

Capital Markets Day Hydro Agri

Executive Vice President
Thorleif Enger
Oslo, December 9, 2002



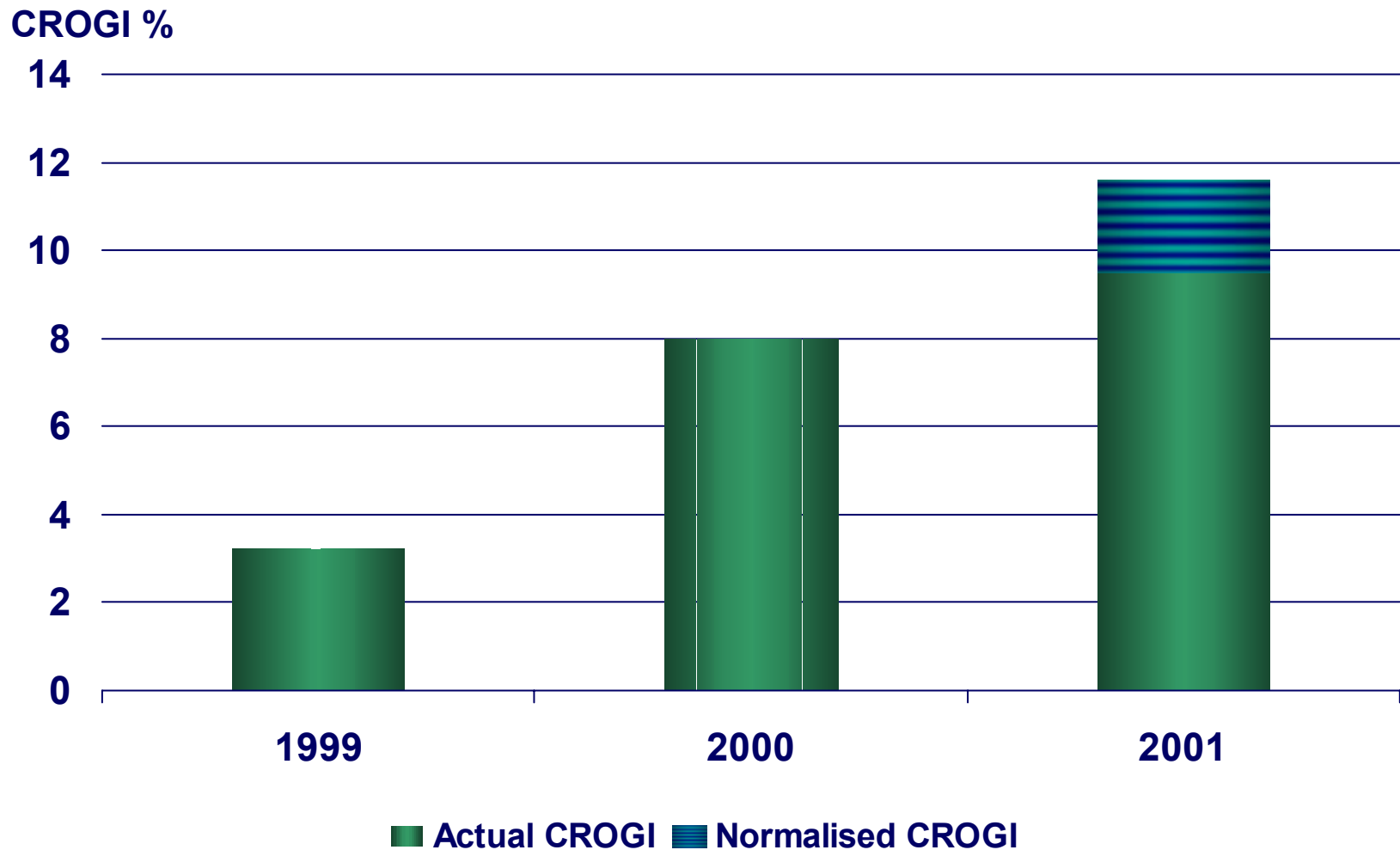


Hydro Agri perspectives

- **From Turnaround to industry leadership**
 - Debunking myths
 - Our ability to deliver
- **Hydro Agri's unique business model and areas of global strength**
- **Opportunities ahead**



Strongly improved performance





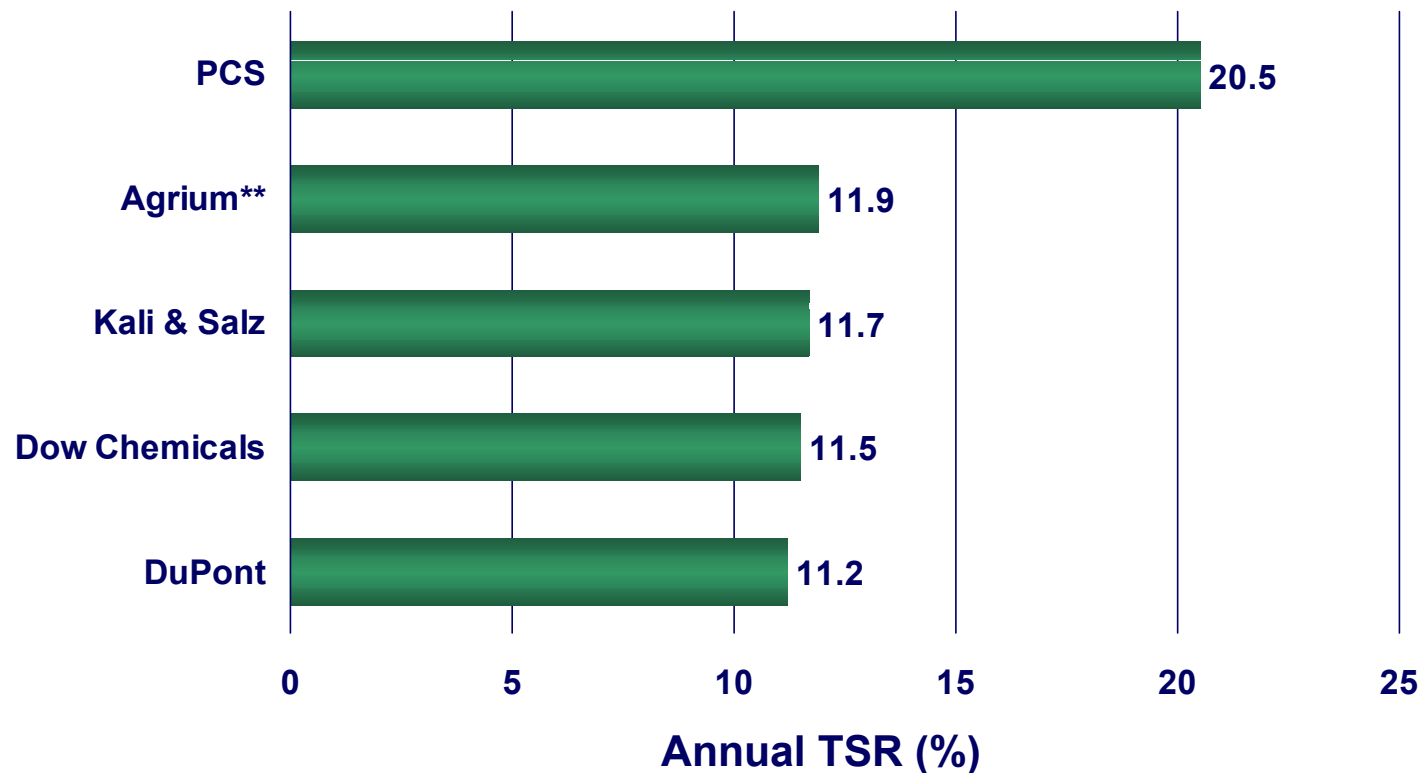
Debunking myths

Concerns	Industry facts	Hydro Agri today
Industry attractiveness	Competitive returns	Leading player
European performance	Improved outlook	Regional balance
Nitrogen attractiveness	Position not product important	Leading position
Nitrogen cyclicity	Equal other commodities	Cyclicity mitigated

Industry attractiveness – Competitive returns



Average annual total shareholder return* across the business cycle (1990-2001)



* *TSR = Share price appreciation + dividends to shareholders*

** *Agrium from merger in 1993 to 2001*

Source: BCG database

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West European performance – Improved outlook (1999-2002)



- **Total closures of 5 million tonnes of capacity (incl. IFI)**

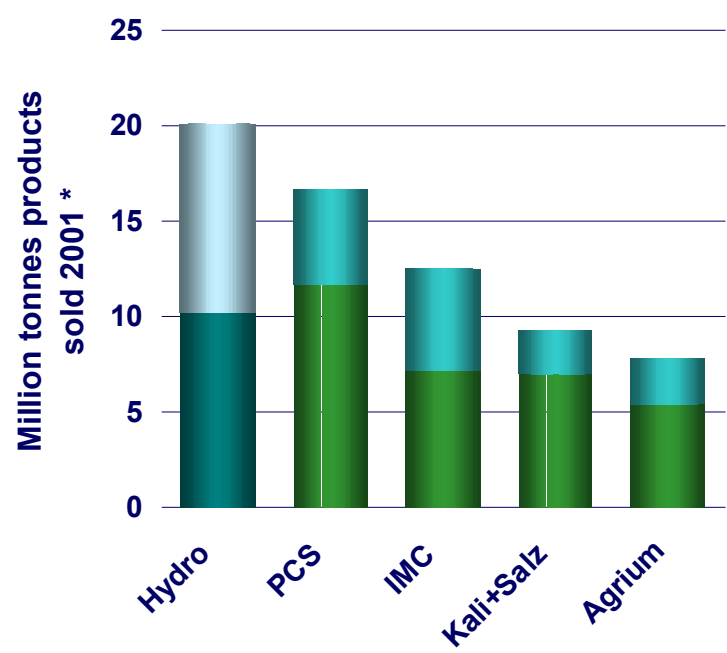
- **Hydro Agri actions**
 - **Closed/sold 11 plants**
 - **Closed 12 sales offices**
 - **Sold around 25 businesses**

