



**HYDRO**

# Hydro

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Oslo, 31 August 2005  
Pareto Energy Conference, Holmenkollen Park Hotel

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

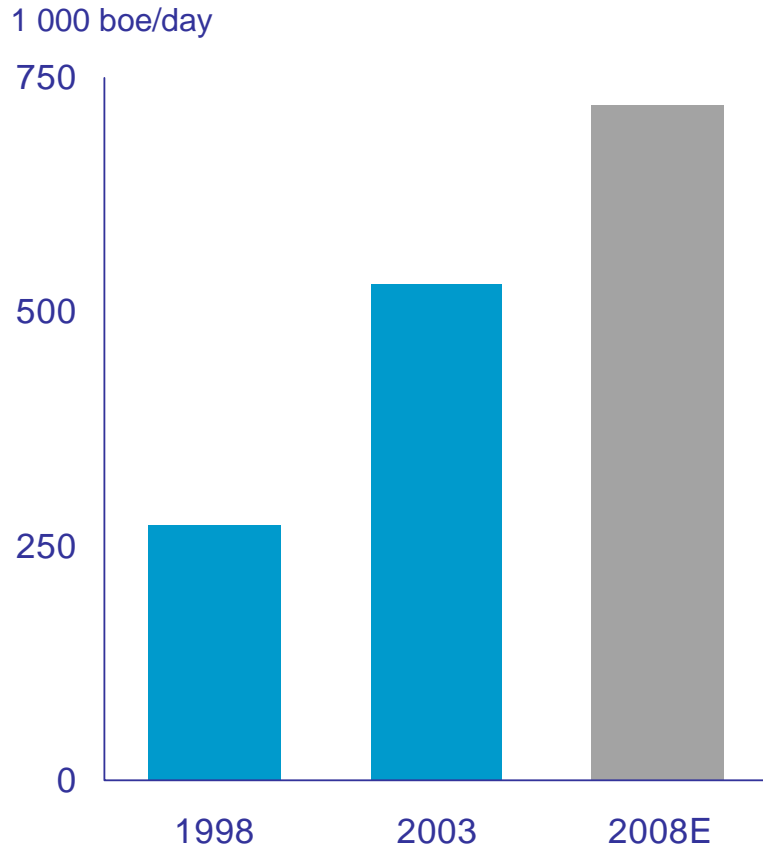


## Highlights

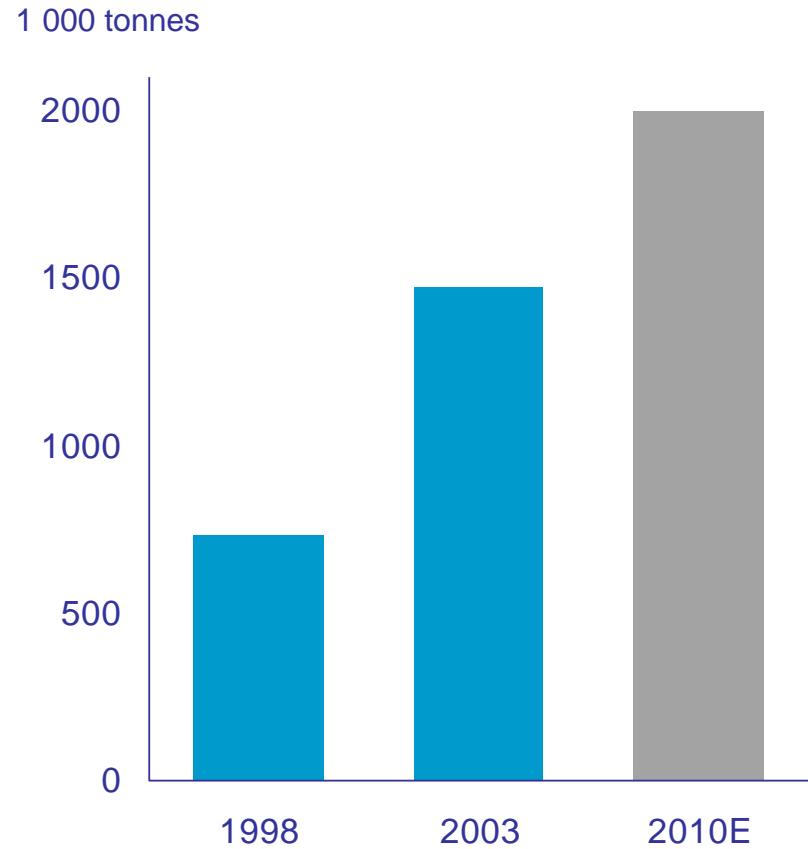
- **Hydro reshaped**
- **Strong operational performance**
- **Improved macro environment**
- **Solid financials**

