

# Capital Markets Day Hydro Aluminium

**Executive Vice President Jon-Harald Nilsen  
Norsk Hydro ASA  
Oslo, January 8, 2002**





# What we said and what we have done

<i>Objectives in Dec. 00</i>	<i>Actions taken in 2001</i>
<ul style="list-style-type: none"><li>● Participate in industry restructuring</li></ul>	<ul style="list-style-type: none"><li>● VAW -acquisition</li><li>● Technal Building Systems</li><li>● Magnesium restructuring</li></ul>
<ul style="list-style-type: none"><li>● Continue to leverage our strengths</li><li>● Continue top and bottom line growth</li></ul>	<ul style="list-style-type: none"><li>● Sunndal-expansion</li><li>● Expansion Søral, Slovalco, Alunorte</li><li>● Remelters in Spain &amp; Texas</li><li>● Cost-reduction programmes initiated</li></ul>



# Hydro's stated ambition in Aluminium

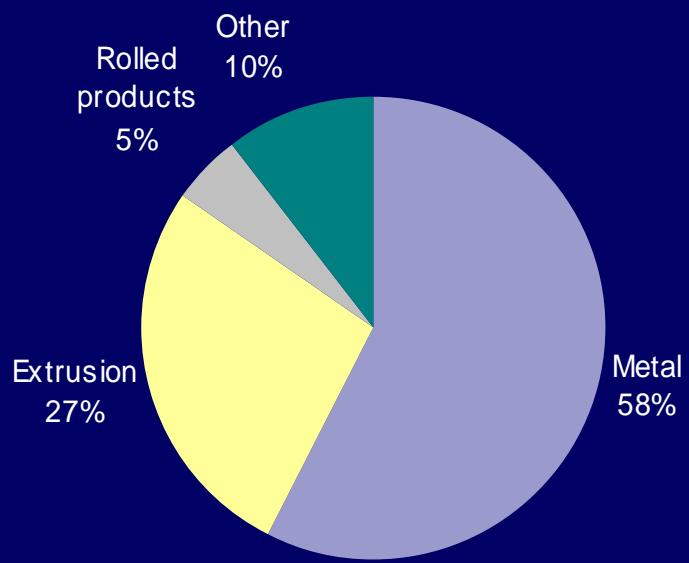
*A profitable position  
among the world's  
top three integrated  
aluminium  
companies*



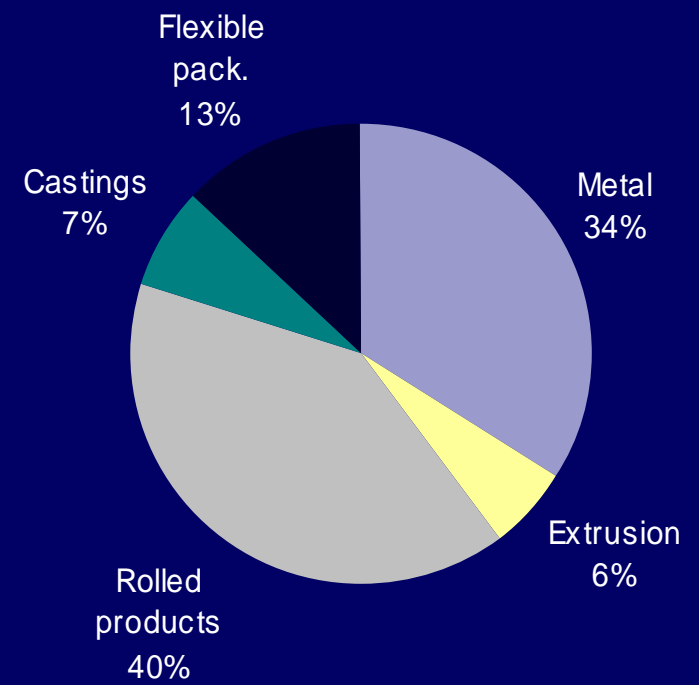
# Hydro Light Metals and VAW (2000 - figures)

**Gross revenues**  
**EBITDA**

Hydro Light Metals  
 6,400 mill Euro  
 680 mill Euro



VAW  
 3,700 mill Euro  
 450 mill Euro



Hydro Light Metals  
 17,000  
 - in Germany 1,000  
 - in Norway 6,300

VAW  
 16,000  
 7,600  
 0

Euro/NOK: 8.00

# The new entity: Hydro Aluminium Pro Forma 2000 combined

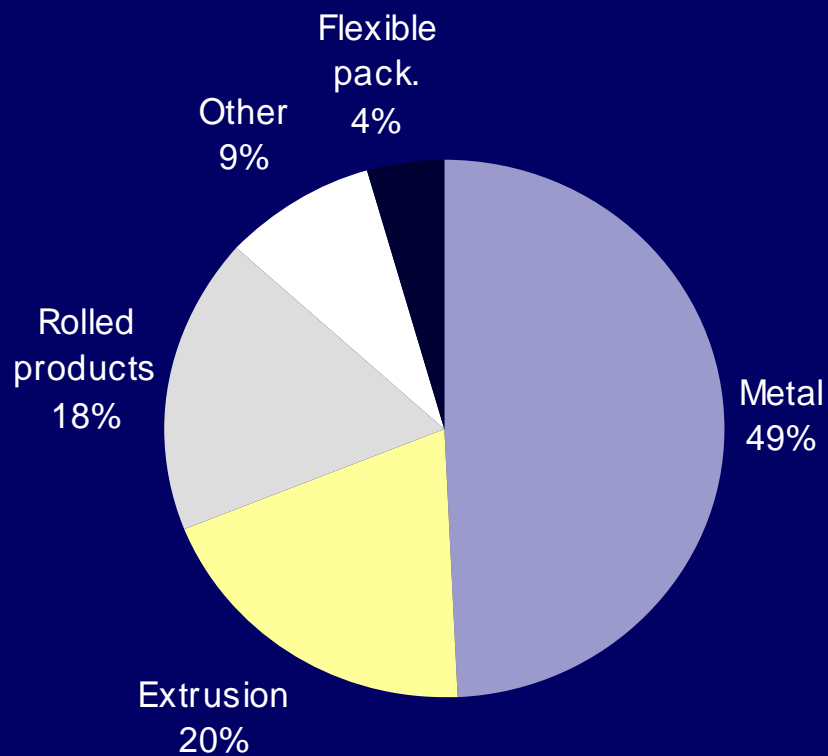


Gross revenues  
EBITDA

HAL (Pro Forma)

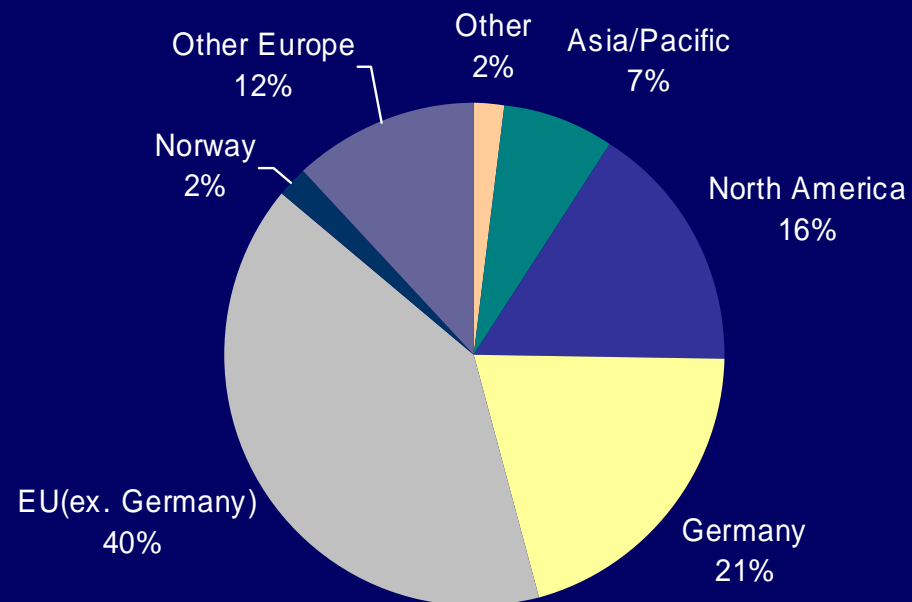
9,700 mill Euro

1,130 mill Euro



Sum sector gross revenues

Combined sales Hydro Aluminium



Sum Business Area's external sales



# Hydro — VAW: An attractive combination

**Attractive financials**

**Innovative global force**

**More value for customers**

**Significant synergies and value creation**

**Rapid integration**



# Transaction highlights

- ✓ **Norsk Hydro acquires all shares in VAW AG from E.ON**
- ✓ **Total consideration is 2 645 mill Euro (21.2 bn NOK)<sup>1)</sup> including net interest bearing debt of 757 mill Euro (6.1 bn NOK)**
- ✓ **In addition Norsk Hydro takes over 450 mill. Euro (3.6 bn NOK) unfunded pension obligations**
- ✓ **Expected closing by 1st Quarter 2002**
- ✓ **Acquisition financed through cash and absorption of debt**
- ✓ **Approved by Boards of Norsk Hydro and E.ON. Subject to regulatory approvals and approval by Norsk Hydro Corporate Assembly**

