

Capital Markets Day



Oil and Energy



Executive Vice President Tore Torvund
Norsk Hydro ASA December 14, 2000

What we said and what we have done

Direction October 1999:

- ✓ Develop 4 - 5 international core areas
 - ▶ Each with a production potential >50,000 boe/day
 - ▶ Deep water vs. low cost areas
 - ▶ Balanced portfolio: NCS vs International diversification
- ✓ Reduce finding and development cost to below 5 USD/boe
- ✓ Increase production to 800,000 boe/day
- ✓ Strengthen Hydro's position as a gas company

Actions taken:

- ✓ Further developed existing core areas
 - ▶ Iran added as a potential core area
 - ▶ Stronger focus on international exploration activity
- ✓ Increased focus on lead time from exploration to development decisions. Ormen Lange of great importance
- ✓ Production target within reach based on existing portfolio
- ✓ Gas strategy under development



International activities - competitive advantages

- ✓ Hydro is a technology driven company, with deep water expertise and experience from operating in harsh environments
- ✓ Hydro can offer a differentiated approach and has good tradition of co-operation with authorities
- ✓ Hydro is a leading company in a successful oil province (NCS)
- ✓ Hydro has the opportunity to utilise NCS assets in international swaps

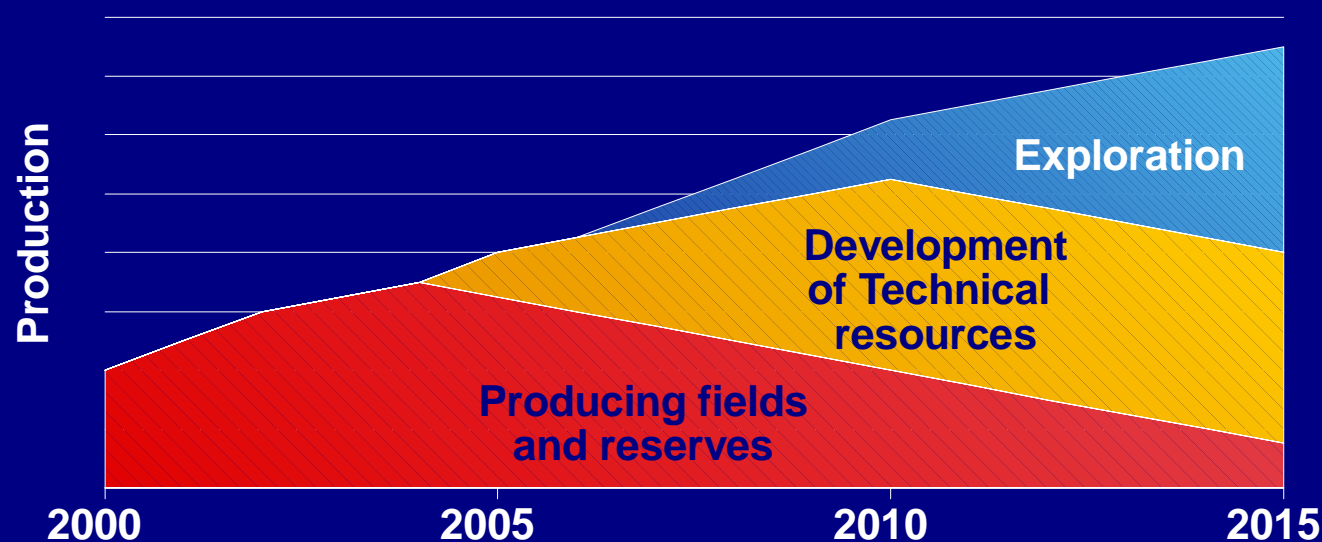


Deep water oil resources



Core area entry strategy

- ✓ Build on Hydro's NCS operator competencies
- ✓ Secure access to an initial portfolio with long term field development and exploration potential
- ✓ Pursue possibilities for co-operation with existing companies in the area
- ✓ Focus on competitive fiscal and commercial environment



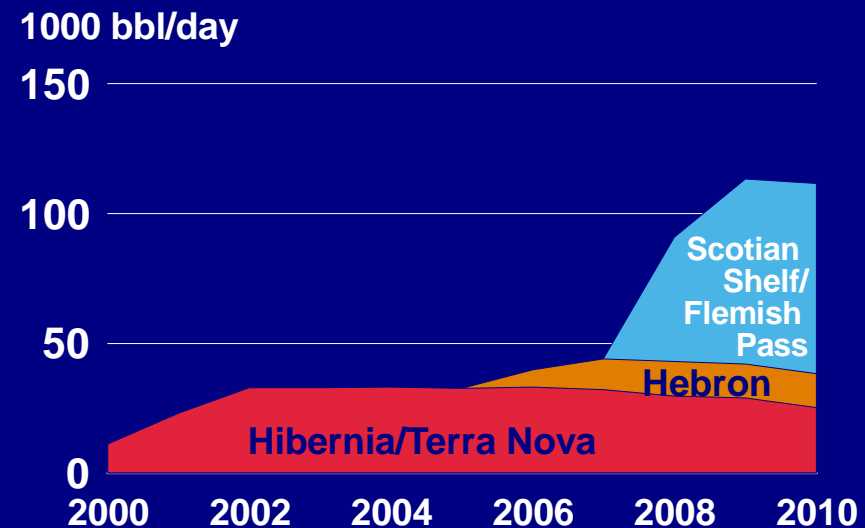
Canada East coast - future dependent on successful exploration

- ✓ **Producing field**
 - **Hibernia on stream (9.000 bbl/day)***
- ✓ **Fields under development**
 - **Terra Nova production start summer 2001 (20.000 bbl/day)***
 - **Hebron - sanctioning expected in 2003 (~ 15.000 bbl/day)***
- ✓ **High potential exploration acreage to be drilled in 2002/2003**
 - **Scotian Shelf**
 - **Flemish Pass**

* (NH-share of plateau production)



Canada - production potential (NH-share)



