# Capital Markets Day 2006

www.hydro.com

# 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, Regulation and Other Information – Risk Factors” on page 92 of Hydro’s Annual Report and Form 20-F 2005 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.



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# 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).

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.

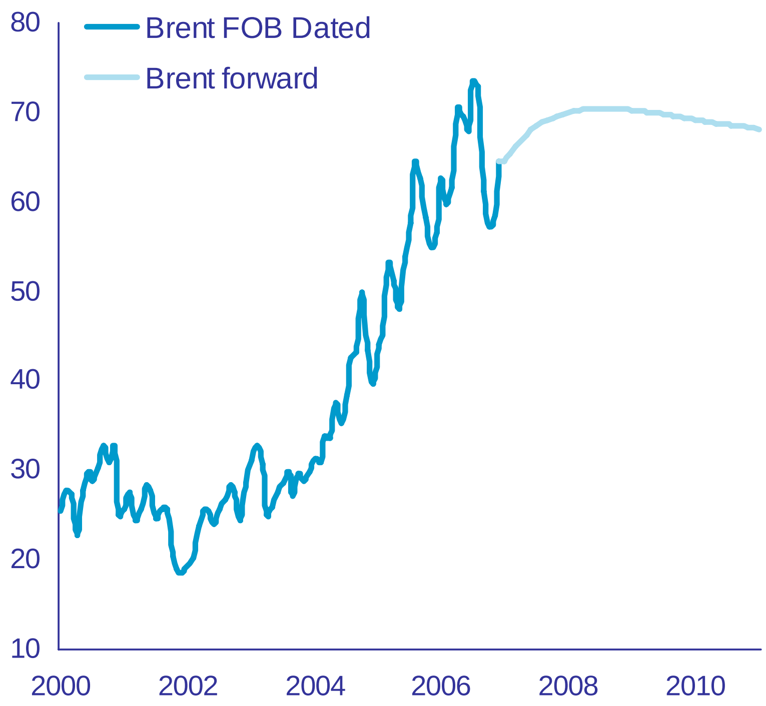
# Eivind Reiten
## President and CEO

# Strategy for future growth

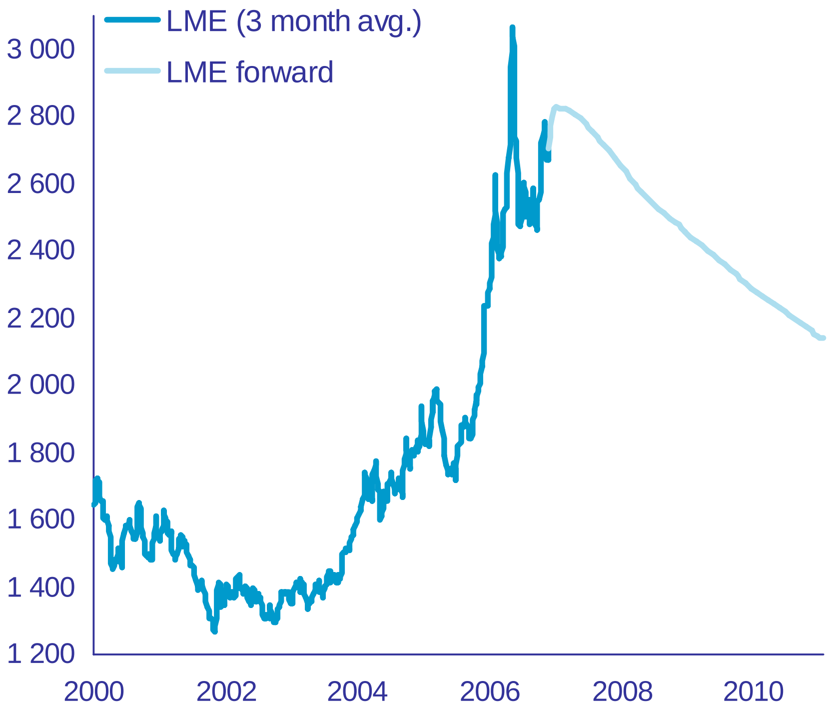
- Build on strong position in industries with attractive market outlook
- Manage cost inflation challenges in both industries
- Grow our resource base in oil and gas
  - Strengthened resource base
  - Continued high exploration and selective acquisitions
  - Robust production and development portfolio in low risk regions
  - Expected oil and gas production 2010: 700 000 boed
  - Growth beyond 2010 from broader development and exploration portfolio
- Pursue profitable growth in aluminium upstream
  - Pursue alumina and metal opportunities in attractive areas
  - Finalize restructuring of Aluminium Products' portfolio
- Recruit and retain the best people

# Strong and volatile price environment

Oil price in USD/bbl

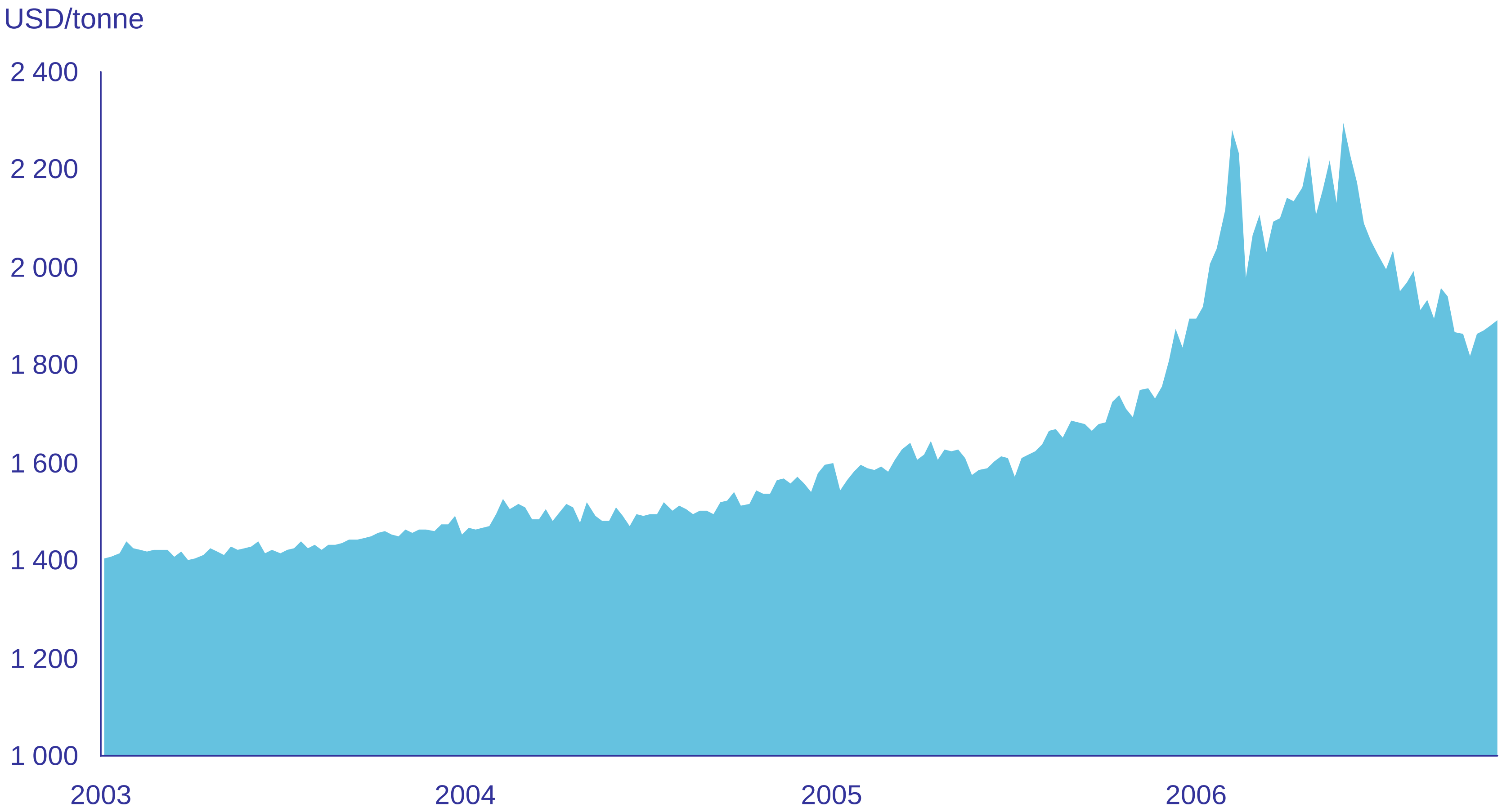



Aluminium price in USD/tonne




*Source: Reuters Ecowin and Bloomberg 1 December 2006*

# 5-year forward price at record-high levels in 2006



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# Maneuvering in a more difficult landscape

WEDNESDAY AUGUST 30 2006

## Slide in US dollar hits world markets

By Neil Dennis and Chris Giles in London and Ralph Atkins in Frankfurt

## Rusal and Sual clinch $30bn link

■ Three-way merger to create the world's biggest aluminium producer ■ Russian group plans London listing within three years

By Arkady Ostrovsky in Moscow and Rebecca Bream in London

ASIA

EUROPE

## Gazprom speculation is power behind RWE

INTERNATIONAL Herald Tribune

Algerian energy minister defends new tax on hydrocarbons

The Associated Press

## Suez-GdF deal to win approval

■ Regulator drafts ruling that backs €72bn merger ■ Final decision rests with EU commissioners ■ Critical hurdles remain in France

By Tobias Buck and Karl de Meyer in Brussels and Peggy Hollinger in Paris



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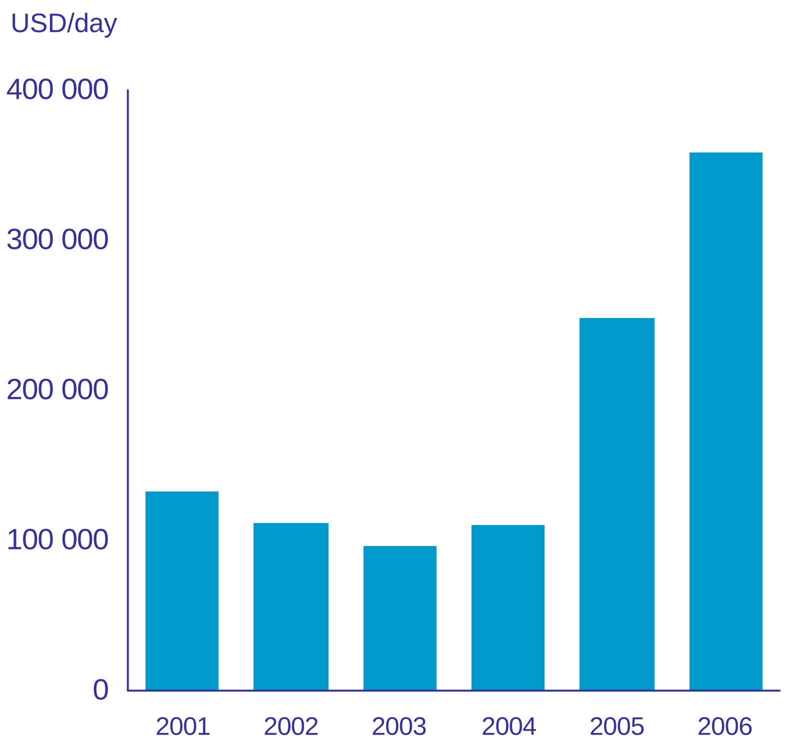
# Hydro has what it takes

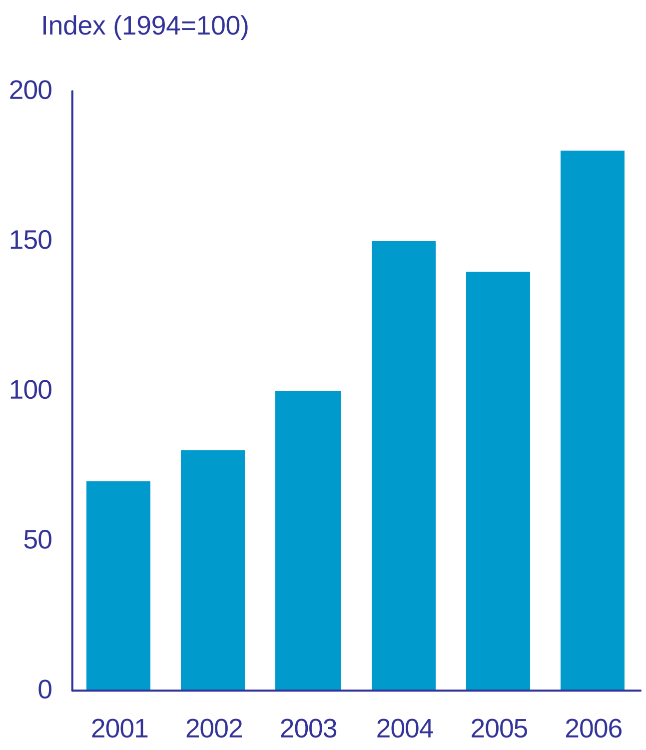
- World-class technology and competence
- Proven high-quality operations
- Cooperation tradition – Hydro and Norway
  - Commercial partnerships
  - Experience in cooperating with local and national authorities and communities
- Strong positions in key basins
- Systematic risk management
- Active portfolio management

# Increasing industry cost

Dayrates ultra deepwater drilling rigs
Average fixture rates



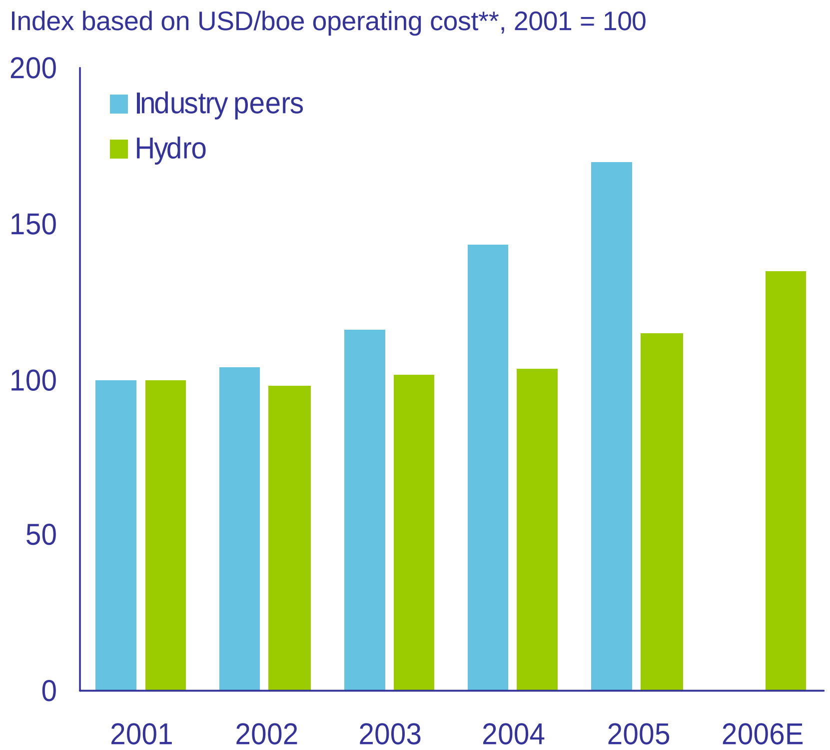

Steel prices




*Sources: Fearnley Offshore (rig rates), CRUspi.com (Steel prices)*

# Hydro's cost increase well below industry average

Hydro versus industry peer group*



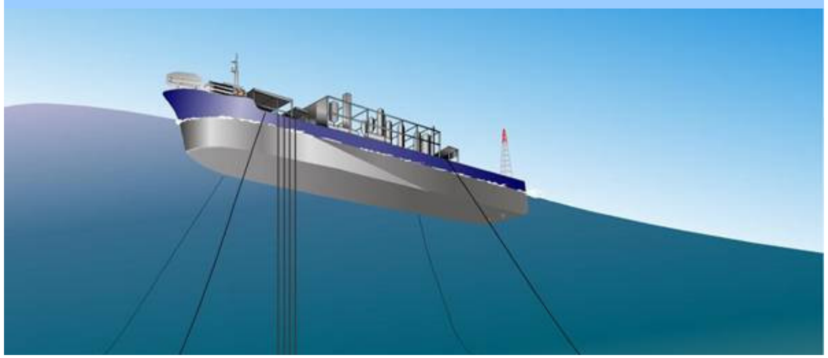

* Majors, US and European integrated players, US large independents
** Operating and lease expenses – not including gas injection cost
*Source: SEC, Company reports*

