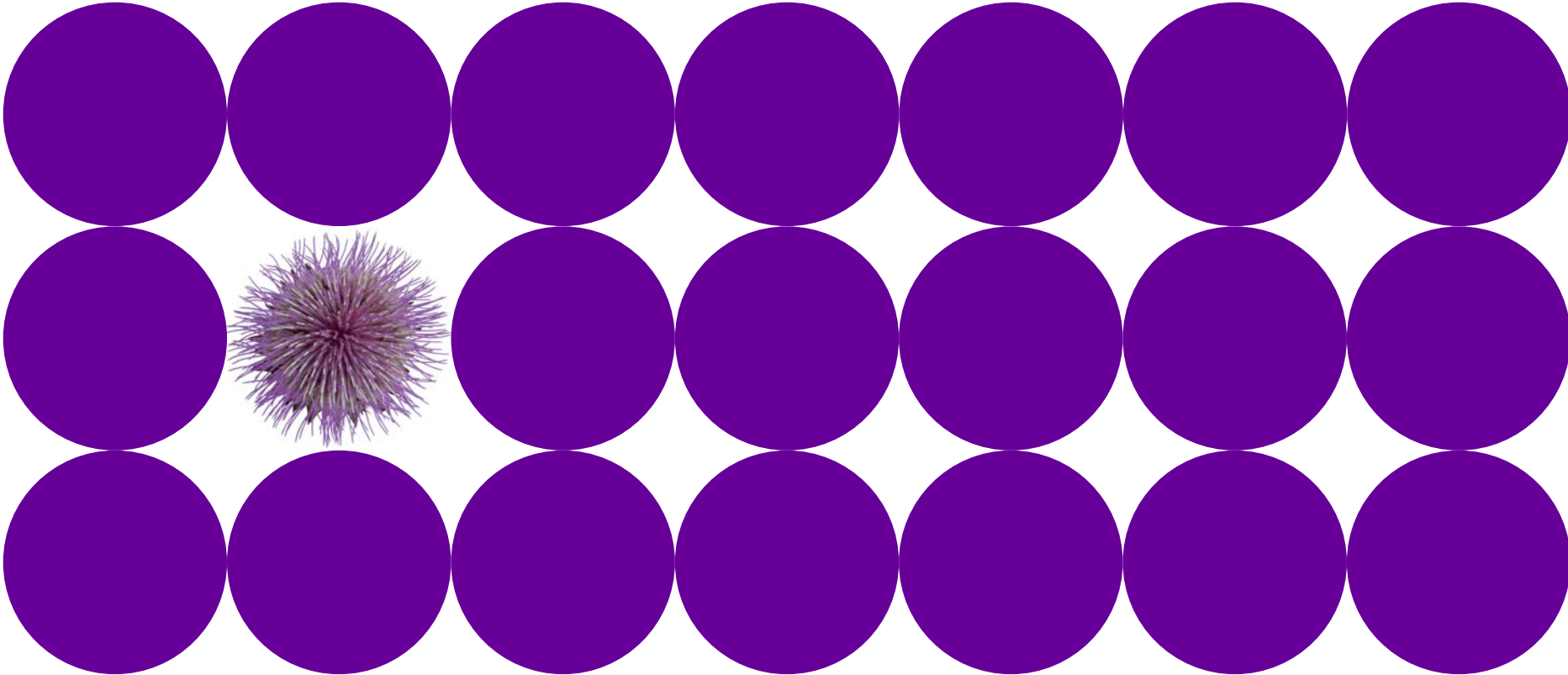


# Hydro – set for growth



Eivind Reiten, President and CEO  
September 6, 2007

# Key messages

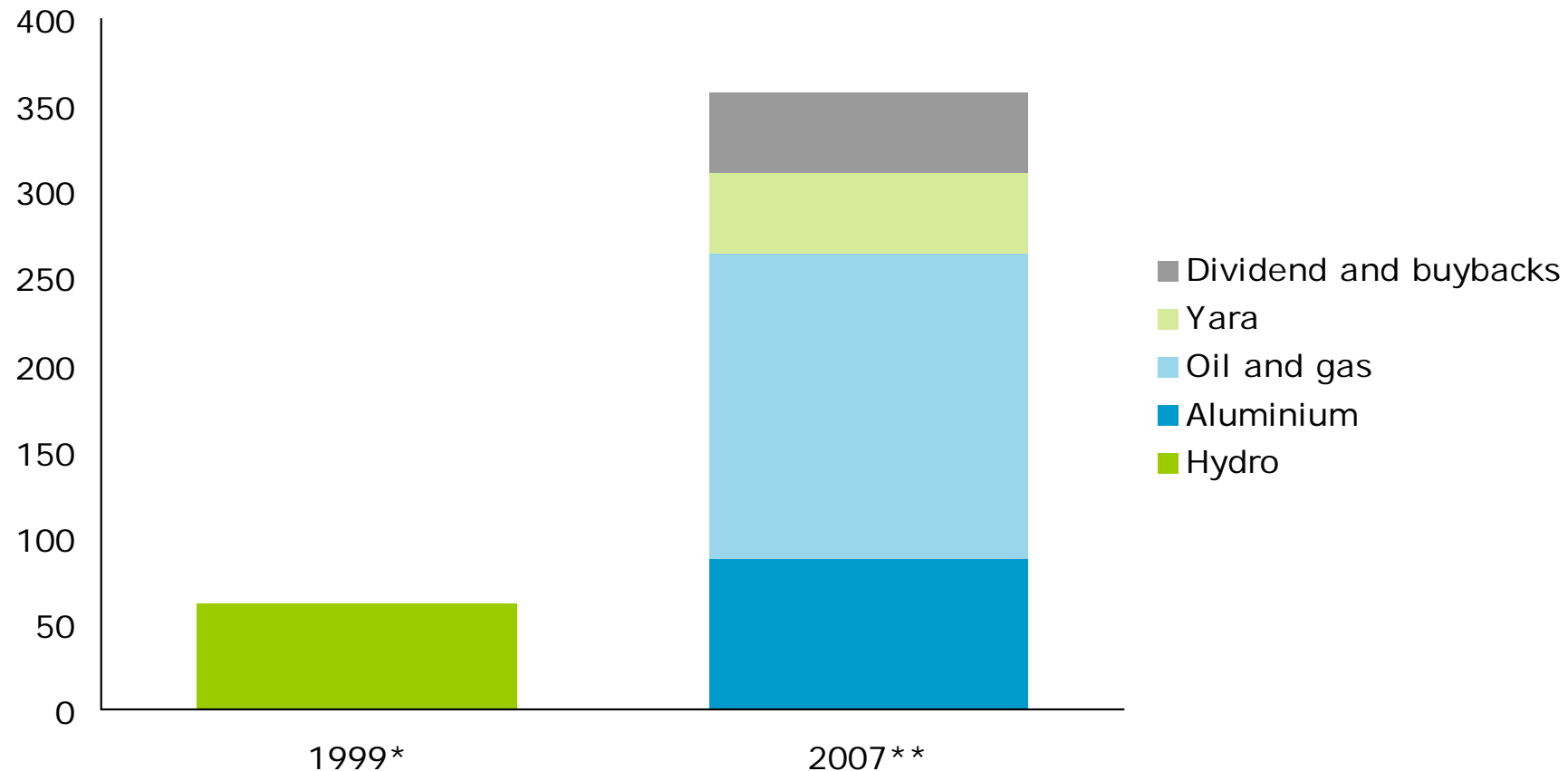
- Strategic and operational progress
  - Merger of oil and gas activities with Statoil, sale of Polymers
  - Aluminium Metal repositioned
  - Aluminium Products restructured
  - Strong value creation
- Firm growth in aluminium consumption
- Competitive strengths
  - Power position
  - Operational performance
  - Technological leadership across value chain
  - Close to markets and customers
  - Reputable partner in joint ventures
  - Distinct project management skills
- Focused aluminium strategy
- Shareholder return – a key priority