1) All figures are estimates as per 1.1.2002 except where noted. Assumed exchange rate of 8.00 NOK/Euro



# Financial impact for Hydro Aluminium

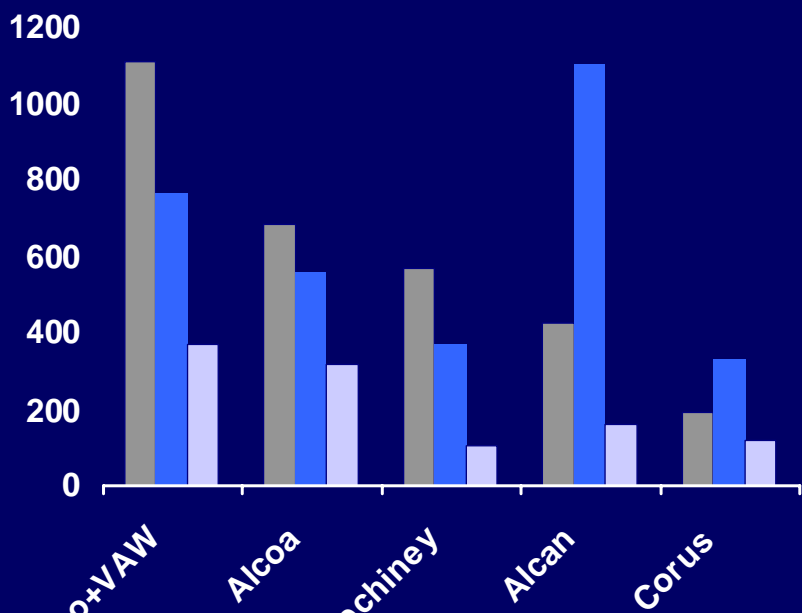
- ✓ **Pro Forma first nine months 2001:**
  - **EBITDA: + 100%**
  
- ✓ **Synergies plus Hydro Aluminium overhead cost improvement project will reduce annual cost by 200 mill Euro (1.6 bn NOK) in 2004**



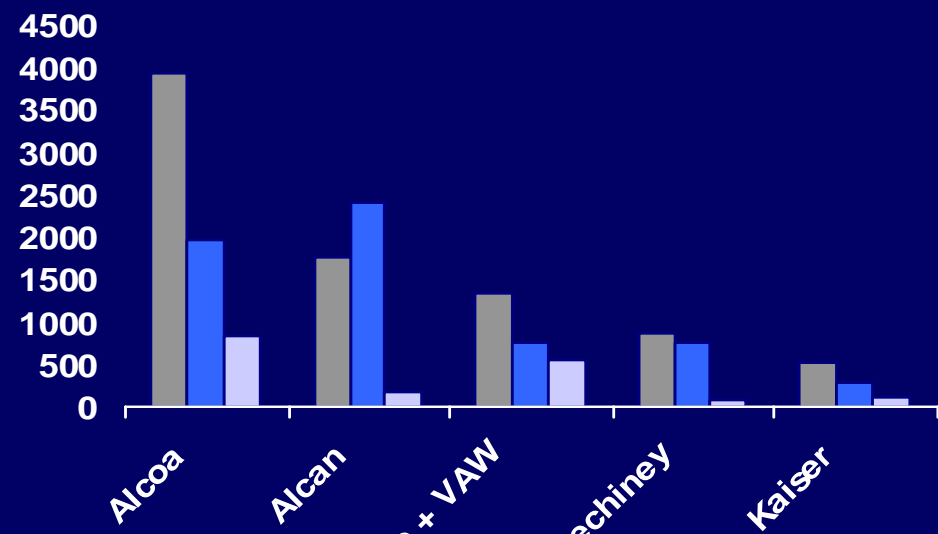
# Creating a "top-tier" company

## Total production, thousand tonnes, 2000

### Europe



### Global: World Integrated Aluminium Companies



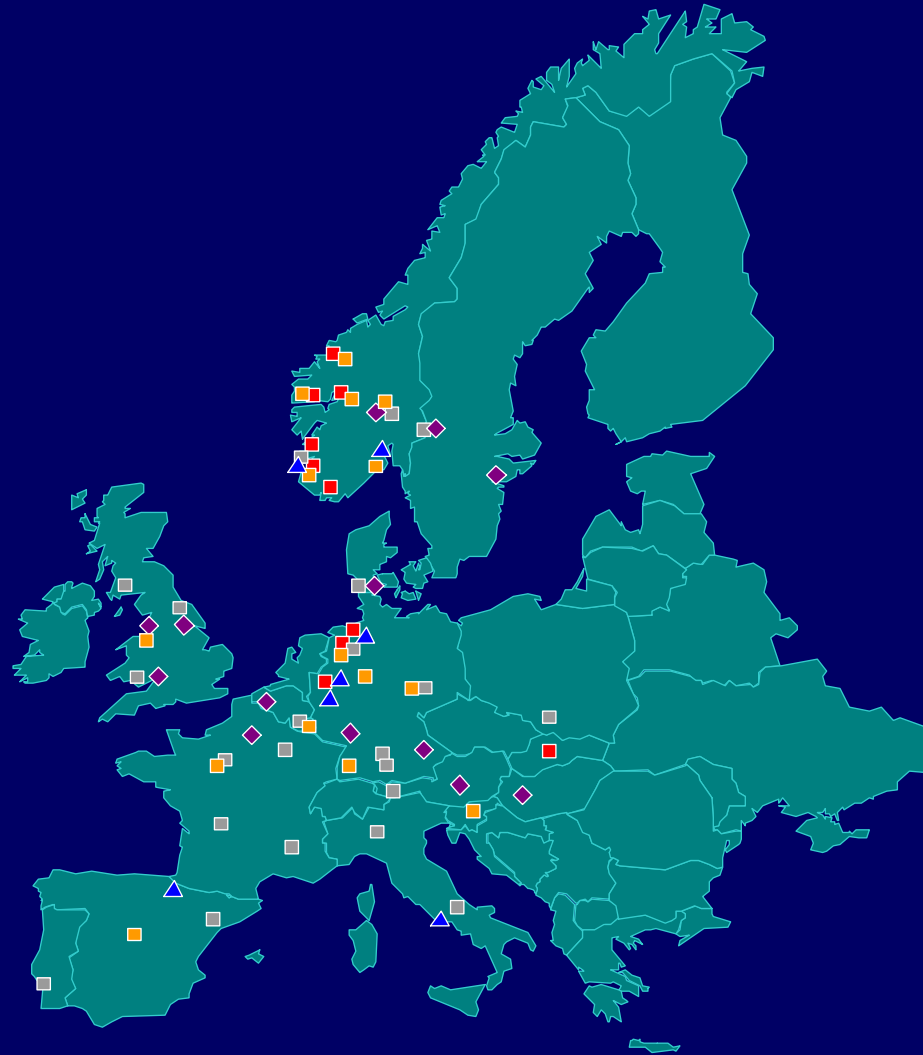
Primary
  Rolled products
  Extrusion

*Note: VAW's Kurri Kurri-smelter in Australia and HAL's Wells extrusion system in the US included full-year Alcoa includes Reynolds, Alcan includes Alusuisse*