- Rig rates up more than 200 percent since 2004
- Steel up 80 percent since 2003
- Drilling services up 50 percent since 2005
- Logistics up 40 percent since 2005

Portfolio maturity, field size and long-term contracts make Hydro robust to industry cost pressure

# Distinct project skills more valuable than ever

Gimboa



Ormen Lange

Sunndal

Qatalum



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# Climate change – the biggest challenge of all

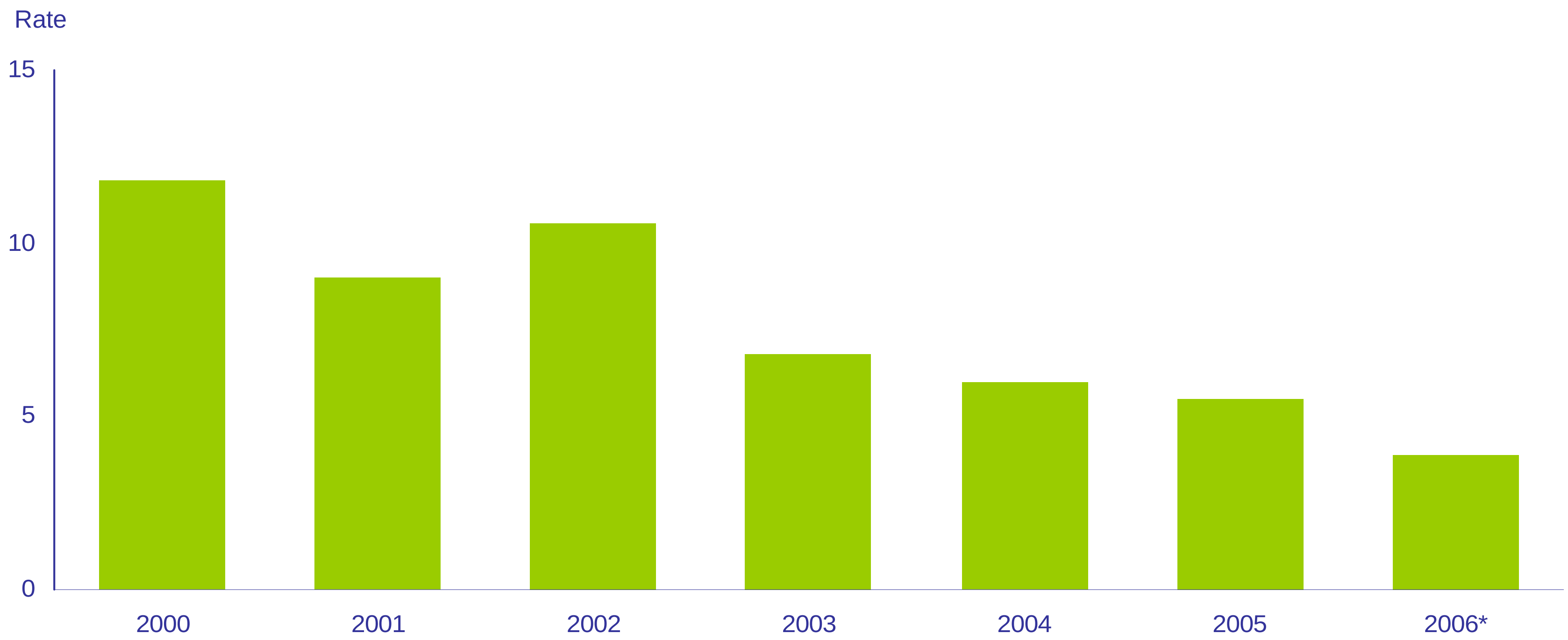

# Performance update

# Key messages last year

- Hydro
  - Maintain financial strength
  - Build on technological and operational leadership
- Oil & Energy
  - Profitable production growth
  - Strengthen resource base
- Aluminium
  - Prioritize upstream investments and repositioning
  - Reduce downstream exposure – focus on cash generation