Angola - a well established core area

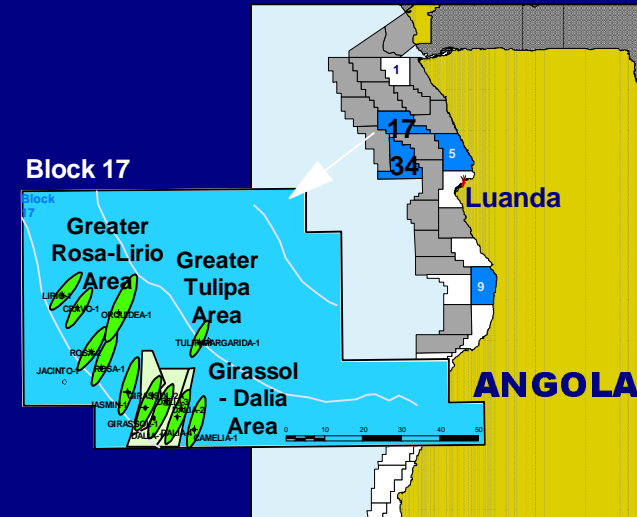
Fields under development

- Girassol on stream 4Q 2001 (20.000 bbl/day)*
- Sanctioning of Dalia in 3Q 2001 (20.000 bbl/day)*
- Concept selection Rosa/Lirio 2001

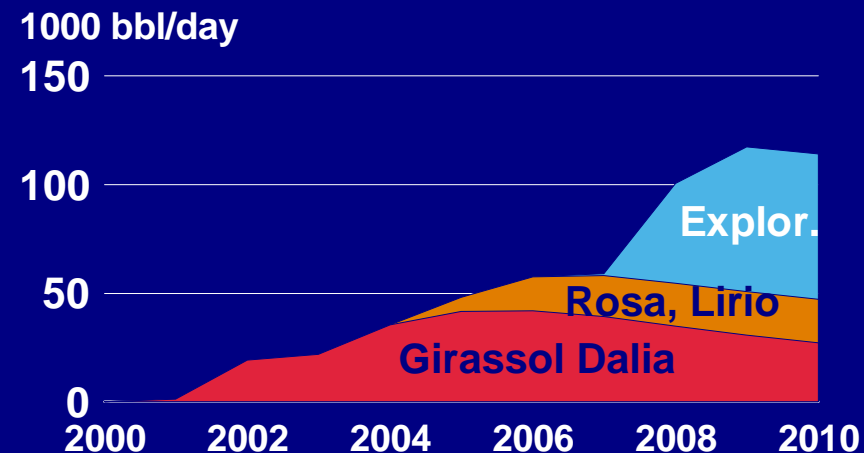
High potential exploration acreage

- Block 34; Signing of PSA 1st/ 2nd Q 2001, Preparations for 1st well 2001
- Block 17; Drill remaining exploration wells
- Block 5; 3d seismic acquisition completed, 1st well 2001
- Block 9; Dry well 2000 Next commitment well 2002

* (NH-share of plateau production)



Angola production potential (NH-share)



Russia - Long term view and patience

- ✓ **Field in production - Kharyaga**
 - ▶ First Russian oil under PSA agreement (1999)
 - ▶ 2nd phase was decided this month
 - ▶ 3rd phase to be decided 2002
 - ▶ Total production 20.000 bbl/day * (Phase 1-3)

- ✓ **Field development potential**
 - ▶ Timan Pechora Project
 - ▶ Shtokman Gas Development
 - Approved in Duma for PSA - producing field
 - Hydro participates in Western alliance (Fortum, Total/Fina/Elf, Conoco)

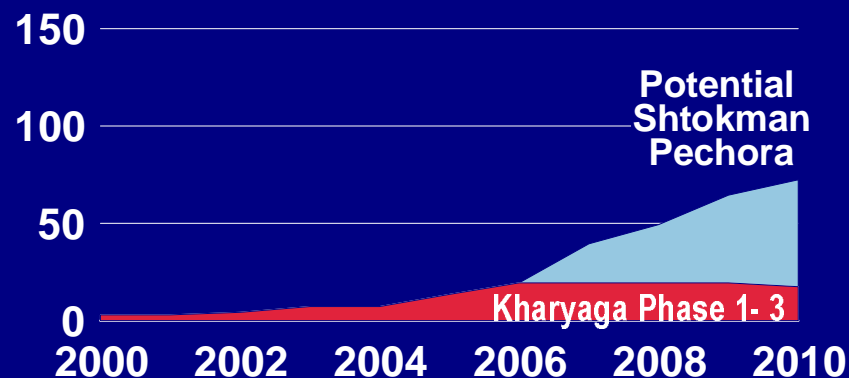
- ✓ **Exploration potential**
 - ▶ Pechora Sea co-operation with Gazprom

* (NH-share of plateau production)



Russia production potential (NH-share)

1000 bbl/day

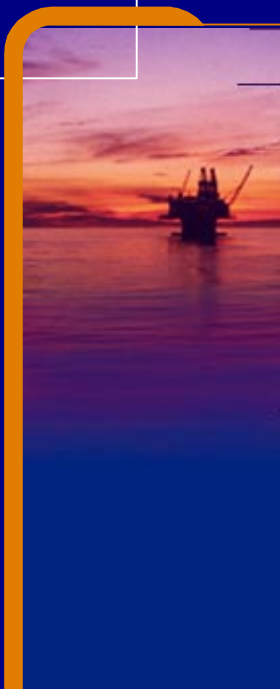
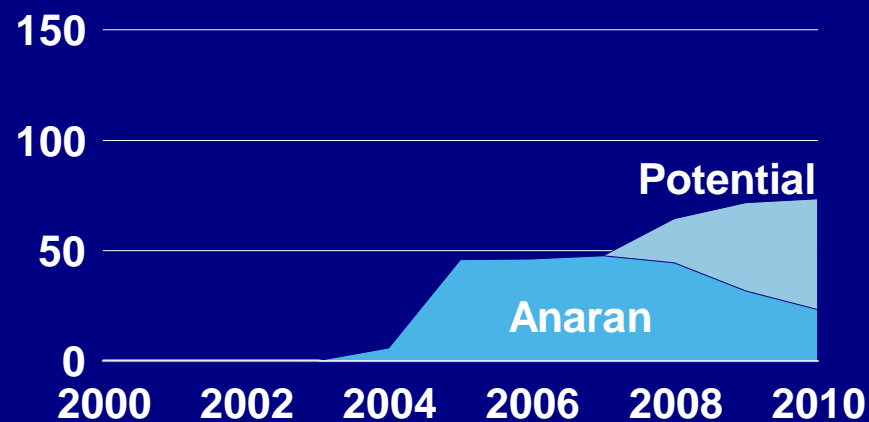