# Consistently delivering profitable growth

## Oil and gas production

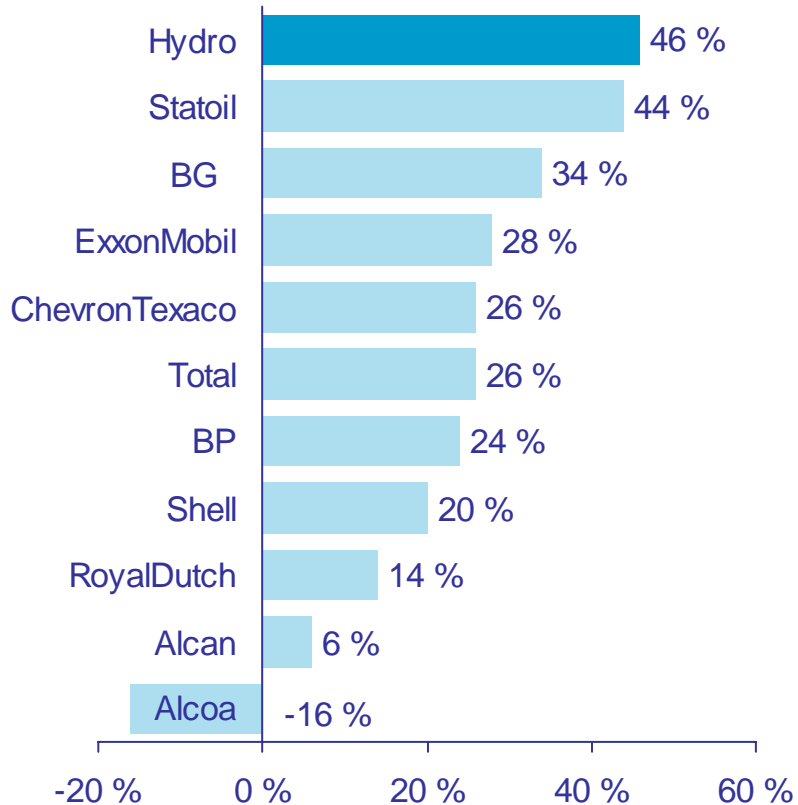


## Aluminium production

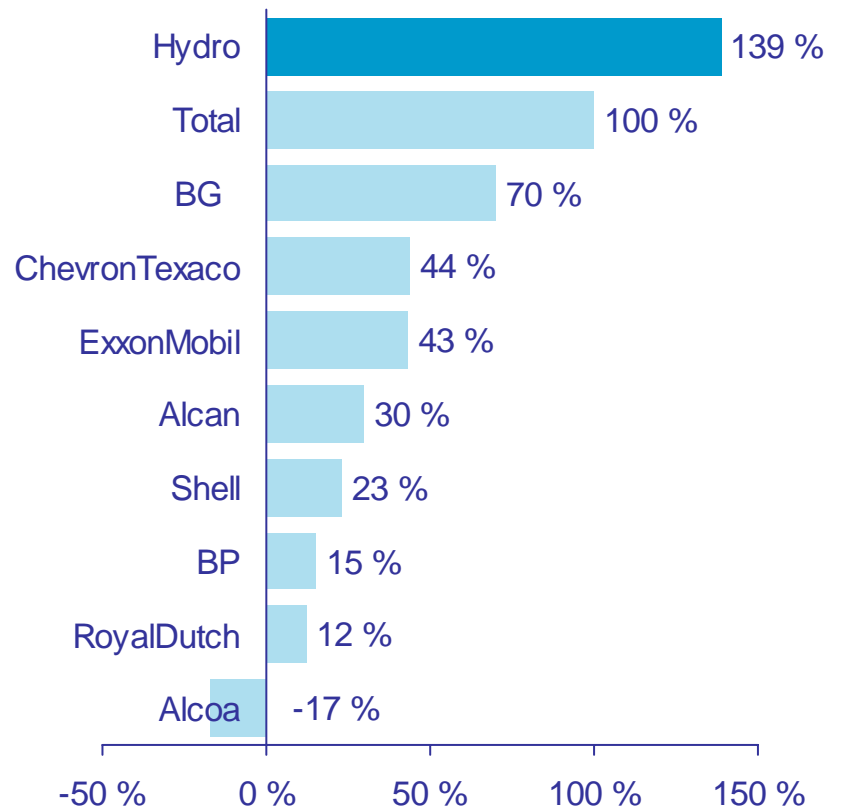


# Total Shareholder Return

## 2004



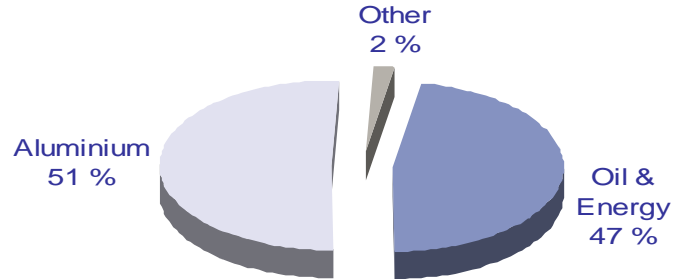
## 2000-2004



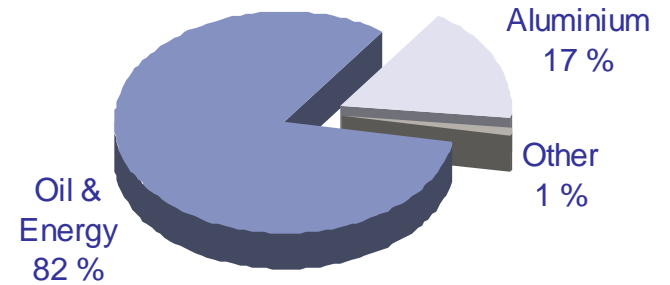
Source: Goldman Sachs

# Financial overview 2004

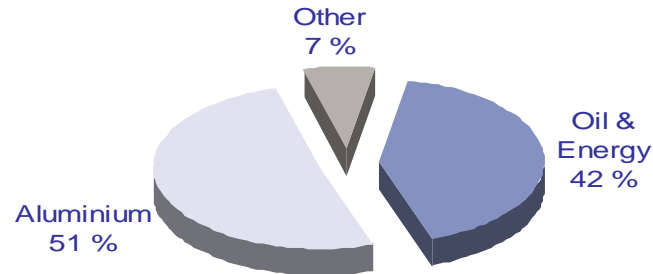
Operating revenues - NOK 155bn



EBITDA – NOK 51bn