Greatly simplified Hydro Agri business



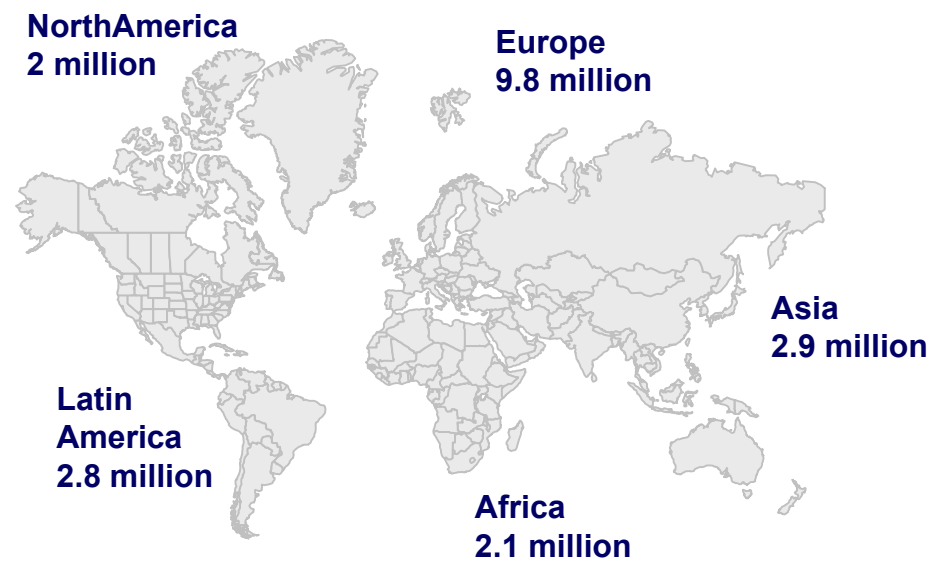
Good regional balance and global presence

All fertilizer products



- Hydro Overseas
- Hydro Europe
- Overseas
- Home market

Agri sales tonnes

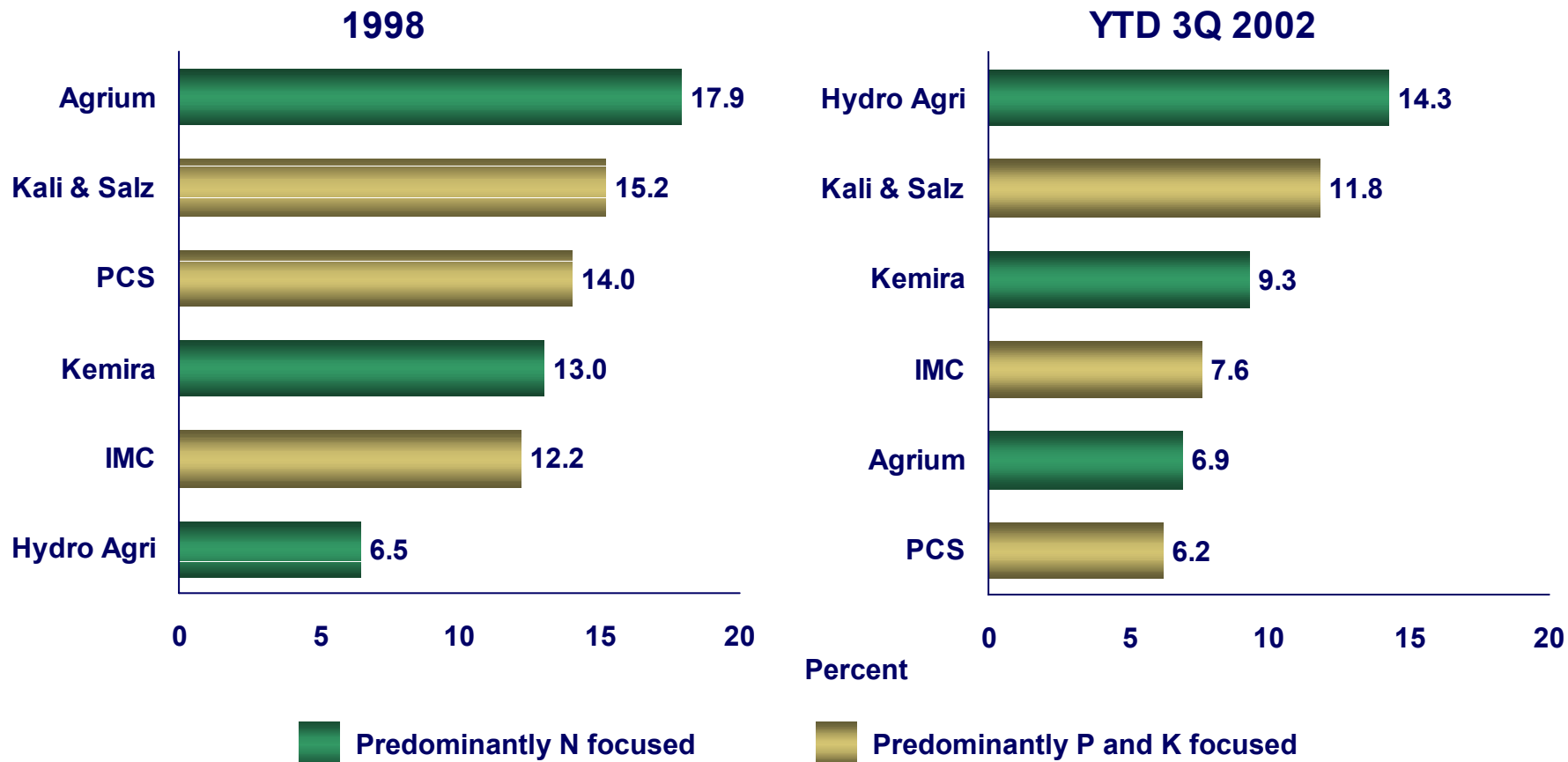


**Accumulated
20 million**

* Kali & Salz figures based on year 2000

Nitrogen attractiveness – Position more important than product

Gross return on assets*



* Gross return on assets defined as EBITDA
(excluding non recurring items) divided by total assets

Source: company quarterly reports

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Hydro Agri cyclicalicity mitigated

- **Plants are not cost based swing producers**
- **Global market presence and product flexibility provide hedging**
- **Growth overseas and in speciality/ industrial applications is less exposed**