# StatoilHydro – a strong combination



# Significant value creation

NOK billion



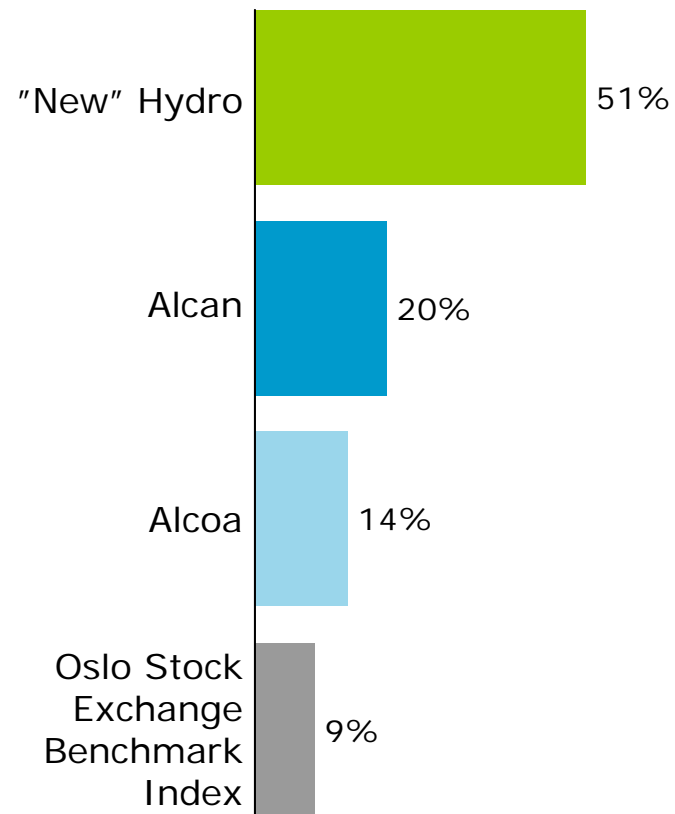
\* 4 January 1999 close, nominal value

\*\* 31 August 2007 close. Aluminium and Oil & Energy based on transaction equation adjusted for dividend payments

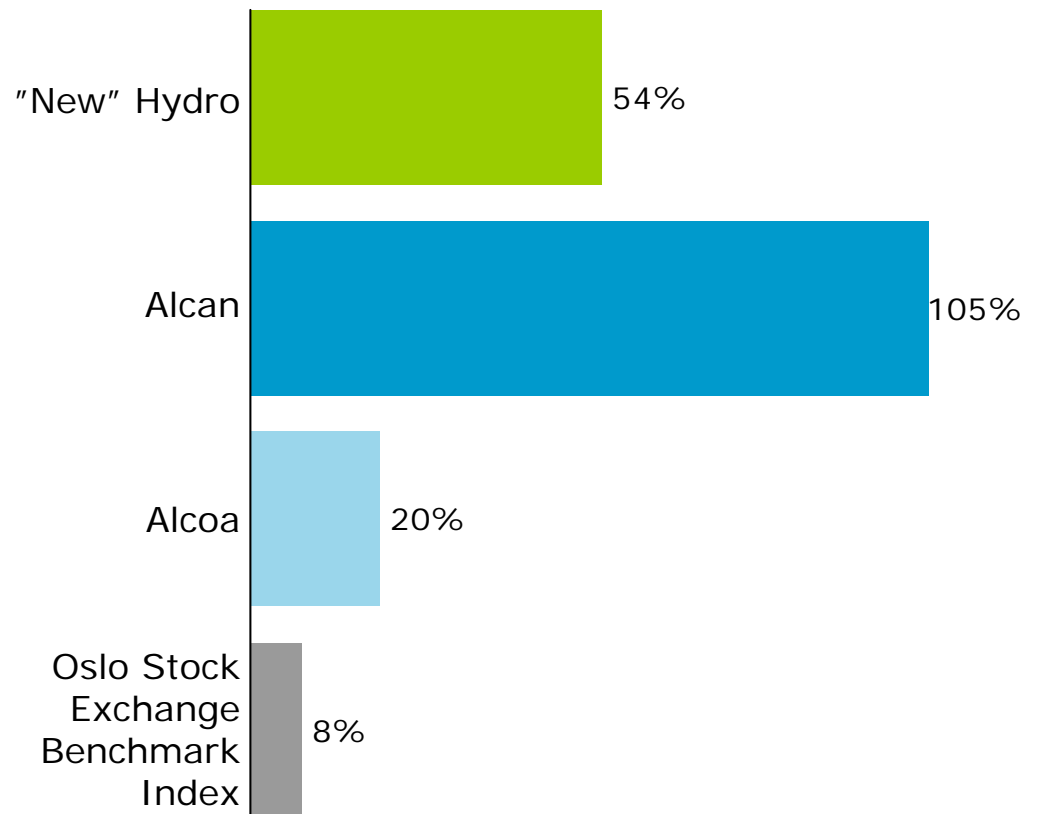
# "New" Hydro well received

## Relative share price development NYSE

18 December 2006 – 1 May 2007



18 December 2006 – 31 August 2007



Source: Yahoo Finance, NYSE (USD), except OBX. Based on closing prices on the respective dates

# A resourceful aluminium company



- 25 000 employees<sup>1)</sup>
- Operations in more than 30 countries
- Turnover
  - 2006: NOK 99 billion
  - First-half 2007: NOK 51 billion
- EBIT
  - 2006: NOK 7.5 billion
  - First-half 2007: NOK 7.0 billion
- Market capitalization NOK 87 billion<sup>2)</sup>

1) Excluding oil and gas, Polymers, Meridian, Automotive Castings and smaller divestments in process