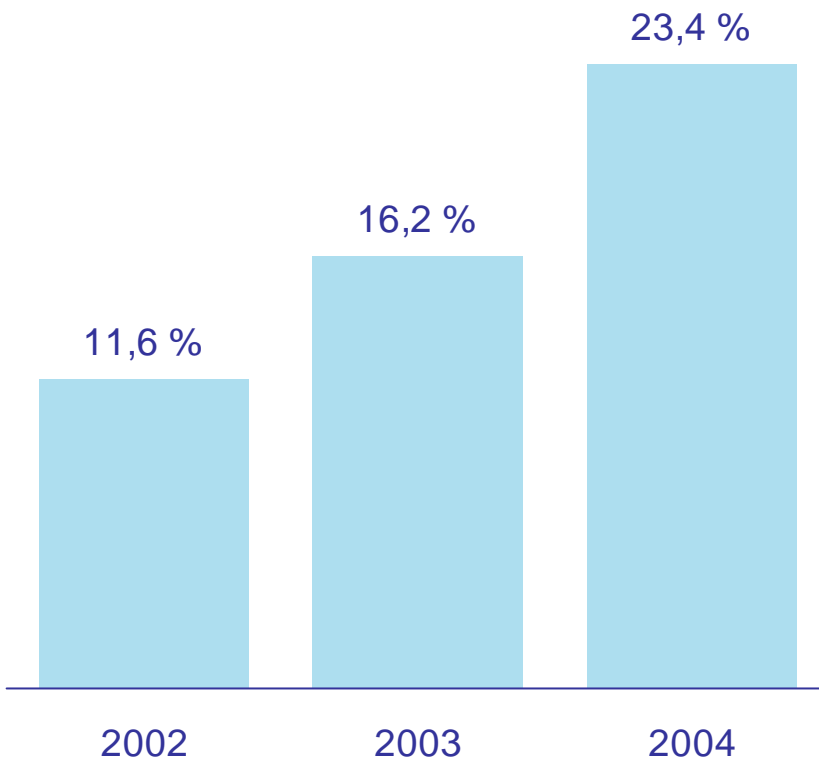


Capital Employed - NOK 86bn

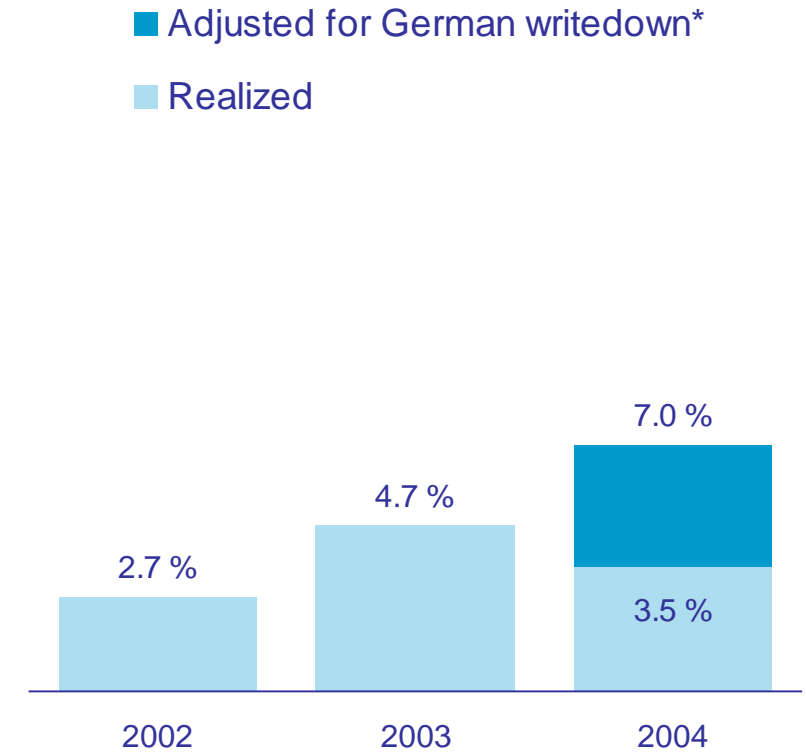


# RoaCE by business area

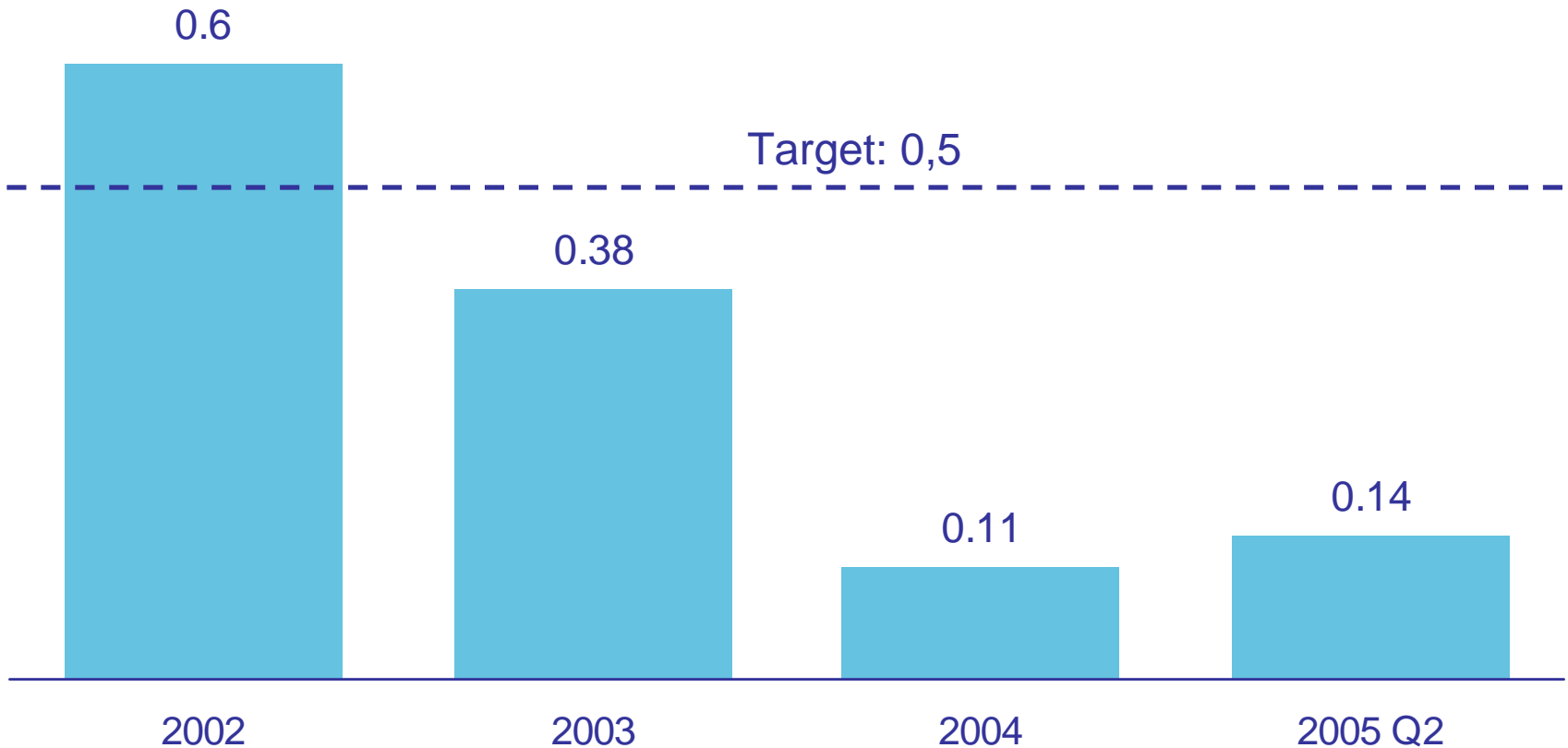
## Oil & Energy



## Aluminium



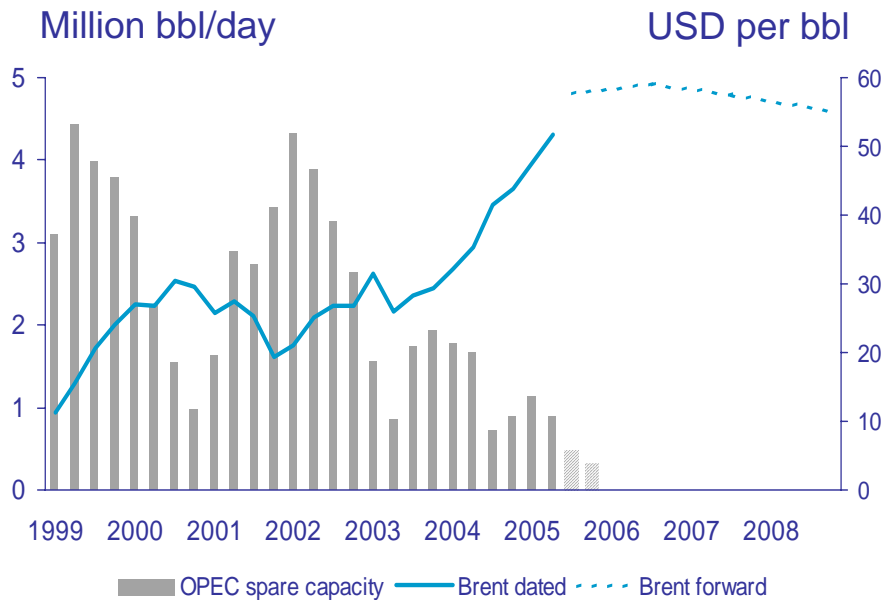
# Debt/equity ratio



Interest-bearing debt + net pension liability (tax adjusted) + operating lease commitments (discounted) – cash and cash equivalents – other liquid assets divided by shareholders' equity + minority interest