Iran - new potential core area

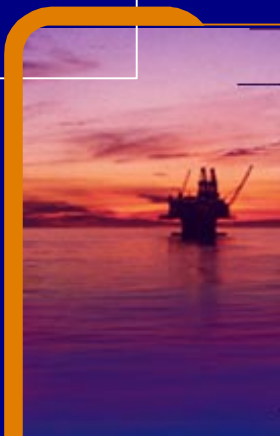
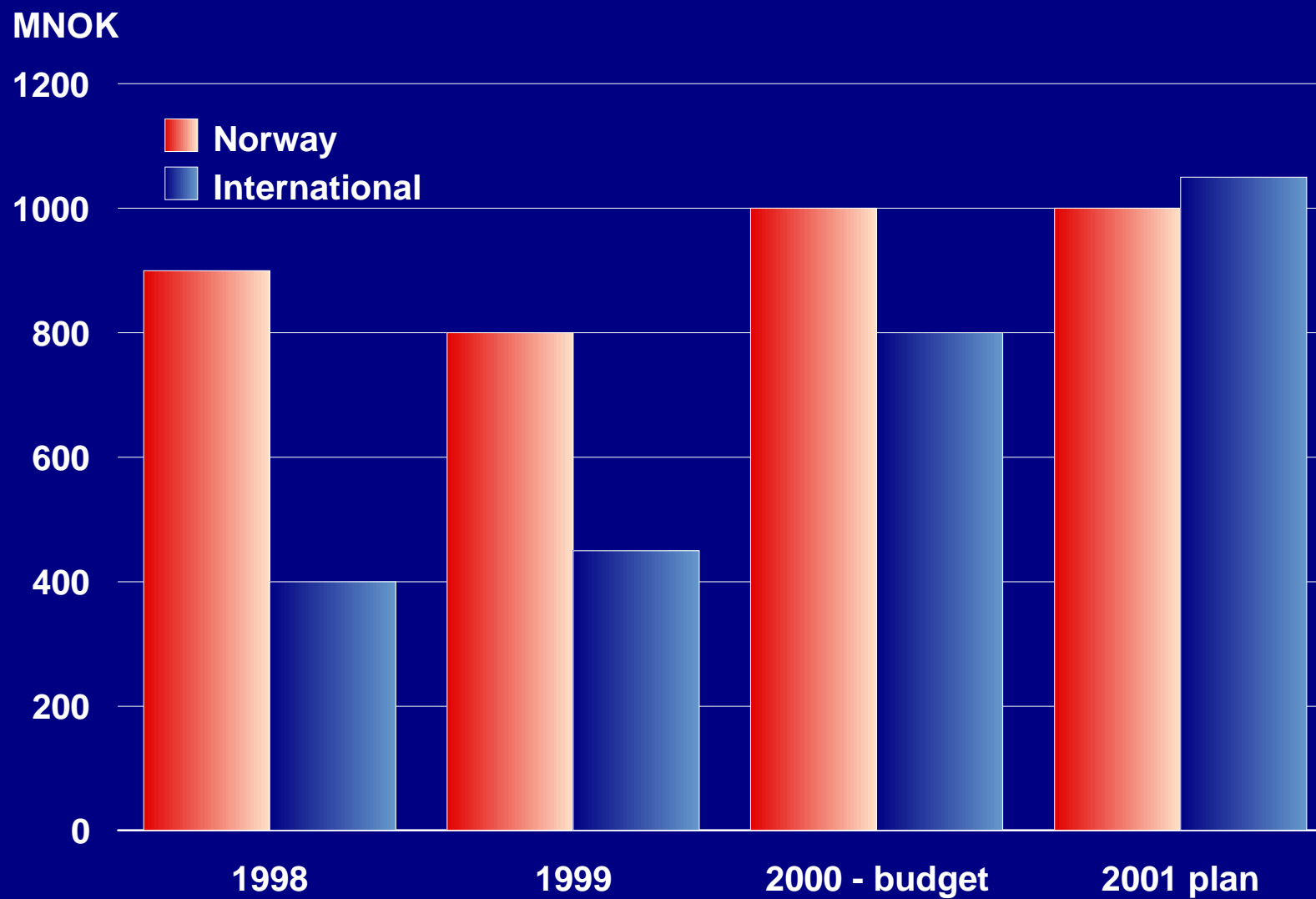
- ✓ Anaran: first exploration contract signed in Iran by a Western company
- ✓ Abadan: rights to negotiate exploration opportunities
- ✓ Hydro negotiates further co-operation with NIOC



Iran production potential (NH-share)
1000 bbl/day



Increased international exploration activity

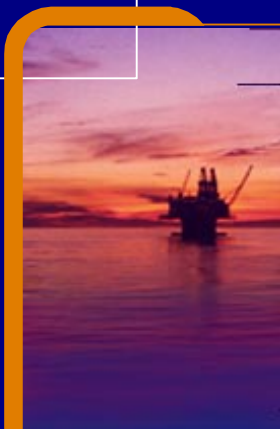


Continued strong development of NCS in 2001

- ✓ **Exploration drilling**
 - ▶ Around 15 exploration wells
 - ▶ PL 252 east of Ormen Lange with large potential