2) Close 31 August 2007

1

# Strategic and operational progress

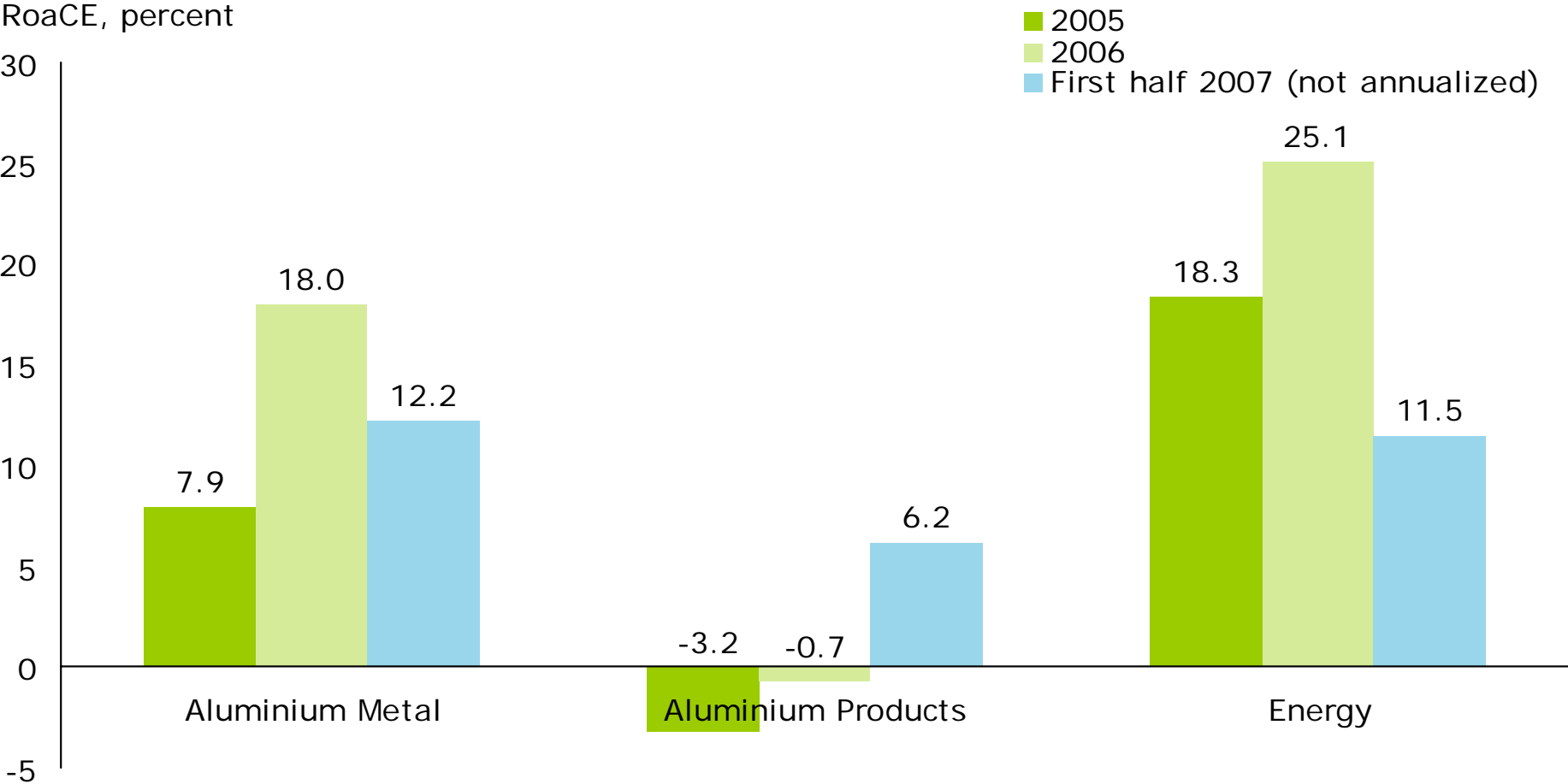
# Aluminium Metal repositioned

- Build decision Qatalum 1 – 50% in 585 000-tonne smelter
- Closures of high-cost smelters in Norway and Germany
- Alunorte expansion 3 in progress
- MoU with CVRD to build new alumina plant in Brazil

# Turnaround in Aluminium Products

- Divestments and closures
  - Sales of Castings, Meridian and smaller units
  - Closure of magnesium plant in Becancour (Canada) and Ellenville extrusion (US)
- Improvement measures to offset weak US extrusion market
  - Capacity adjustments
  - 30% manning reduction in the US (~1 000 people)
- Five distinct businesses
  - Rolled Products
  - Extrusion
  - Building Systems
  - Precision Tubing
  - Automotive Structures

# Improvement in all business areas



# Continued focus on safety

TRI rate Hydro employees



\* 12-month rolling June 2006-June 2007

2

## Growing aluminium consumption

# Healthy demand for aluminium

- Properties give competitive edge
- Recyclability more important with high energy price
- Expected annual demand growth 4.0-4.5% coming 10 years
- China represents almost 2/3 of expected growth
- Main product segments expected to grow 4.0-5.0% annually

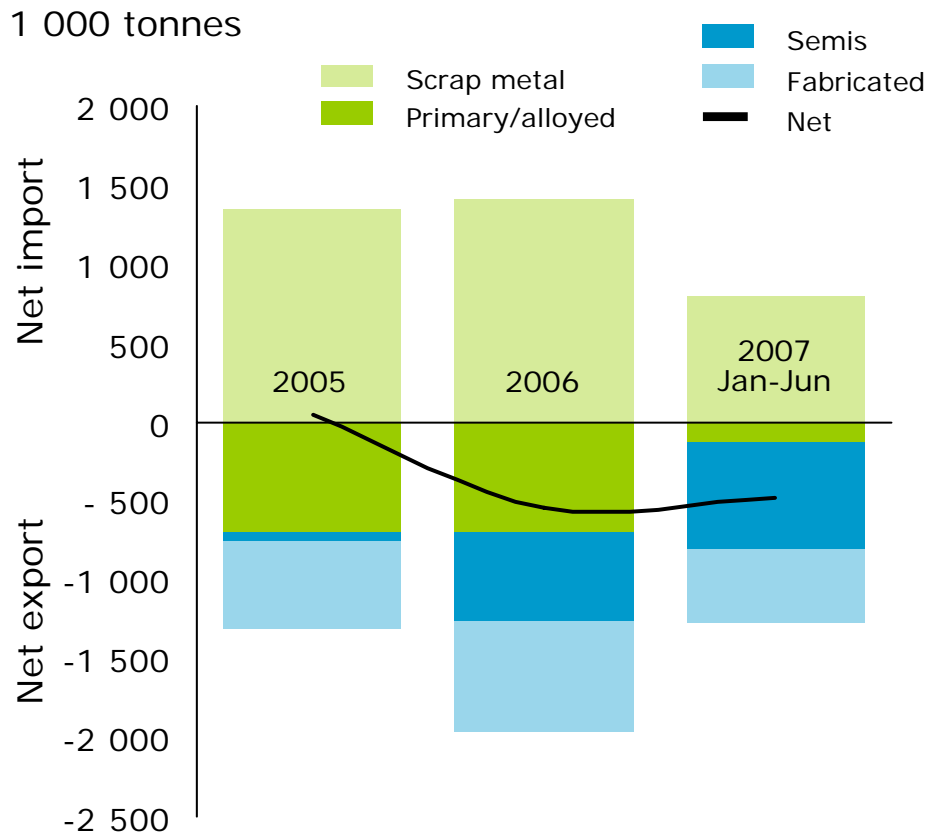


# Key global factors

- Industry consolidation
- China
- Power prices
- Future aluminium price level, including carbon-pricing effects