# Safety improving

## Total reported injuries per million working hours (TRI)




* 12 month rolling Oct 2005-Oct 2006

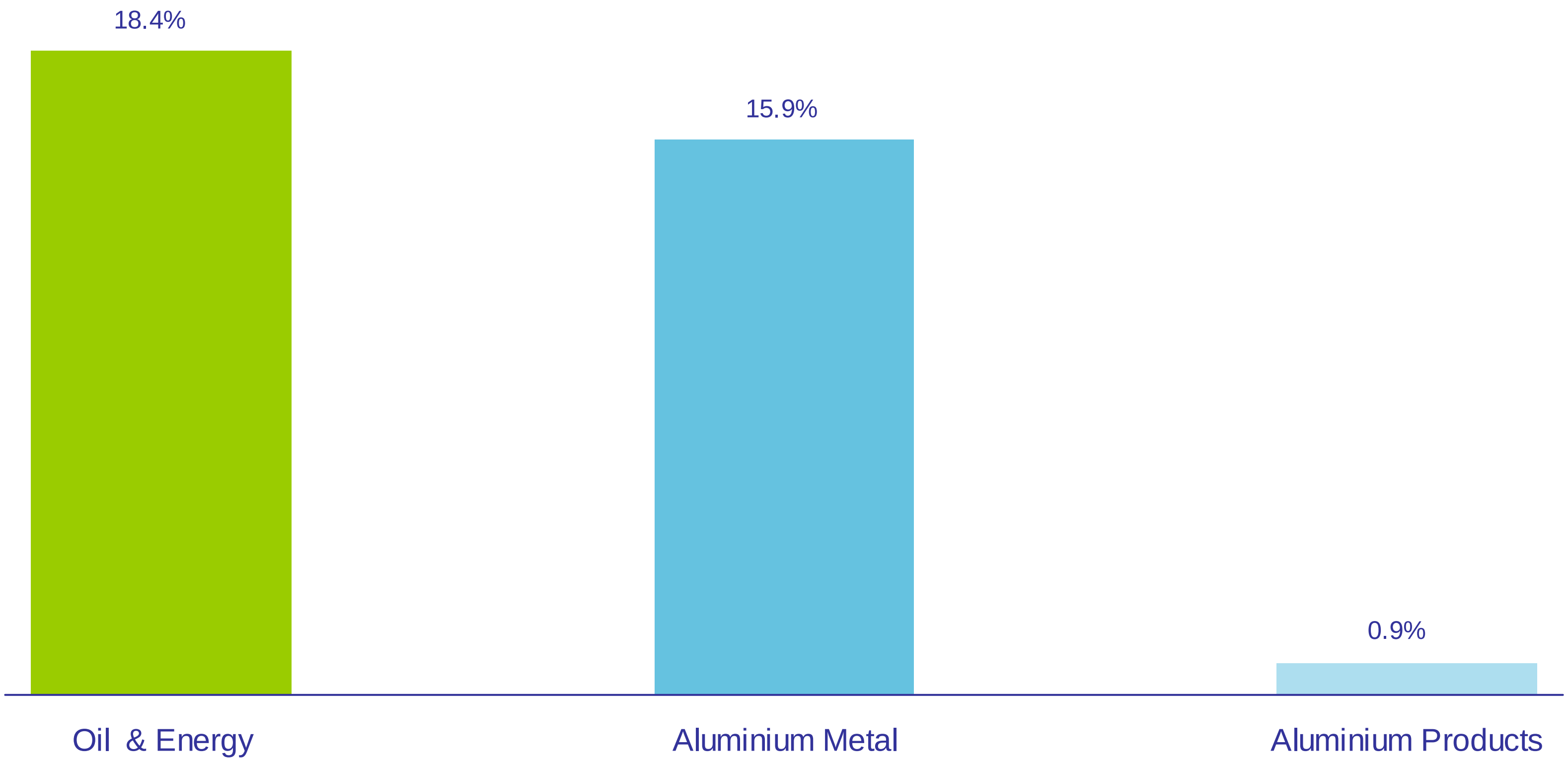
# Improved returns

## Return on average capital employed – RoaCE


Jan-Sep figures are not annualized

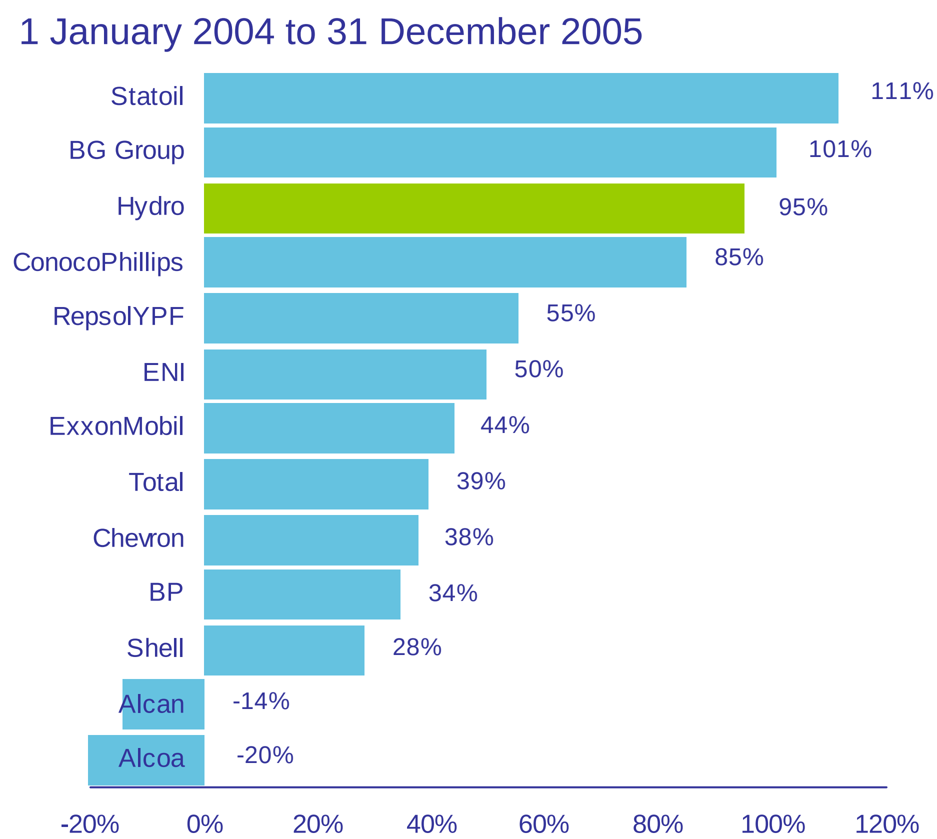
# RoaCE by business area

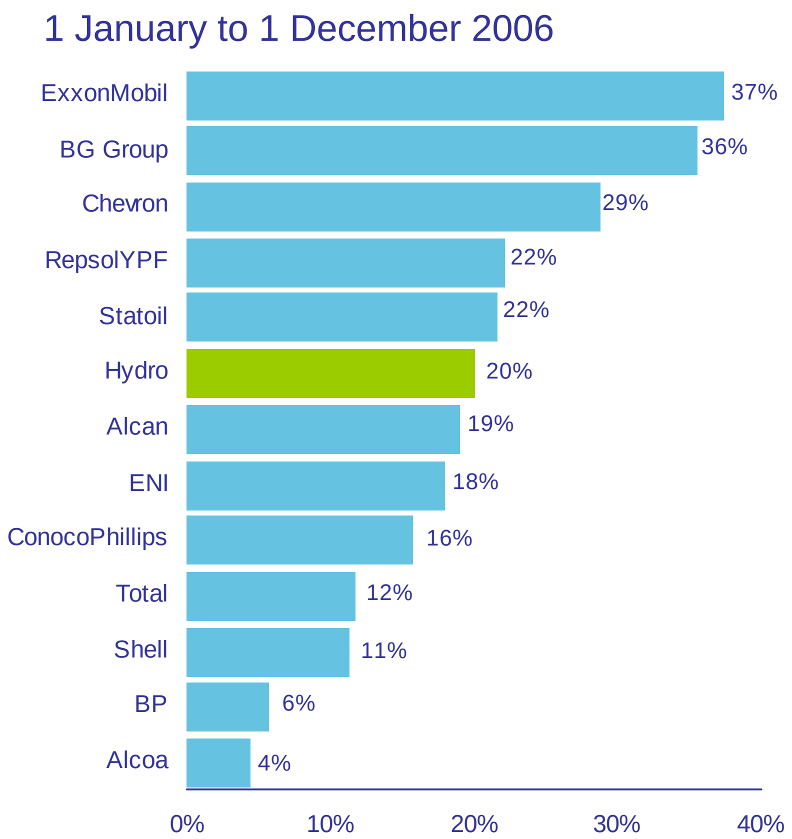
First nine months 2006




Figures are not annualized

# Competitive share price development

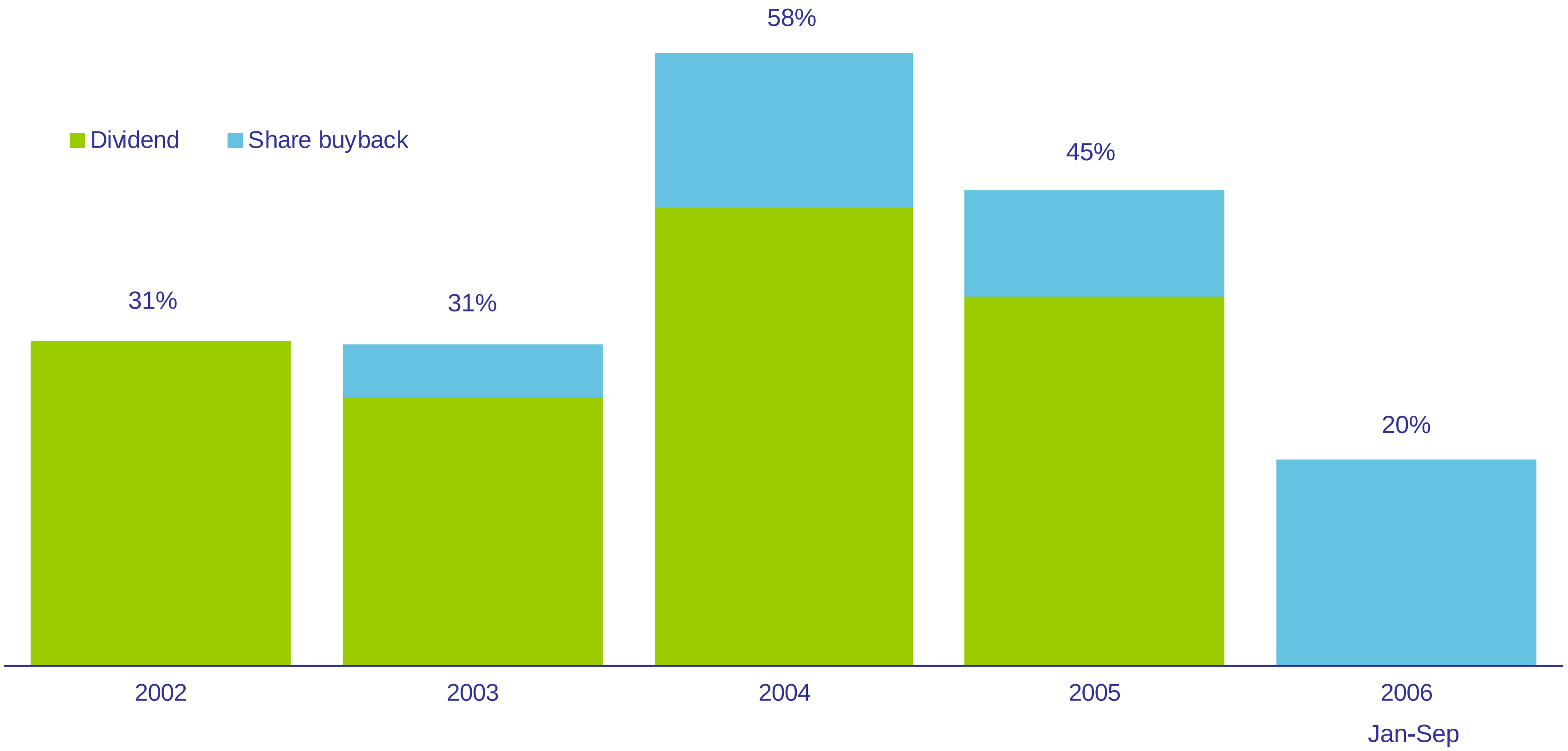



*Source: Yahoo Finance, NYSE, USD*

# Competitive payout to shareholders

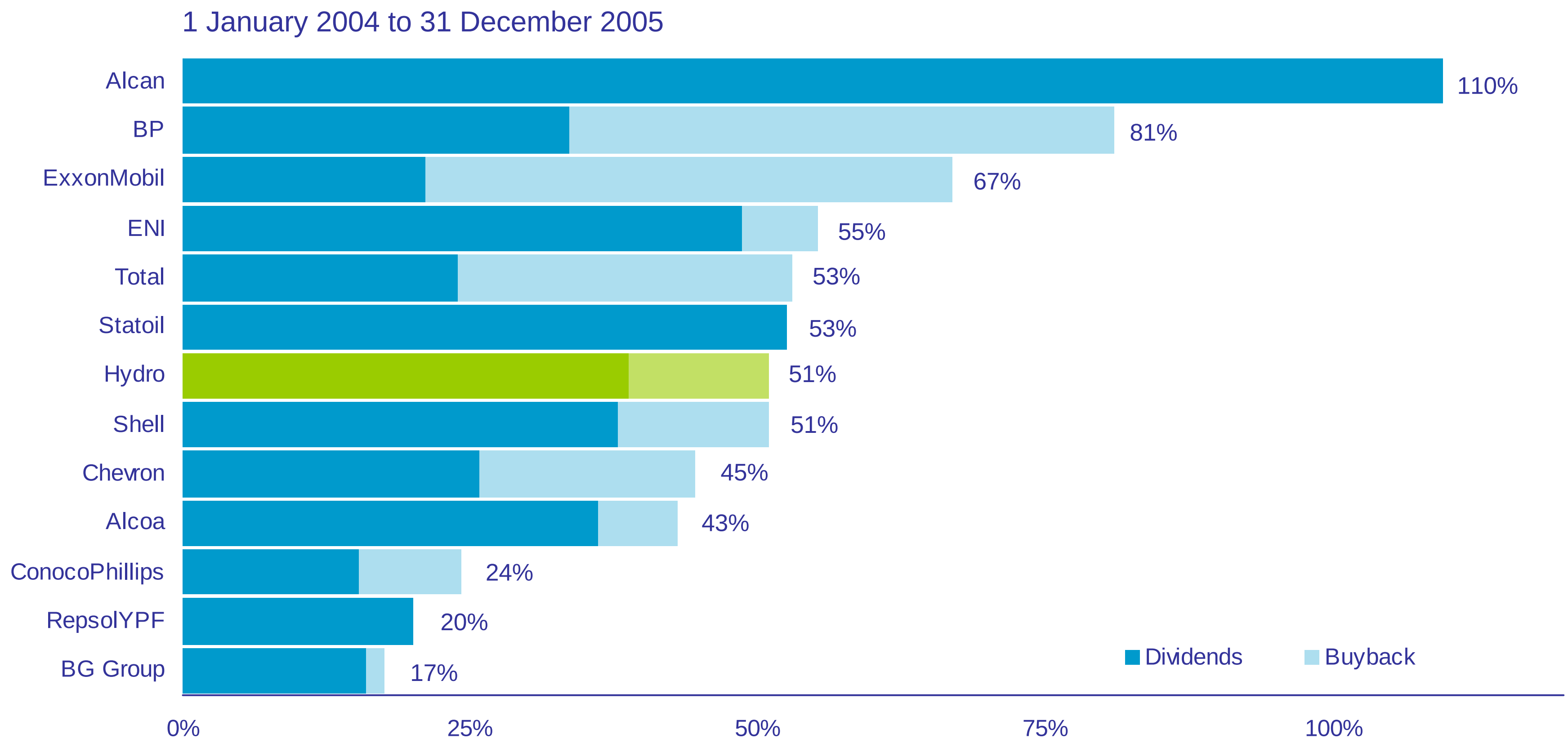
## Payout ratio – dividend and buyback




Dividend allocated to the year for which the dividend was paid. Buyback allocated to the year when the buyback transactions were executed.

# Competitive payout to shareholders

## Dividend and share buyback relative to net income




*Source: Company reports*

# Active portfolio management 1999-2006

| Acquisitions and divestments 1999-2006 | Enterprise value NOK billion |
|---|---|
| Acquisitions | |
| Saga Petroleum (1999) | 31 |
| VAW (2002) | 24 |
| Spinnaker Exploration (2005) | 16 |
| Wells, Technal and SDFI (2001-2002) | 6 |
| Total acquisitions | 77 |
| Divestments | |
| Yara International (2004) | *21 |
| Various non-core activities (2000-2006) | 28 |
| Automotive Castings and Meridian (2006) | 4 |
| Total divestments | 53 |

* Enterprise value at public listing date 25 March 2004



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# A more focused portfolio

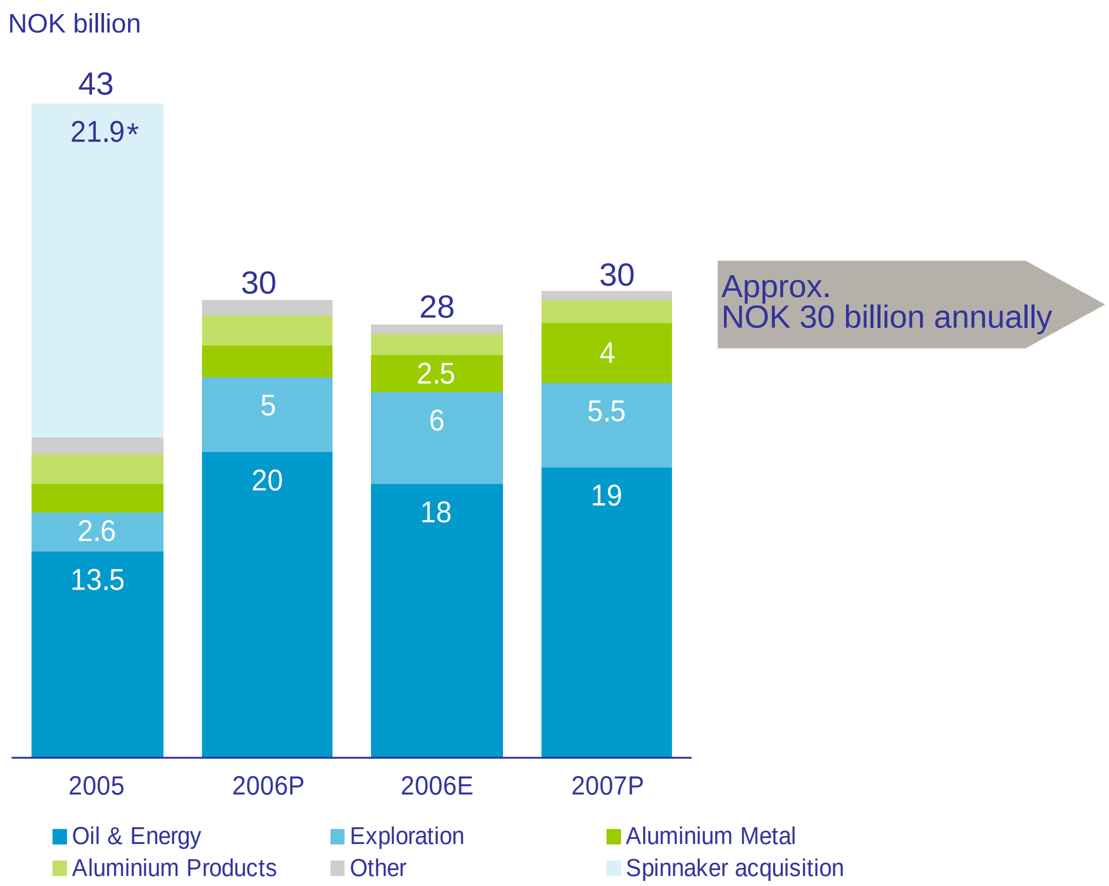
## Capital employed NOK 109 billion

| Net book value of assets 31 Dec 2005 | Oil & Energy | Aluminium Metal | Aluminium Products | Other |
|---|---|---|---|---|
| Growth | NOK 56 billion | | | |
| Upstream repositioning and growth | | NOK 27 billion | | |
| Cash generation and divestments | | | NOK 19 billion | NOK 6 billion |

# Hydro Polymers – listing or divestment being considered

- Solid turnaround delivered
- EBITDA first nine months 2006 NOK 795 million
- Competitive position strengthened through chlorine and ethylene investments at Rafnes, Norway
- Positive outlook

# Capital allocation – upstream focus




2007-2010

- Oil & Energy
  - Projects on track
  - High exploration activity
- Aluminium
  - Priority upstream

* Including non-cash element of NOK 5.5 billion

# Oil & Energy – performance and perspectives

# Highlights Oil & Energy

- Strengthened resource base
- Continued high exploration and selective acquisitions
- Robust production and development portfolio in low risk regions
- Expected oil and gas production 2010: 700 000 boed
- Growth beyond 2010 from broader development and exploration portfolio
- Strong growth from cost-competitive gas portfolio



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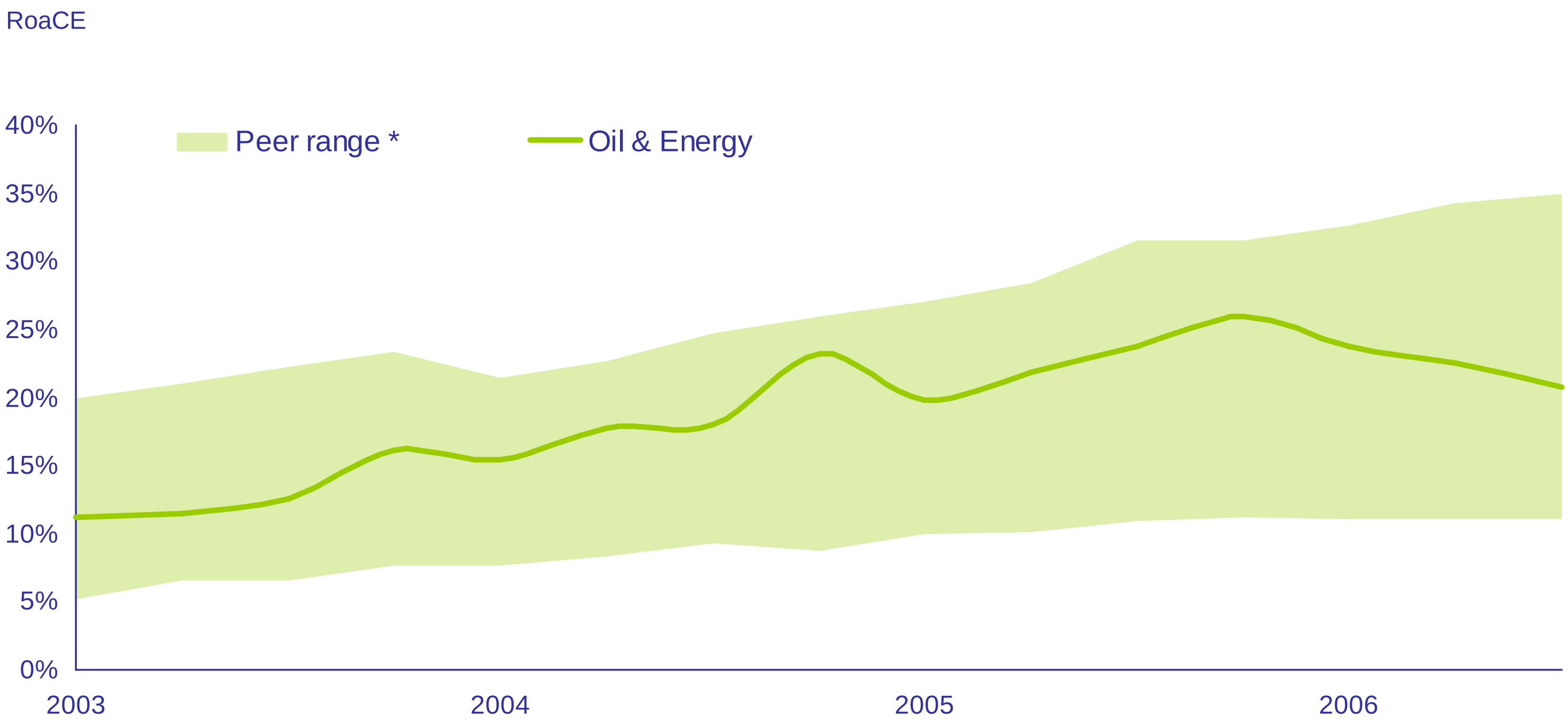
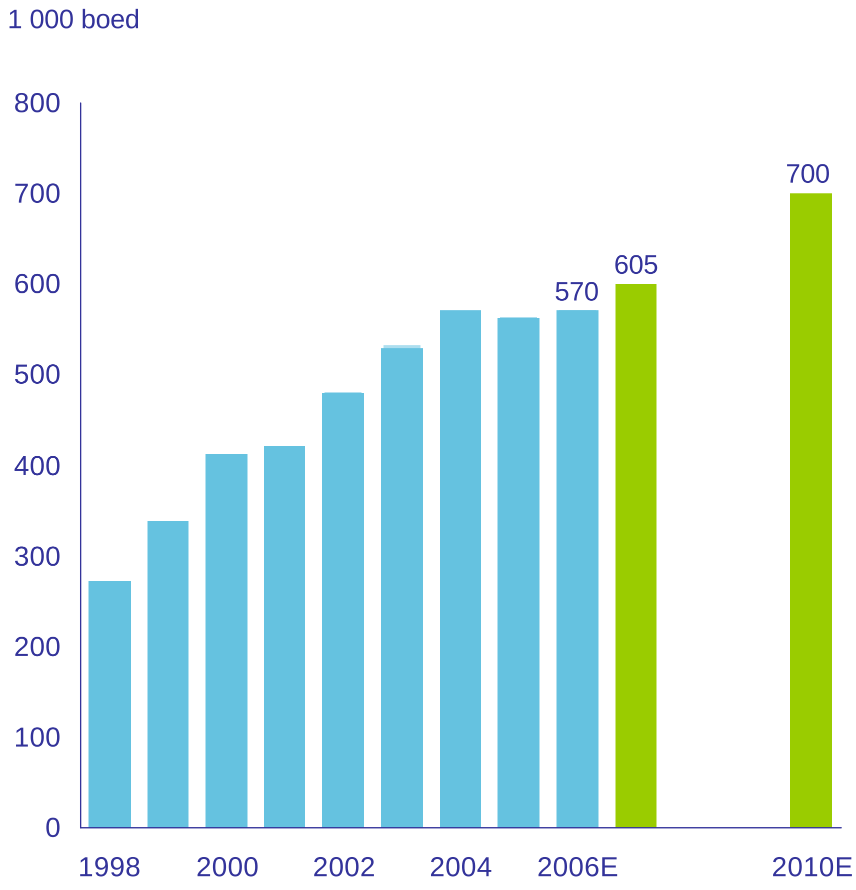
# Return on capital in line with with peers