# Oil market

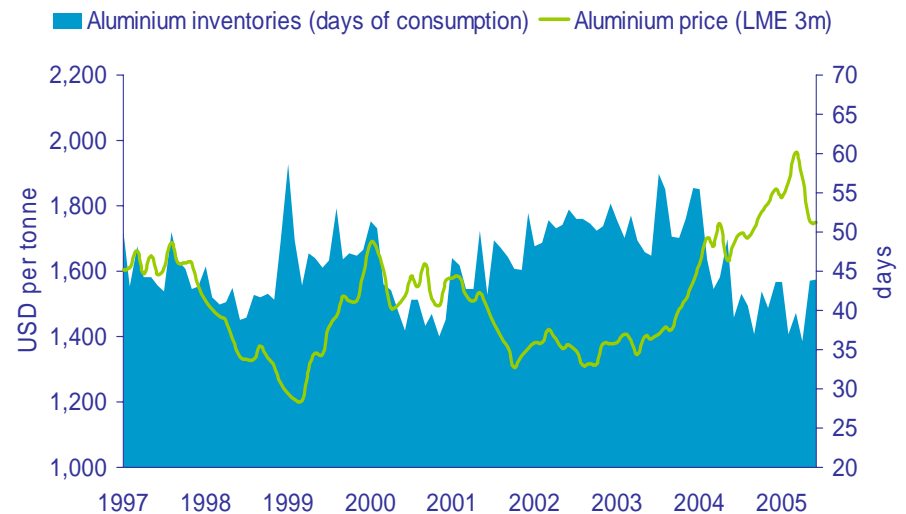
- High oil price – supply concerns
- OPEC – low spare capacity
- Refineries – bottlenecks in the market




Sources: Pira, Reuters, Platts

# Aluminium market

- In balance



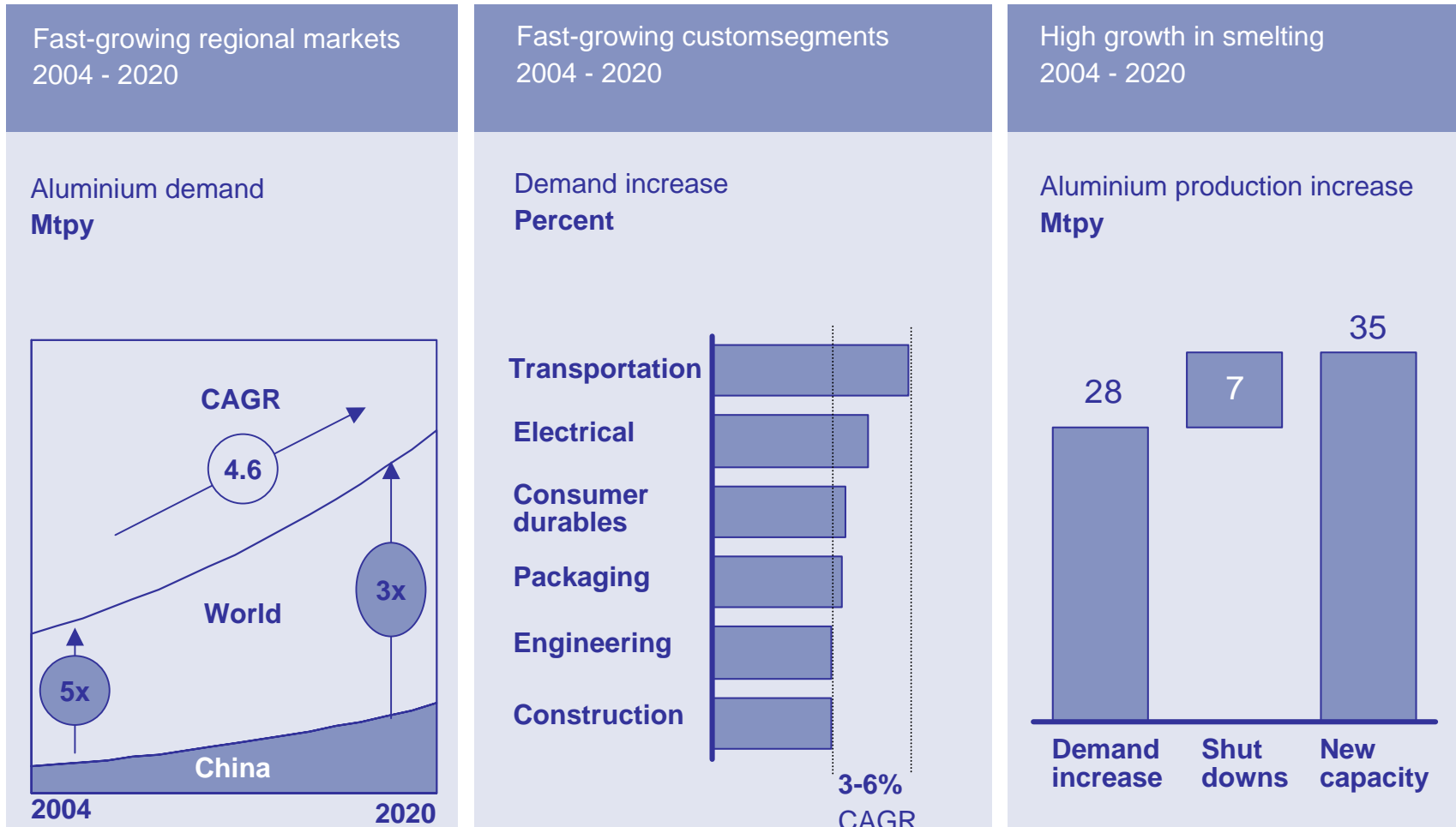




## Aluminium – highlights

- **Strong primary metal market fundamentals**
- **Mixed development downstream**
- **Planning new world-class plant in Qatar**
- **Intensified restructuring - decision to close primary capacity**