# China striving for balance



- Frequently changing taxes and incentives
- No current subsidies on export of metal and low value added products
- Majority of export to Asian markets
- China expected to be balanced or short aluminium, medium to long-term

Source: Hydro 2007 / Antaika

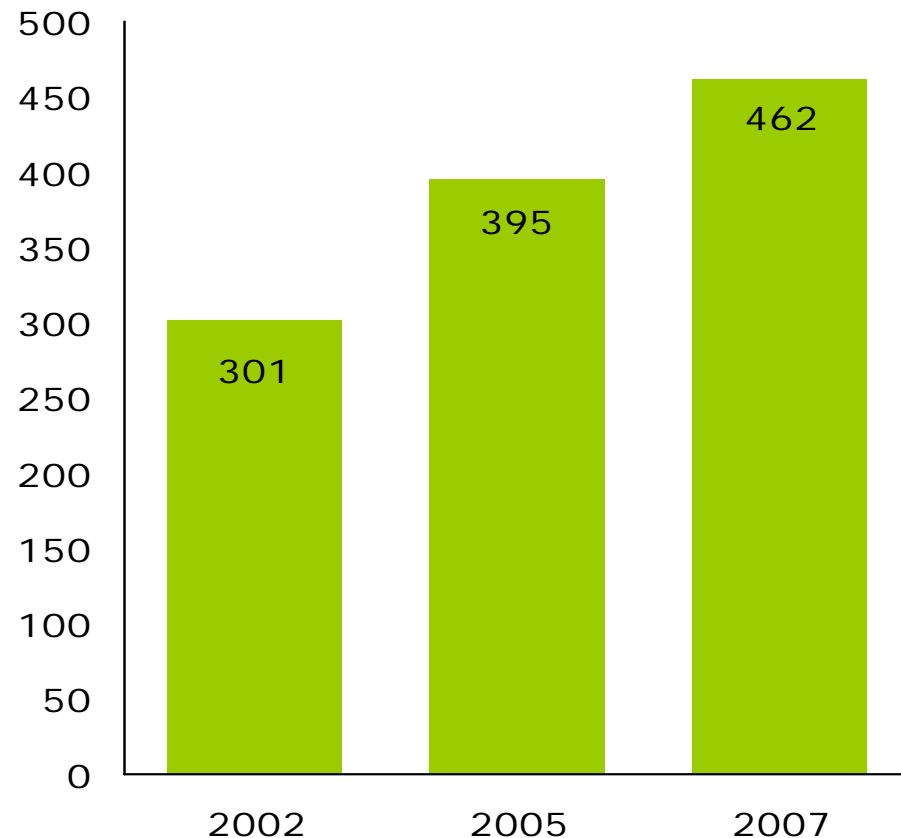
# Chinese policy – consequences

- Chinese policy will continue to support high metal prices
- Chinese export policy expected to continue pressure on margins for fabricated products outside China
  - Most attractive to export to Asia
- Hydro will continue to develop market positions in Europe based on quality, lead times, innovations and value-chain partnerships

# Substantial increase in power cost

## Global average power cost per tonne aluminium\*

USD/tonne



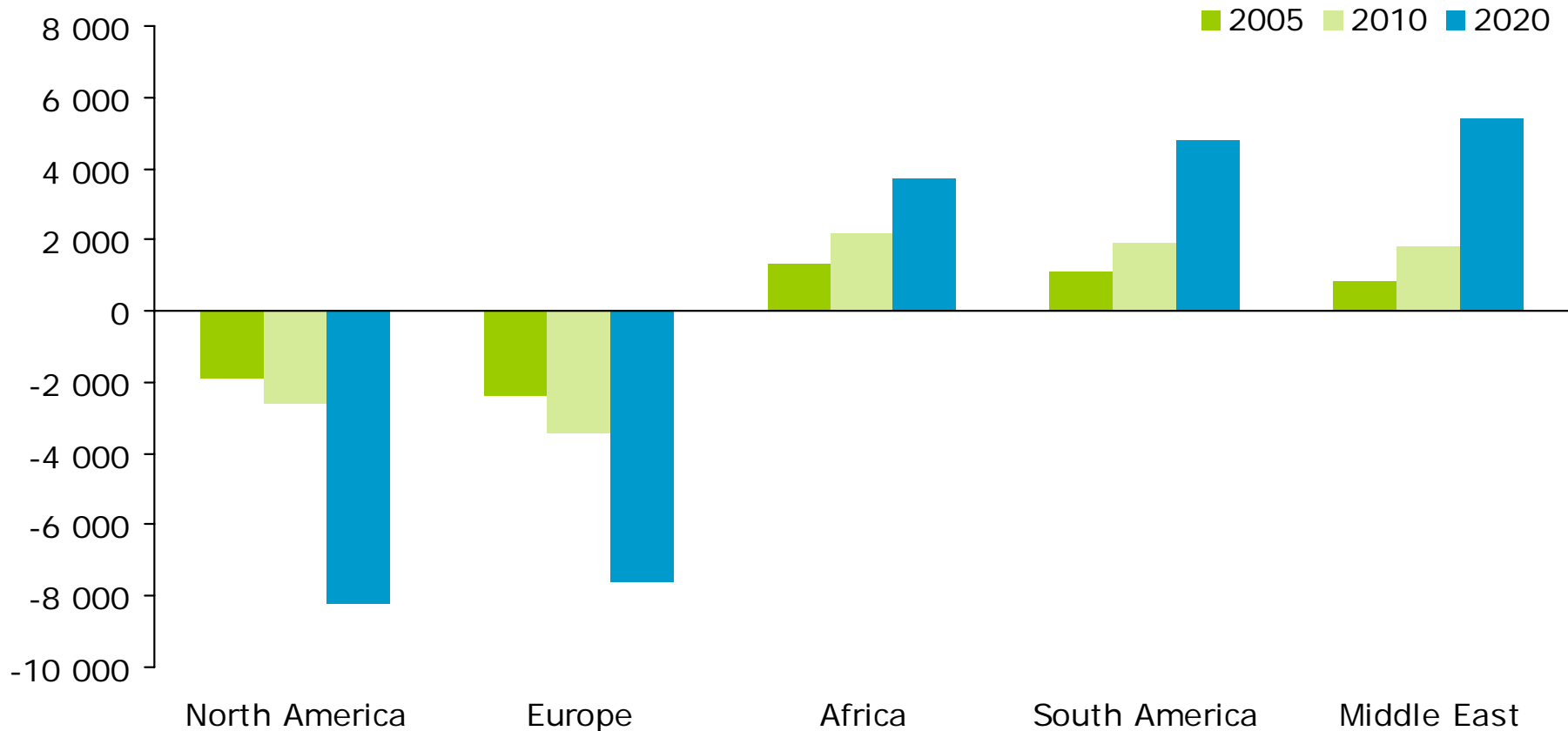
- Power currently represents 26% of cost with average global price of approx 31 USD/MWh
- Current forward price levels in Europe 60-70 USD/MWh (including CO<sub>2</sub>-cost)
  - 10 USD/MWh = approx 140 USD/tonne
- Limited access to attractive and available power sources globally
- Higher prices for contract renewals and for new smelters