**Target: NOK 3 billion EBITDA
at bottom of business cycle**



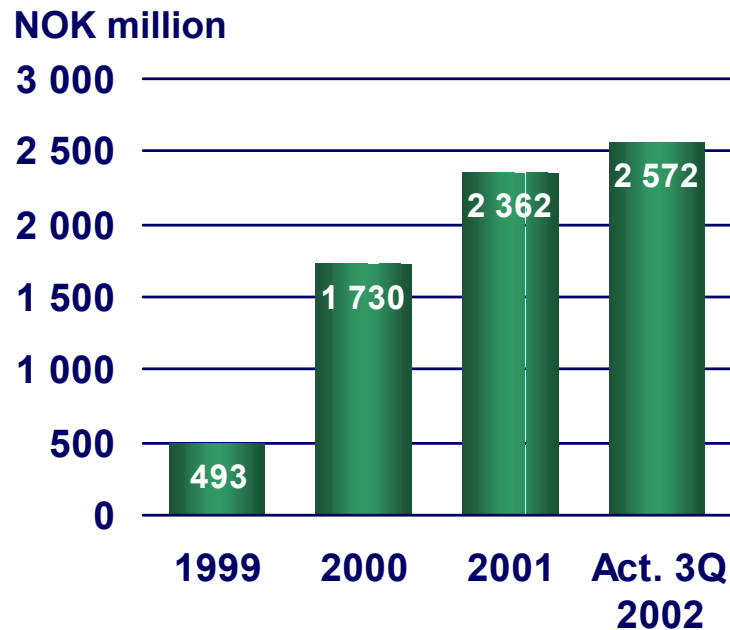
Drivers of Hydro Agri value

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

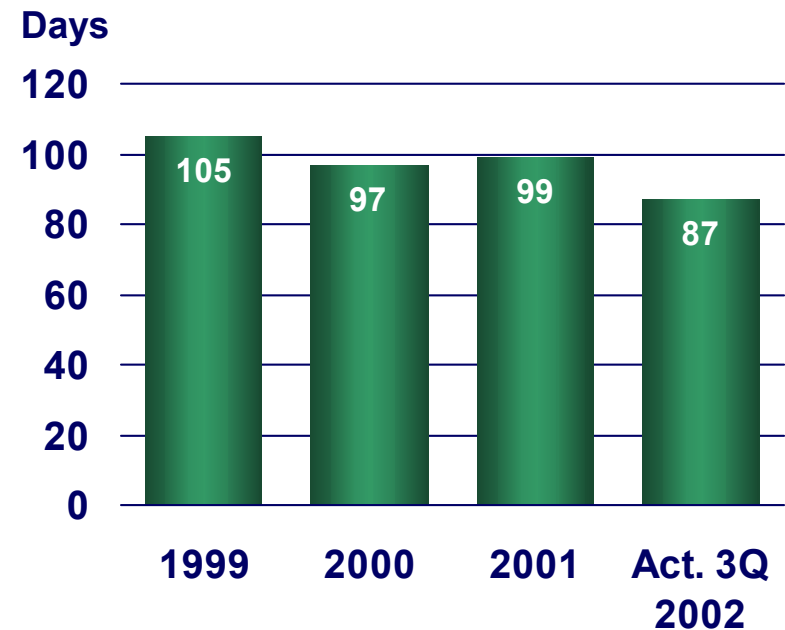


Reduced fixed costs and working capital

Accumulated fixed cost reductions *



Net working capital days**



* Total fixed cost reductions compared with 1998 level

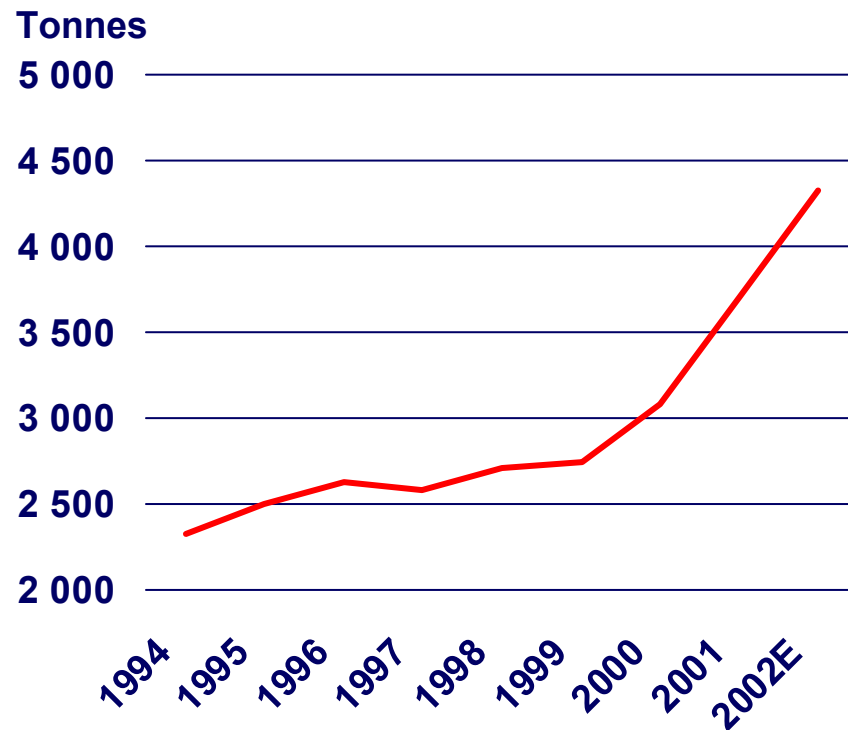
** Average net working capital divided by gross operating revenue



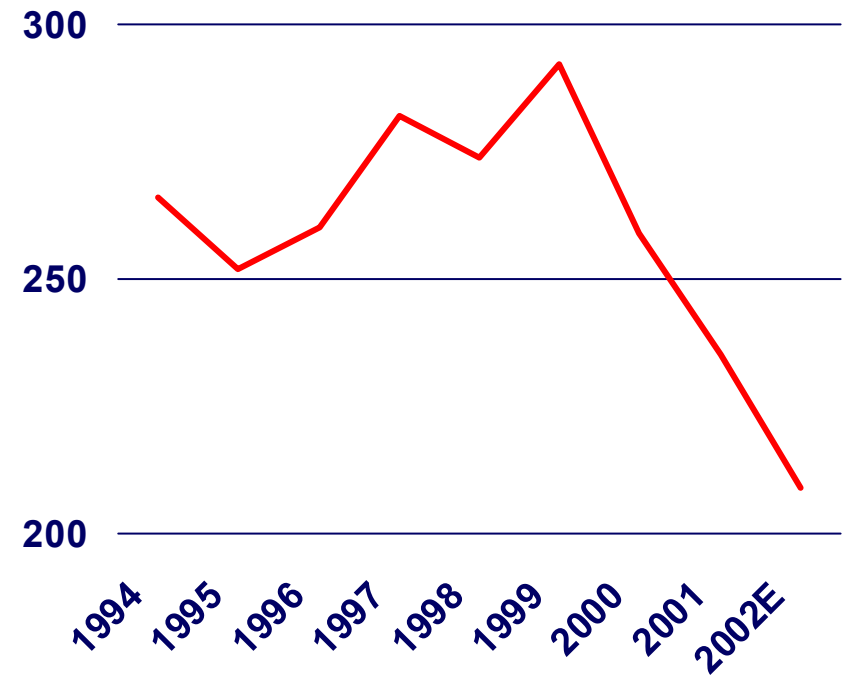
Large productivity improvements

European plants

Production per employee

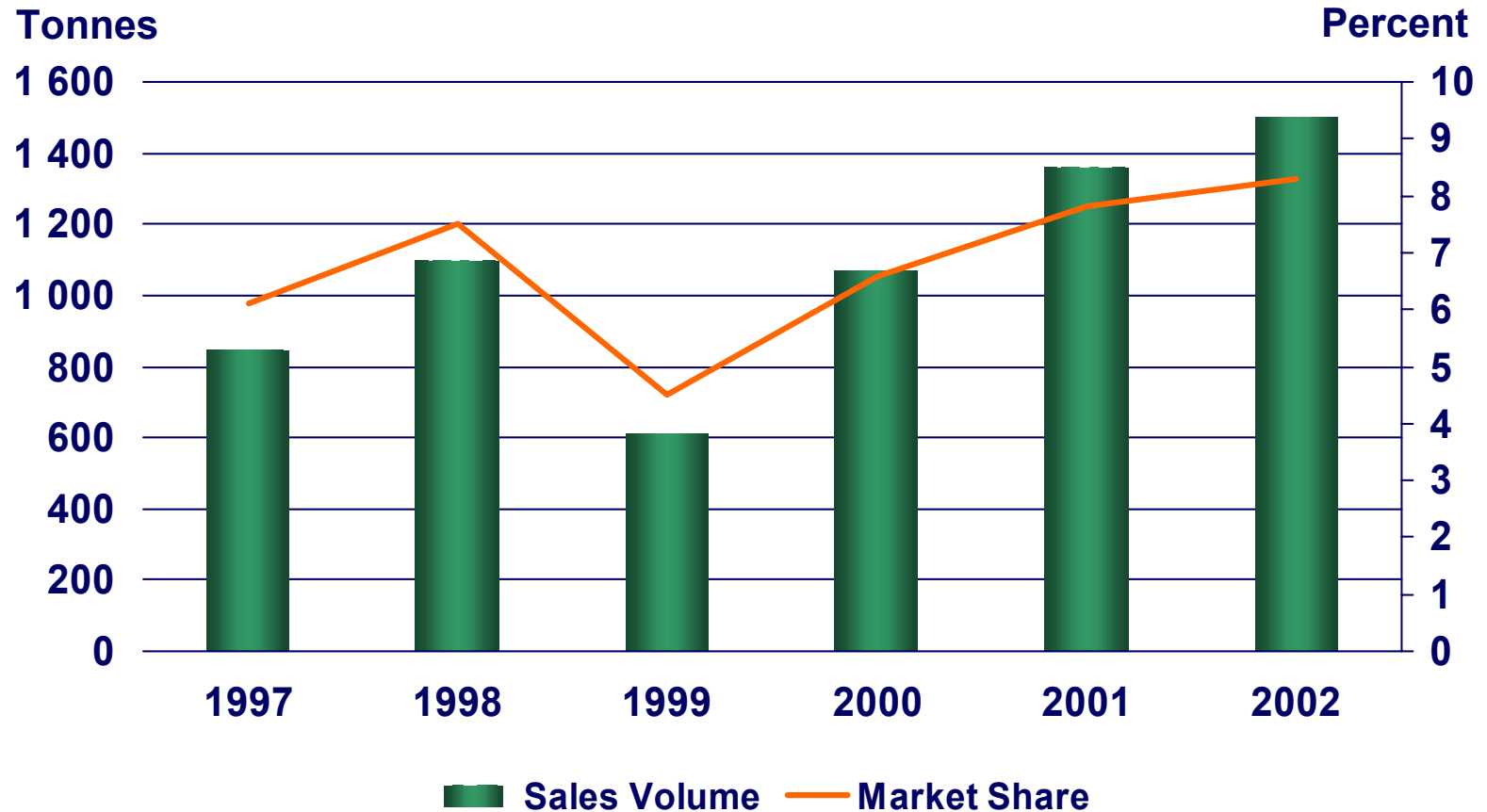


Fixed cost per tonne * (NOK)