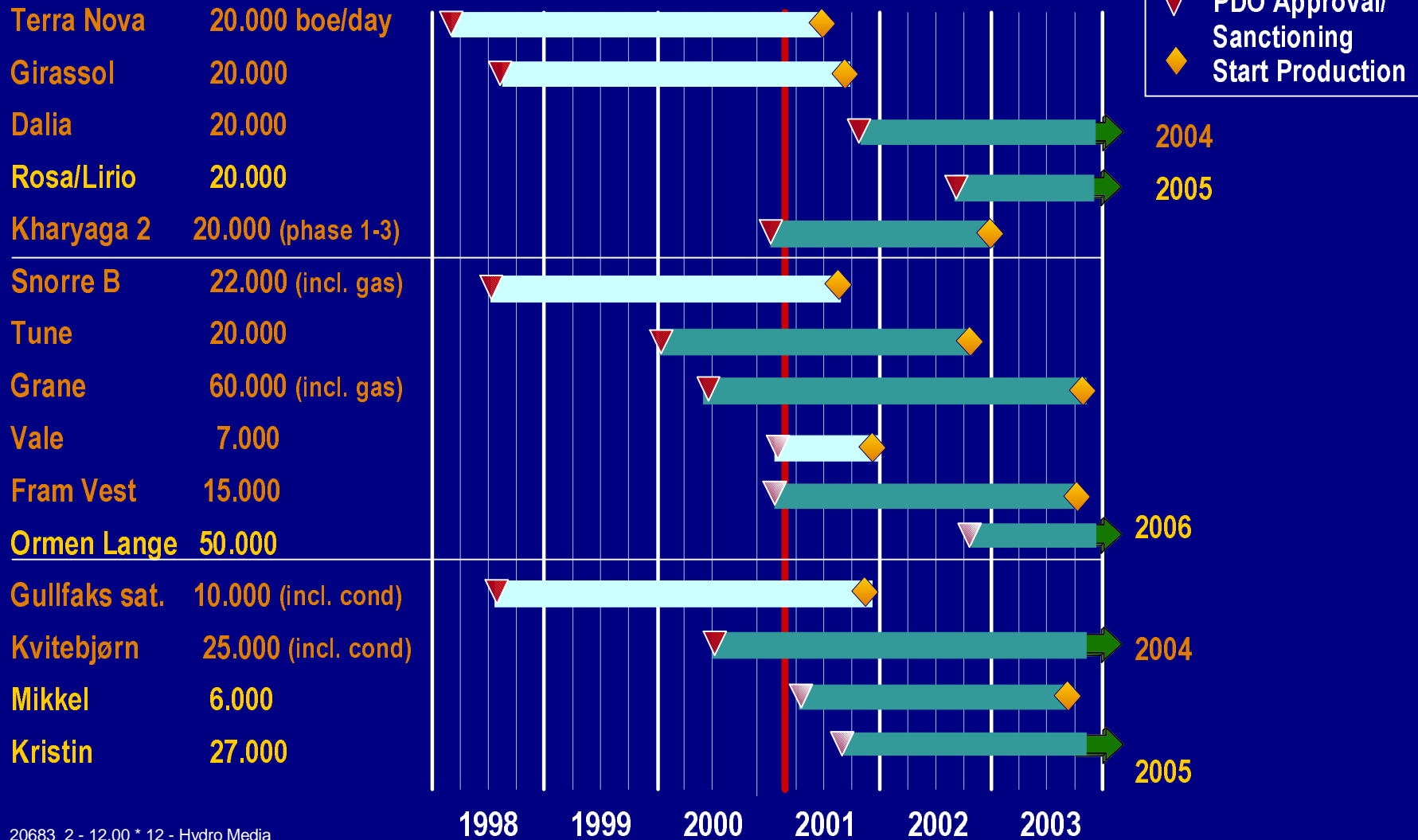
- ✓ **North Sea round**
 - ▶ Hydro will apply for new licences with significant potential
 - ▶ Award expected in February 2001