* BG Group, BP, Chevron, ExxonMobil, RepsolYPF, Shell, Statoil and Total

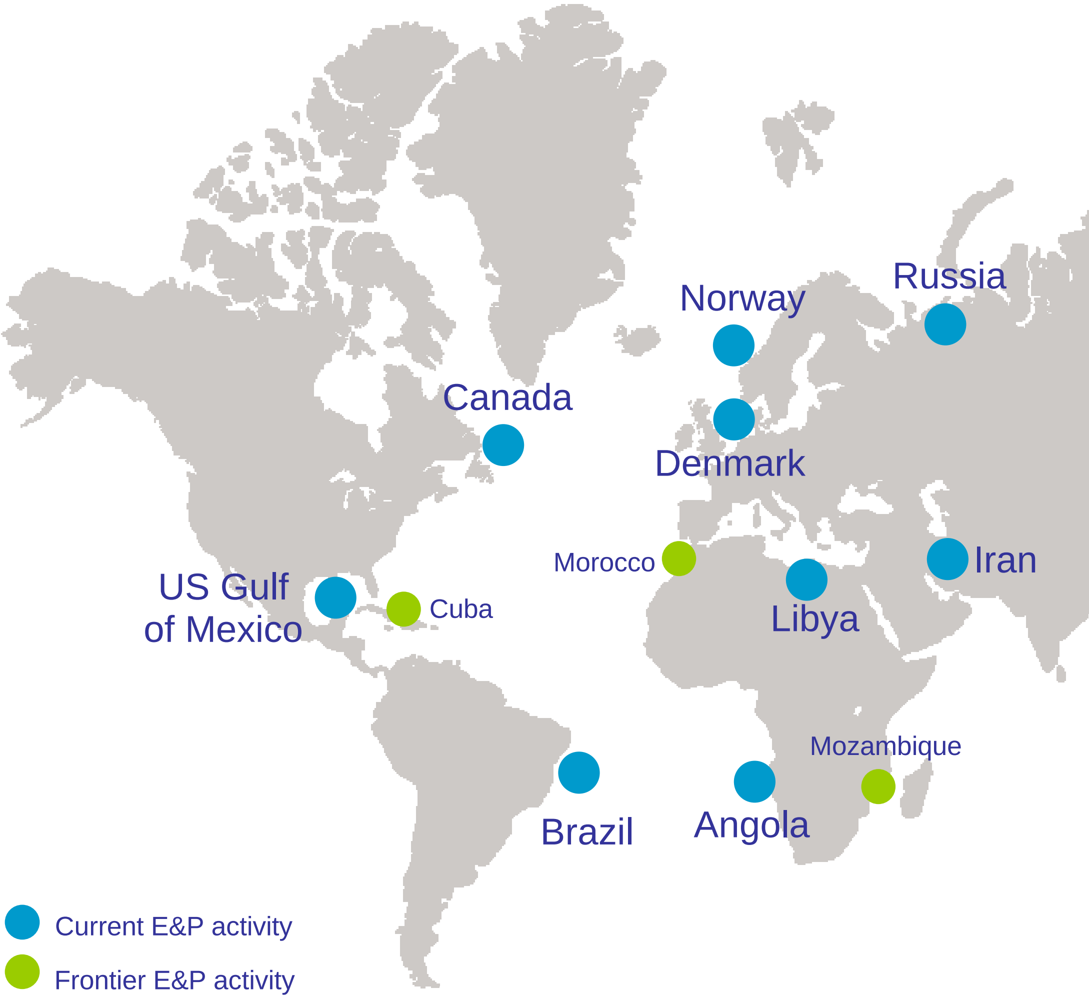
*Source: Bloomberg return on capital methodology. 12 month rolling Q1 2002-Q3 2006. Hydro figures are approximations to Bloomberg methodology.*

# Continued production growth




- 2007 target: 605 000 boed
- 2010 expected: 700 000 boed
    - Capacity constraints lead to project delays
- Growth from high-quality portfolio
- Improved growth prospects beyond 2010

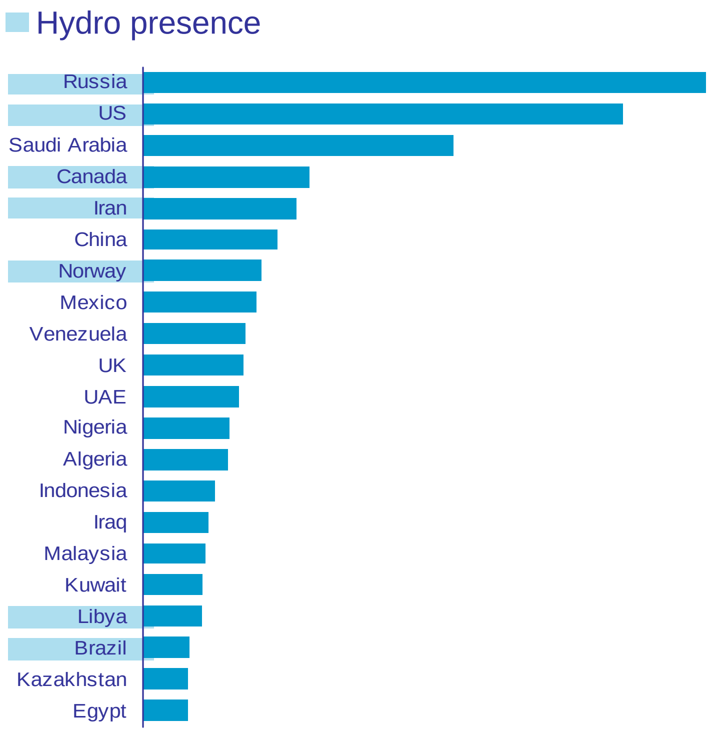
# International portfolio in top tier countries




- Present in 7 of the top 10 petroleum provinces available for IOCs
- Production in 6 countries
- Field development projects in 8 countries
- Exploration activities in 12 high-potential countries

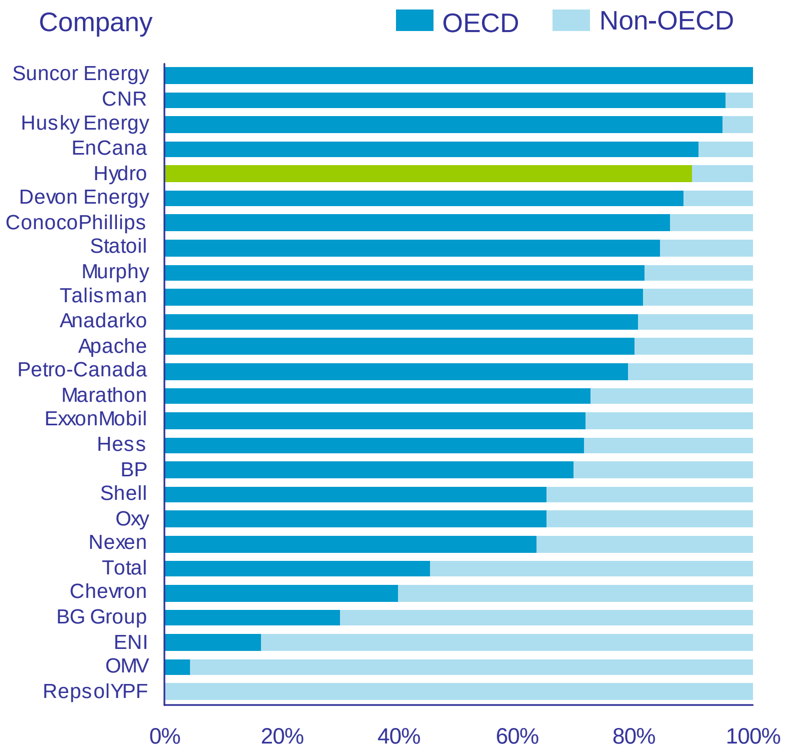
# High share of production in OECD countries

## Top 2005 producing countries globally




*Source: EIA*

## 2005 production by region




*Source: SEC/Company reports*

# Tore Torvund

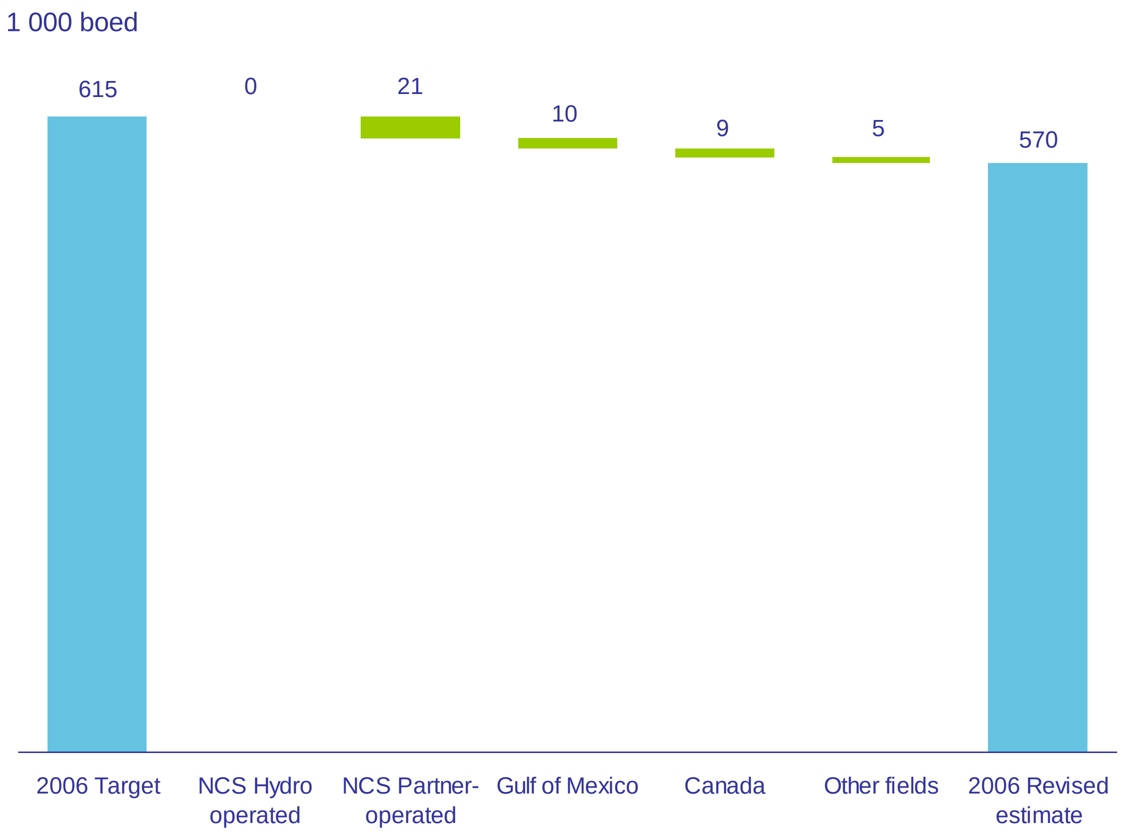
## Executive Vice President, Oil & Energy

# Operational highlights

| | CMD 2005 | 2006 estimate |
|---|---|---|
| Production | 615 000 boed | 570 000 boed |
| Production costs | NOK 23/boe | NOK 25/boe |
| Capital expenditures | NOK 20 billion | NOK 18 billion |
| Exploration activity | NOK 5 billion | NOK 6 billion |

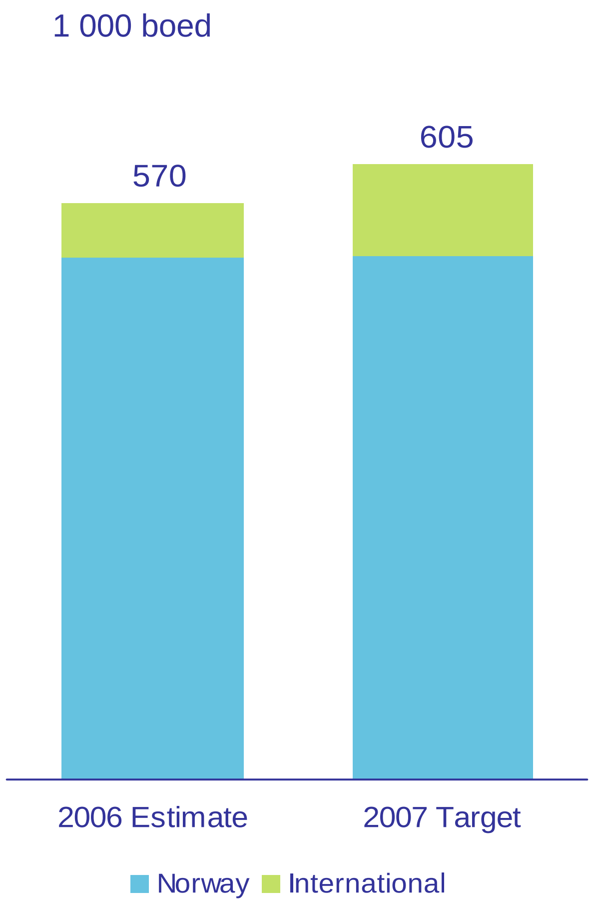
Production costs definition: Field cost, fees, overhead, R&D, follow-up, insurance