# The leading company in Europe

- Europe
- PRIMARY METAL
  - EXTRUSION
  - ◆ AUTOMOTIVE
  - METAL PRODUCTS
  - ▲ ROLLED PRODUCTS



# Significant value creation opportunities in North America



- High quality smelter capacity (Alouette)
  - High quality extrusion assets
  - #3 in Extrusion
- ▼
- Roll-out of asset-light metal supply concept
  - Leverage Latin-American metal supply sources
  - Transfer European extrusion business system



# Stronger position in Asia/Pacific's growing markets

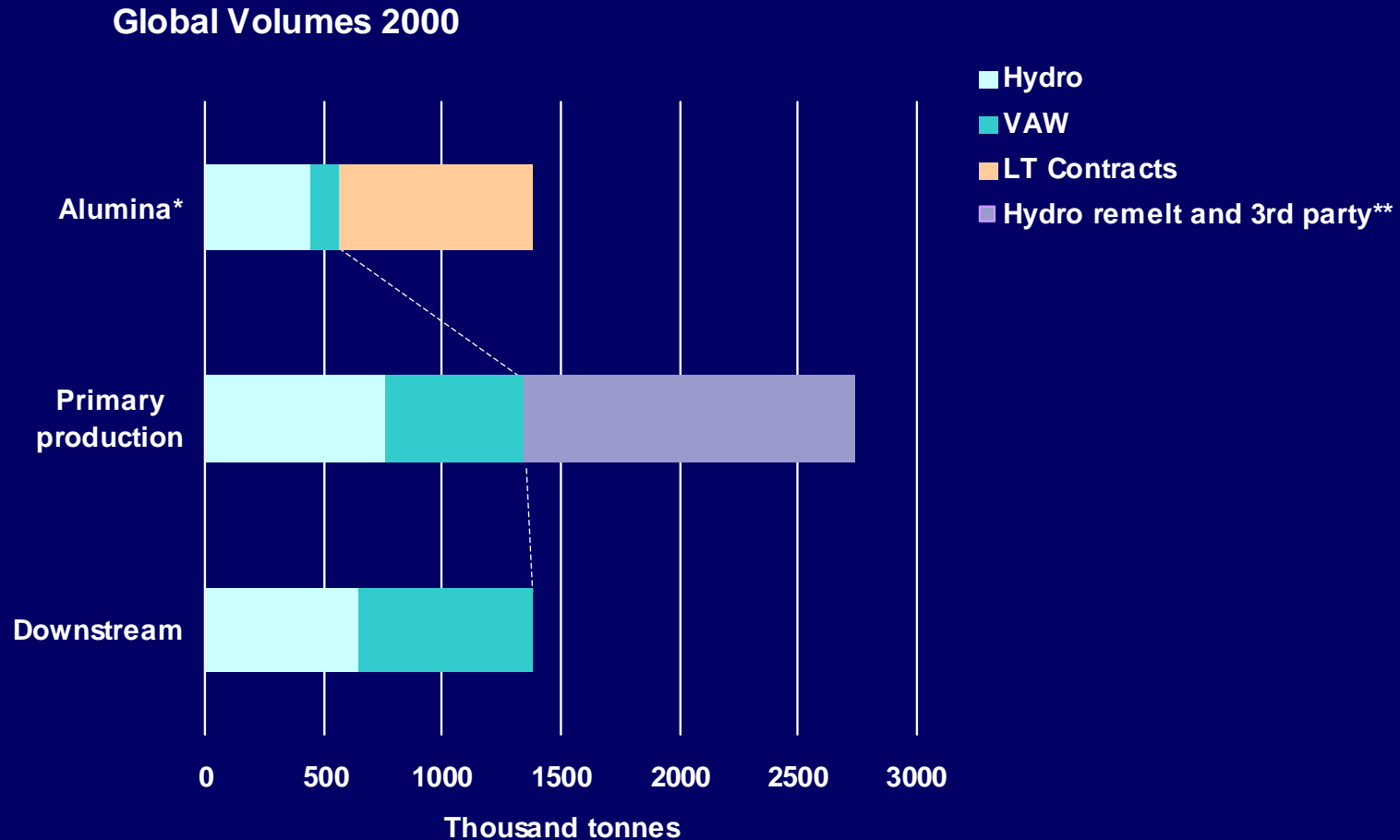


- Low-cost smelter capacity
- Foothold in rolling (Malaysia)
- Foothold in extrusion (China)

- Low-cost brownfield potential
- Opportunities for metal swaps
- Roll-out of asset-light metal supply concept



# A full range aluminium company



\* Aluminium equivalent. VAW metallurgical alumina only

\*\* Remelt + Hydro non-equity primary: Contracts to sell metal from Sivalco, Talum, Pianmecca, Aluvale. Goldendale tolling agreement. Trading.



# Leadership in global market segments

**Foil**



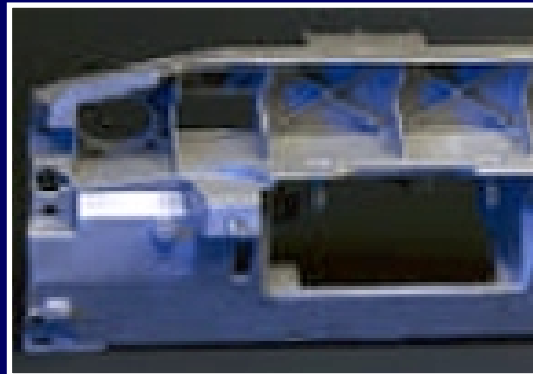
**Litho**



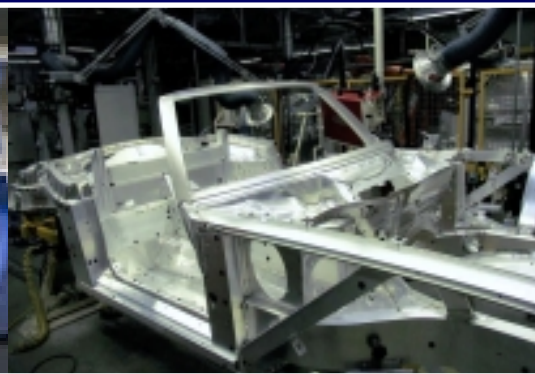
**Building systems**



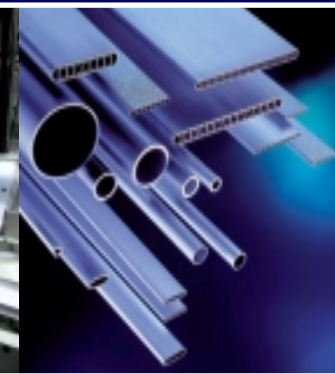
**Magnesium alloys**



**Structures**



**Heat Transfer Engine castings**



# Leverage innovative industrial and commercial concepts



## - Metal supply concept - recycling

- ✓ Casthouse network increases
  - ✓ Streamlining production
  - ✓ Possible to expand capacity in VAW's casthouses
  - ✓ Logistics improvements
- ✓ Access to broader and bigger scrap base
  - ✓ Increased use of scrap in new products
  - ✓ Optimise scrap use between plants/products