* Excluding non-recurring items

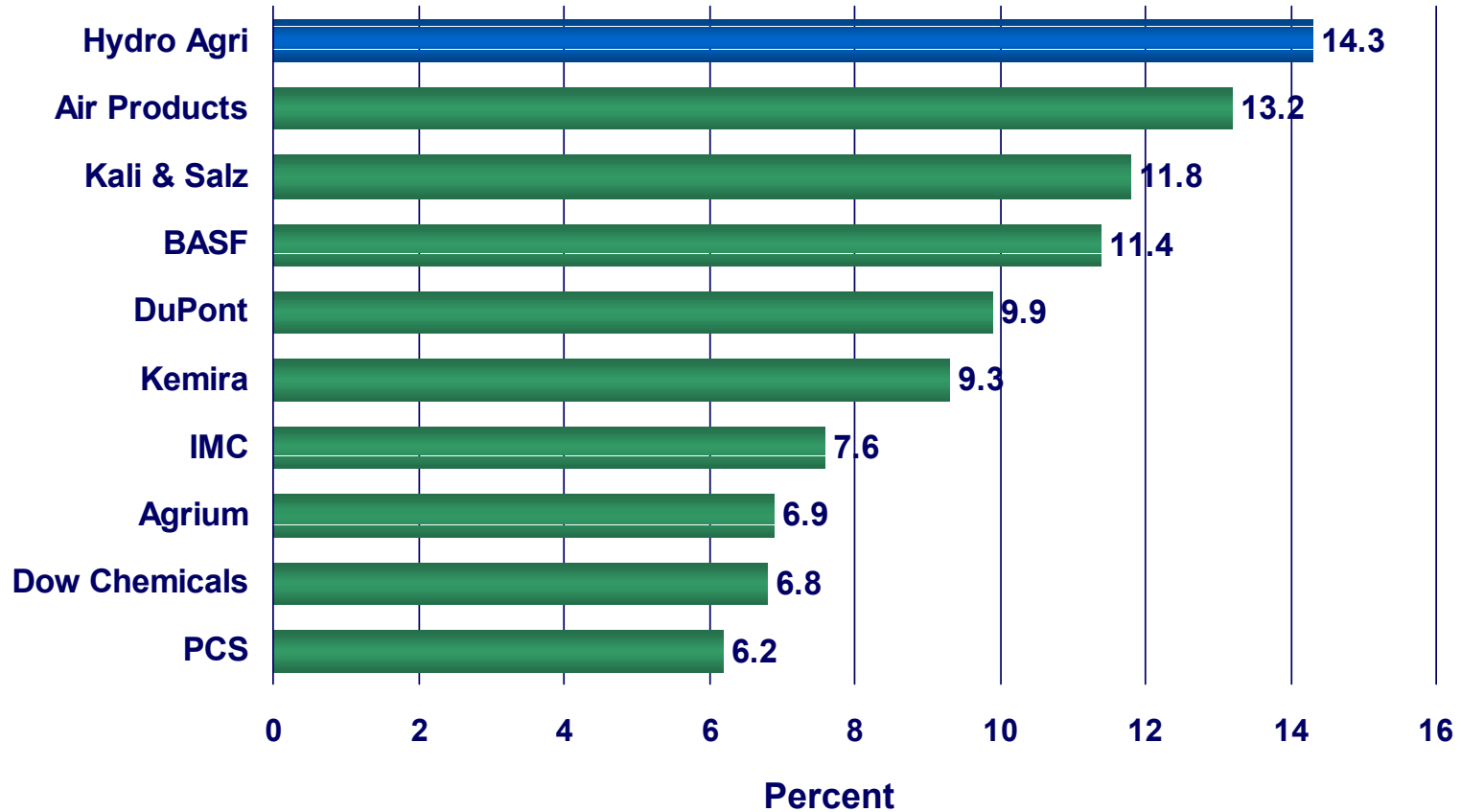
Trevo (Brazil) takeover: From bankruptcy to healthy business





Top performance

Gross return on assets* YTD 3Q 2002



* Gross return on assets defined as EBITDA (excluding non recurring items) divided by total assets

Source: company quarterly reports



We have a unique fertilizer position

- **The largest player**
- **The only truly global company**
- **Balanced product portfolio (N,P,K)**
- **Strong sourcing power**
- **Unique brands**



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**



Positive market outlook

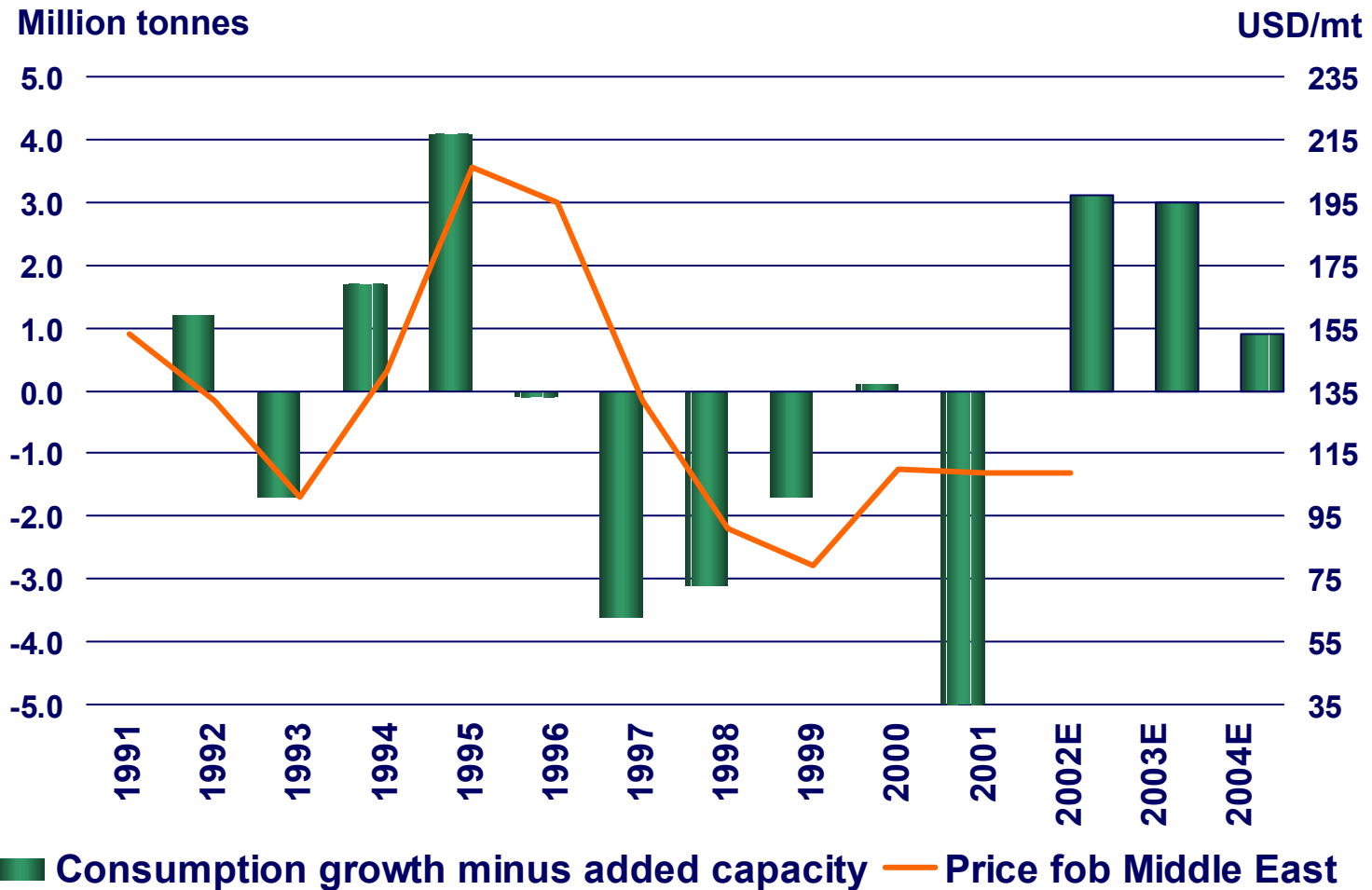
- **Growth in fertilizer consumption**
 - Cereal stocks diminishing rapidly
 - Increasing grain prices last months
 - Historically, fertilizer prices correlate well with grain prices

- **Limited new capacity globally next 2-3 years**

- **Global supply/demand balance looks good**



World urea supply/demand balance



Source: CRU, Fertecon, Hydro

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Possible opportunities and threats

Opportunities

- Increased exports to China and India
- Russian WTO membership expected to establish gas prices reflecting real costs
 - Reduce Government impact
 - Intermediate EU antidumping measures linked to gas price

Threats

- Improved US cost position
- Imports into Europe



Future growth opportunities

- **Organic growth**
 - Continued productivity improvements in our plants
 - Scale and synergy effects in our global logistics and marketing network

- **Potential opportunities**
 - North America (nitrogen)
 - Low cost ammonia capacity (Trinidad, Middle East...)
 - Distribution channels (China, Brazil...)
 - Global consolidation process



Key messages

- **Market outlook positive**
- **Unique business position**
- **Global leadership in key strategic areas**
- **Industry leadership after Turnaround**
- **Strong platform for profitable growth**

Additional Information





Hydro Agri – indicative sensitivities

	EBITDA NOK million	CROGI % points
Urea + 10 USD/t	170	0.33
CAN + 10 USD/t *	500	0.97
Oil price + 1 USD/bbl	- 110	- 0.21
Currency + 0.1 NOK/USD	60	0.12