# Production 2006 hampered by extraordinary events and delayed build-up




- Production interruptions
- Delayed build-up

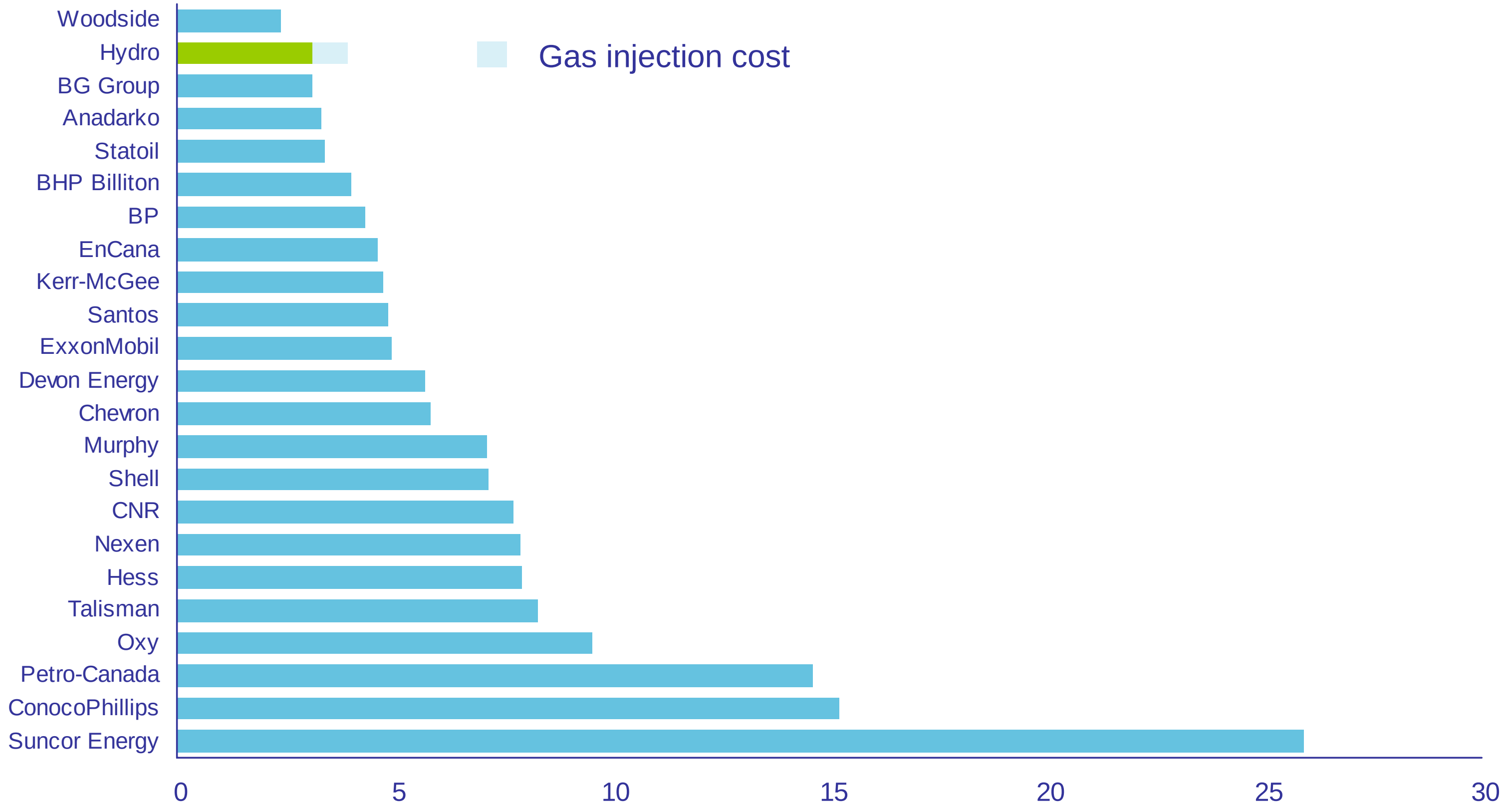
# Measures to meet 2007 target




- Norway
  - Continued operational excellence
  - Proactive follow-up of partner operated fields
  - Ormen Lange on stream
- Canada
  - Terra Nova upgraded to ensure higher uptime
- Gulf of Mexico
  - NCS production management to drive performance
  - Independence Hub area on stream
- Angola
  - Dalia and Rosa on stream

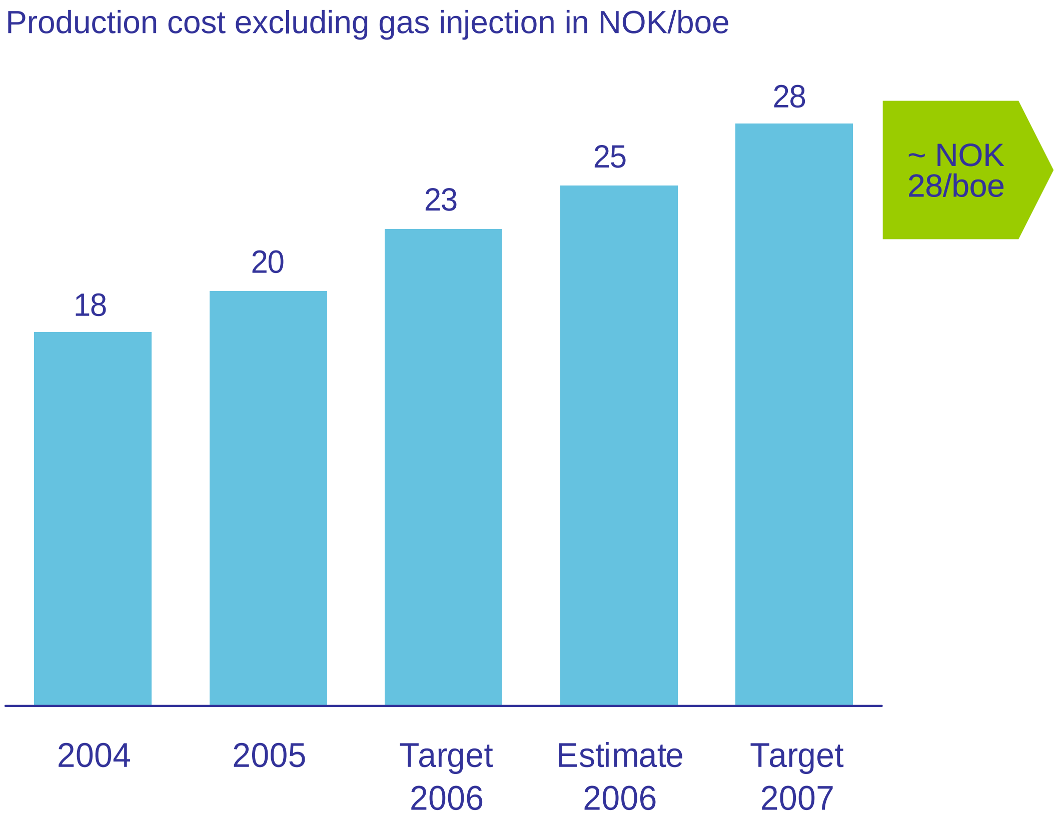
# Competitive cost position

## 2005 production and lease operating cost in USD/boe




*Source: SEC filings*

# Unit production cost to stabilize from 2007



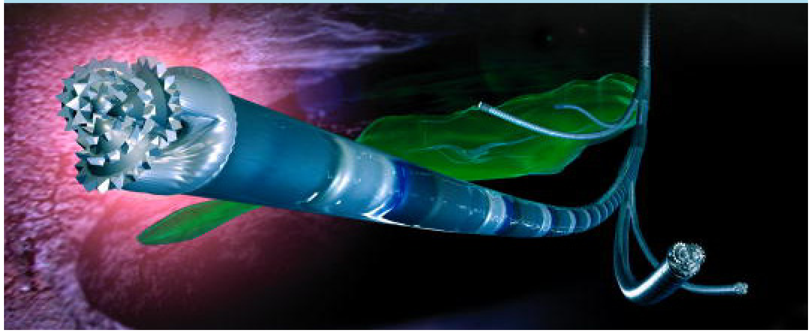

- Cost increase 2006 below industry average
- Sustainable unit cost excluding gas injection below NOK 28 per boe

# Growth from existing portfolio

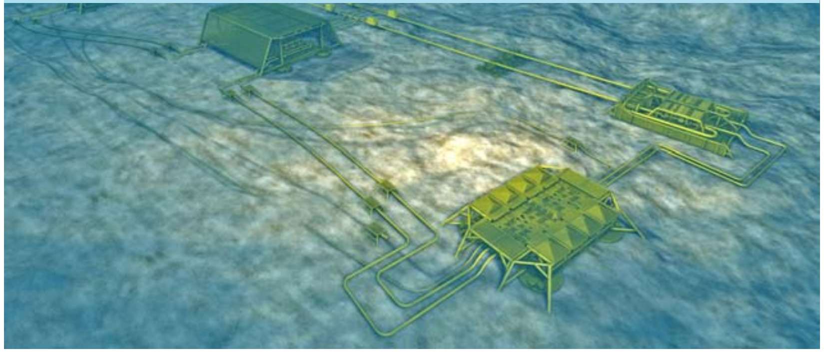
# Technology leadership to deliver growth

## Exploration excellence

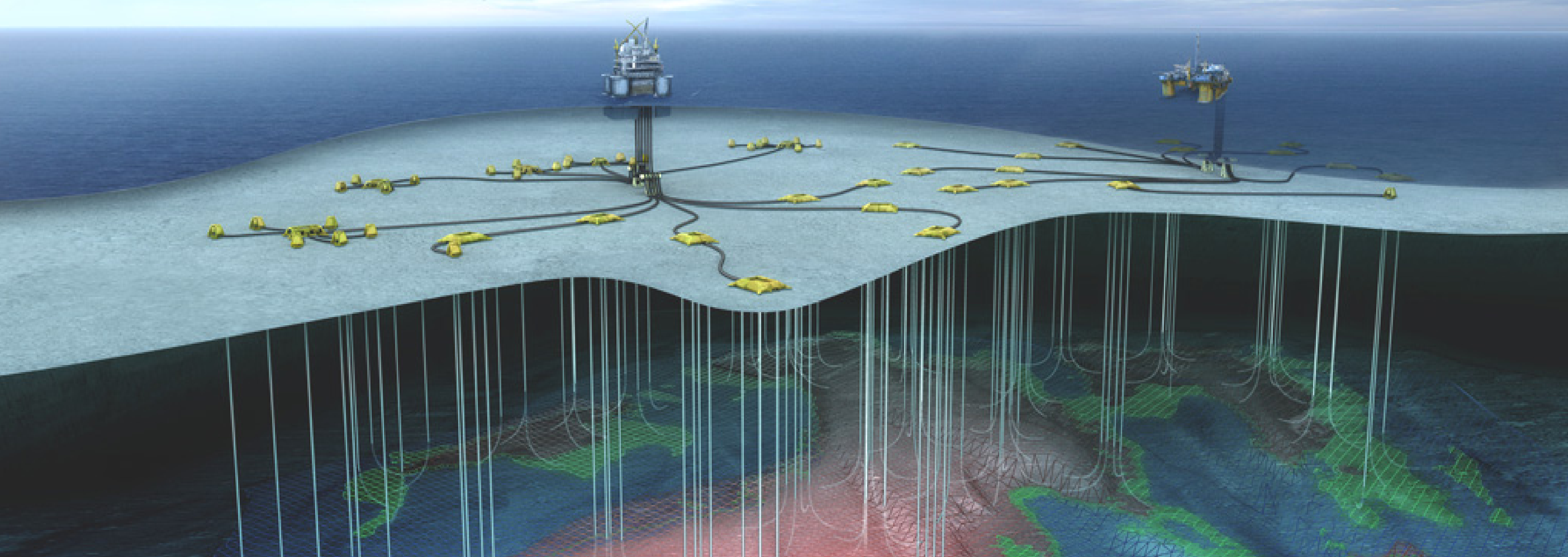
## Advanced drilling



## Subsea technology



## Project management



# Maximizing value of existing portfolio

- Troll Oil:
  - Announcing more than 500 million barrels in new oil reserves
  - Reserves up 34 percent to more than 2 billion barrels
- Troll Gas: Increase gas off-take and export capacity
- Plan for development and operation (PDO) in 2007



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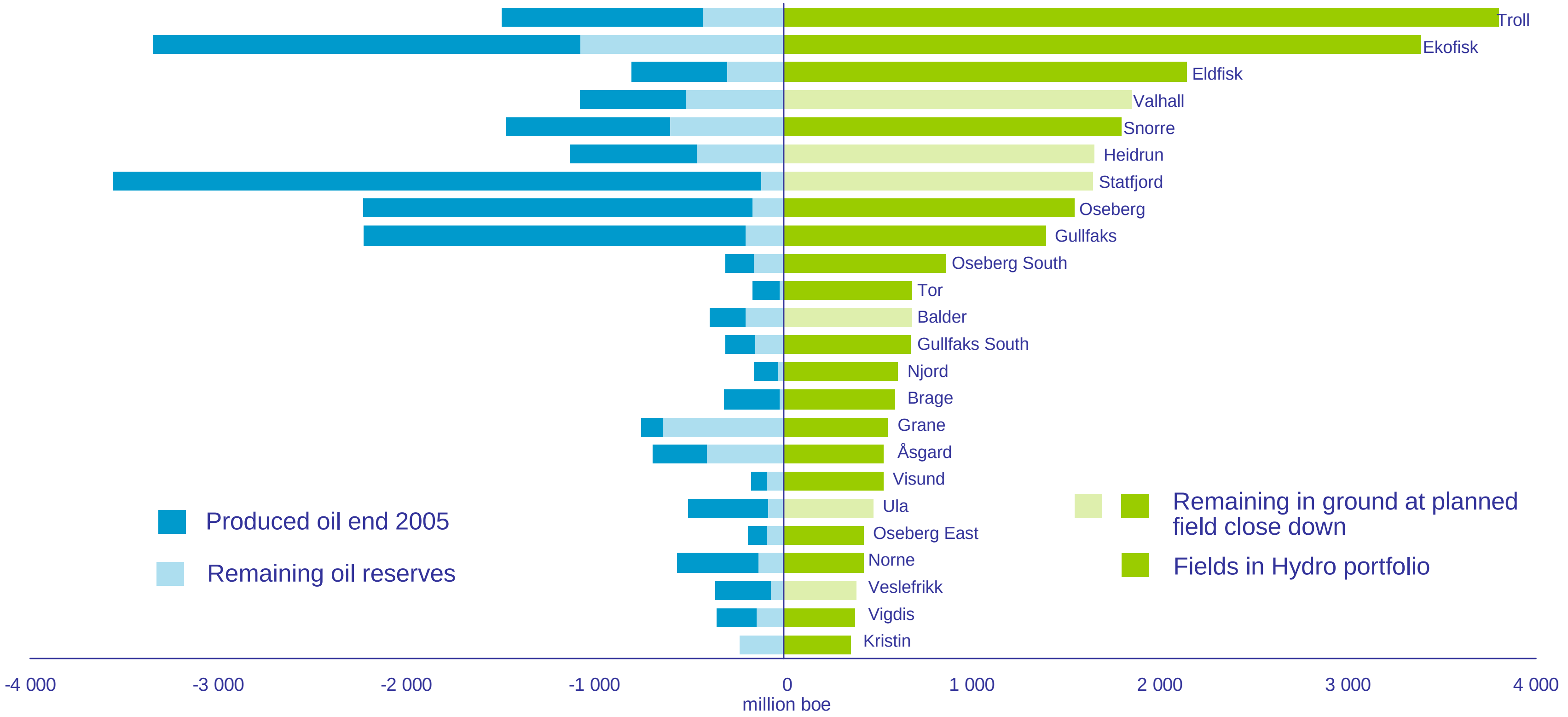
# Large remaining oil potential in Hydro fields