\* CRU 2005, Site Operating Cost definition  
Source: CRU 2007, Business Cost definition (nominal US\$/tonne)

# Power prices drive smelter locations

## Net export/import from major regions\*

1 000 million tonnes



\* Only regions with major changes in export or import shown

Source: Hydro energy study, CRU

# Hydro well positioned

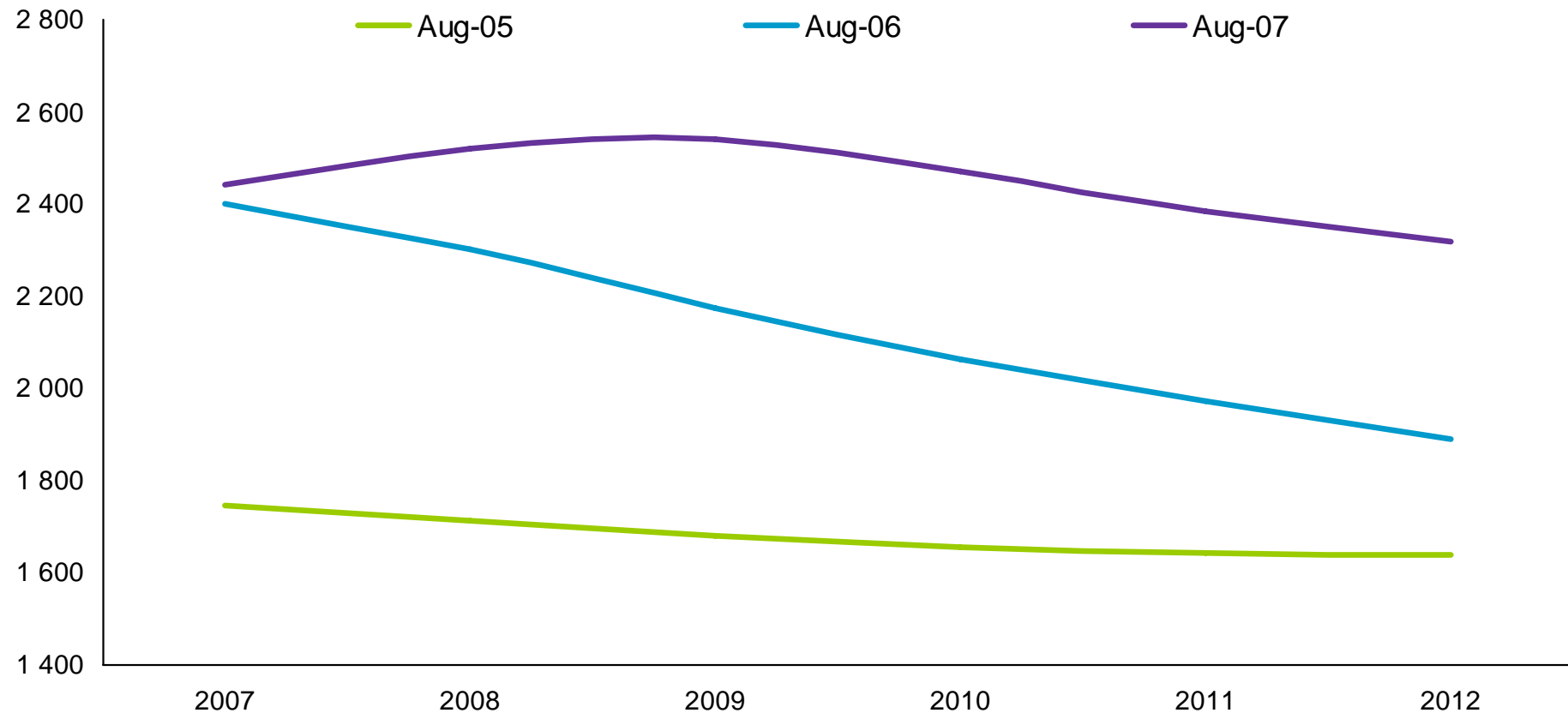
Current capacity and projects well covered with captive hydropower and long-term contracts

Strategy for new capacity

- Attractive combinations – power, market proximity, value-added products, technology
- Partnerships

# Shift in forward curve

LME USD/tonne\*



\* After 63 month clearing period, forward curves are based on Hydro approximations

3

**Strong platform  
for growth**

# Competitive strengths

- Power position
- Operational performance
- Technological leadership across value chain
- Close to markets and customers
- Reputable partner in joint ventures
- Distinct project management skills
- Financial capacity to grow

# Strong organizational platform for growth

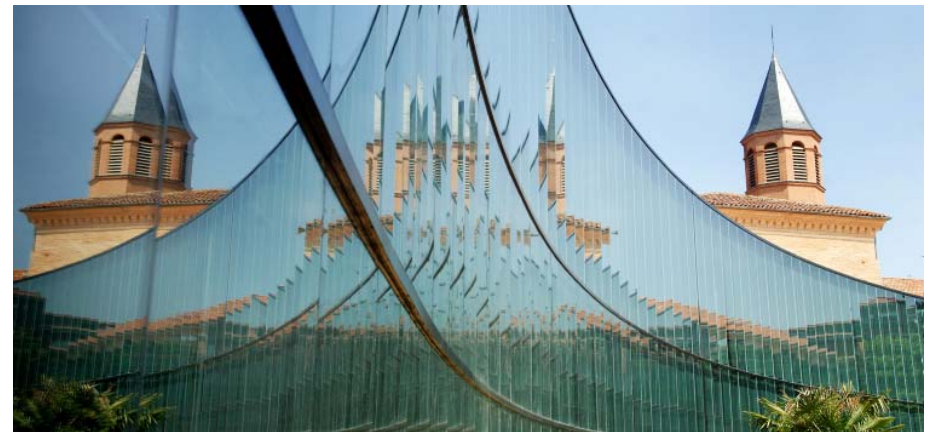
- Experienced organization with proven track record
- Systematic engineering culture combined with foresight and courage
- Culture for industrial and community partnership