- ✓ **8% production increase expected for Hydro, NCS**



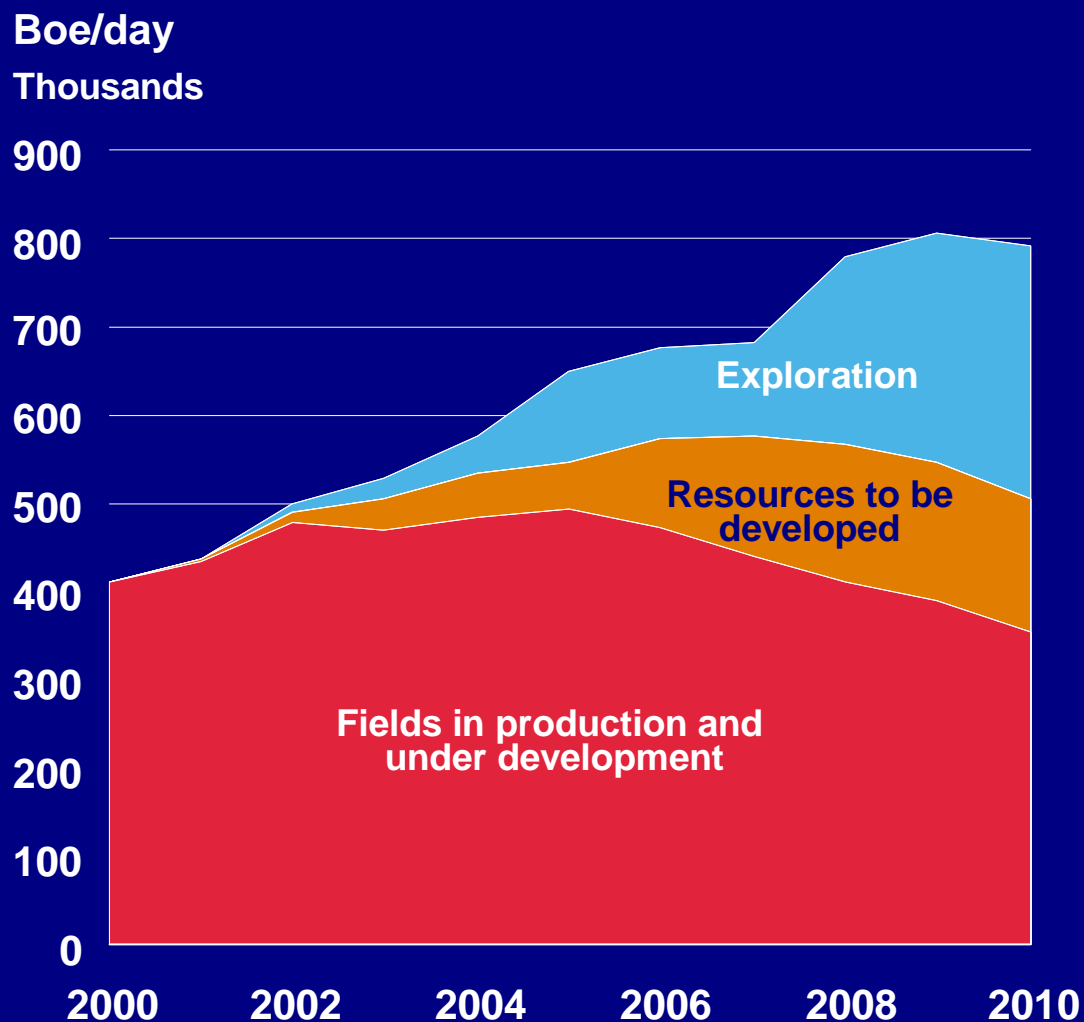
Field development - existing portfolio

Plateau production : NH share



Growth within existing licence portfolio

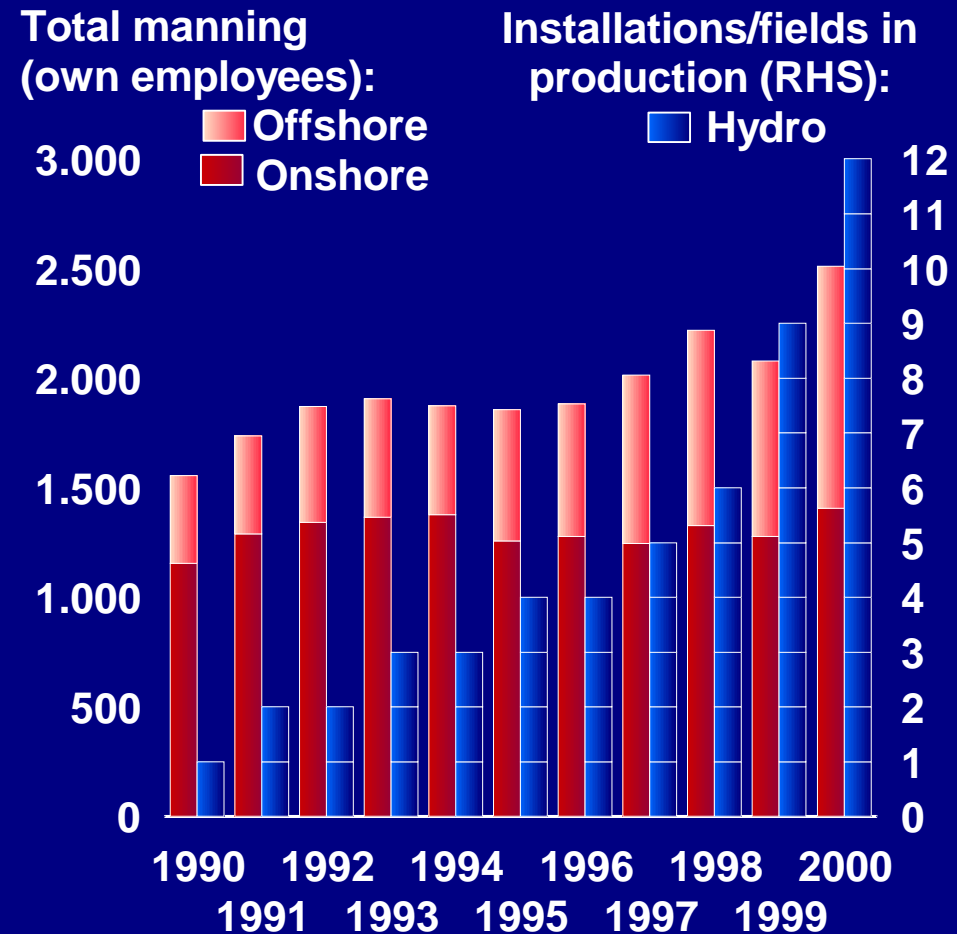
- ✓ Expected production in 2001 is around 435.000 boe/day
- ✓ Stronger production development expected in 2002
 - 5 new fields in production by year end 2001
- ✓ Production start Ormen Lange 2006



Continued strong focus on cost performance

Ambitious targets for 2001

- ✓ Maintained position as efficient operator and low cost producer on NCS
- ✓ Marginal manning increase in spite of 50% production growth from 1998
- ✓ No increase in cost per barrel in 2001, in spite of major fields on decline



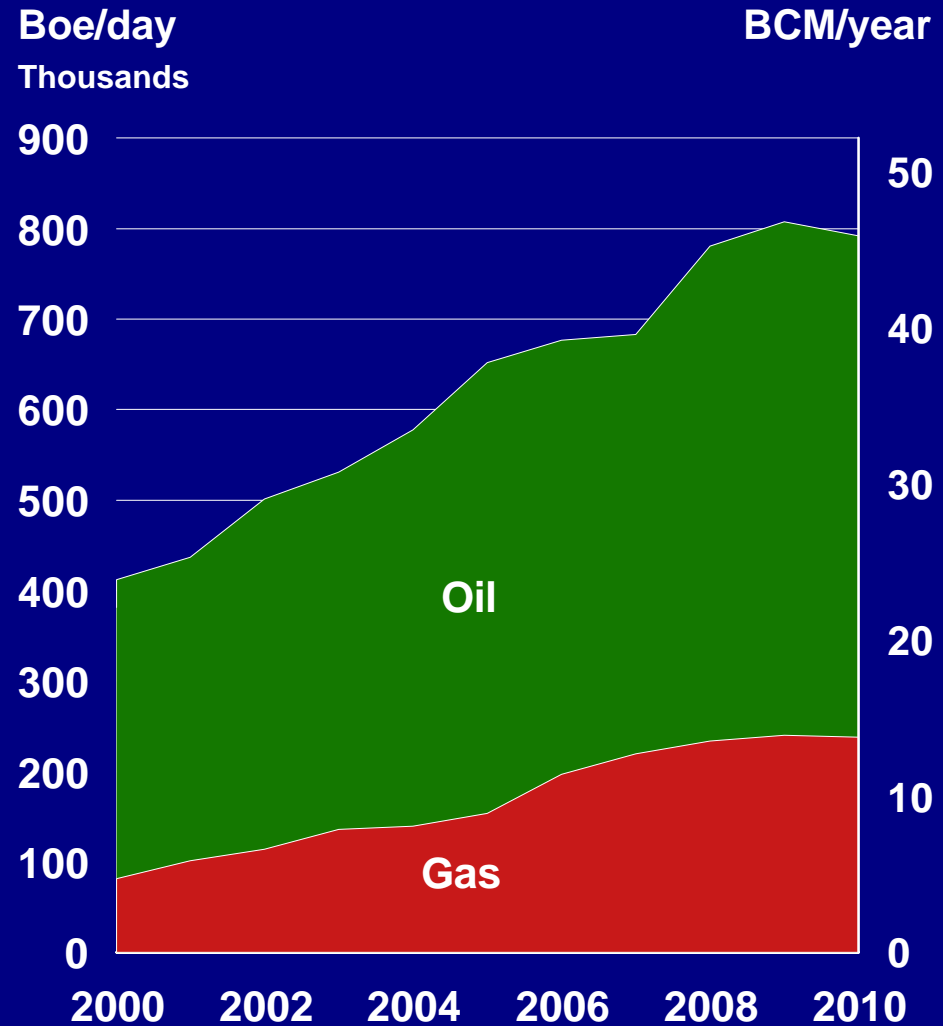
Hydro is positioned to acquire SDFI shares