Long-term ambition of 60 percent recovery factor on NCS




*Source: Norwegian Petroleum Directorate*

# Broad project portfolio supports continued growth

| Delivered projects 2001-2006 | Fields under development | New projects |
|---|---|---|
| Fram East | Ormen Lange | Peregrino |
| Fram West | Dalia | Idun/Skarv |
| Front Runner | Rosa | Sigrid |
| Girassol | Independence Hub area: Q , Spiderman , San Jacinto | Dagny |
| Grane | Vilje | Pazflor |
| Jasmim | Njord Gas | Morvin |
| Kharyaga | Volve | Njord North-West Flank |
| Kristin | Rimfaks/Skinfaks | Peon |
| Lorien | Oseberg Delta | Troll Future Development |
| Kvitebjørn | Oseberg East Drilling | Azar |
| Mikkel | Gimboa | Astero |
| Murzuk NC 186-A & D | Tune South | Kharyaga Phase III |
| Oseberg West flank | Tyrihans | CLOV |
| Ringhorne East | Thunder Hawk | Murzuk NC-186: I/R; J&K field |
| Sigyn | Alve | Dahra North& South |
| Skirne/Byggve | Hibernia South | Garian |
| Terra Nova | Murzuk NC-186: B & H | Hejre |
| Tune | Vega | Thunder Bird |
| Urd | | Thunder Ridge |
| Vale | | Valemon |
| Vigdis Extension | | Hebron |
| Visund Nord | | |

*Non-exhaustive list*



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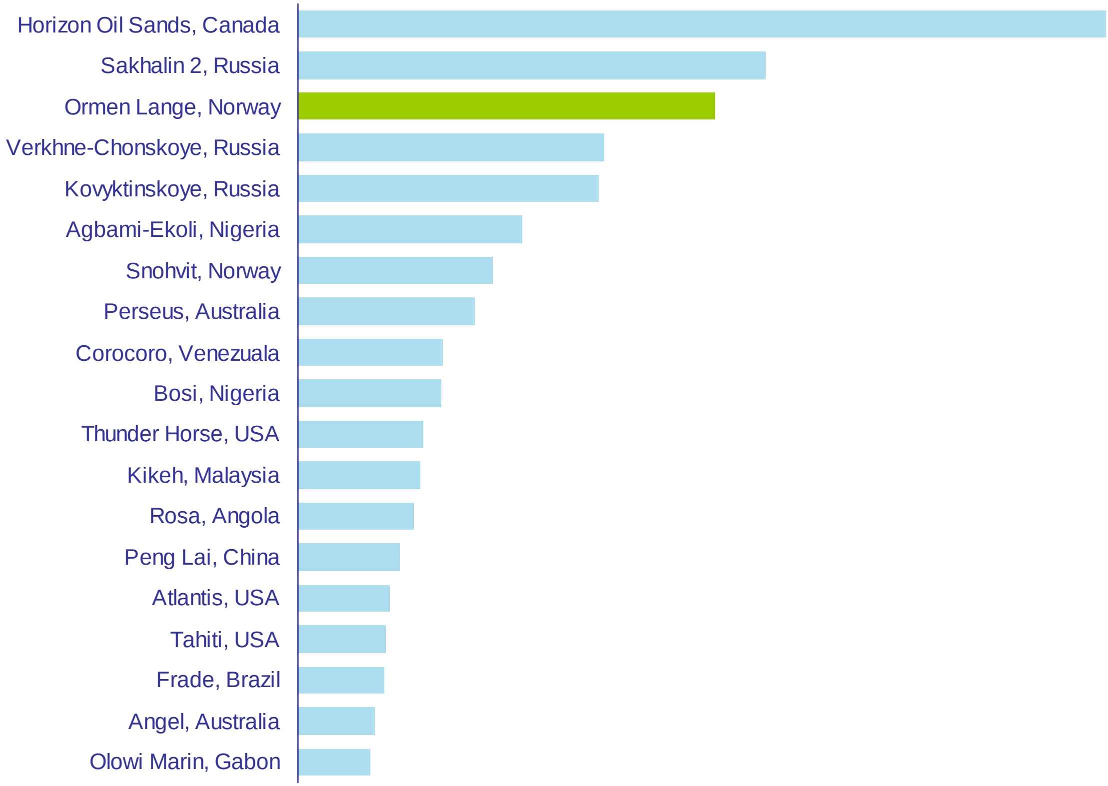
# Field development portfolio
## Generating above 200 000 boed at peak

| Start year | Field name | Hydro share at peak rate | Country | Type | Operator |
|---|---|---|---|---|---|
| **2006** | Dalia | 21 000 | Angola | Oil | Total |
| **2007** | Ormen Lange | 70 000 | Norway | Gas/Cond | Hydro |
| | Rosa | 14 000 | Angola | Oil | Total |
| | Independence Hub Area | 11 500 | US GoM | Gas | Hydro/others |
| | Vilje | 10 000 | Norway | Oil | Hydro |
| | Njord Gas | 8 000 | Norway | Gas | Hydro |
| | Volve | 6 000 | Norway | Oil/Gas | Statoil |
| | Rimfaks/Skinfaks | 3 000 | Norway | Oil/Gas | Statoil |
| | Murzuk NC-186: B & H field | TBD | Libya | Oil | Repsol |
| **2008** | Oseberg Delta | 13 500 | Norway | Oil | Hydro |
| | Gimboa | 5 500 | Angola | Oil | Sonangol/Hydro technical |
| | Oseberg East Drilling | 5 500 | Norway | Oil | Hydro |
| | Tune South | 4 500 | Norway | Oil | Hydro |
| | Alve * | 3 000 | Norway | Gas/Cond | Statoil |
| **2009** | Tyrihans | 14 000 | Norway | Oil | Statoil |
| | Thunder Hawk | 11 000 | US GoM | Oil | Murphy |
| **2010** | Vega * | 18 000 | Norway | Gas/Oil | Hydro |

* Will be sanctioned in December 2006

# Ormen Lange – a world giant on cost and schedule

Global top 20 fields on stream 2007-2008 by volume



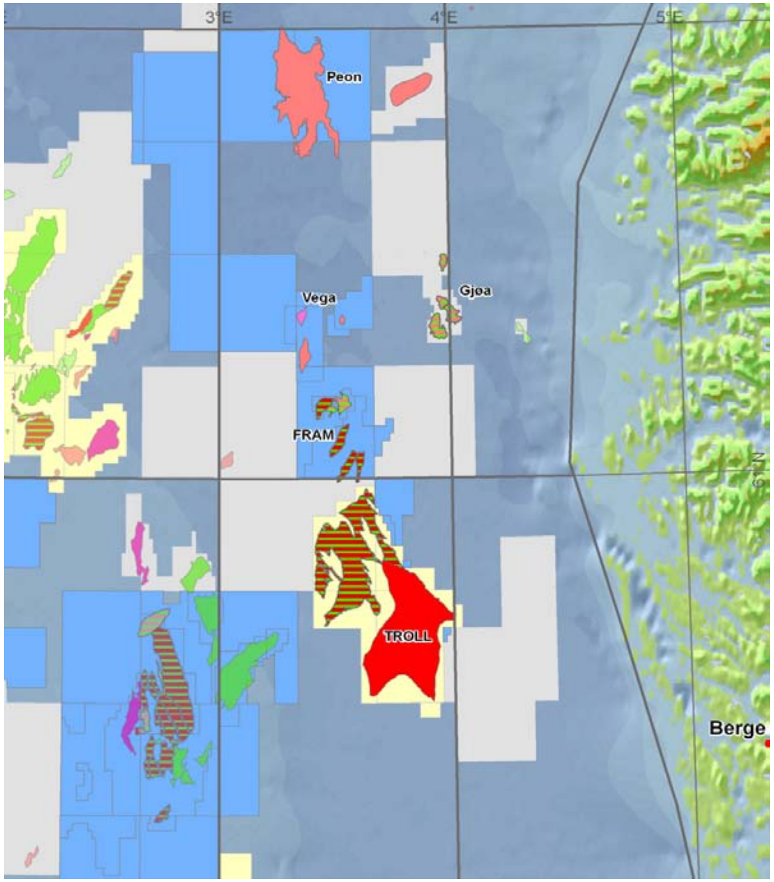

*Source: Rystad Energy*

- A vast subsea scheme with ground-breaking technology
- Largest industrial undertaking ever in Norway
- Third-largest field development globally
- Langeled South opened on schedule in October 2006

# Field developments in main core area

- Vega
  - Innovative subsea development
  - Partner cooperation for development of resources in three licenses
  - PDO in 2006 and production start in 2010
  - Hydro share at peak 18 000 boed in 2011
  - Working interest PL 090C 25 percent
  - Working interest PL 248 40 percent

- Peon
  - Shallow gas accumulation discovered in 2005
  - Field development following further appraisal
  - Valuable gas resource requires world-class engineering solutions
  - Working interest PL 269 100 percent
  - Working interest PL 318 60 percent



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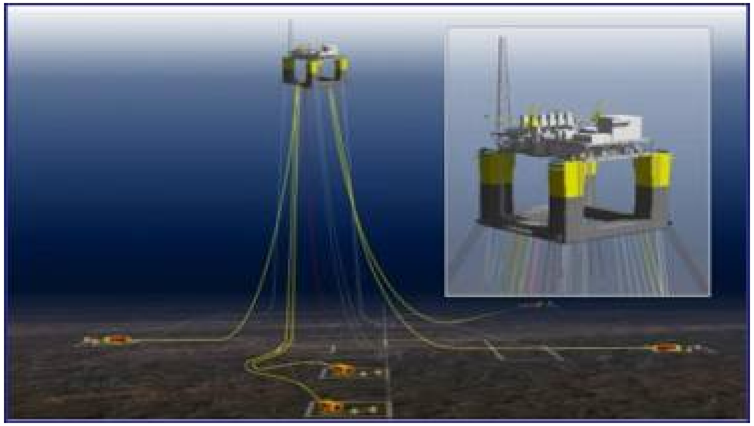
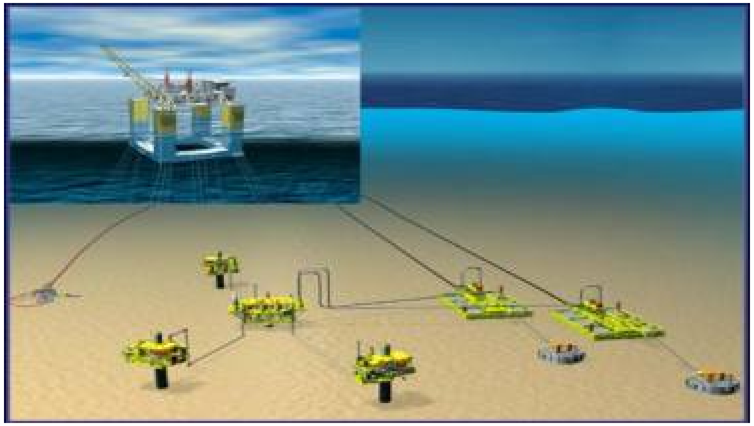
# Deepwater Gulf of Mexico field developments

- Lorien field on stream in 2006
  - Green Canyon block 199
- Independence Hub - a cornerstone for GoM gas
  - Third-party owned, shared production facility with ten fields tied back
  - Production start in 2007
  - Hydro fields: Spiderman, San Jacinto and Q (Hydro operated)
  - Peak production to Hydro: 11 500 boed
  - Water depth: 2 700 meters
- Thunder Hawk - a significant GoM field
  - Production start in 2009
  - Peak production to Hydro: 11 000 boed
  - Capacity: 45 000 boed
  - Potential tie-backs: Thunder Bird and Thunder Ridge
  - Water depth: 1 700 meters
- Drawing on Hydro's core competences





# Status on the Front Runner field

- Floating production facility in 1 000 meters of water
- Partners:
  - Murphy (37.5 percent and operator)
  - Dominion (37.5 percent)
  - Hydro (25 percent)
- Complex reservoir
  - Production significantly lower than expected
- Internal project team established by Hydro developing plan to improve production
  - Increase number of drainage points
  - Multilateral well technology
  - Alternative well completion technologies

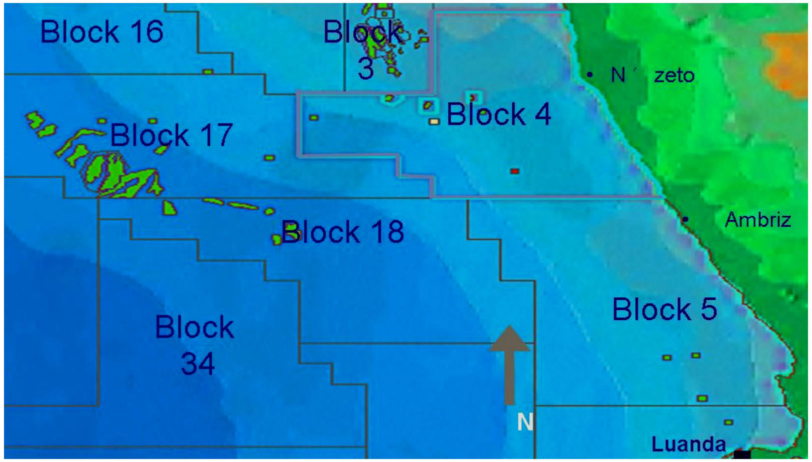
# Angola production increases significantly
## Approaching 40 000 boed in 2008

**Block 17 (10 percent)**

- Dalia FPSO in production December 2006
  - 21 000 boed Hydro share at peak
- Rosa development to come on stream in 2007
  - Tie-in to Girassol
  - 14 000 boed Hydro share at peak
- Future developments to be sanctioned
  - Pazflor
  - CLOV

**Block 4 (20 percent)**

- Gimboa field development on track
  - Hydro technical adviser to Sonangol
  - 5 500 boed Hydro share at peak



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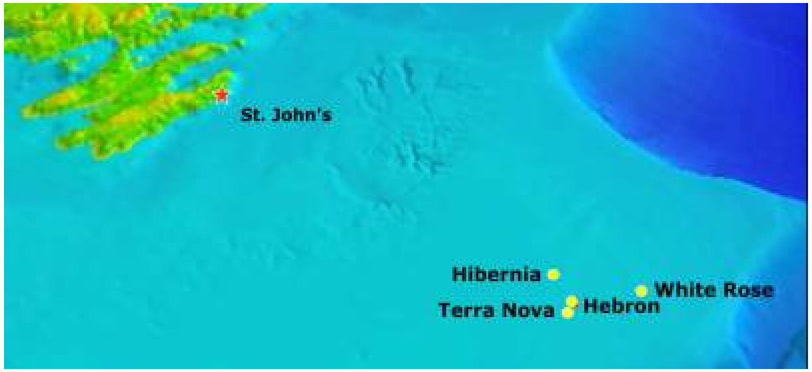
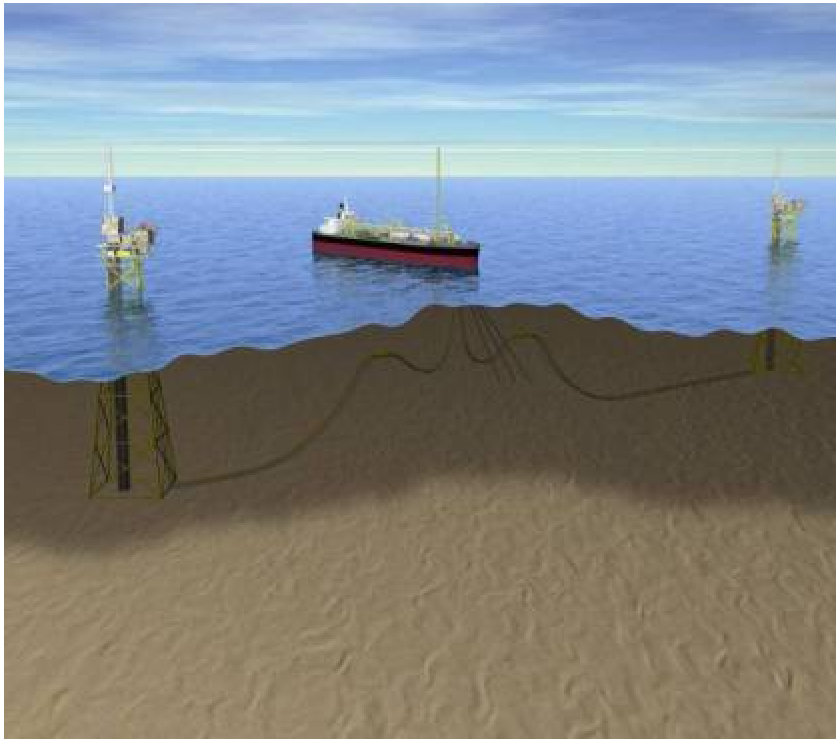
# Leveraging strong Canadian position