**Improved margins**



# A major step forward — Rolled Products

**Lithographic  
sheet**



**Beverage  
canstock**

**Food can sheet**

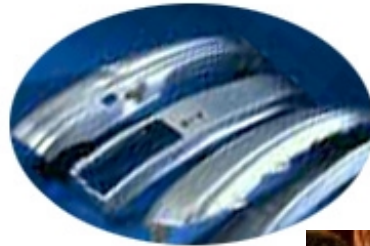
**Others**



# Broader products offering — Automotive

Approx. sales from Hydro + VAW

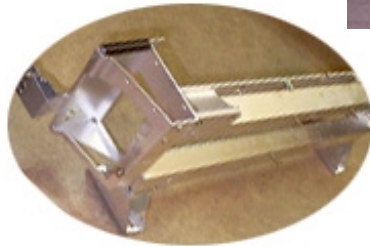
**Structures 300 mill Euro**



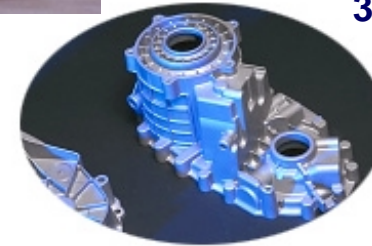
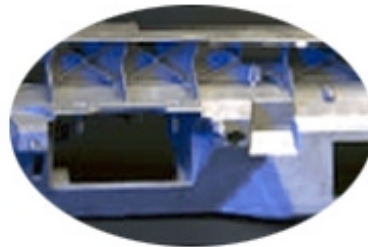
**Heat Transfer 300 mill Euro**



**Casting 300 mill Euro**



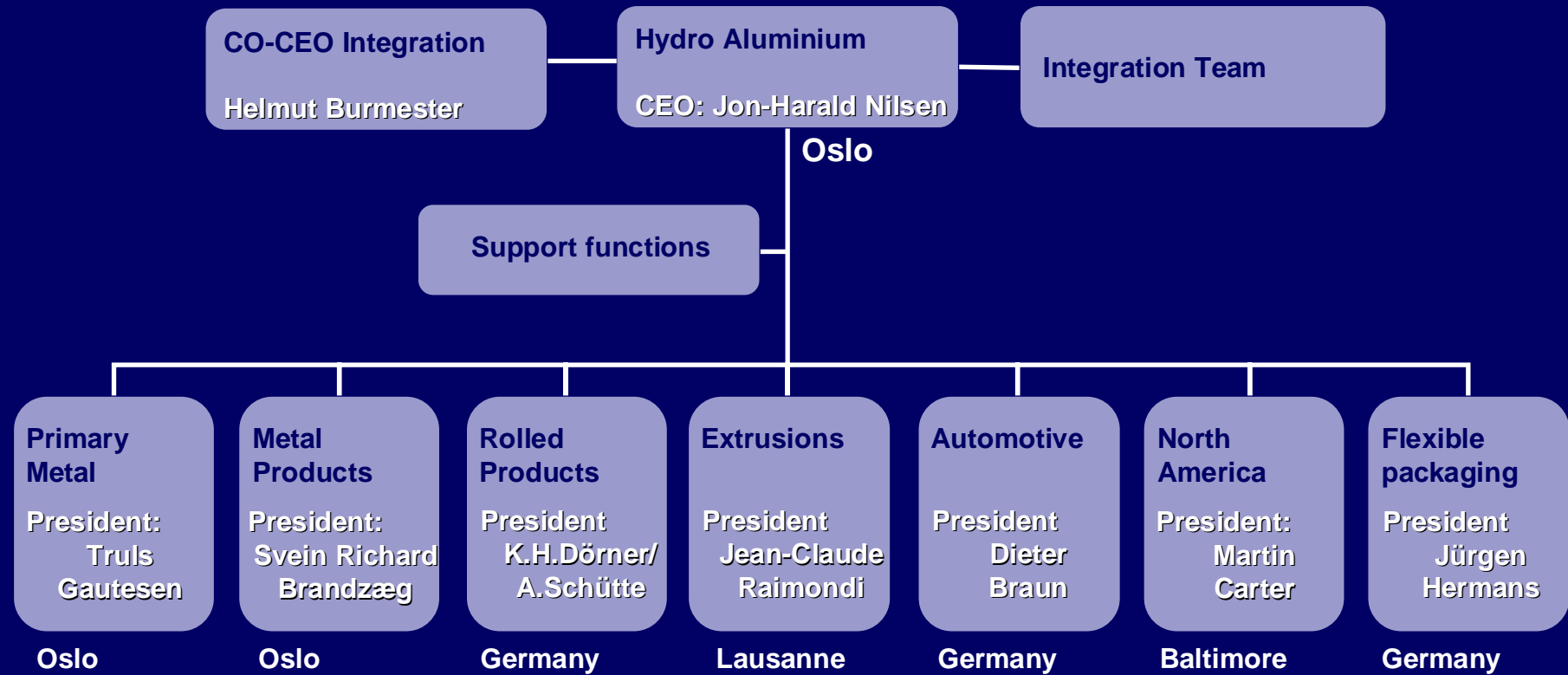
**Alloys: Aluminium & Magn.  
Sheet & Sheet Products**



**Meridian (49%) 150 mill Euro**

# Organisational structure and first level management identified

(effective from after closing)





# Overall integration philosophy and approach

**Transform and develop Hydro Aluminium into an integrated and global entity built on best practice and strength from both companies**

## **Business concepts**

- **Leverage best from both**

## **Governance**

- **Align with Hydro corporate and Business Area model**

## **Organization**

- **Use the Hydro re-organization project as starting point**
- **Leverage best from both**