- ✓ Increased equity for operators gives stronger incentives for value creation
- ✓ Hydro wants to strengthen position in operated fields
- ✓ SDFI shares provides a basis for international asset swaps
- ✓ Acquisition of SDFI shares is dependent on acceptable commercial terms



Hydro has an ability to commercialise large gas volumes

- ✓ Strong growth in Hydro's NCS gas production
- ✓ Liberalisation represents challenges and opportunities
- ✓ Possible dismantling of Norwegian Gas Negotiations Committee (GFU)

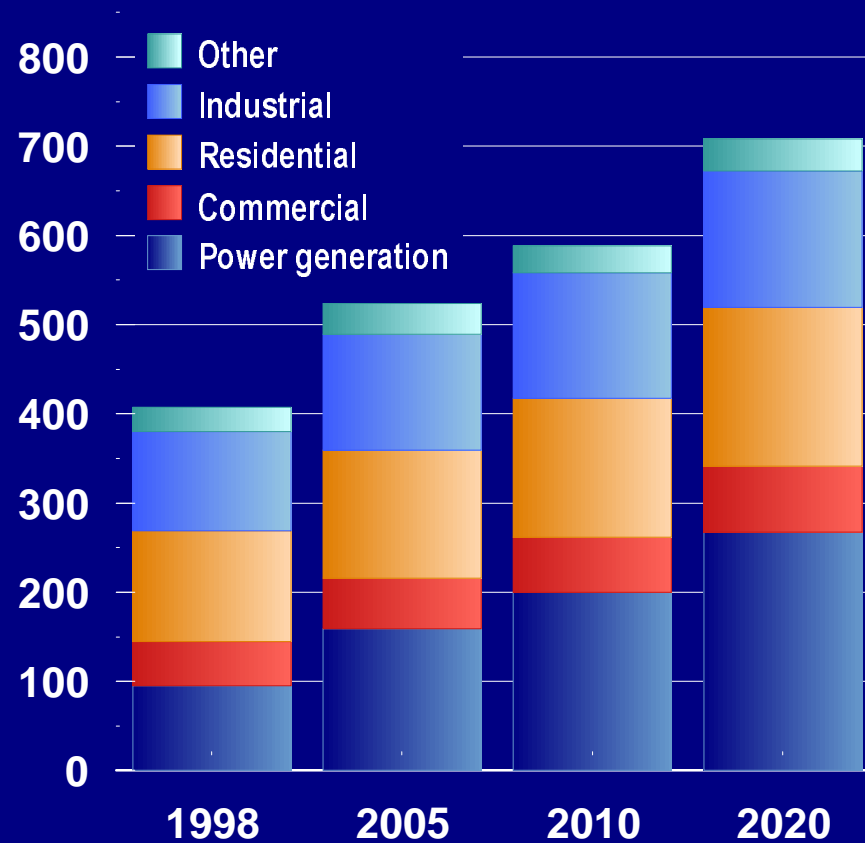


Increased demand for gas expected in Europe

- ✓ **Gas the logical long term energy source for Europe**
- ✓ **Main growth in gas for power**
 - **Cost competitiveness**
 - **Environmental friendly**

European Gas Consumption

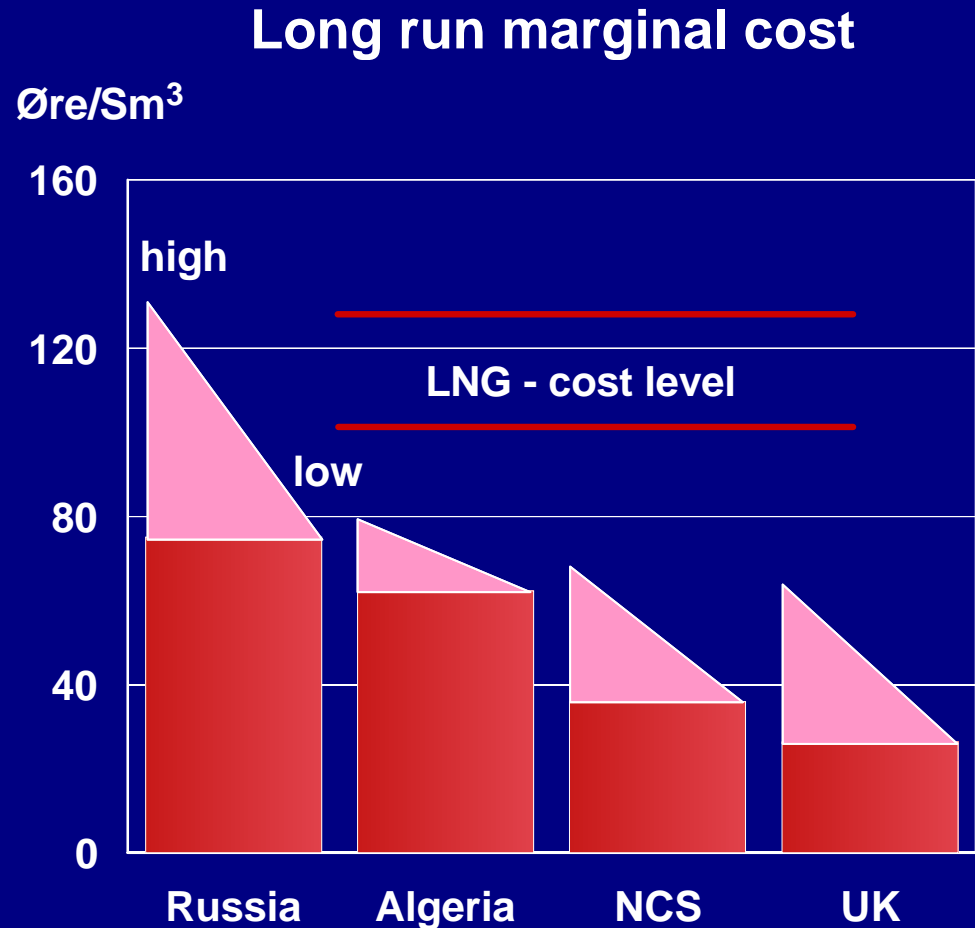
BCM



Source: WEFA

Norwegian gas is a competitive source of new supply

- ✓ Transport is key cost element
- ✓ New supplies from Russia/Algeria at substantial cost
- ✓ Ormen Lange ready for production in 2006