* Reference price for nitrogen sales in Europe
CAN prices are influenced by urea

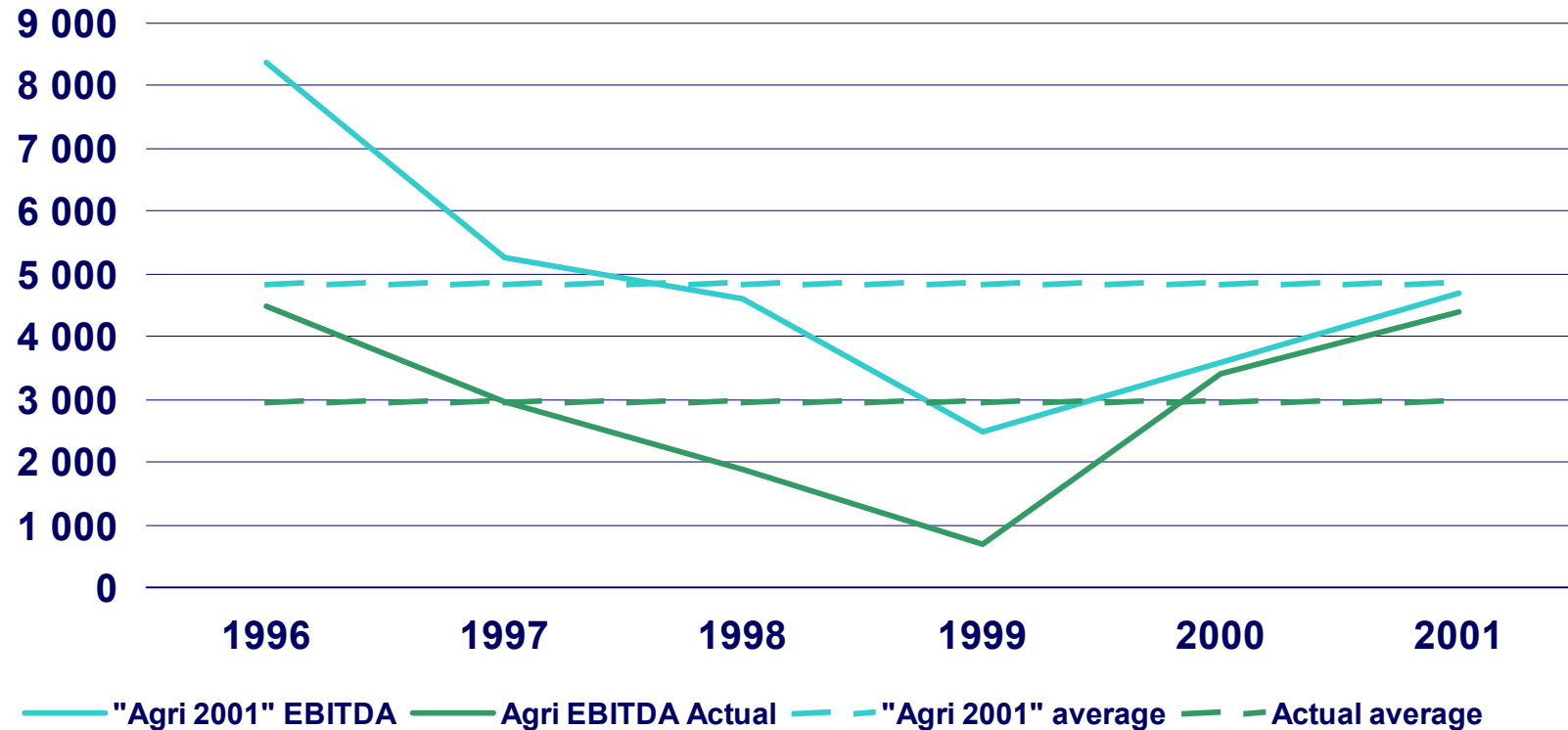
Underlying assumptions: Oil USD 18, CAN 113 USD/t , NOK/USD 8.00
Simplified tax rate: 30%

Position and strength reduce the impact of cyclicality on results



EBITDA Backcast, 2001 Base year

NOK million



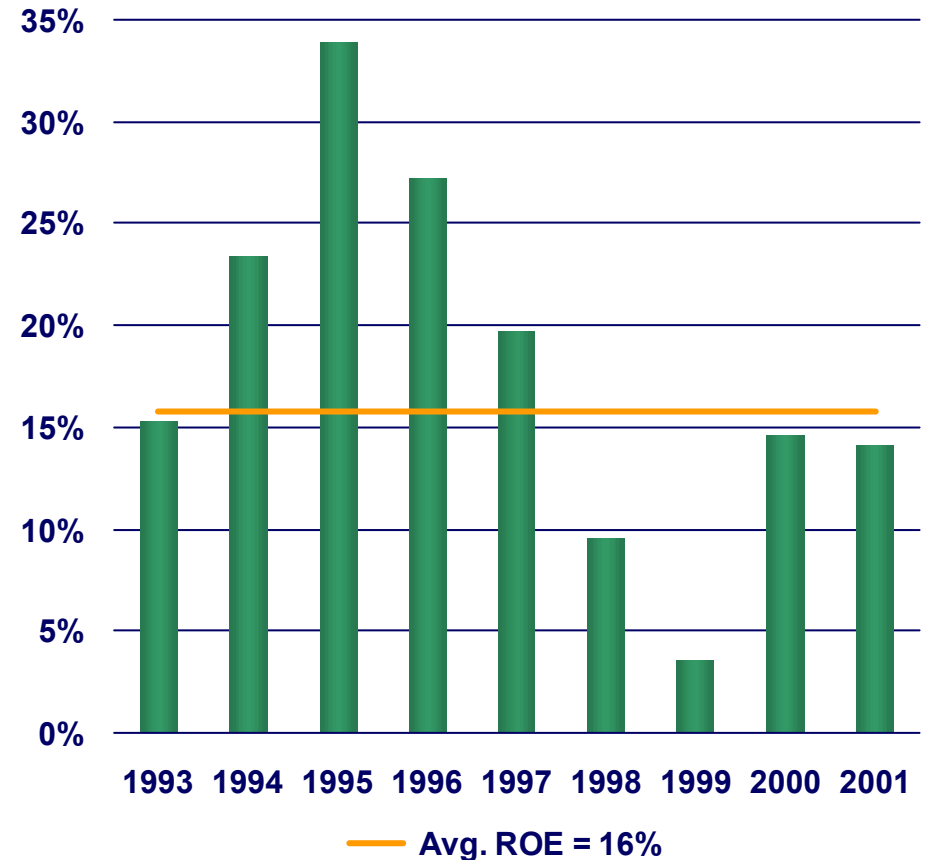
*Backcast is estimated performance of 2001 structure with historical trading conditions (prices and currency).
2001 EBITDA corrected for 300 NOK million non-recurring items*

Qafco – a successful ammonia/urea investment



- Qatar Fertilizer Company, one of the most cost efficient nitrogen plants in the world.
- Hydro ownership 25%
- Hydro marketing agreement of 0.6 million tonnes (1.4 million tonnes)* urea p.a.

Return on Equity (ROE)

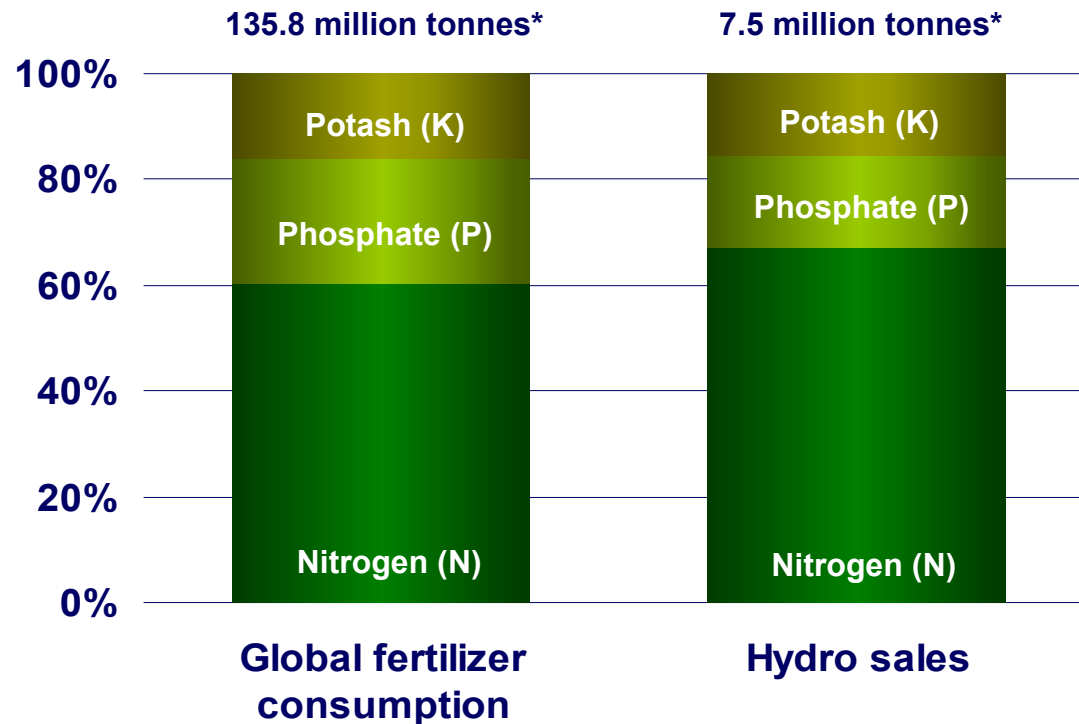


* Volume after June 2004 (Qafco 4 expansion)