# The industry provides attractive opportunities



Source: Demand model; McKinsey metals and mining practice; team analysis

# Qatar – project description

- Heads of agreement signed
- Hydro 50% ownership
- Annual capacity
  - 570 000 tonnes
  - Expansion potential up to 1 200 000 tonnes
- Investments
  - Smelter and casthouse: USD 2 – 2.5 billion
  - Power plant: USD 0.7-0.8 billion
- Production start-up end 2009
- Exceed 10% IRR after tax at USD 1400/tonne

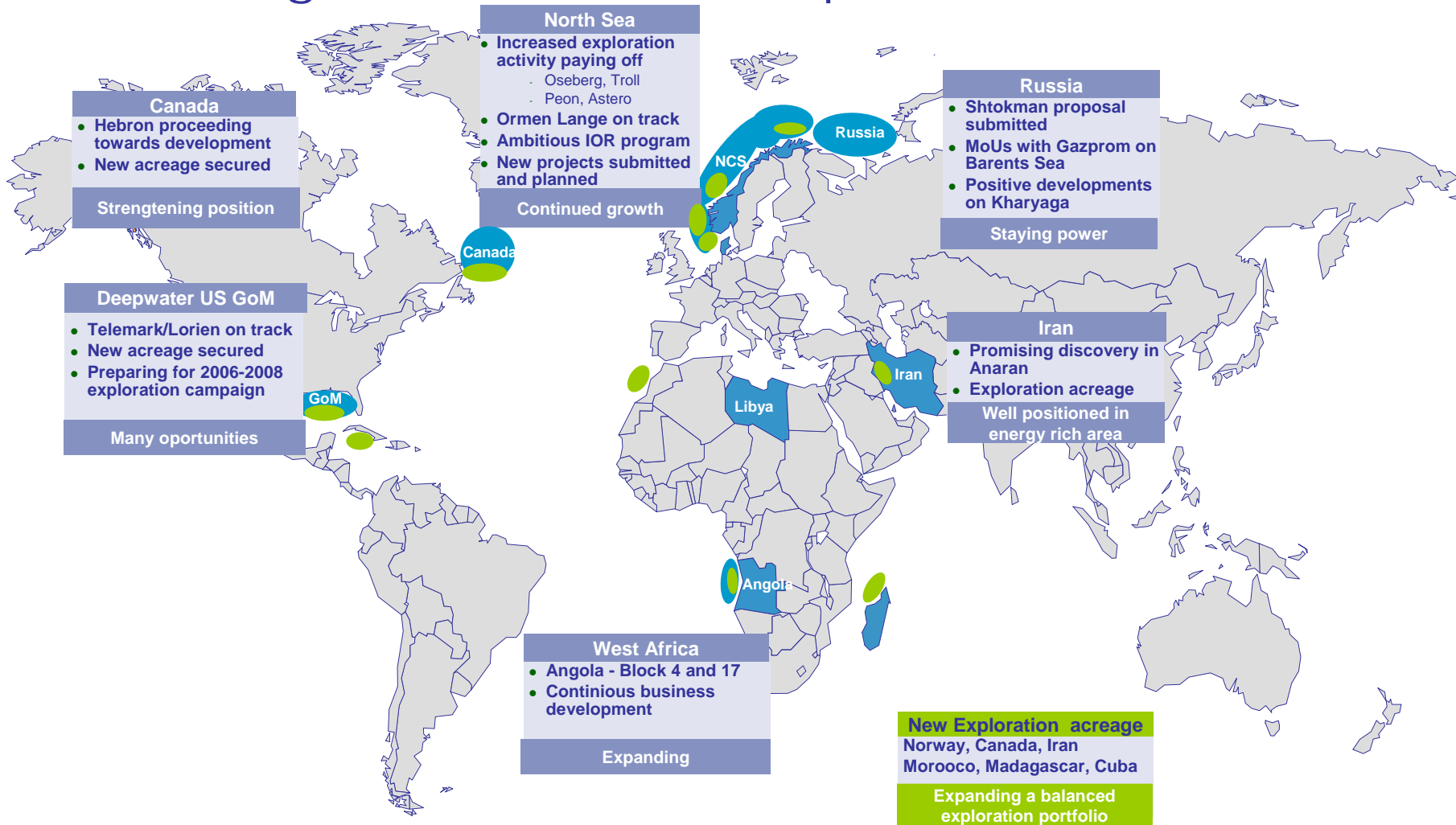




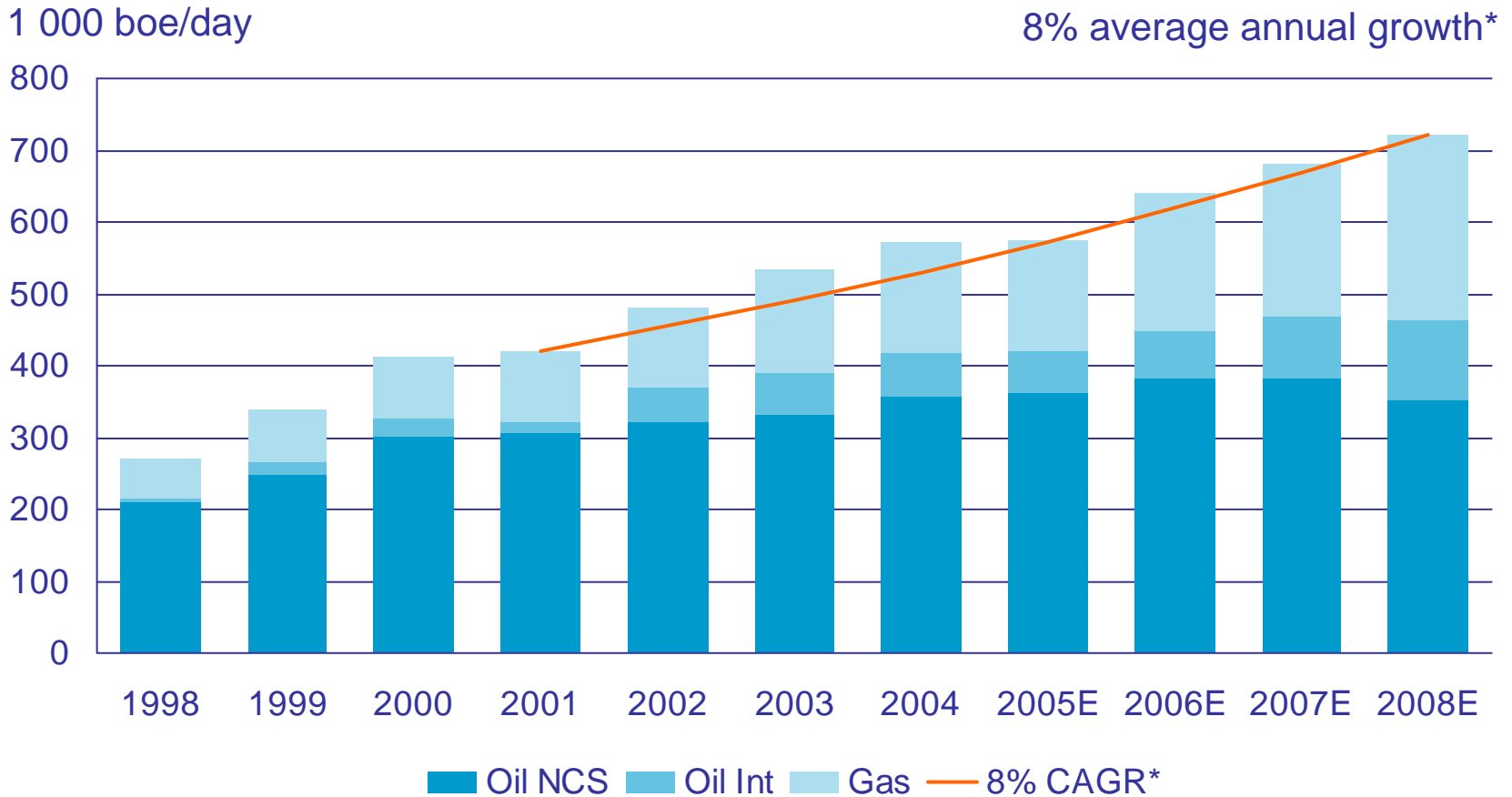
## Oil & Energy

- **One of the most efficient North Sea operators**
- **Continued strong production growth**
- **Exploration activity bearing fruit**
- **Adding value by applying world class competence**