Source: McKinsey, Hydro



Market development opens up for Ormen Lange in 2006

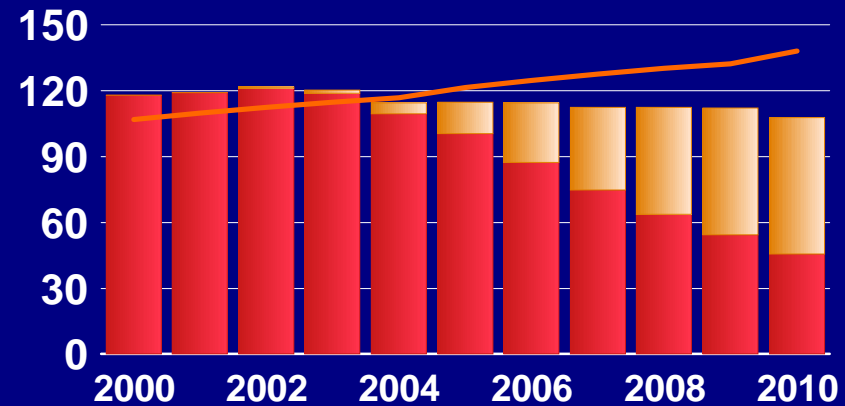
✓ The UK and Ireland

- ▶ Substantial import required from 2004/5
- ▶ Infrastructure established through Vesterled

