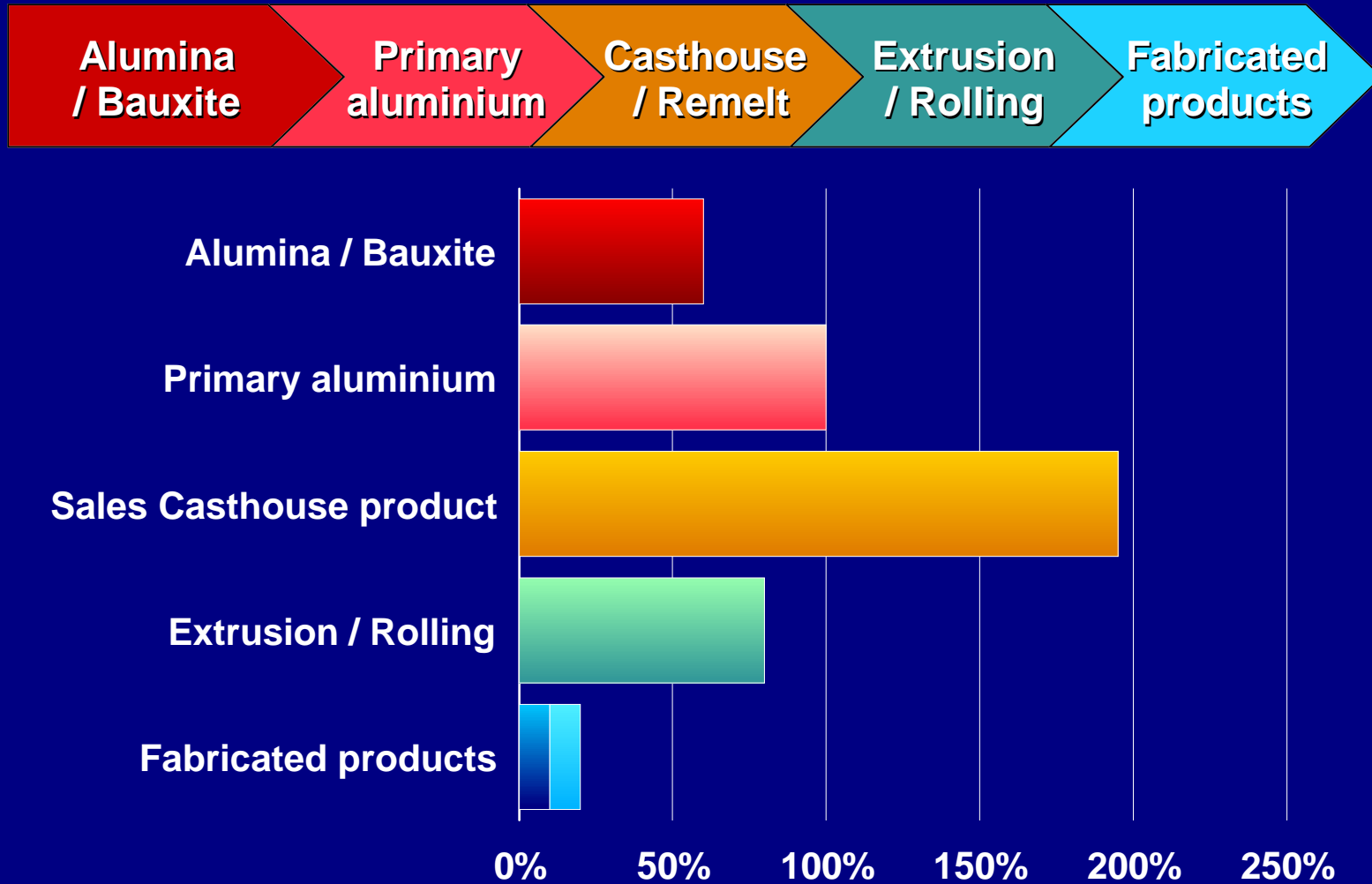


Source: CRU, Aluminum Association

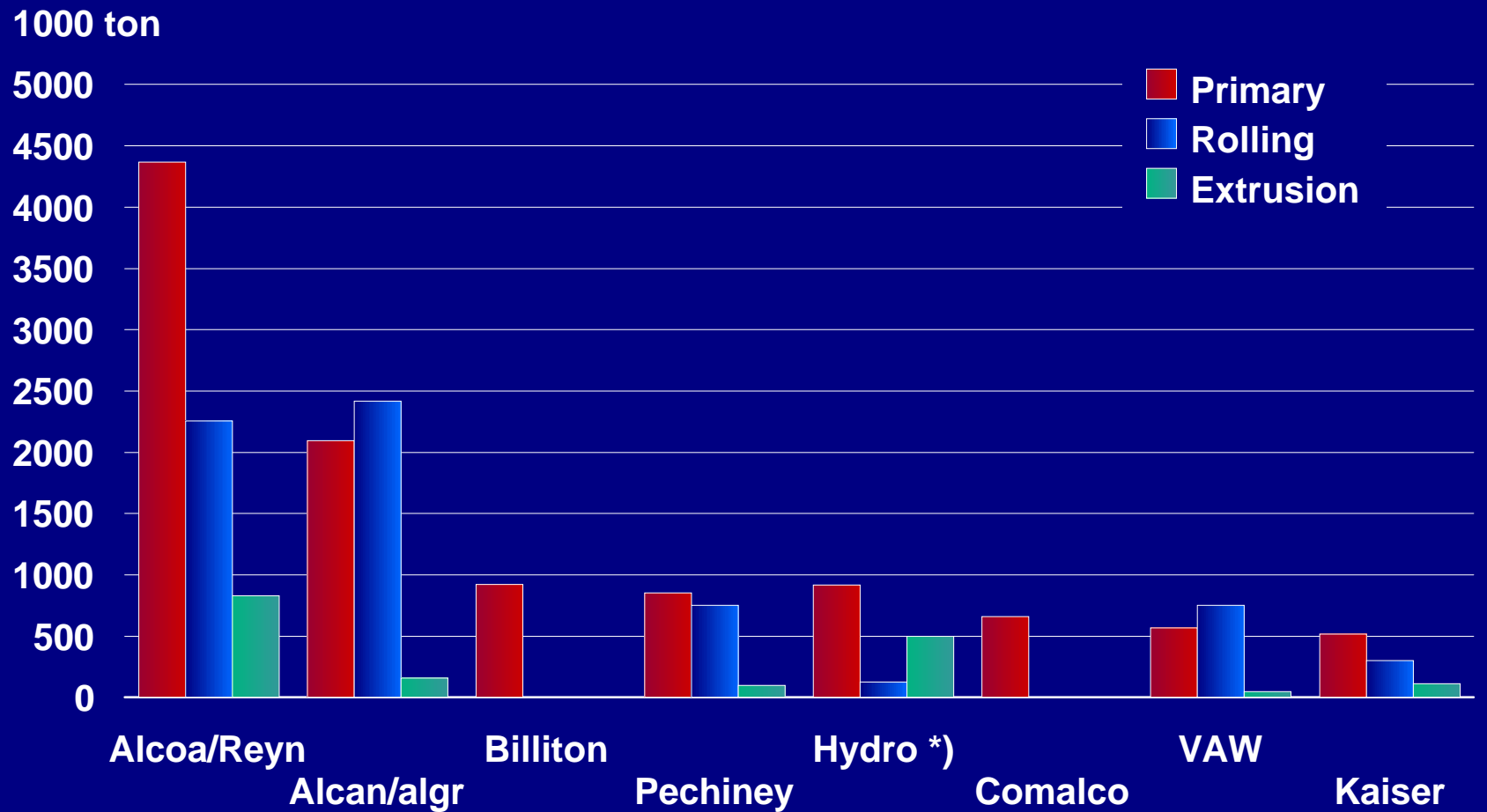