- Terra Nova back on stream
  - 15 000 boed net Hydro share
  - Comprehensive re-certification 2006
- Hibernia in steady production
  - 9 000 boed net Hydro share
- Hibernia South
  - Development plans in process
- Hebron
  - Significant development resource
- Grand Banks – prolific area
  - West Bonne Bay discovery
  - Newly acquired acreage strengthens exploration portfolio

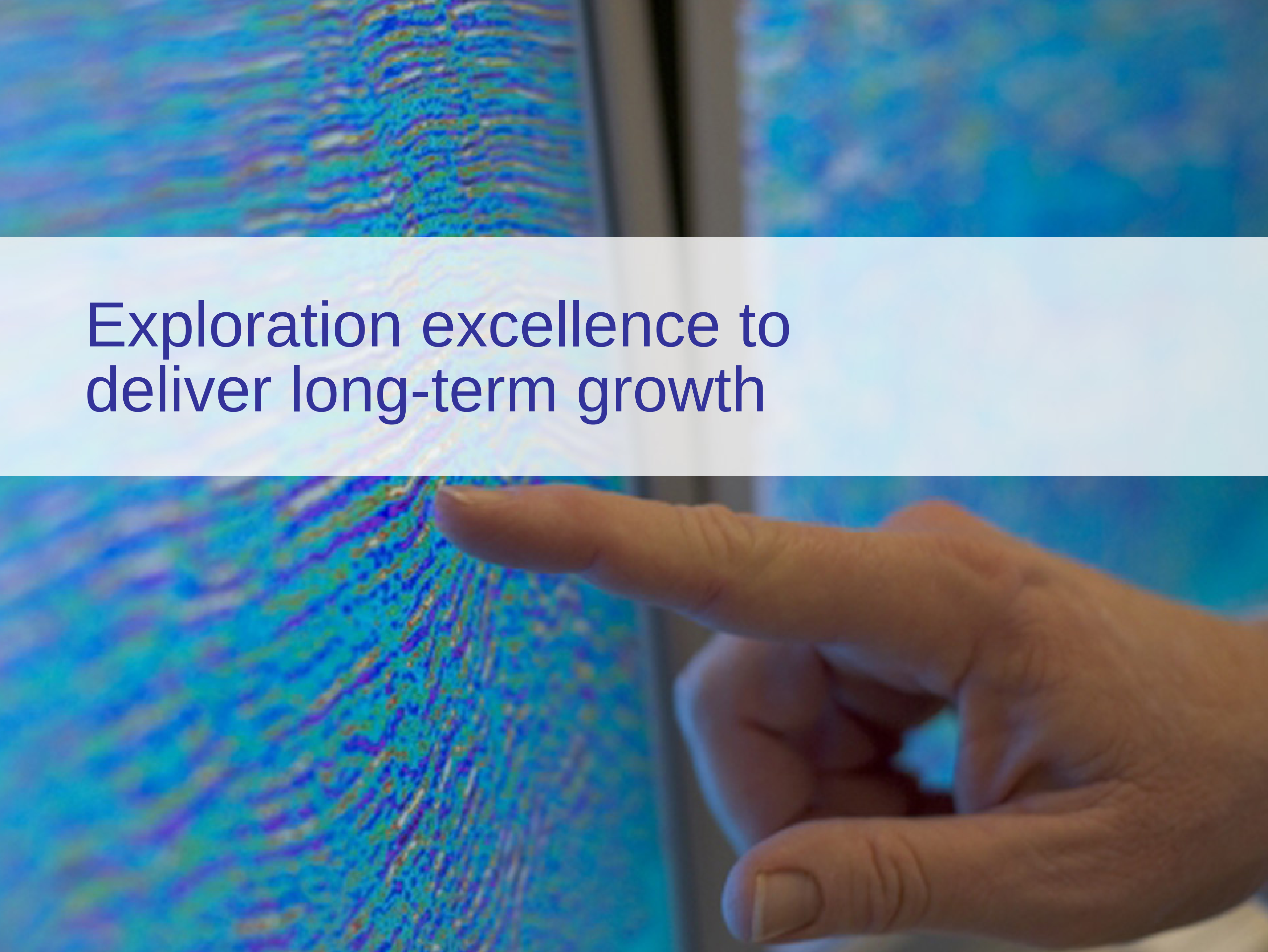


# Large field development to start in Brazil

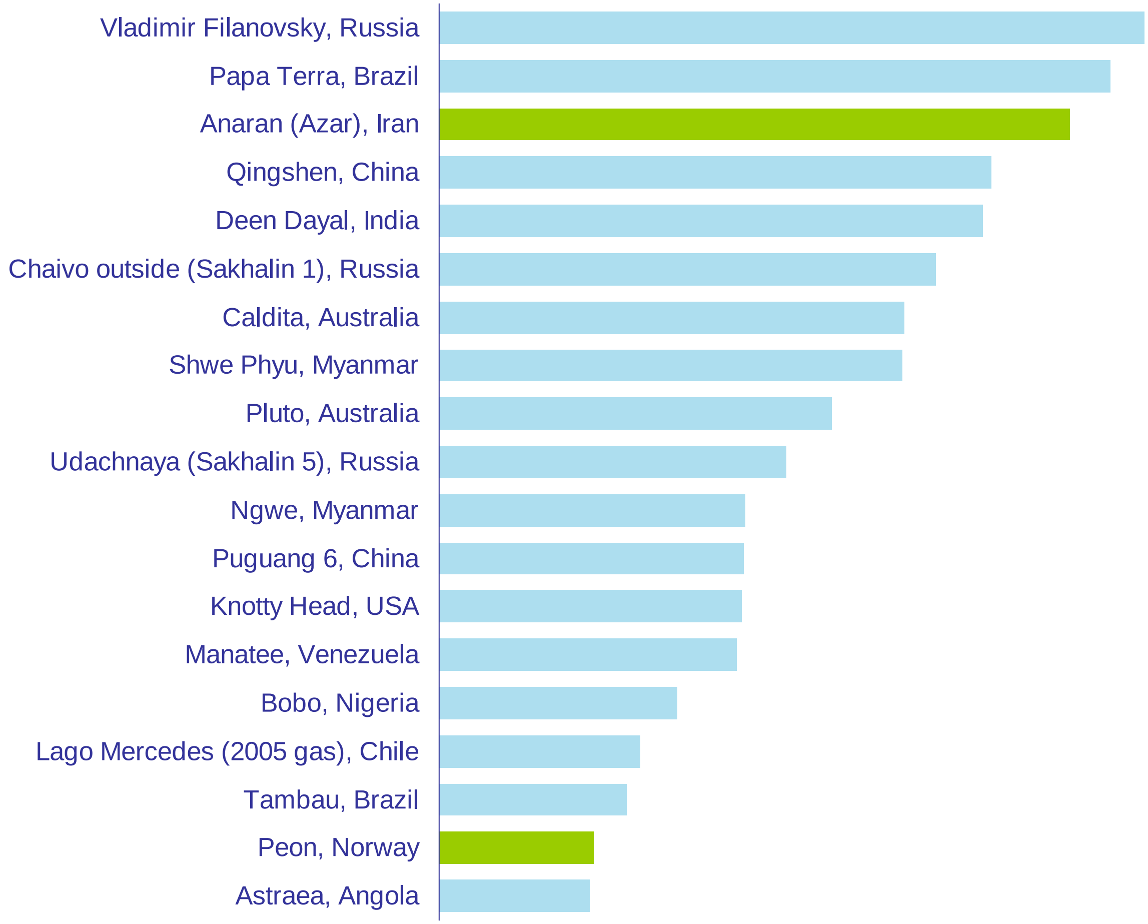
- Peregrino start-up planned in 2010
- Field production ~100 000 boed on plateau in 2011
- Hydro share 50 percent
- Large oil volumes in place – great upside for increased recovery
  - Long horizontal wells with sand control
  - Efficient separation of heavy oil
- Platform for future growth in promising region



# Exploration excellence to deliver long-term growth



# Two Hydro discoveries among the world's largest in 2005




*Source: Rystad Energy*

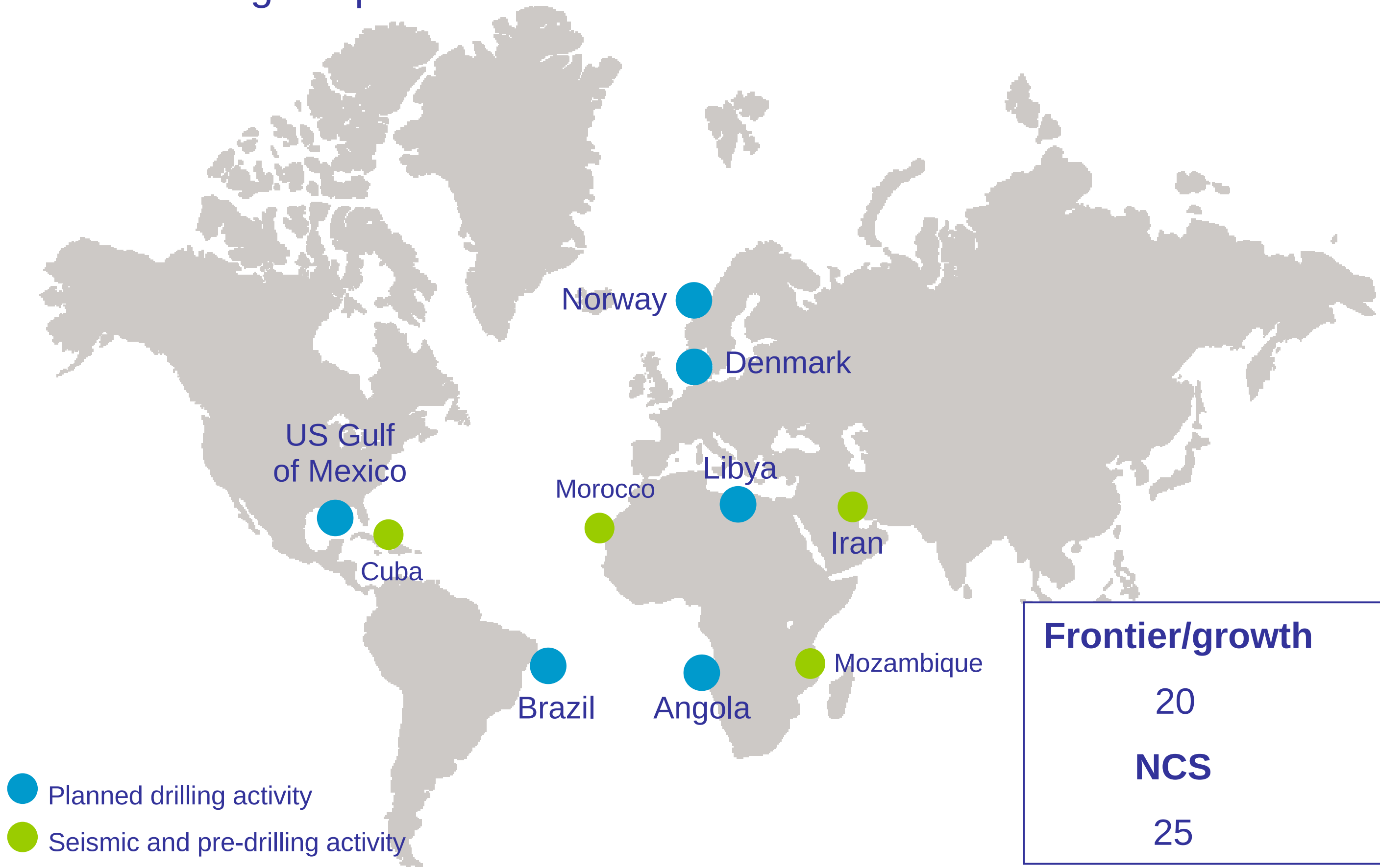
- 14 discoveries in 2005
- 22 wells completed
- 64 percent success rate
- Important discoveries included:
  - Azar
  - Peon
  - Astero
  - Stetind

# Extensive exploration in 2006

- 47 wells completed so far (13 Norway and 34 international)
- 25 discoveries (5 Norway and 20 international)
- 53 percent success rate
- Mainly infrastructure-led exploration
- Attractive new exploration acreage
  - US Gulf of Mexico, Norway, Denmark, Canada and Brazil

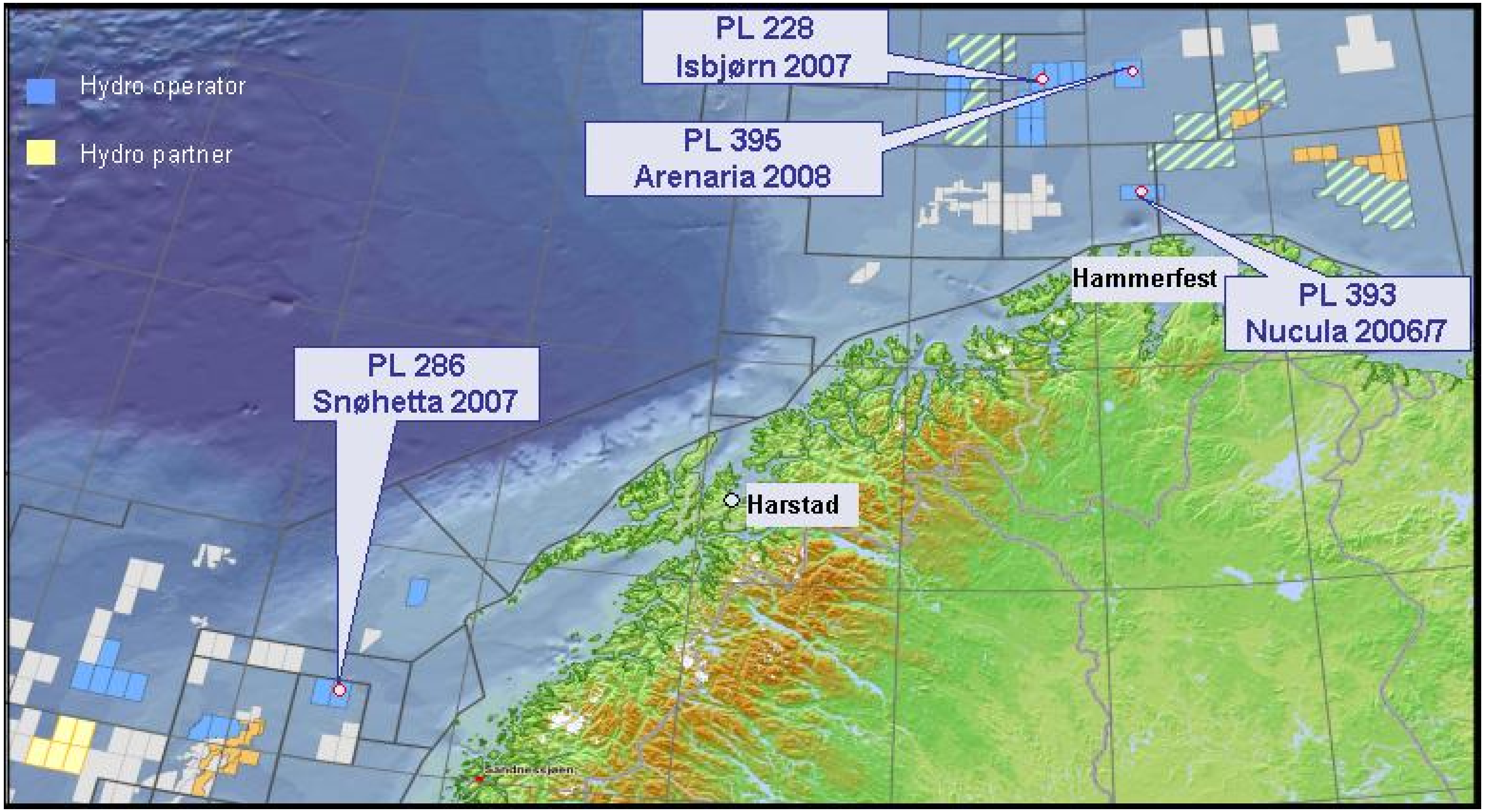
# High exploration level to continue in 2007