✓ Future potential in Poland and Scandinavia

- ▶ New infrastructure required

UK and Ireland supply - demand balance

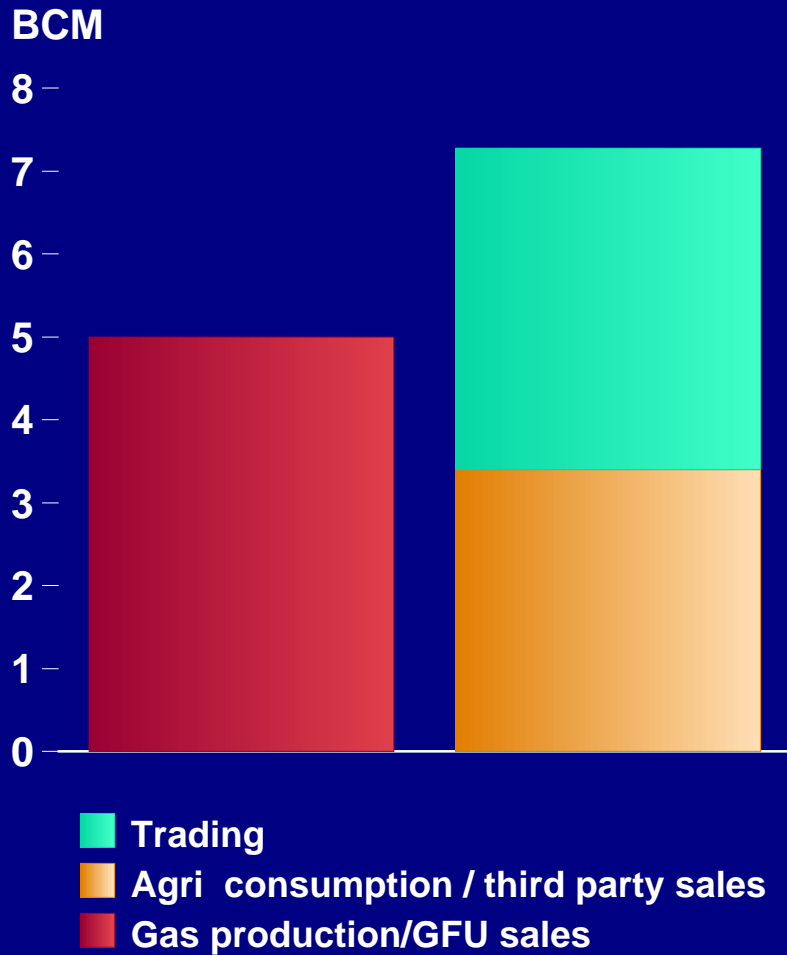


Gas pipeline to Scandinavia/Poland



Hydro is well positioned for a post-GFU world

Turnover European gas business 2000

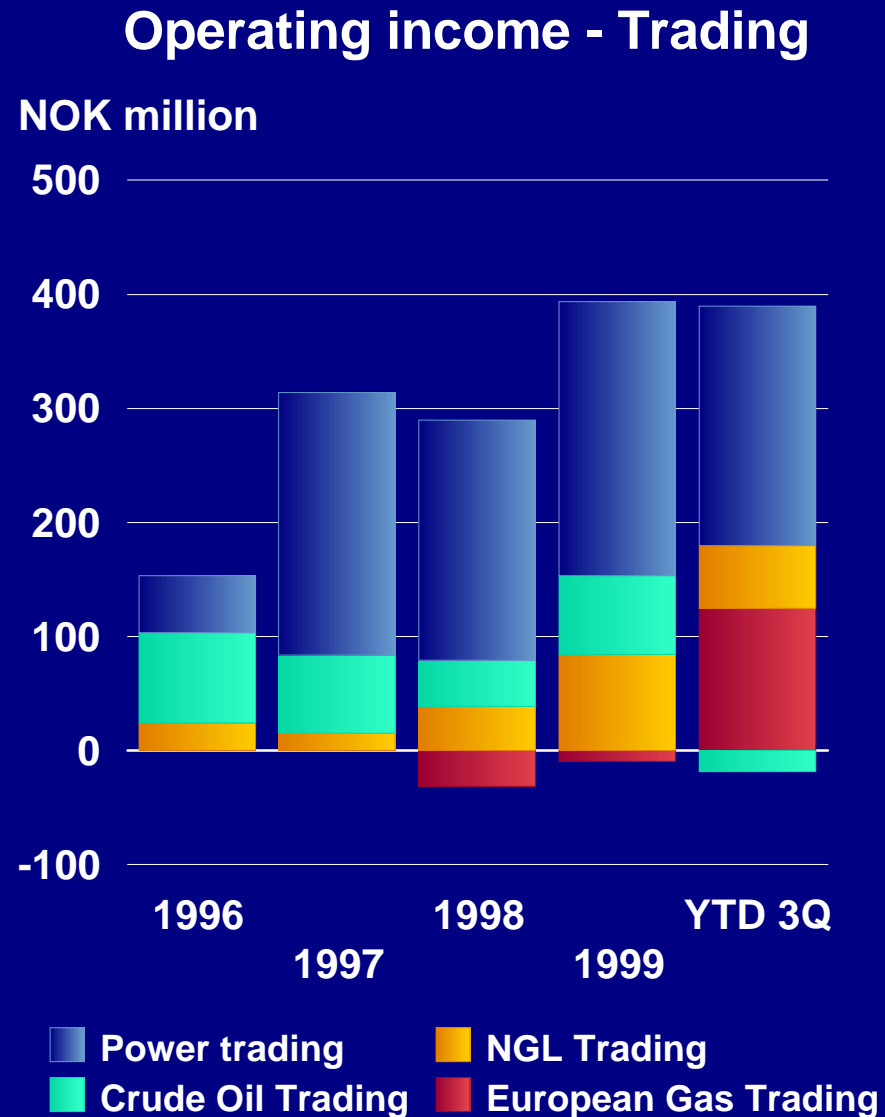


Interconnector



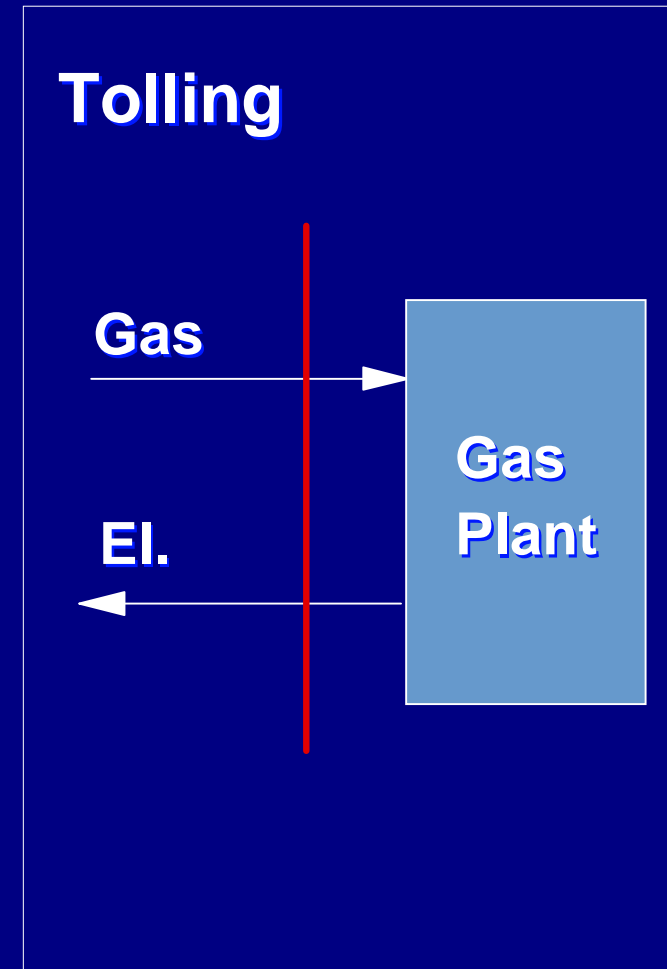
Hydro has achieved considerable trading margins within the Energy area

- ✓ Trading activity based on sourcing to Hydro's industrial plants
 - Power (Aluminium)
 - NGL (Agri/Petro)
 - Gas (Agri)
- ✓ Interconnector position and flexibility of contracts is key in gas trading
- ✓ Market knowledge and trading skills in oil/NGL/power/gas



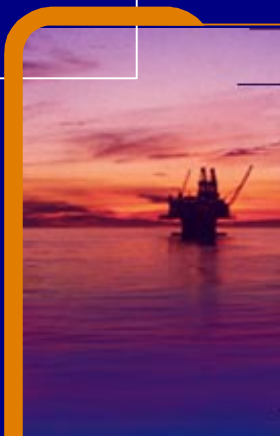
Tolling concept of "asset light" gas for power

- ✓ **Low investments and high tolling rights**
 - 20% interest in investment and 50% in tolling
 - Supplies gas and provides offtake of electricity
 - Pays a fee over contract period to partner
 - Partner builds and runs plant
- ✓ **Capitalise on commercial skills in both gas and power**
- ✓ **Gas and power price differentials ("spark-spread") and utilising the flexibility of the plant**



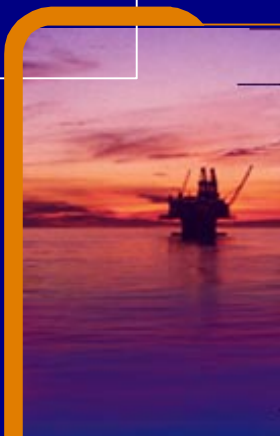
Gas for power tolling concept in Sluiskil - a first opportunity

- ✓ **2 x 400 MW located at the Hydro Agri site in Sluiskil - Holland**
- ✓ **Competitive project and site location**
 - ▶ **Favourable gas position at Sluiskil**
 - ▶ **Synergies at an existing site**
 - ▶ **Partner's desire to generate electricity locally**



Value creation in Oil and Energy

- ✓ Significant production growth from existing portfolio
- ✓ Strong focus on cost performance and reduction of F&D cost as result of new developments
- ✓ Positioned for SDFI shares - given acceptable commercial terms
- ✓ Increased international activity by utilising experience from NCS
- ✓ Positioned for a post GFU gas market
- ✓ Increasing returns by utilising existing asset base in other Hydro business areas



Safe harbour statement

Certain statements in this presentation are or may constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not in the nature of historical facts may be deemed to be forward-looking statements and may contain identifying words such as “believes,” “anticipates,” “plans,” “expects” and similar expressions. These forward looking statements are based on Hydro’s current expectations, assumptions, estimates and projections about the company and the industries in which it engages in business. All forward-looking statements involve risks and uncertainties. For a detailed description of factors that could cause Hydro’s actual results to differ materially from those expressed in or implied by such statements, please refer to its annual report on Form 20-F for the year-ended December 31, 1999 and subsequent filings on Form 6-K with the U.S. Securities and Exchange Commission.