Hydro with strong focus mid- and downstream

- level of integration along the value chain



Aluminium producers - production capacities



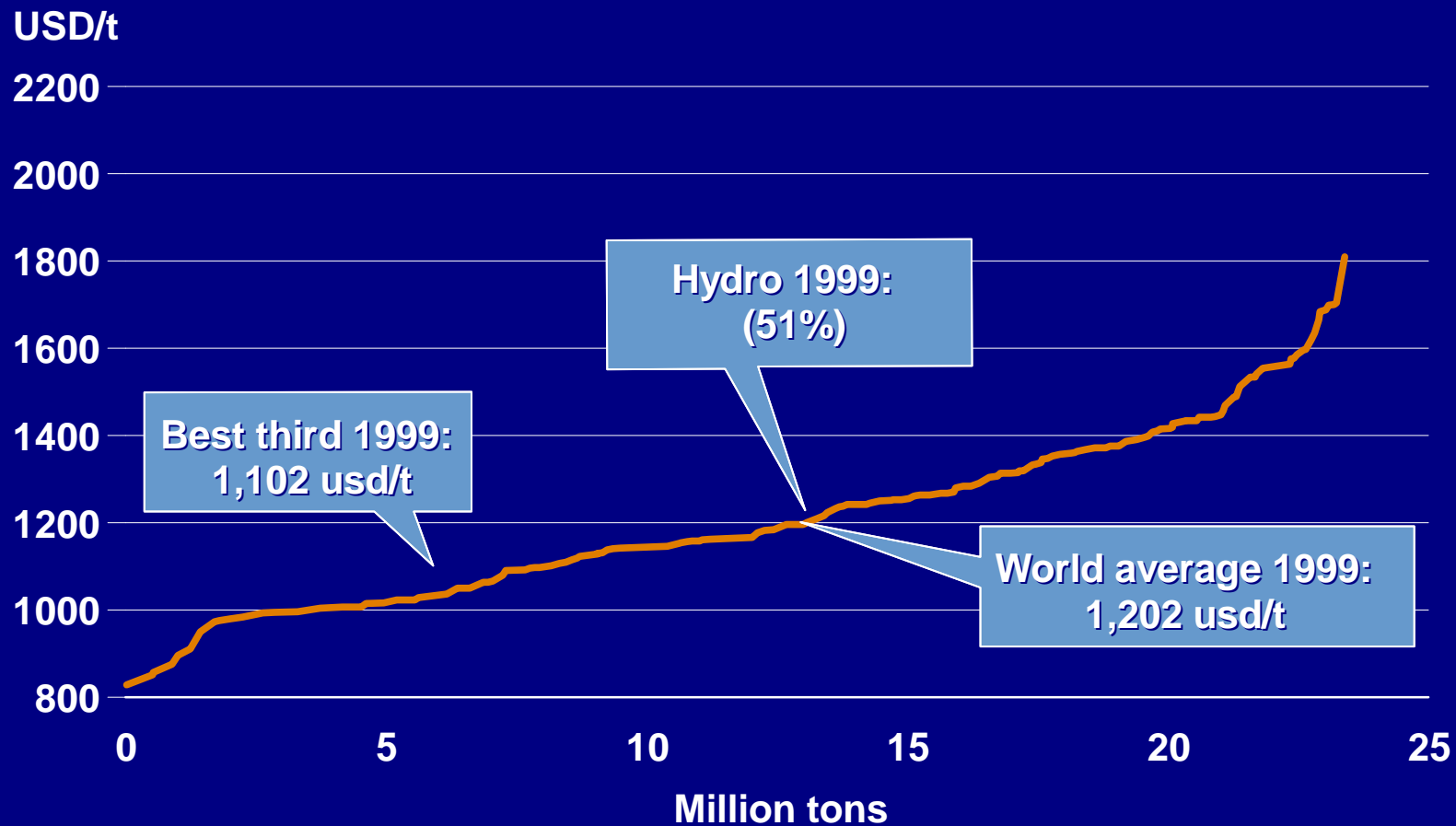
*) Hydro inclusive SU4



Full operating costs world smelters

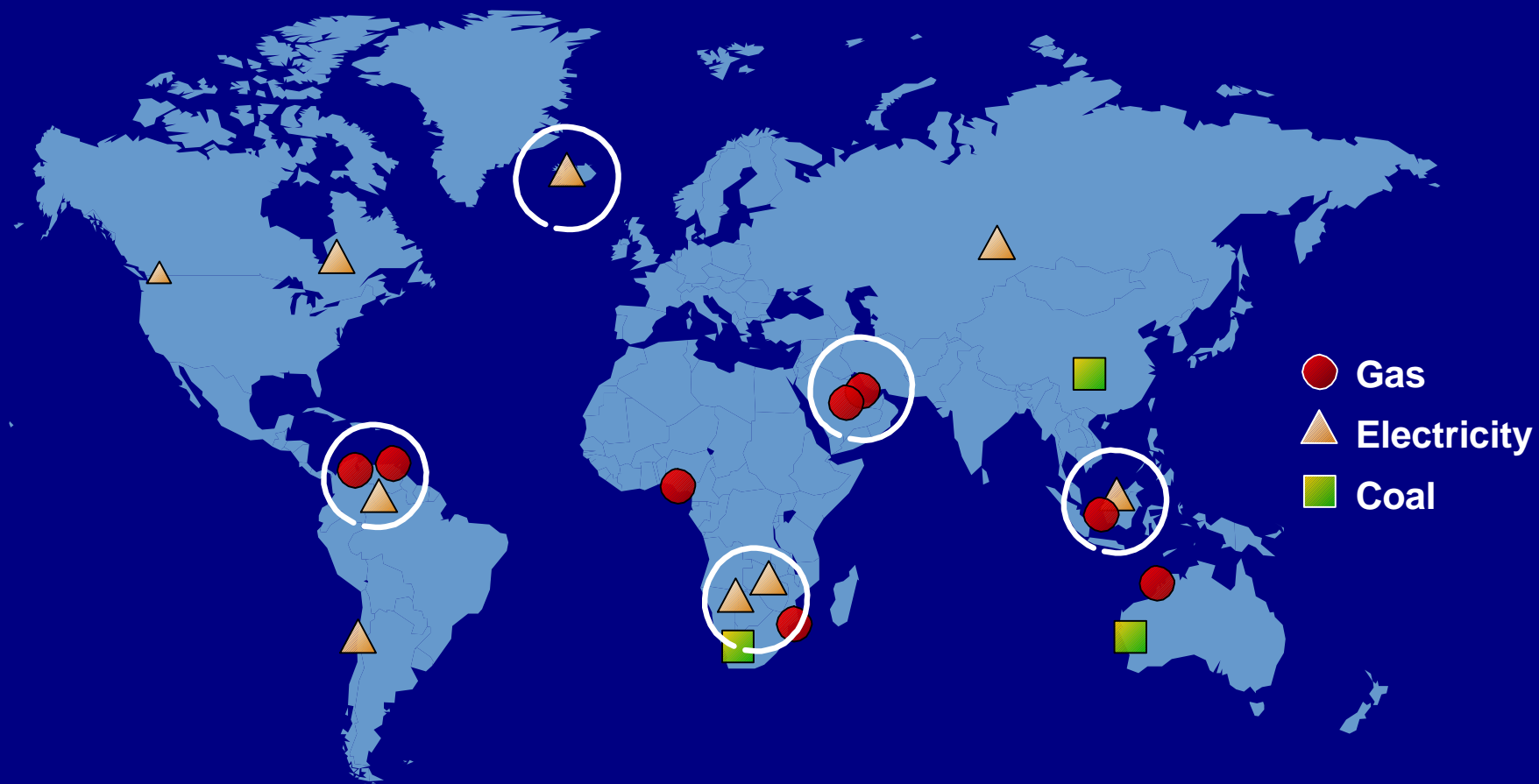