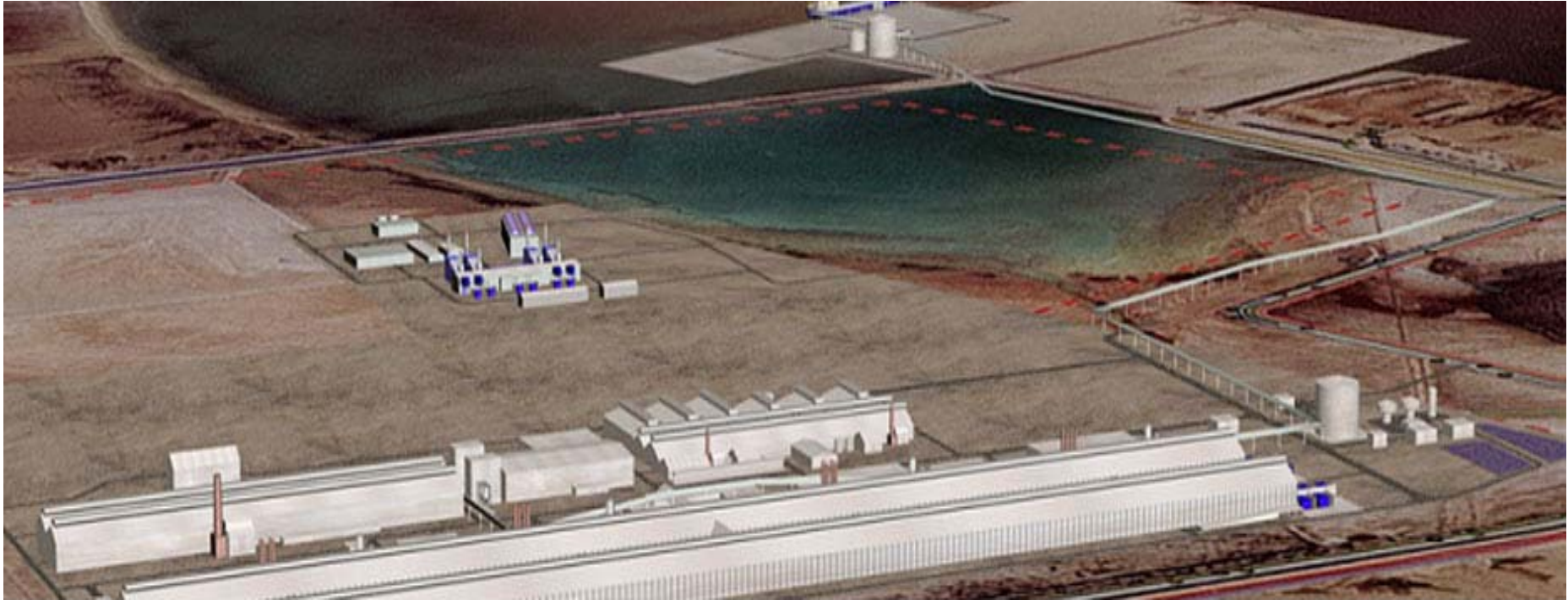
- For the future
  - Retain and recruit the best
  - Progressive partnerships

# Technology leadership across value chain

Reduce cost and broaden areas for growth

- Next-generation smelter technology to reduce cost
- Leading casthouse production system – cost and margins
- Unique metallurgical competence – important through value chain
- Customer-focused R&D