## **People**

- **Equal opportunities**
- **Leverage the competencies in both organizations**



# Hydro — VAW: An attractive combination

**Attractive financials**

**Innovative global force**

**More value for customers**

**Significant synergies and value creation**

**Rapid integration**

# Present situation & Going Forward



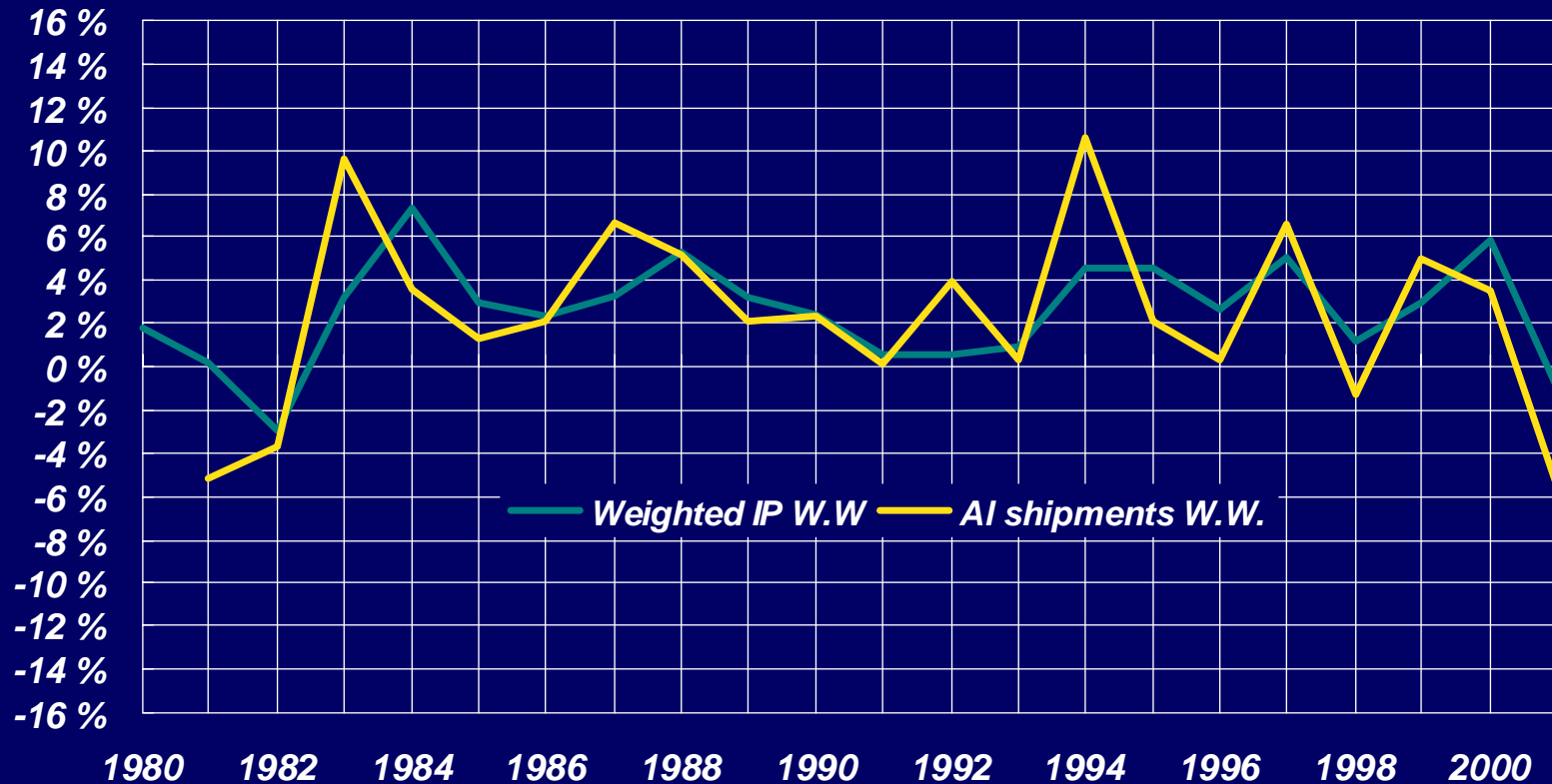


# The economic downturn in 2001 has led to a substantial drop in shipments

## Fall in aluminium shipment largest drop in 20 years

change over  
previous year

*Primary Al. apparent consumption and IP Western World*



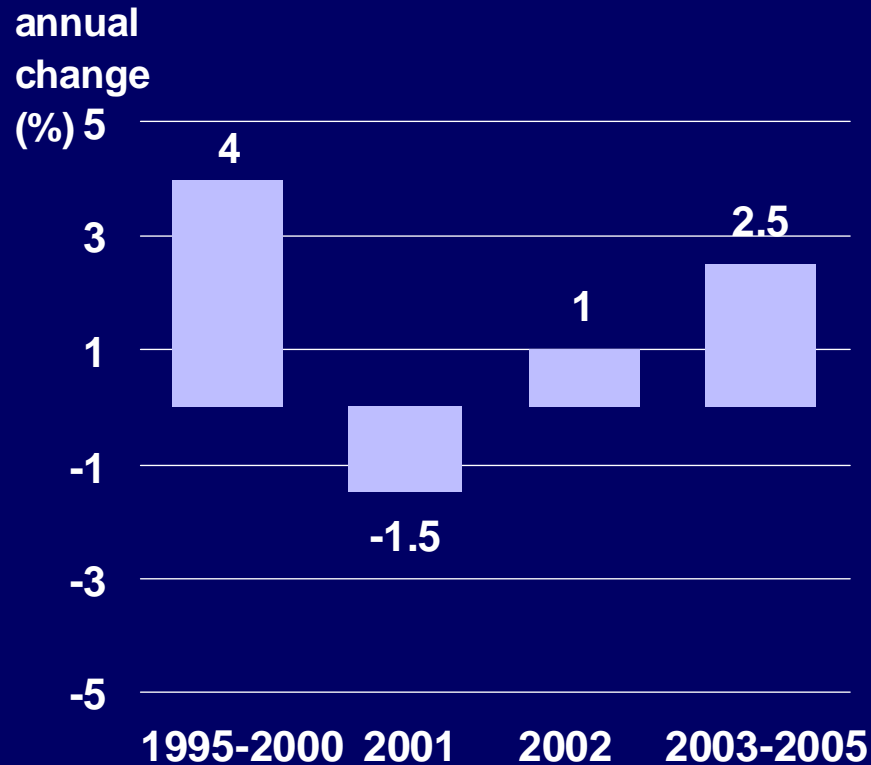
Updated: December '01

Source: CRU, WBMS, HAMP

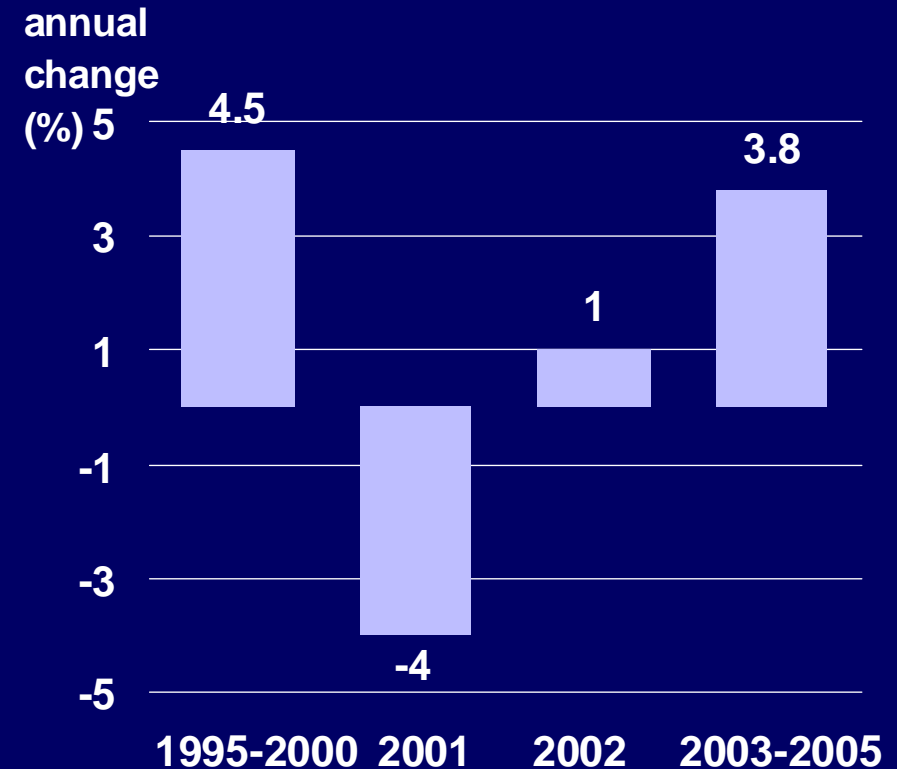
# Recovery in downstream shipments in Europe is expected



Est. European rolled products shipments



Est. European extrusion shipments



Source: EAA, CRU



# Longer term outlook positive

**Light weight of cars  
(CO<sub>2</sub>)**



**Construction  
material**



**Packaging**



**Recyclability up to 90%  
Only 5% energy use in recycling**



**2.5-3%  
growth  
going  
forward**



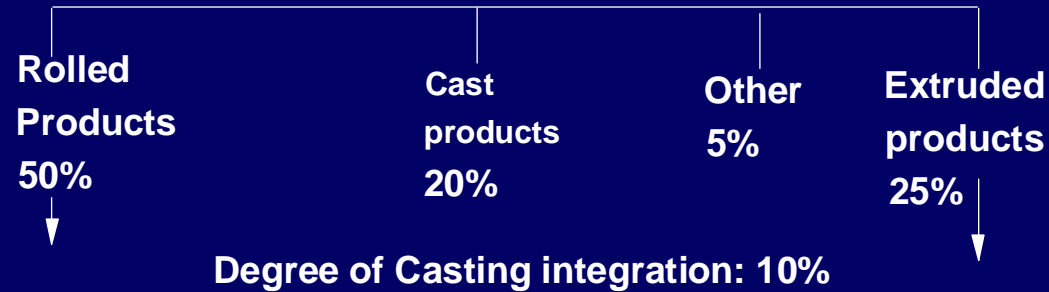
# The industry attractiveness has improved

- ✓ **Healthy growth in demand**
- ✓ **Industry consolidation will continue**
- ✓ **High entry barriers**
- ✓ **Better up- and mid-stream supply and demand balance expected**