CRU cost curve

Total capacity
1999: 23.4 million tons

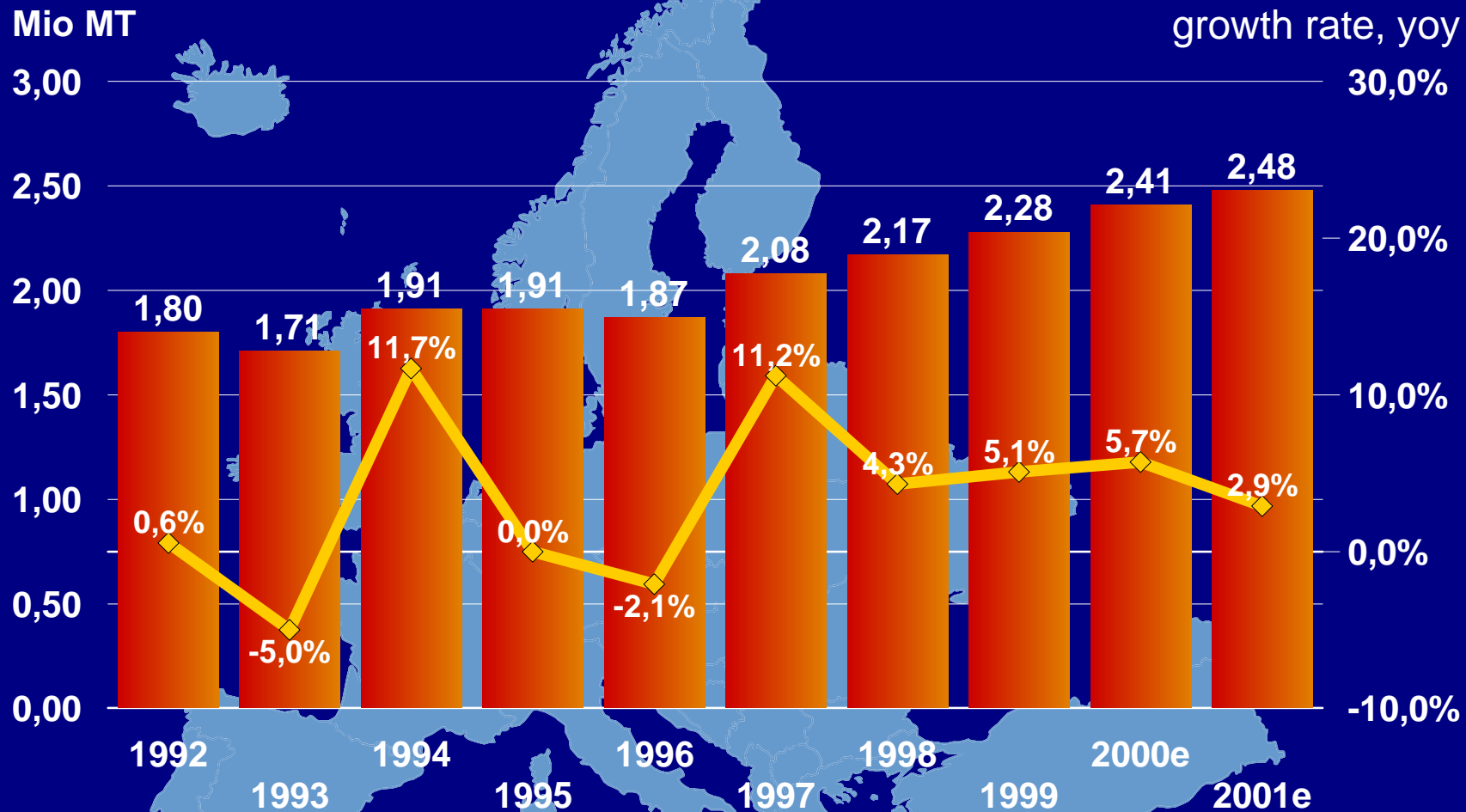


Energy-Rich Pockets

Competitive power for the aluminium industry