# Increasing our international presence



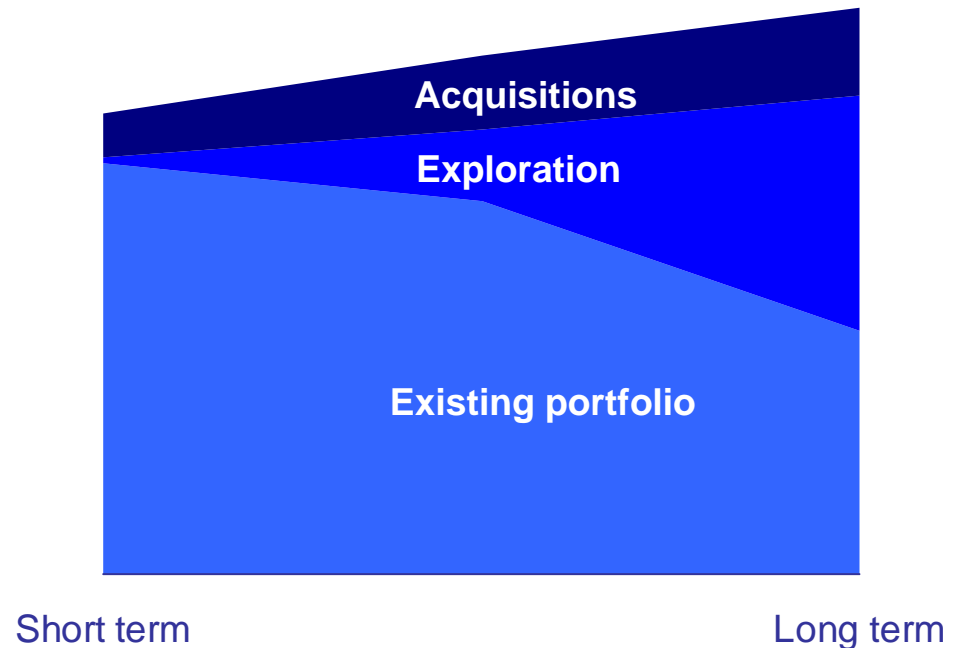
# Continued strong production growth

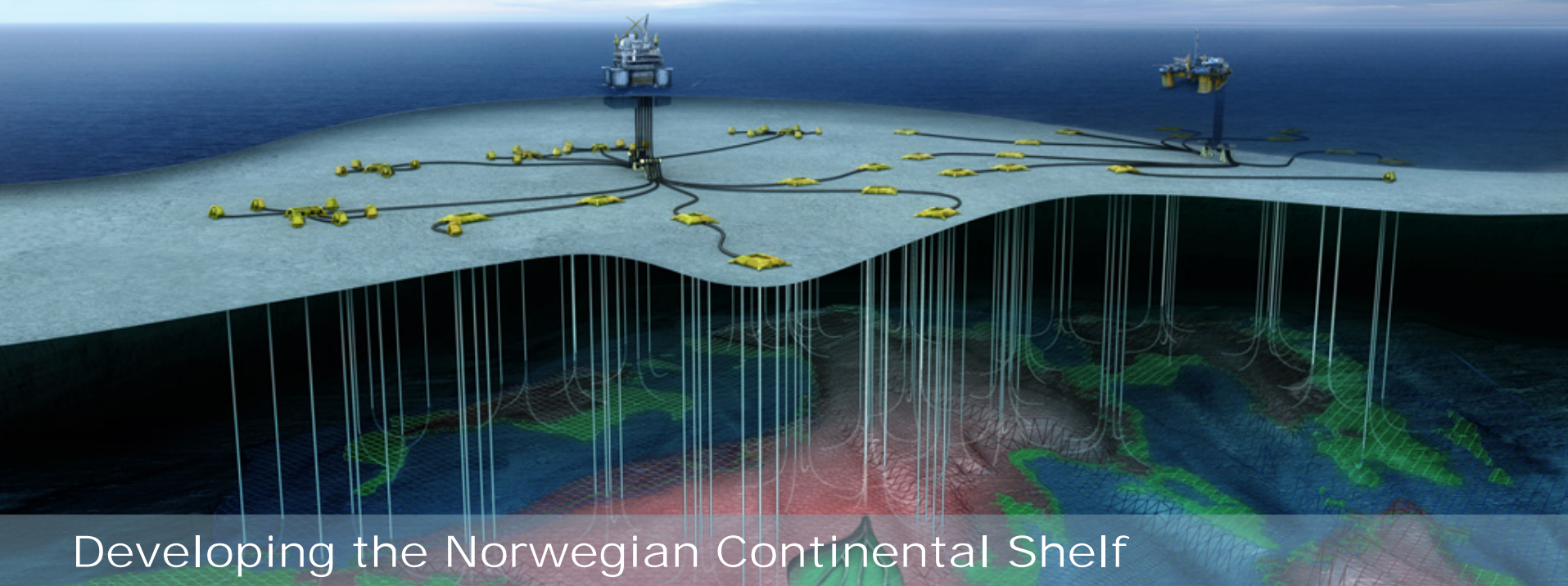


\*Compound Annual Growth Rate, 2001 baseline

# Three paths to future growth

- **Existing portfolio**
  - Increased recovery
  - Develop technical resources
- **Exploration**
  - Increase predictability
  - Exploit infrastructure position
  - Entry in new regions