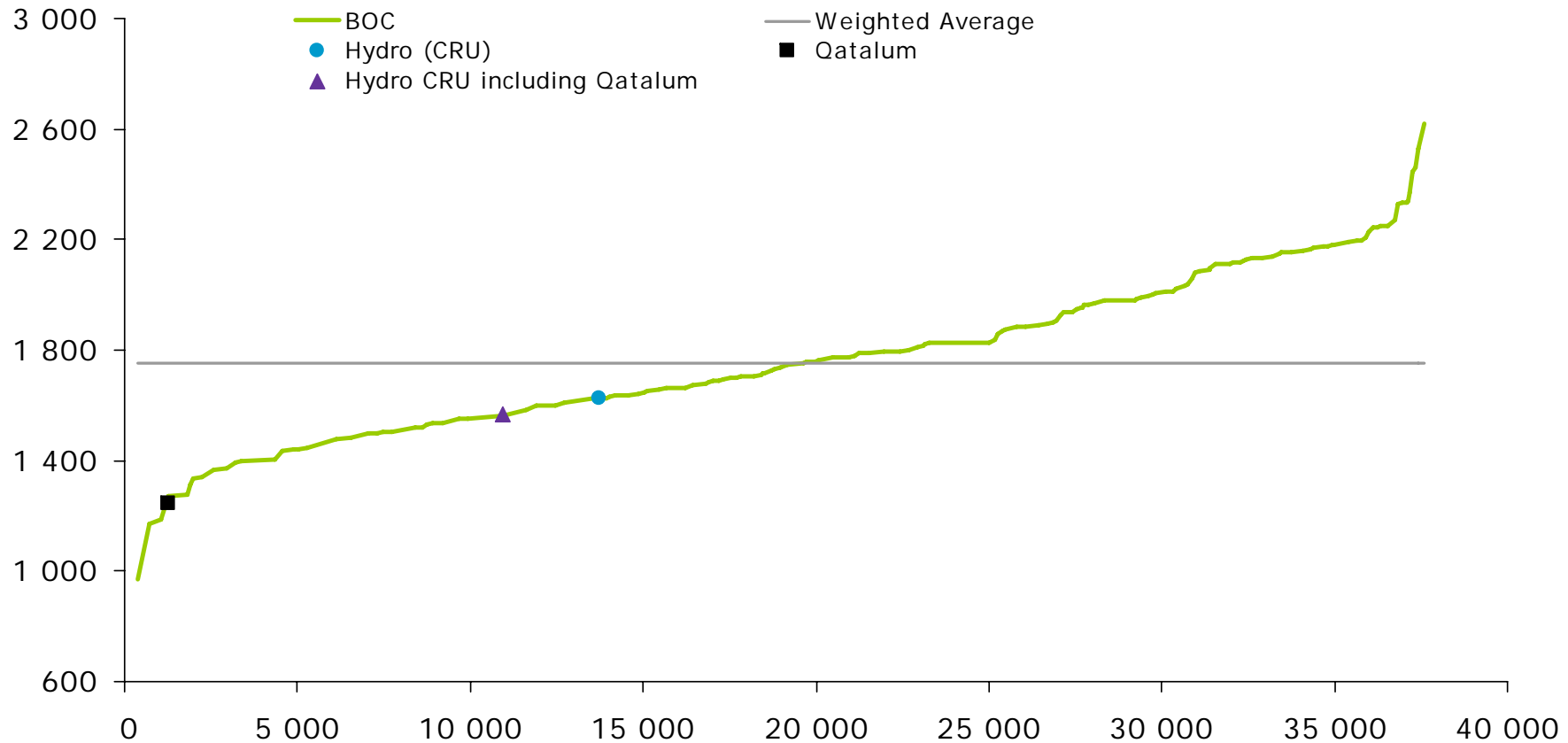




## **Metal - improve upstream positions**

# Continued cost improvement

## New metal projects and closures of high-cost capacity



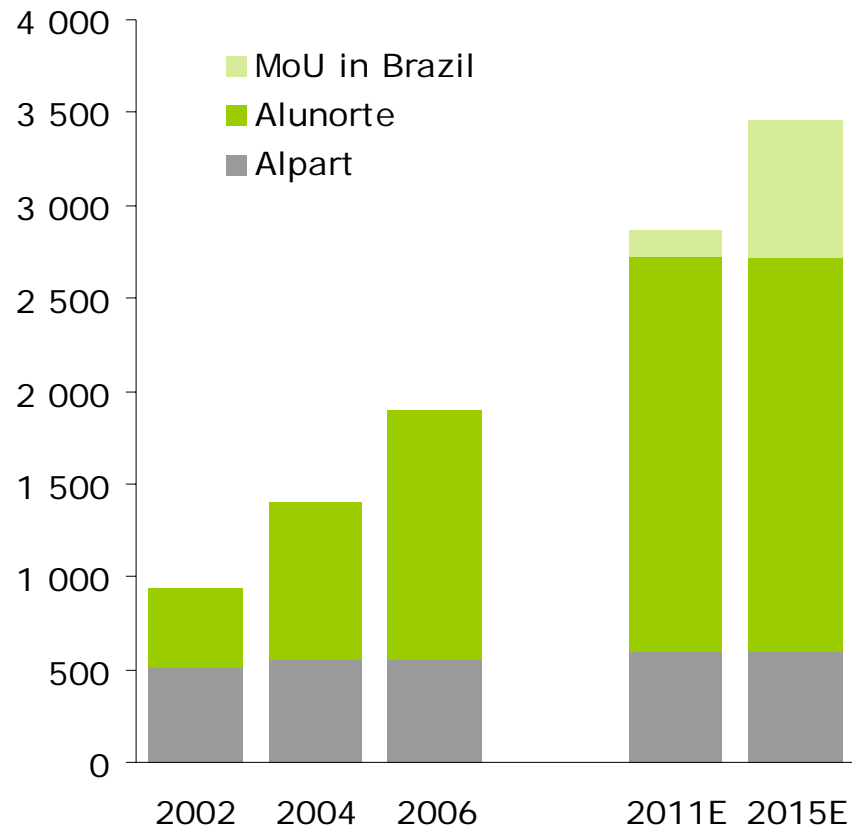
Source: CRU, 2007. Business operating cost definition. Assumptions 3 month LME 2 705 USD/tonne and 3 month LME lagged 1Q 2 747 USD/tonne. Alumina spot 329 USD/tonne. Hydro numbers for Qatalum

# Pursue attractive metal projects

- Access to power at attractive terms key determining factor
- Utilize power expertise, technology and project execution, value-added products for access to projects
- Build on reputation in business and community partnerships
- Ongoing studies
  - Karmøy, Norway
  - Qatalum 2, Qatar
  - Kurri Kurri, Australia
- Additional prospects under evaluation

# Continued growth in alumina production

Hydro production, 1 000 tonnes



- MoU in Brazil based on long-standing partnership with CVRD
- Looking for new equity positions – primarily based on integrated bauxite mine



## Products – improve bottom-line

- Grow attractive product segments
- Capitalize on competitive edge

# Build on leading position

## Rolled Products



- Quality assets
- High-value niches
- Leading margins

- Improve profit
- Cash generator from operations
- High-grading product portfolio
- Focus on Europe

# Build on leading position

## Extrusion



- High margins
- Solid profit (no1)
- Strong in value-added activities

## Building Systems



- No 1 globally
- High margins
- Solid profit
- Leading brands

## Extrusion Eurasia

- Selective growth, including Russia and Middle East

## Extrusion Americas

- Turnaround from weak results

## Building Systems

- Selective growth, mainly in Europe

# Build on leading position

## Precision Tubing



- No 1 globally
- Historically solid profit

## Structures



- Advanced products
- Low-capacity utilization
- Weak results

## Precision Tubing

- Increase utilization of installed capacity

## Structures

- Turnaround



## **Energy – expand value of competence**

# Expand value of energy competence

## Energy



- Well-developed production assets provide stable cashflow
- Solid returns

Utilize energy competence as integral part of aluminium growth ambitions

- Captive hydro-power – high value for Hydro's business

Solar venture – attractive prospects and potential integration with Building Systems