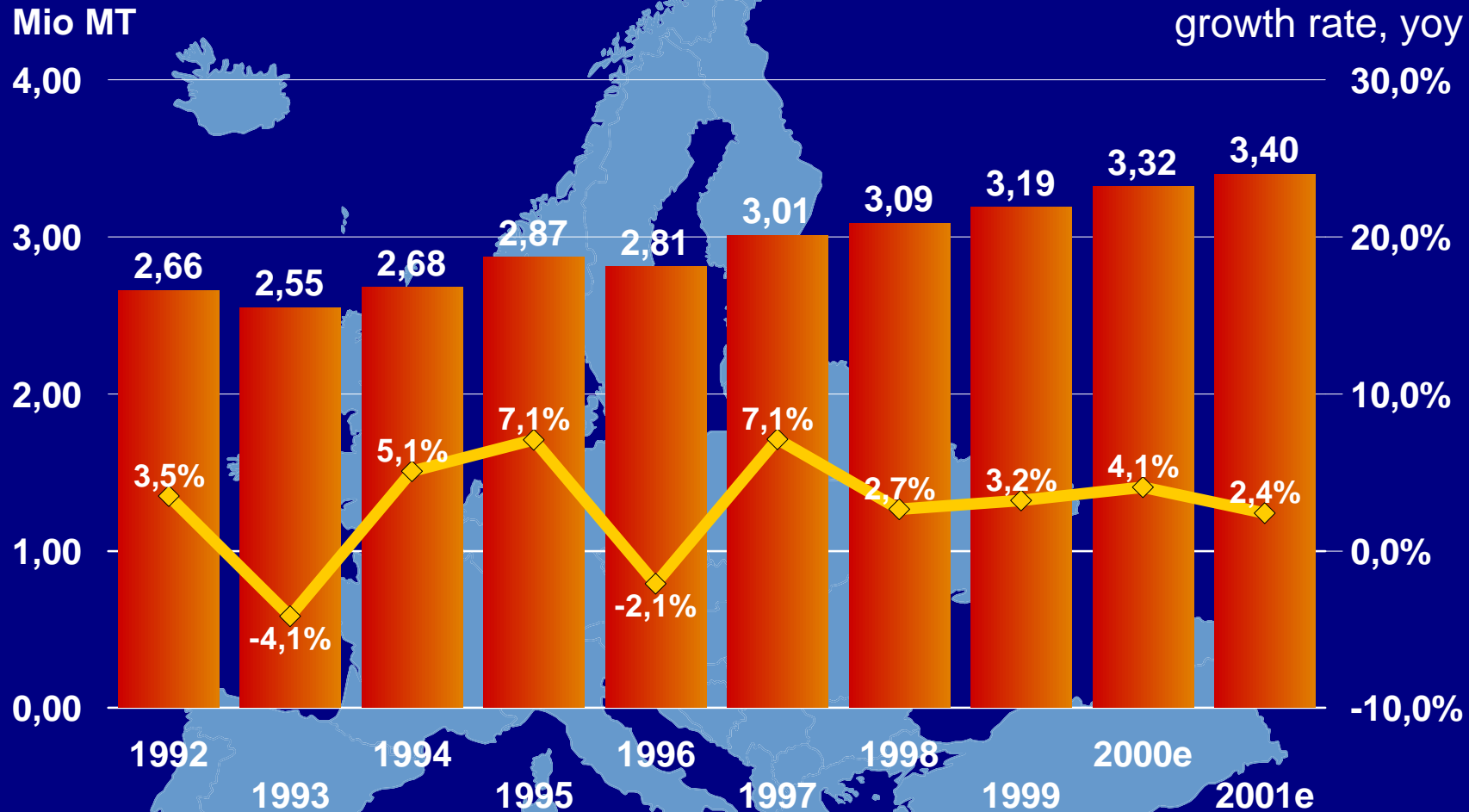


Extrusion consumption in Europe



Source: EAA Short Term Panel

Rolled products consumption in Europe



Source: EAA Short Term Panel

Safe harbour statement

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