- **Acquisitions**
  - Utilize our competence
  - Capital discipline





## Developing the Norwegian Continental Shelf

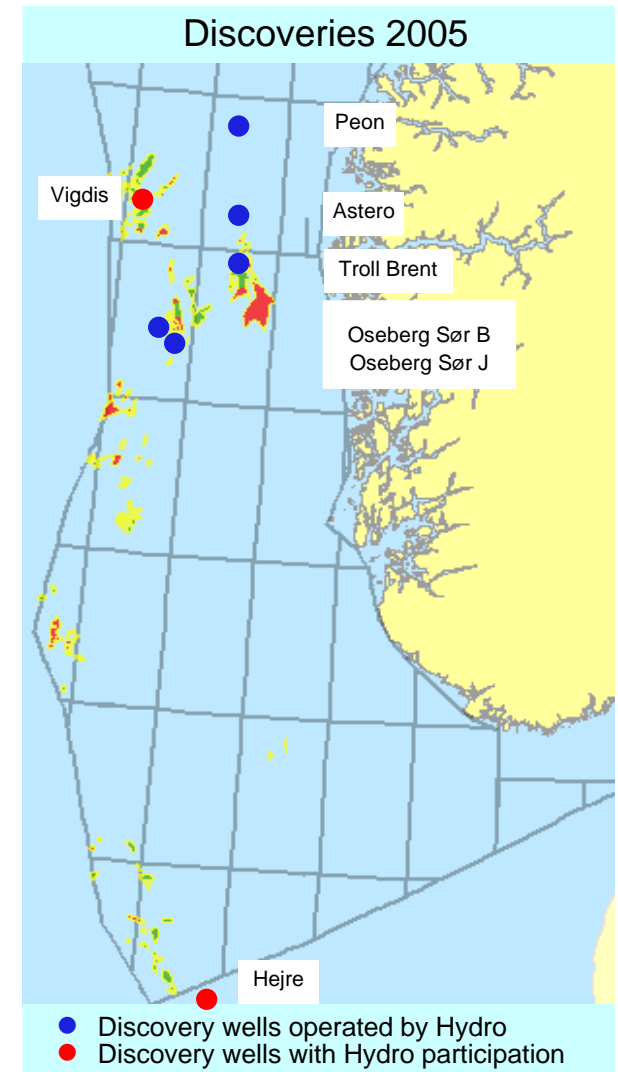
The Hydro Troll field development

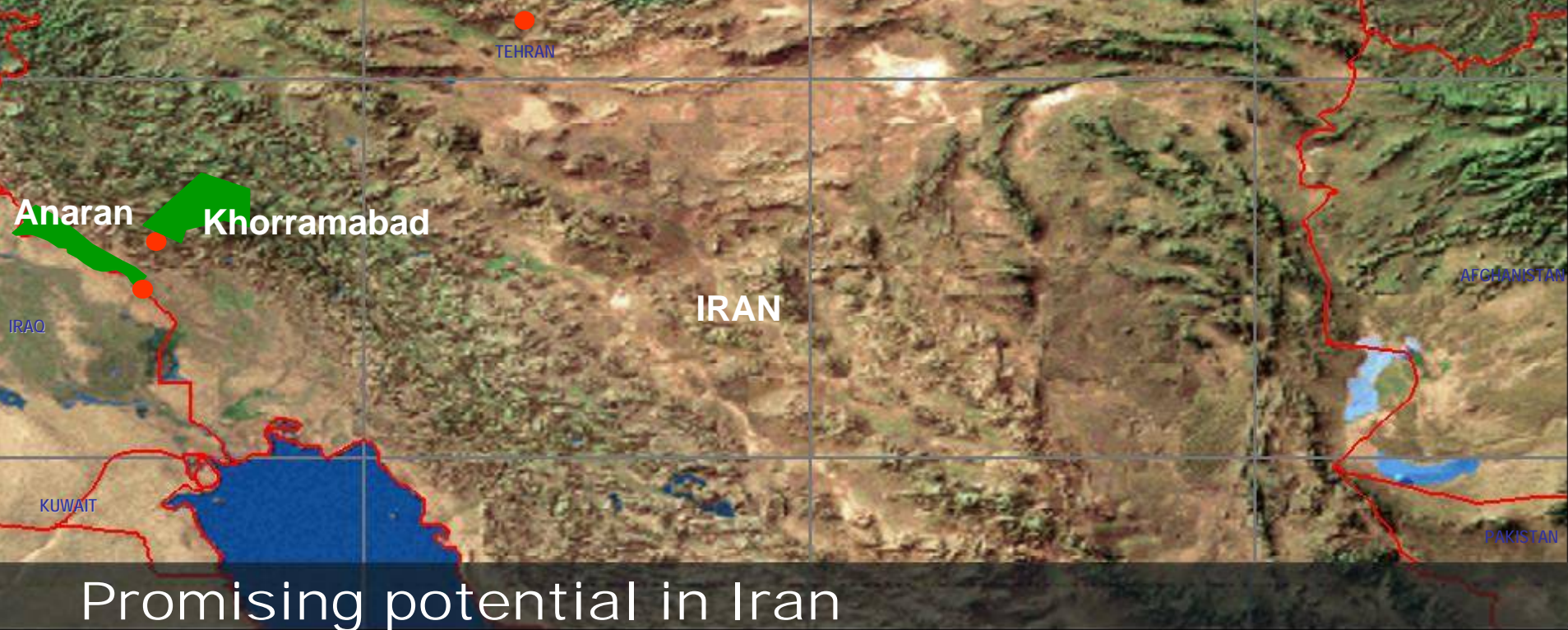
- **Development projects on plan**
- **Ambitious IOR projects**
- **Submitted four new development projects in 2005**
- **Preparing for important 19<sup>th</sup> round**