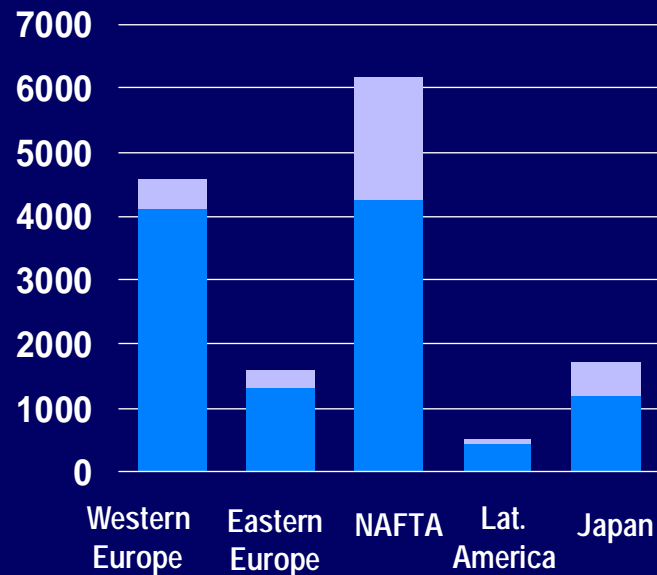


# The industry structure

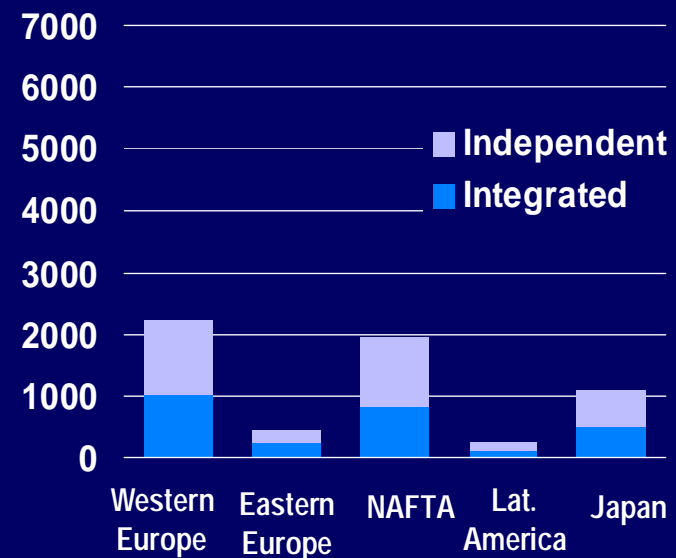
## Total consumption of aluminium, Western World



### 1000 mt Degree of Rolling integration, 80%



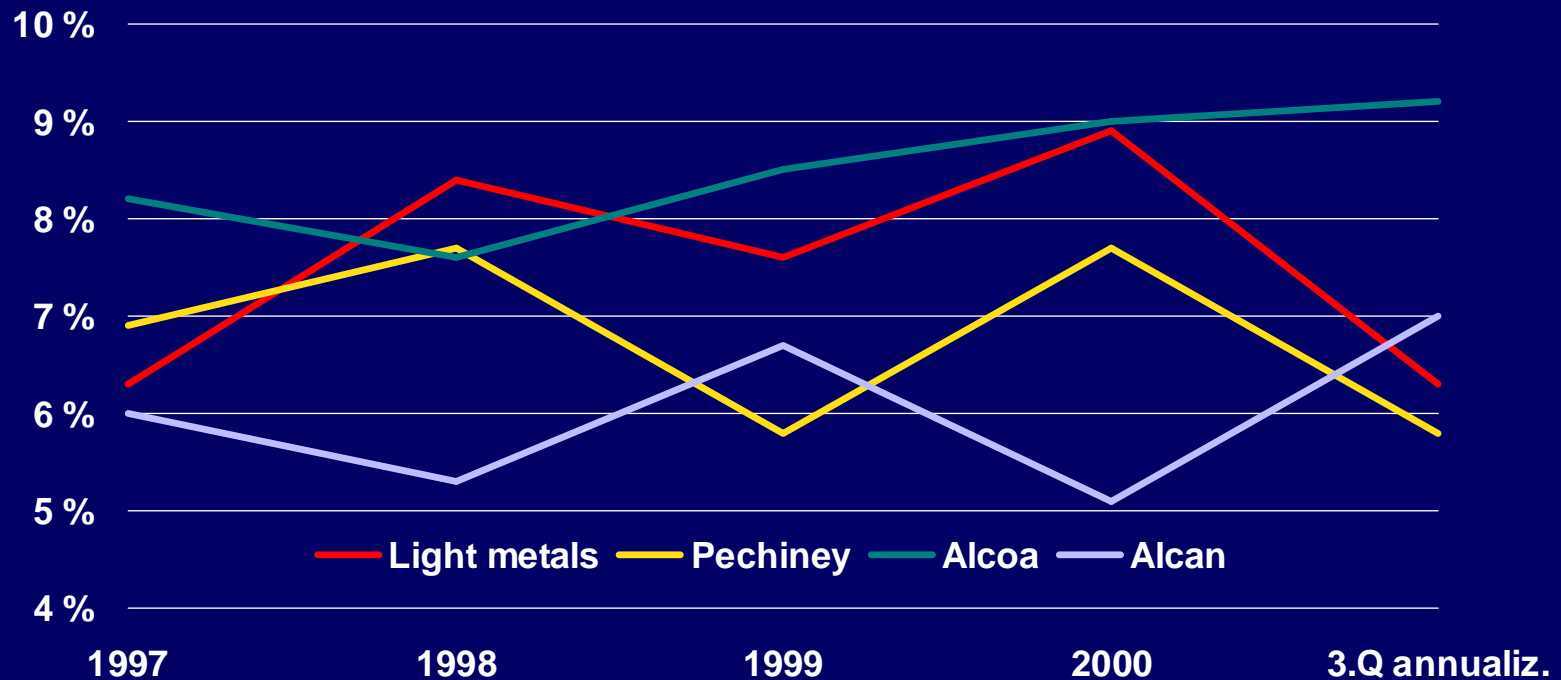
### 1000 mt Degree of Extrusion integration, 50%