Market leadership – and balanced sales

2001 sales



Average global Hydro market share ~ 6%

* Nutrient tonnes

Hydro Agri sales calendar year 2001. IFA statistics season 2000/2001

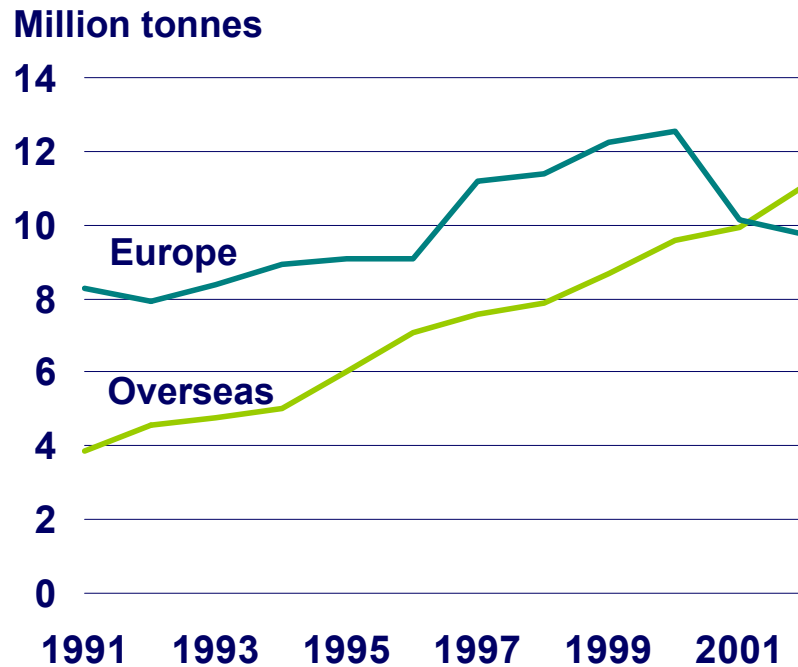
Source: IFA, Hydro

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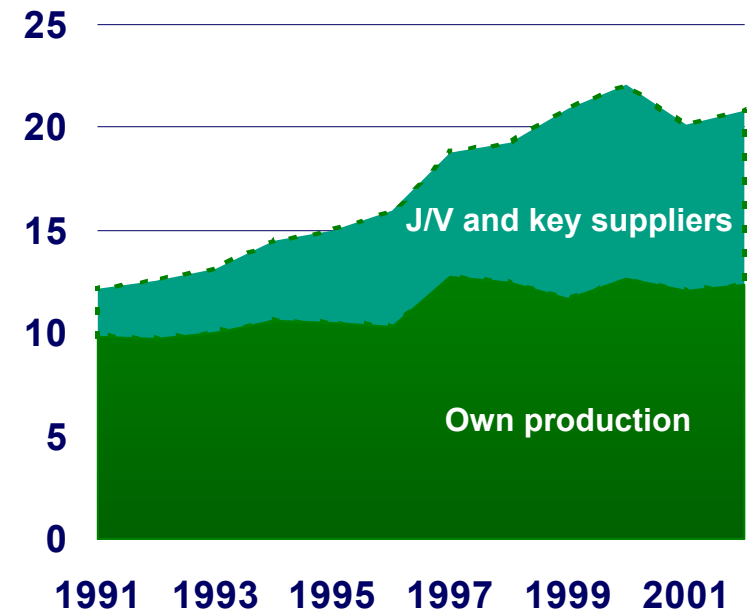