# Exploration strategy paying off

- **North Sea discoveries 2005**
  - Astero
  - Peon
  - Troll Brent
  
  - Oseberg South - B South
  - Oseberg South - J Central
  
  - Vigdis M5
- **International discoveries 2005**
  - Angola
  - Denmark
  - Iran
- **Ambitious exploration plans going forward**
  - 2H'05: Spudding 15-20 wells
  - 2006: 20 wells





## Promising potential in Iran

- **Azar discovery – Anaran**
  - Promising flow tests
  - Commerciality studies ongoing
  - Exclusive right to negotiate a development contract
  - Exploration drilling to start on nearby structure in Q3
- **Successful bid for Khorramabad block**
  - Exploration and development contract expected to be signed second half 2005

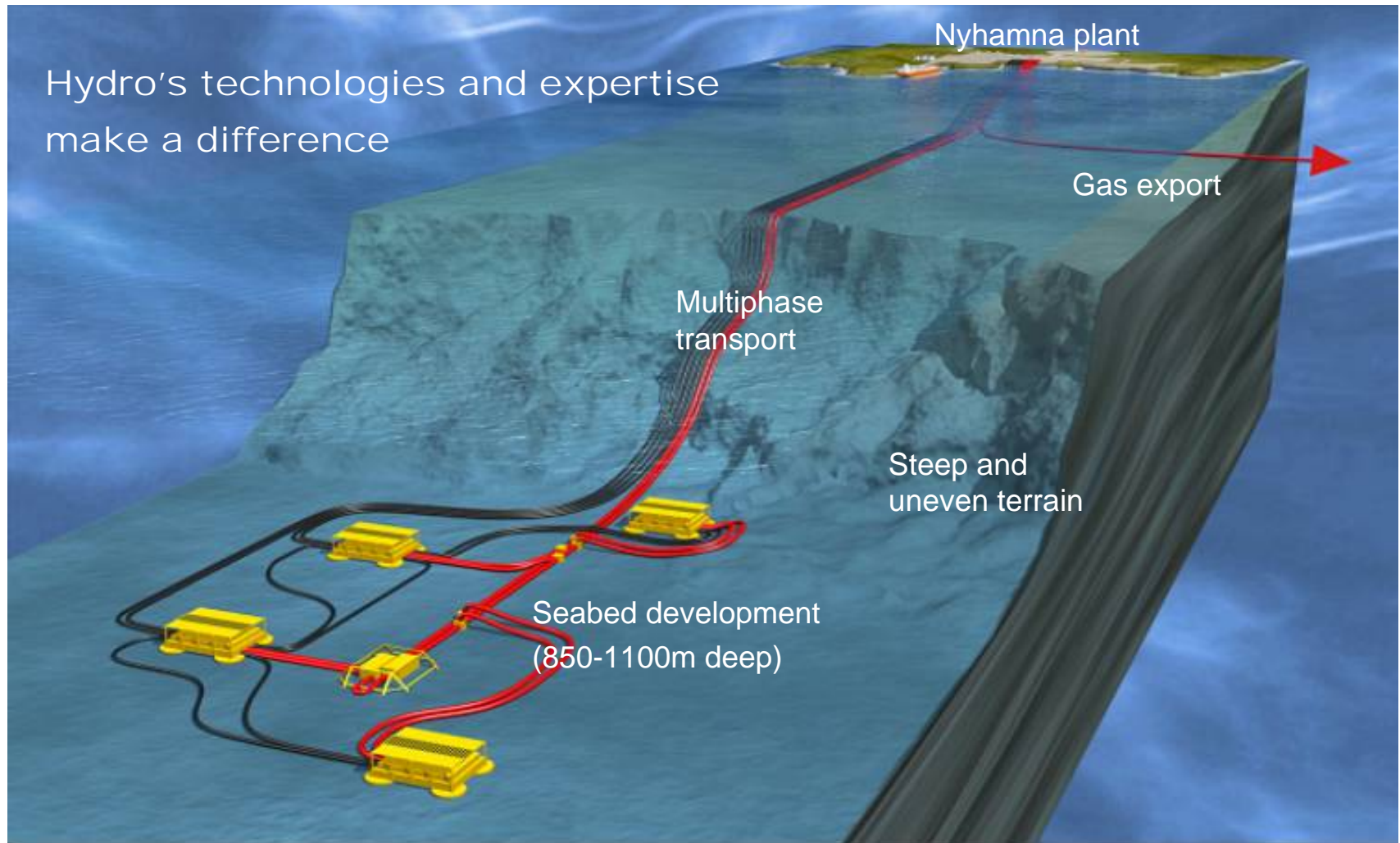
# Performance



## We're on top of our projects

- **Projects worth USD 15 billions from 1998 delivered on time and cost**
- **Latest oil development on NCS delivered ahead time and below cost**
- **Ormen Lange/ Langeled – on track**

# The Ormen Lange development concept



A world map with a dark blue background and glowing yellow city lights, showing the continents of North America, South America, Europe, Africa, and Asia.

## Hydro – priorities

- **Operational improvements**
- **First-class project execution**
- **Improve Aluminium profitability**
- **Strengthen oil & gas resource base**

# Forward-looking statements/ use of non-GAAP financial measures

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 their 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 2004 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.

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)).

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Hydro is a Fortune 500 energy and aluminium supplier founded in 1905, with 36,000 employees in nearly 40 countries. We are a leading offshore producer of oil and gas, the world's third-largest integrated aluminium supplier and a pioneer in renewable energy and energy-efficient solutions. As we look forward to our next 100 years, we celebrate a century of creating value by strengthening the viability of the customers and communities we serve.

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Progress of a different nature