# Clearly weaker financial performance for Light Metals in 2001



**CROGI proxy % = EBITDA less tax\*/Gross investment**



*Assumed standard tax rate of 30 percent for all companies*

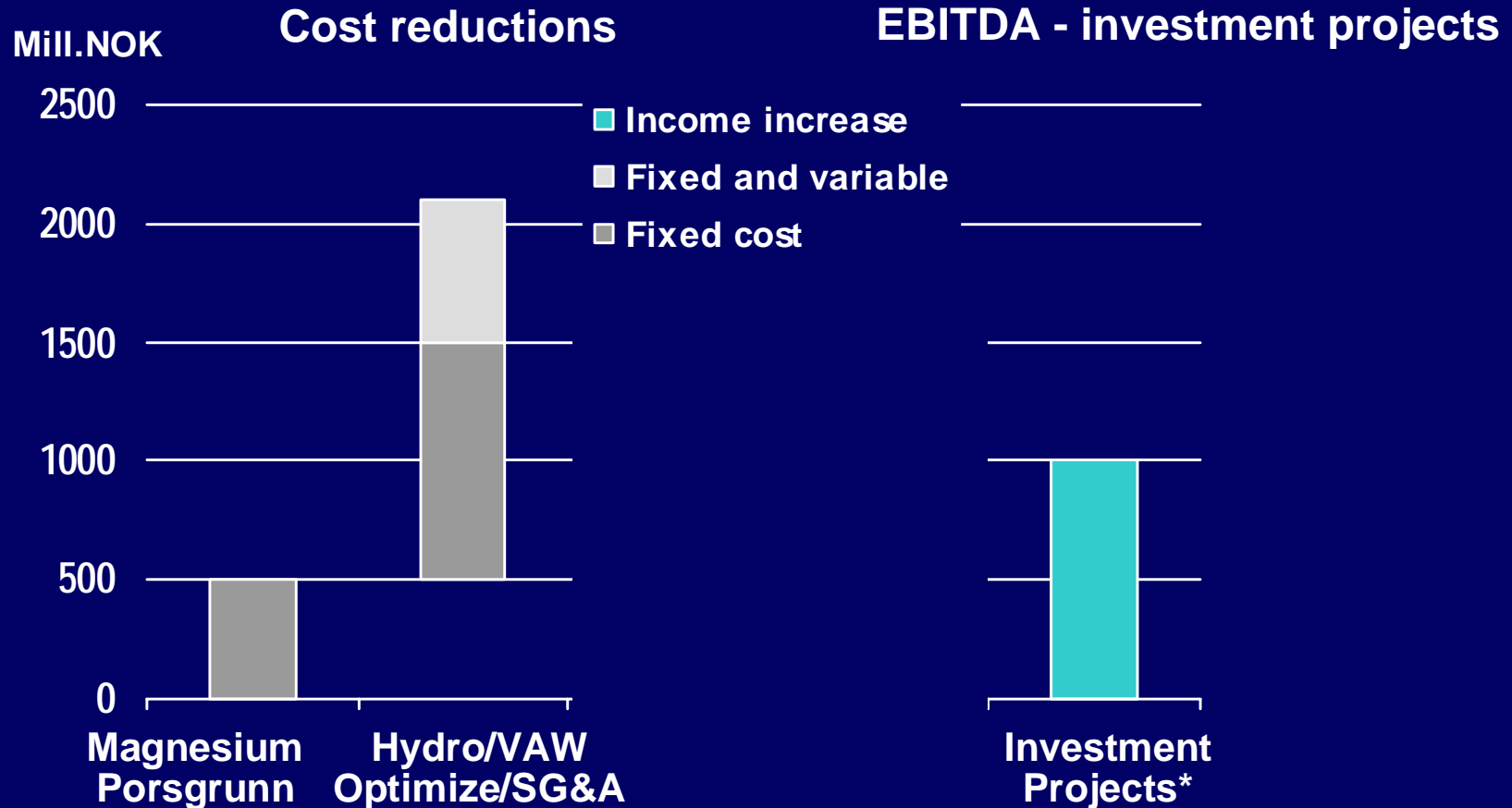
*Source: Hydro*



# Actions taken to improve performance

- ✓ **Decision to close Porsgrunn magnesium production**
- ✓ **Significant cost reduction programmes in SG&A**
- ✓ **Initiatives taken to compensate for lower volumes and margins**
  - **Demanning of 350 employees in Extrusion. Capacity reduction of 10%**
  - **Capacity reduction of 90.000 t remelt in Metal Products**
- ✓ **Further improvement programmes within Primary Metal and Metal Products initiated**

# Substantial financial effects of main programmes 2002-2003 (full effect 2004)

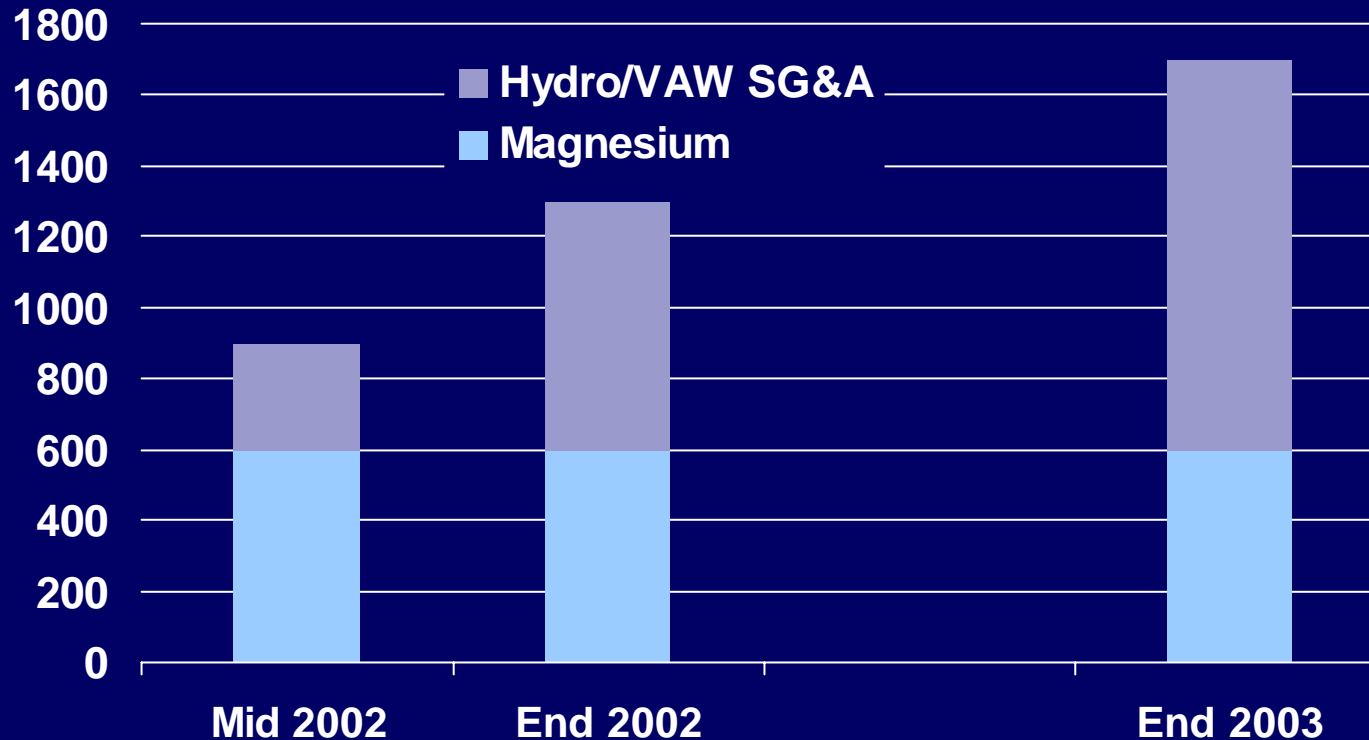


\* Projects : Including approved projects like SU 4, Alunorte, Slovalco, Søral, Remelters & Aluchemie



# Substantial reduction in manning

## Manning

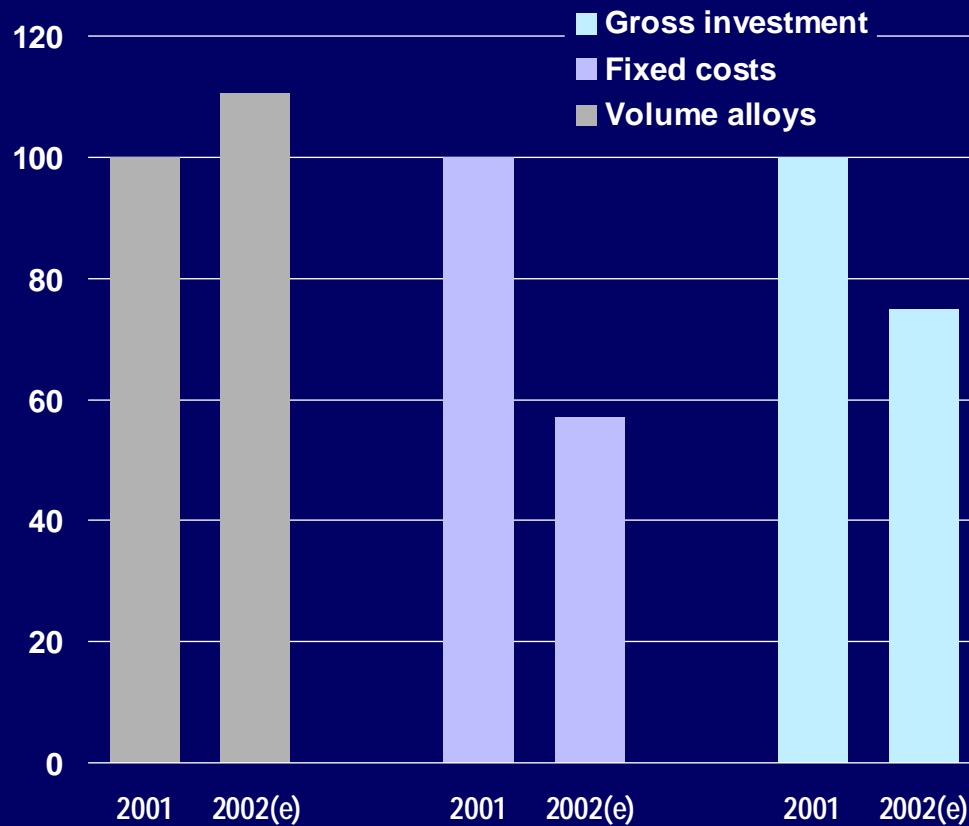


*Expected effect approx. 1.2 - 1.4 bn NOK*

*Net financial effect in 2002 will be negative due to upfront restructuring costs*