Growth in non-European markets

Est. 2002 Agri sales overseas higher than sales in Europe

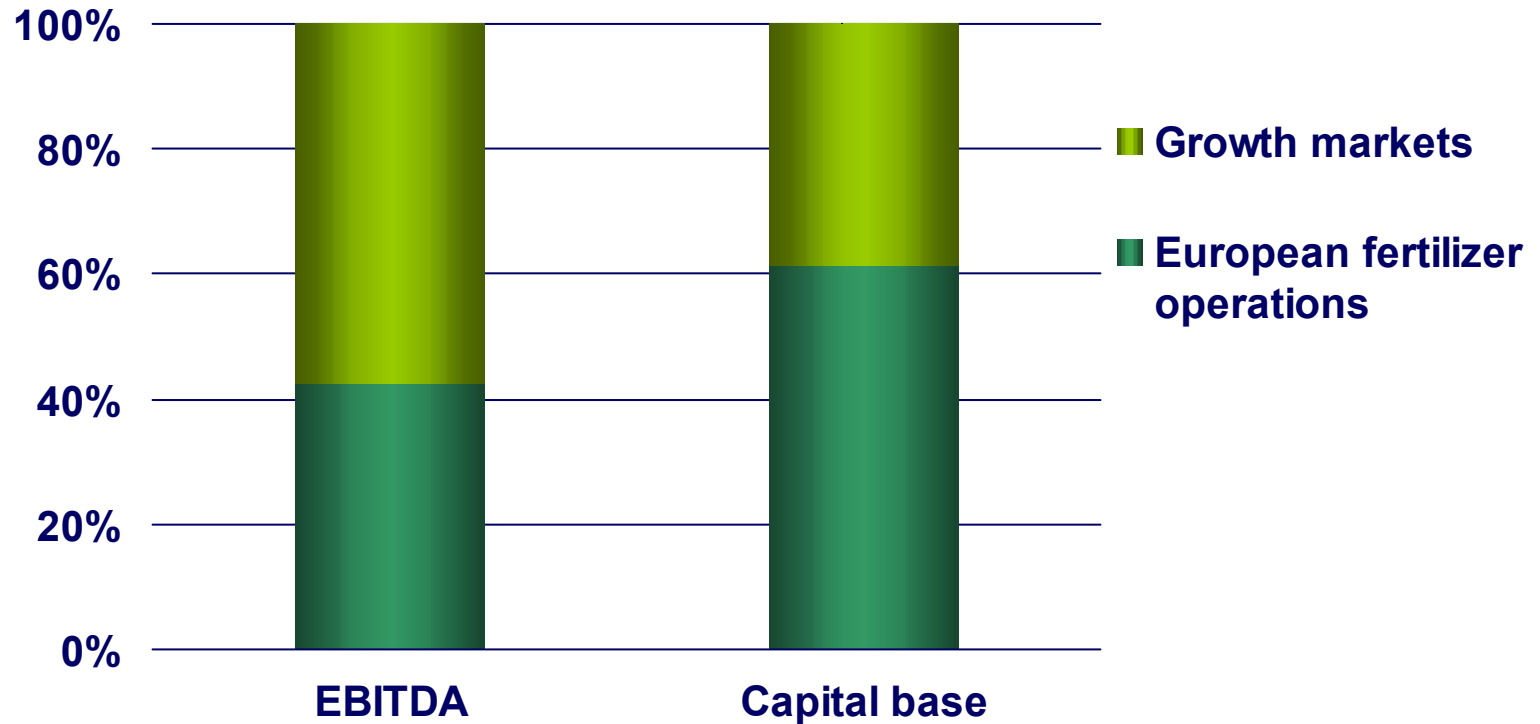


Sourcing





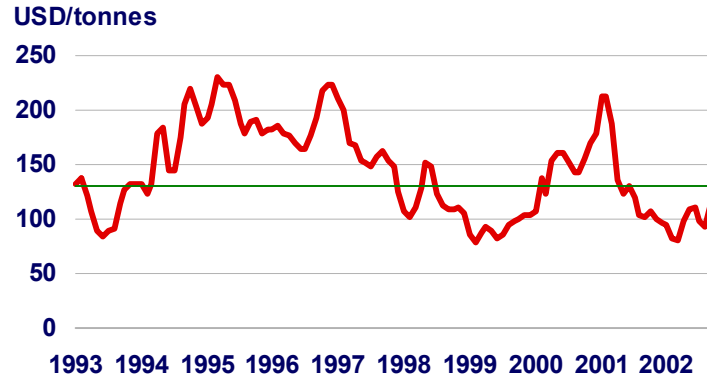
Increased focus on growth markets



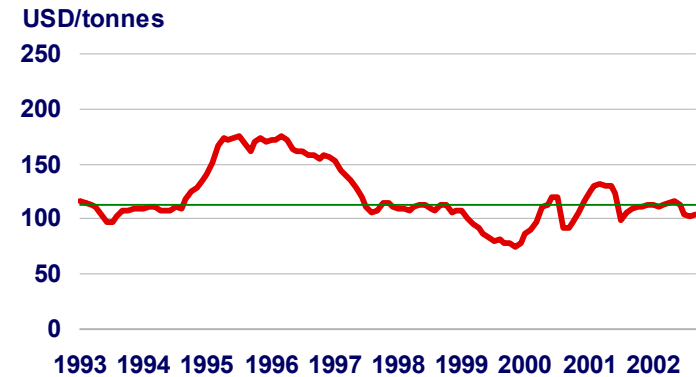


Historical and average fertilizer prices

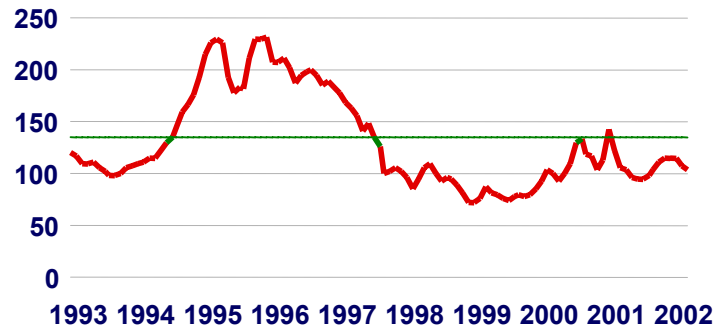
Ammonia
Fob Caribbean



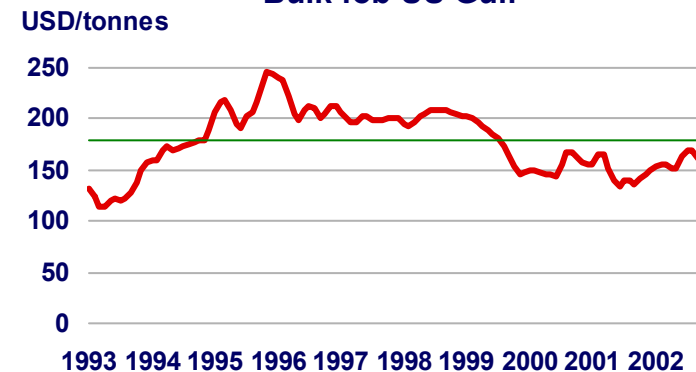
CAN Germany
Bulk delivered warehouse



Urea
Bulk fob Middle East



DAP
Bulk fob US Gulf



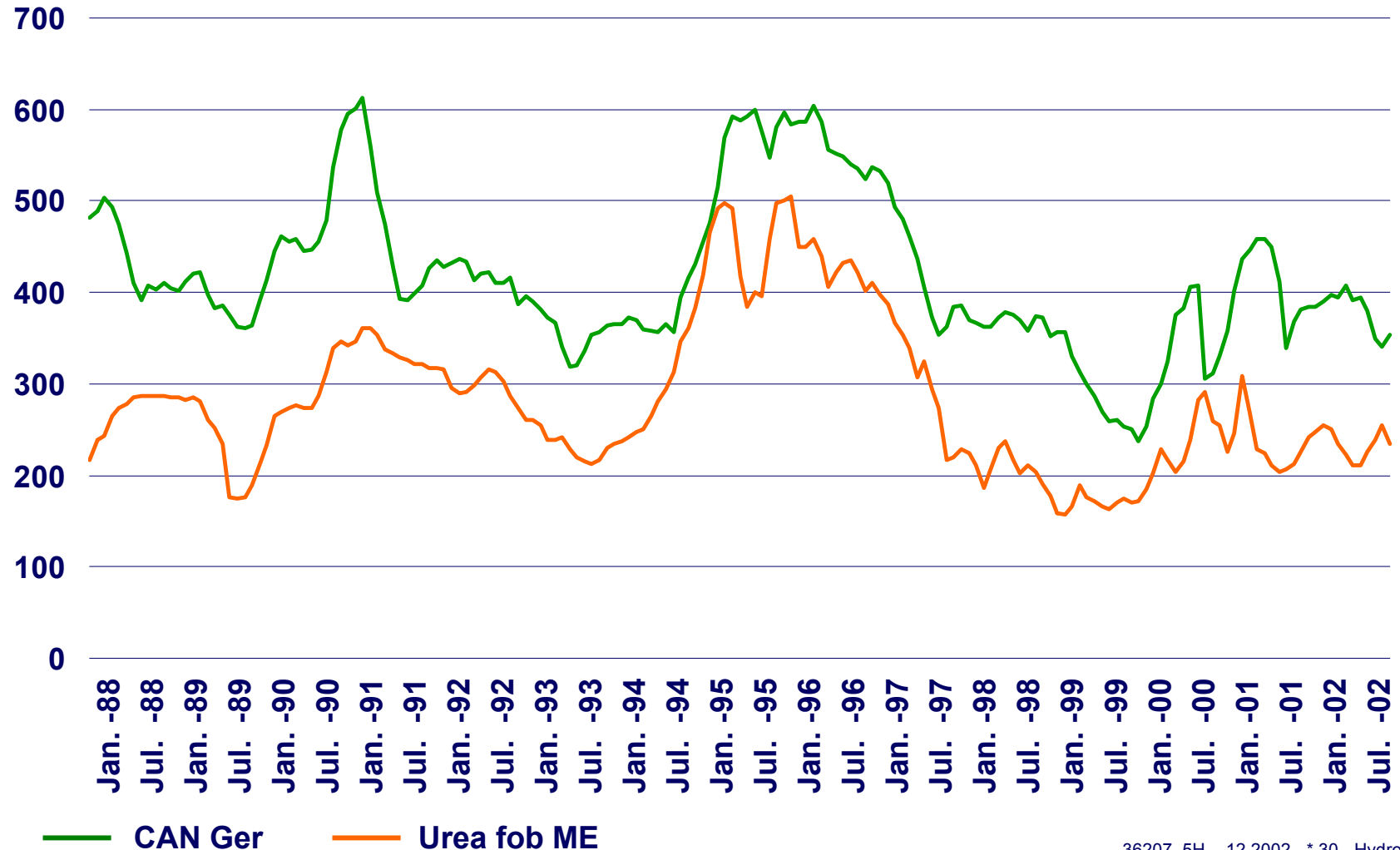
— Average prices 1993 - 2001

Source: Fertilizer Week, The Market for CAN

European nitrate prices are strongly influenced by the global urea price

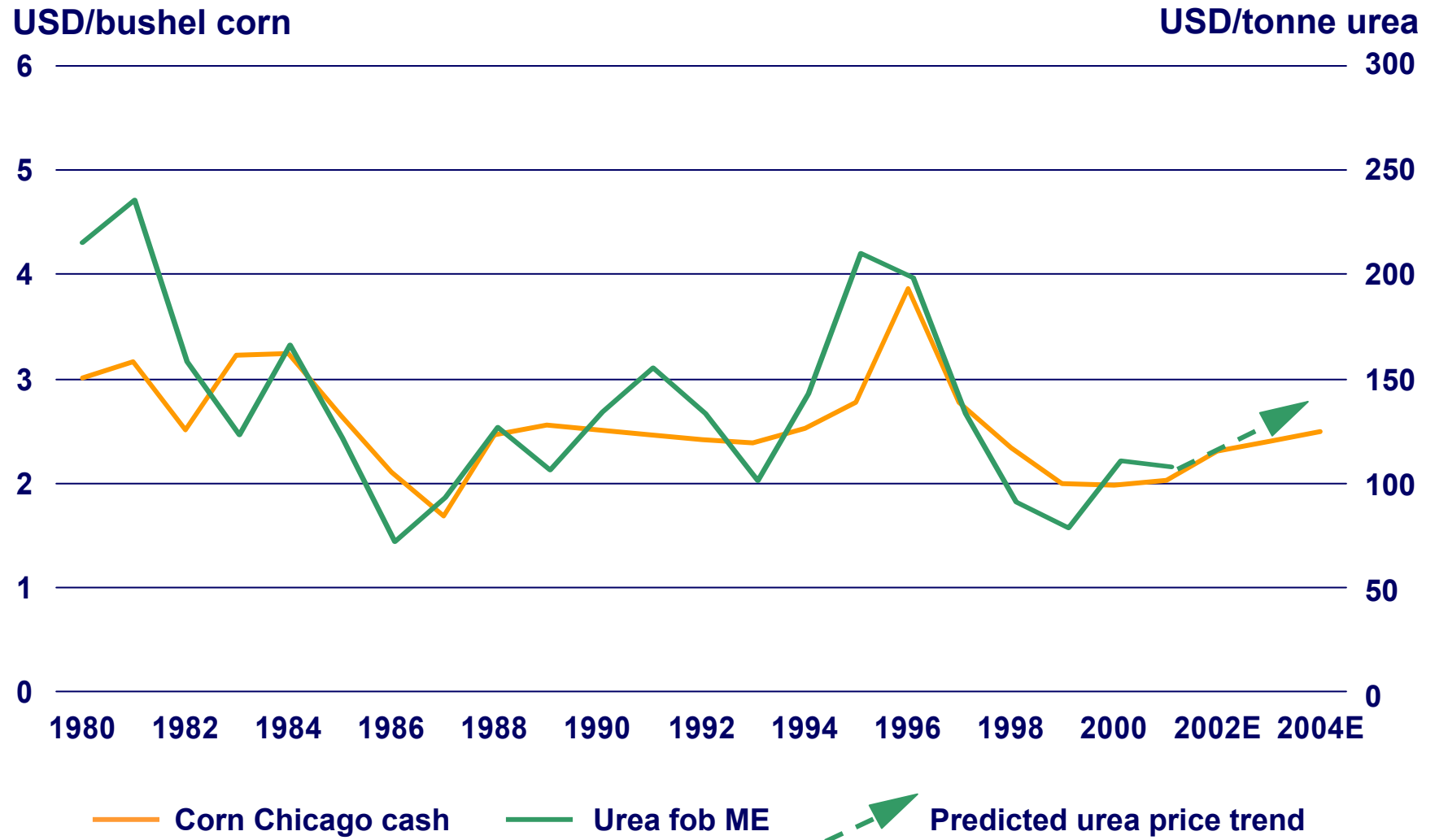


USD/mt N





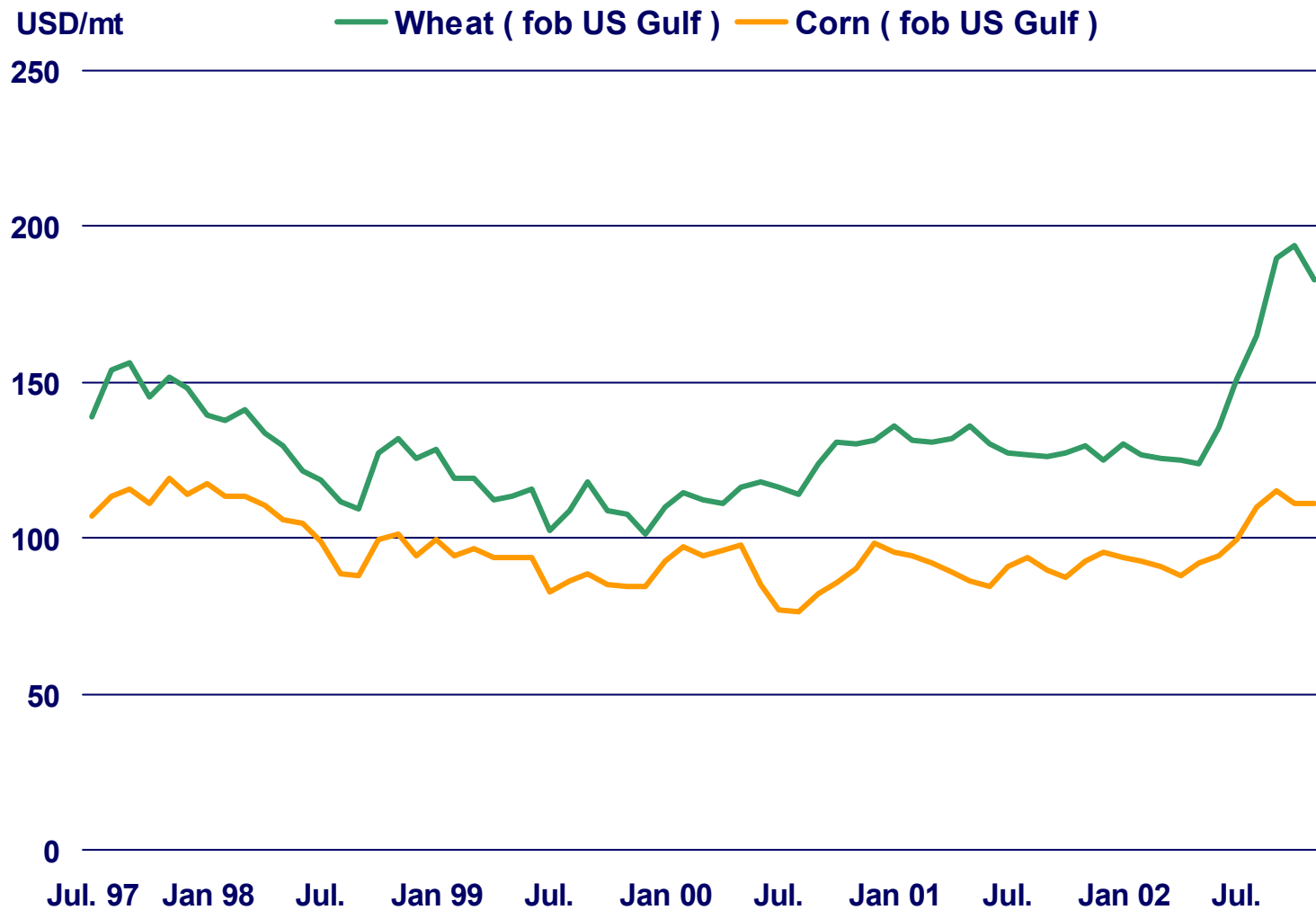
Fertilizer prices linked to grain prices -