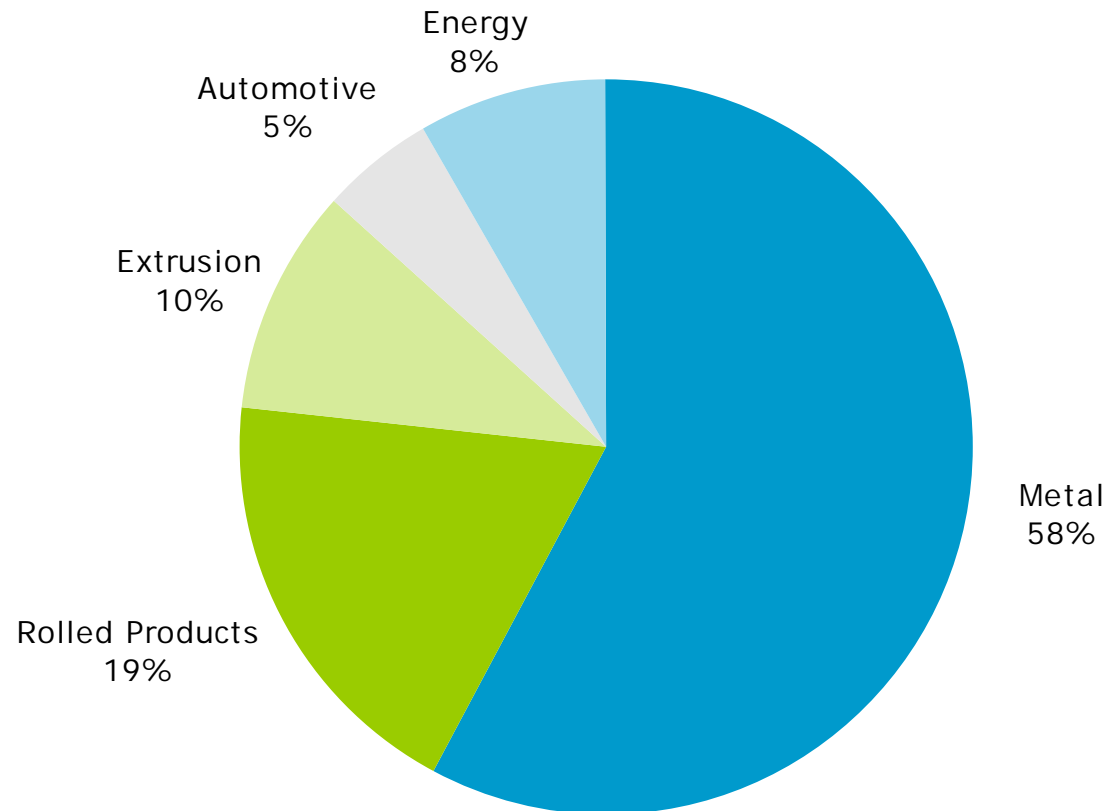


# Financially healthy

- Strong cash-flow from operations
- Capital discipline
- Shareholder policy

# Capital employed – upstream focus

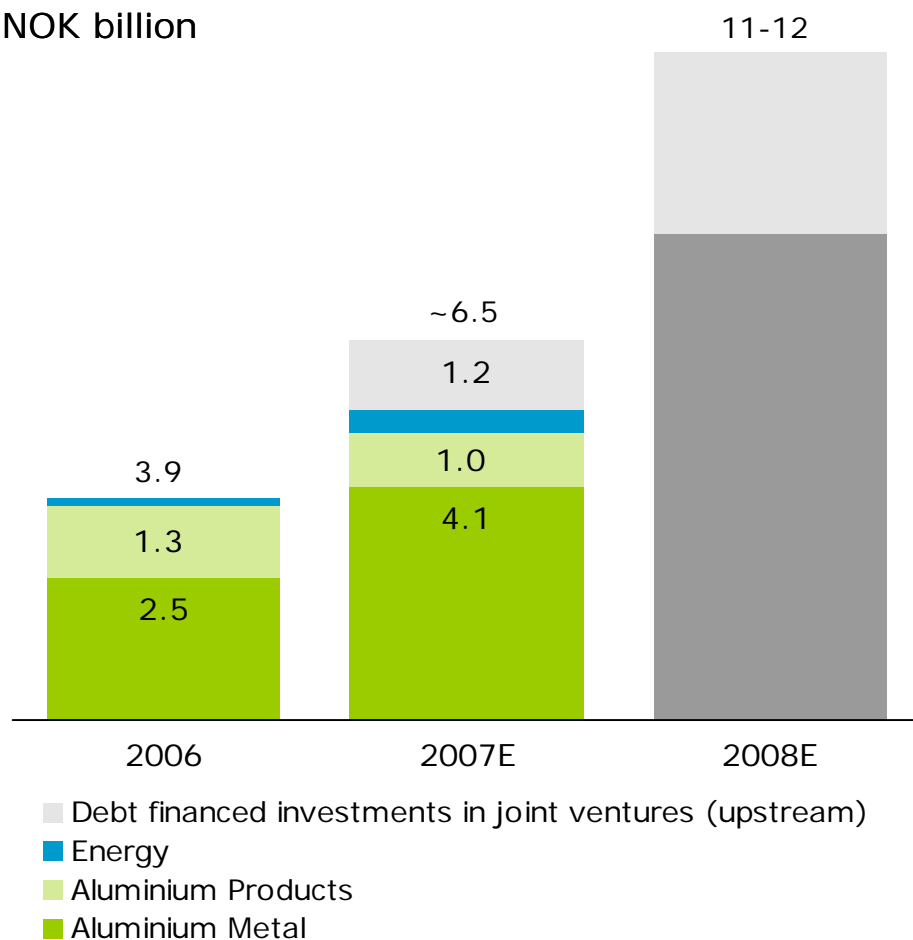
Total NOK 48 billion\* 30 June 2007



1) Including NOK 2.5 billion in negative capital employed in "Corporate and Other" not shown in graph

# Capital allocation – upstream focus

NOK billion



~80 percent of 2008 investments are upstream

## Aluminium Metal

- Qatalum: USD 2.4 billion
- Alunorte 3: USD 300 million
- New alumina project: USD 300 million

## Aluminium Products

- Selective growth initiatives in Extrusion and Building Systems

## Sustaining capex

- ~NOK 3 billion annually

Share of debt in joint ventures will impact Hydro's total debt capacity

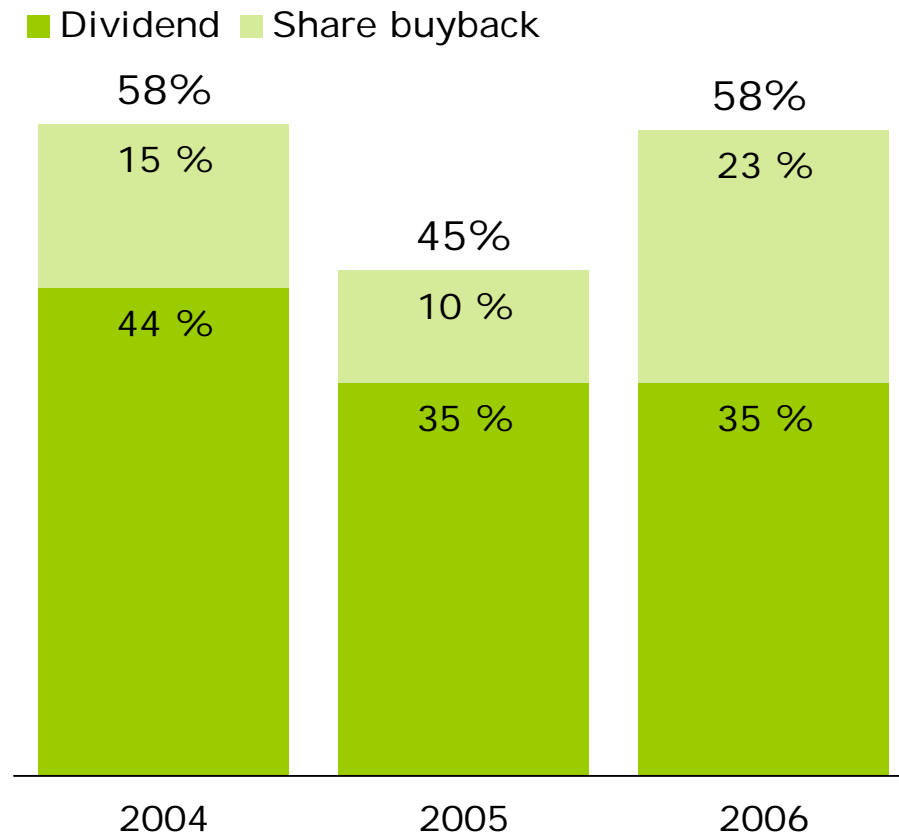
# Shareholder policy

- Hydro aims to give its shareholders competitive returns compared to alternative investments in peers
- Dividend payout ratio<sup>1)</sup> will average 30% over the cycle
- Buyback of shares and extraordinary dividends
  - When earnings, liquidity position and capital structure allow

1) Dividend divided by net income attributable to equity holders of the parent

# High payout to shareholders

Total payout ratio <sup>1)</sup>



- Current capital structure recognized as inefficient
- Measures to adjust balance sheet to be announced with Q4 results
- Share buyback and dividend payout

1) Dividend allocated to the year for which the dividend was paid. The (actual) payment of the dividend is done the year after. Buyback allocated to the year when the buyback transactions were executed.

# Key messages

- Strategic and operational progress
- Firm growth in aluminium consumption
- Competitive strengths
- Focused aluminium strategy
- Shareholder return – a key priority

# 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 review – Risk factors” on page 134 of Hydro’s Annual Report 2006 (including Form 20-F) 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/ Cautionary note in relation to oil and gas reserves

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](http://www.hydro.com)).

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this presentation material, such as expected recoverable resources, that the SEC’s guidelines strictly prohibit us from including in filings with the SEC. Investors are urged to consider closely the disclosure in our Form 20-F, SEC File No. 1-9159, available from us at our Corporate Headquarter: Norsk Hydro, N-0240 Oslo, Norway. You can also obtain this form from the SEC by calling 1-800-SEC-0330.