# Magnesium restructuring



- ✓ Focusing on higher margin alloys
- ✓ Long term contracts - automotive
- ✓ Asset-light metal supply concept



# The way forward

- ✓ **Forceful integration of VAW and Technal**
- ✓ **Realise significant short term improvement potentials**
- ✓ **Successful restructuring of magnesium**
- ✓ **Execution of large projects**

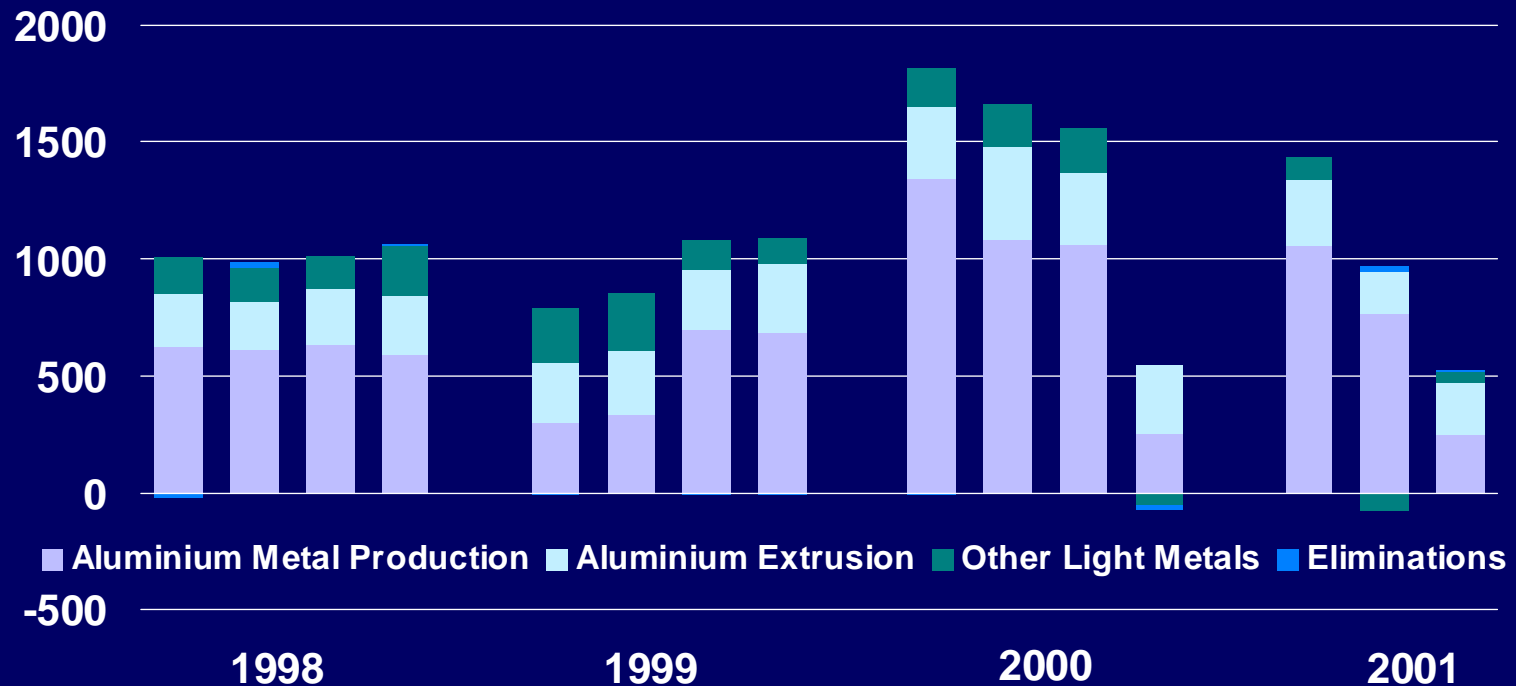


# Backup



# Hydro Light Metal – quarter by quarter

## EBITDA Mill NOK

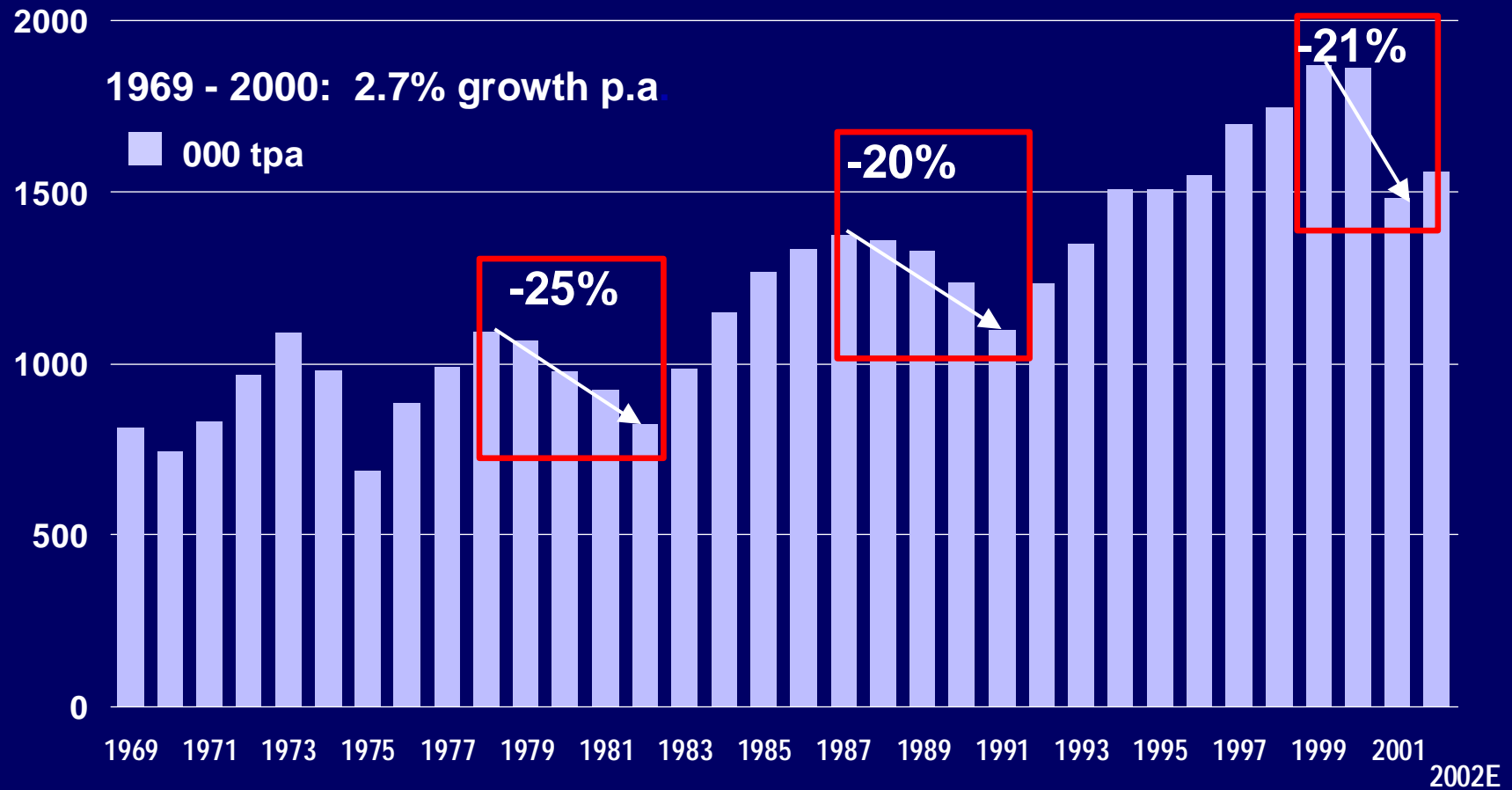


<b>Accumulated</b>	<b>4060</b>	<b>3760</b>	<b>5501</b>	<b>2845</b>
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# Effect of slowdown in the US has been extreme



## Extrusion shipments





# Safe harbour statement

**In order to utilize the "Safe Harbor" 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 2000 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.**