Source: Blue-Johnson, CBT



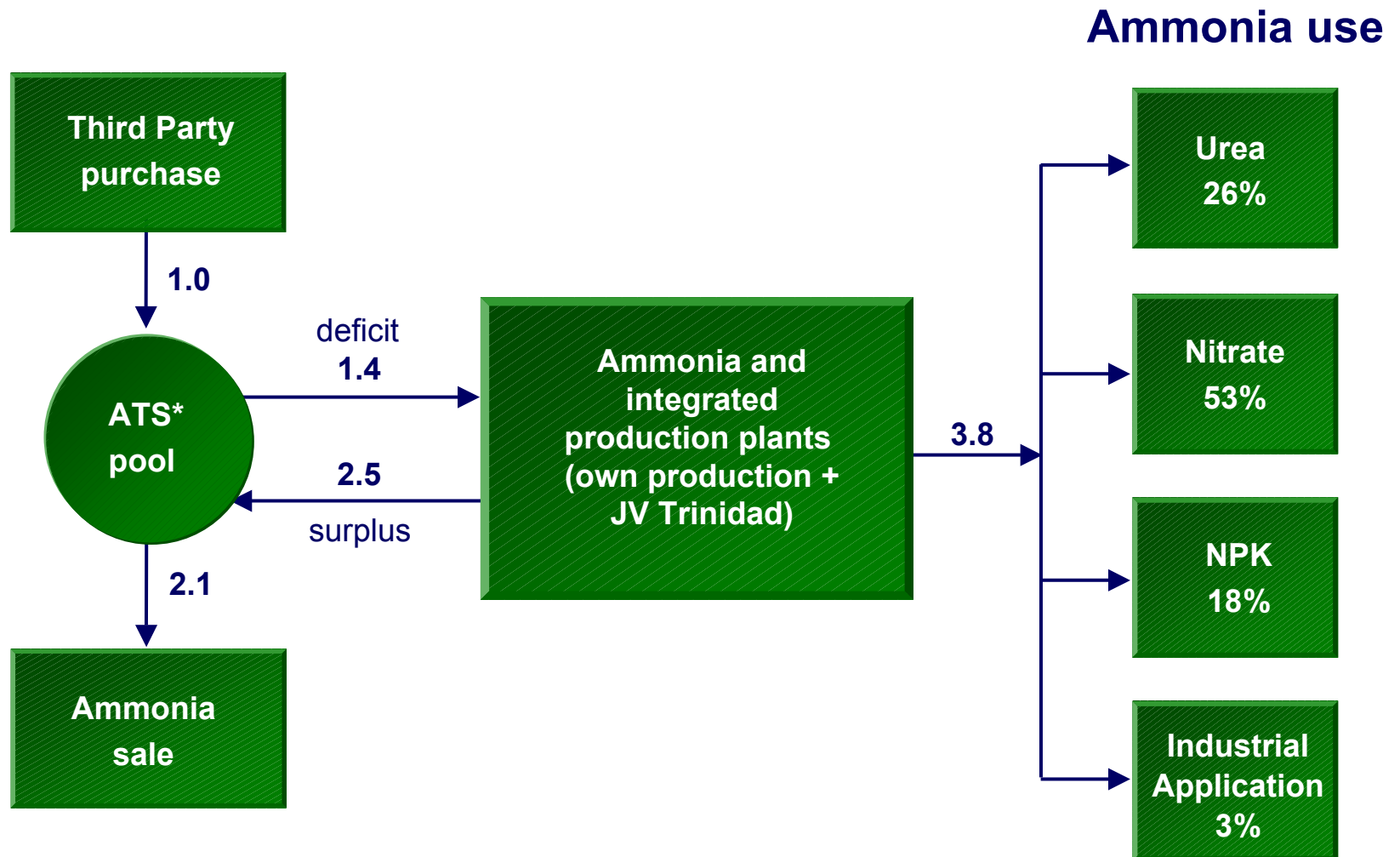
- grain prices increasing



Source: International Grain Council



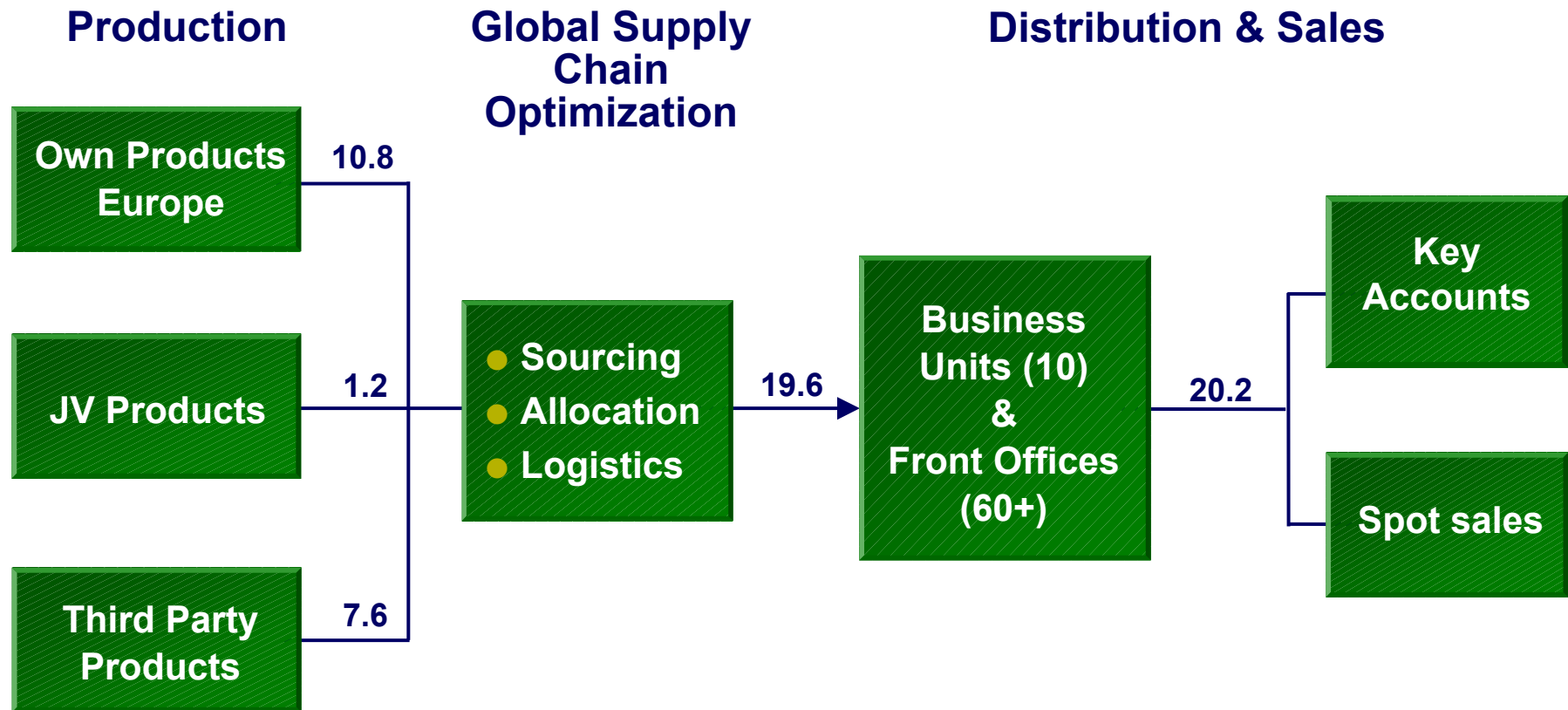
Ammonia Value Chain (2001)



* Ammonia Trade & Shipping



Fertilizer Value Chain (2001)





Product Value Chain

Raw materials	Intermediate products	Finished Products	
		Main	Other
Natural Gas/Air (N)	Ammonia/nitric acid	Urea	<ul style="list-style-type: none"> ● Nitrates ● Compounds NPK ● Straights ● Blends
Rock (P)	Phosphoric acid	DAP	
Salts (K)	-	MOP	

References for analysis of fertilizer markets



- **News, price references and short term developments (1 - 2 months)**
 - **The Market** www.decyfer.com
 - **Fertilizer Week** www.britishsulphur.com
 - **Fertecon** www.fertecon.com
 - **FMB** www.fmb-group.co.uk
 - **Green Markets (USA)** <http://greenmarkets.pf.com>
- **Medium term (1 year) supply/demand and price analysis**
 - **Outlook, from The Market. Monthly publications for ammonia, urea and DAP**
- **Longer term**
 - **Fertecon**
 - **British sulphur**
- **Grain supply/demand and price**
 - **International Grain Council** www.igc.org.uk
 - **Chicago Board of Trade** www.cbot.com



Hydro Agri structure