- 60 wells planned
- Several high-impact wells to be drilled




| Frontier/growth | Infrastructure |
|---|---|
| 20 | 40 |
| **NCS** | **International** |
| 25 | 35 |

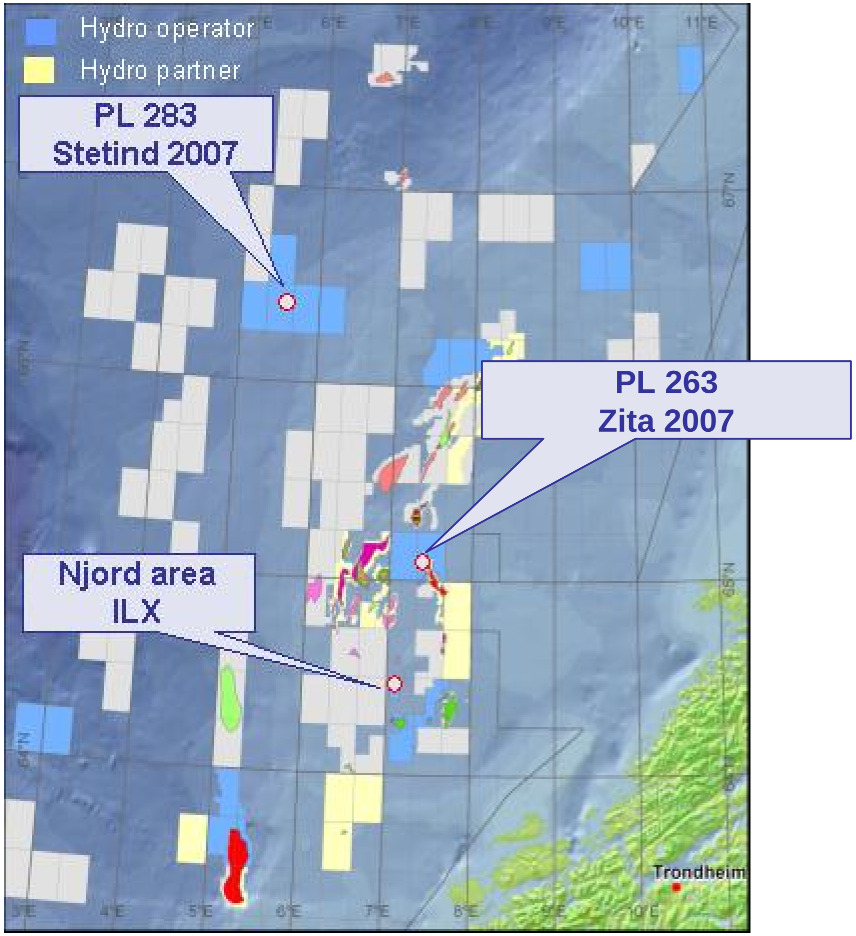
# Northern Norway - exciting frontier exploration




- High impact operator wells with very large oil potential
- Challenging drilling and development in environmentally sensitive areas

# Norwegian Sea - frontier and growth exploration

- Pursue the deepwater gas play in the Stetind area
- New wells to test Halten area potential
- Njord near field exploration
  - Galtvort
  - Noatun



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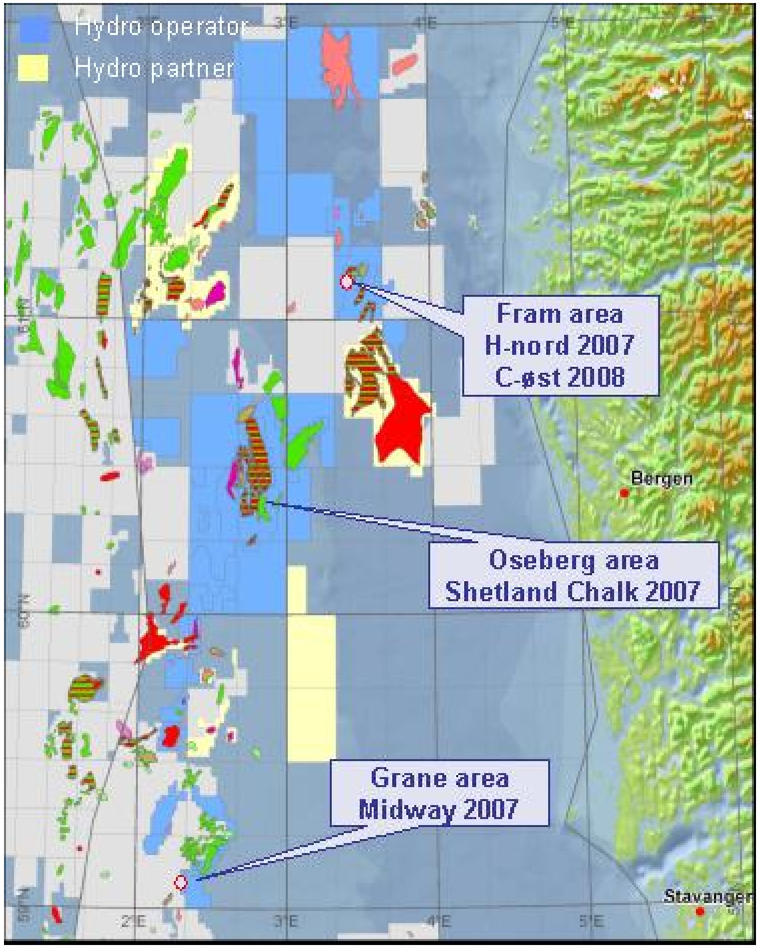
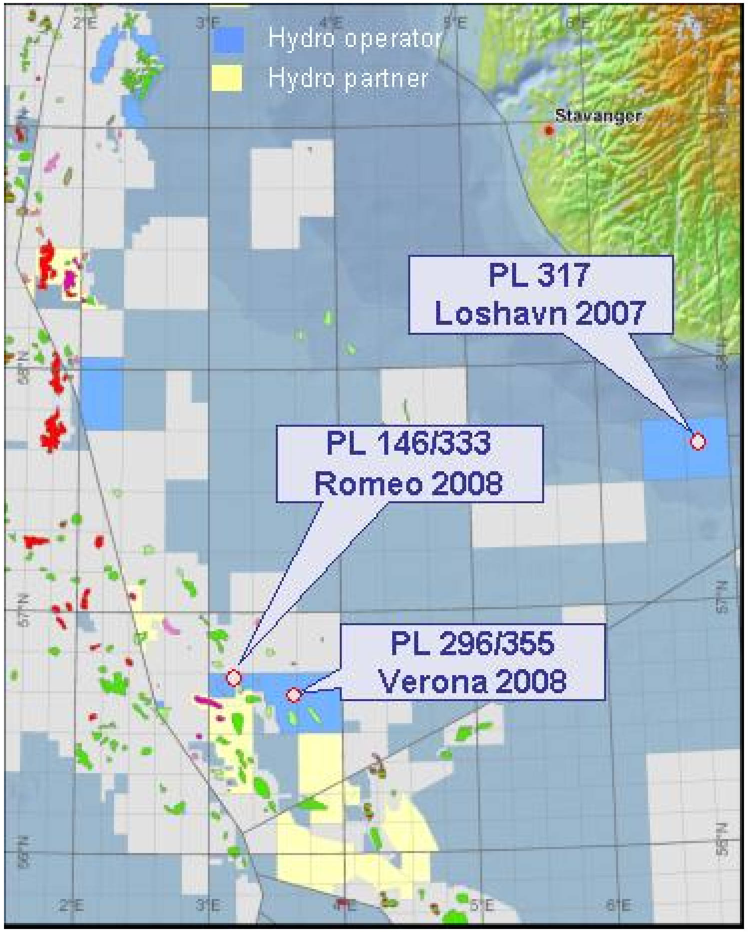
# Northern North Sea – near-field exploration potential

- Oseberg area
  - Shetland Chalk
- Fram area
  - New structures to be tested
- Grane area
  - Midway prospect to be tested
- Exploration in mature areas to maximize value of infrastructure
- Short lead times



# Southern North Sea - significant growth potential

- Exploring a new basin
  - Farsund basin is an untested basin with a large oil potential
- Revival of the deep Central Graben
  - Upper Jurassic and Permian geological plays
  - Deep challenging wells
- Strong acreage position extending into Denmark



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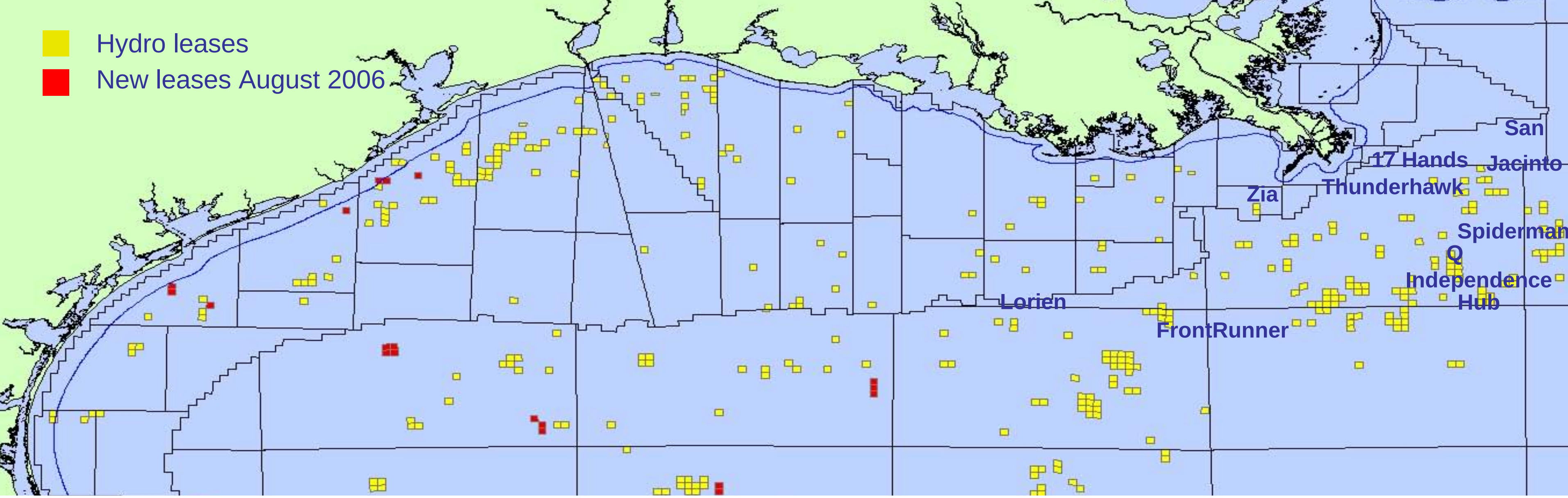
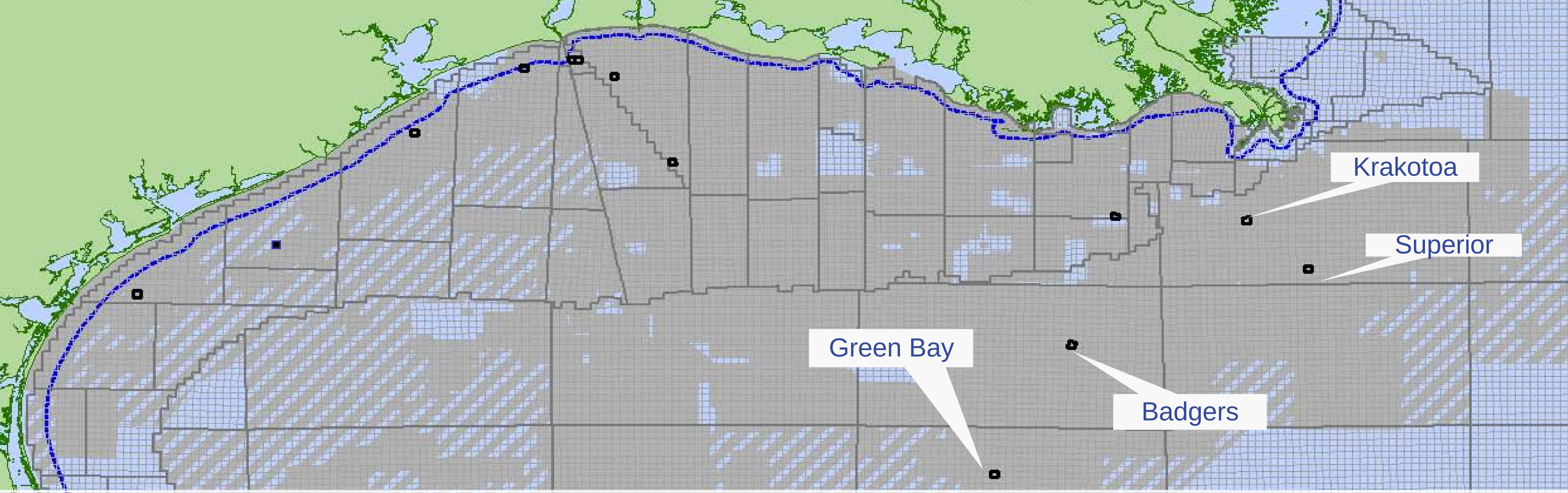



# Leveraging strong Gulf of Mexico position

- Large exploration potential, short lead times and high-value resources
- Spinnaker acquisition a solid foundation for organic growth
  - Highly competent exploration organization with a proven record
  - Producing assets both from Shelf and Deepwater
  - Attractive exploration acreage and seismic coverage
    - $10^{th}$ largest leaseholder, 405 leases, 52% operated
- Important lease sales in 2007 and 2008




# Active deepwater exploration program

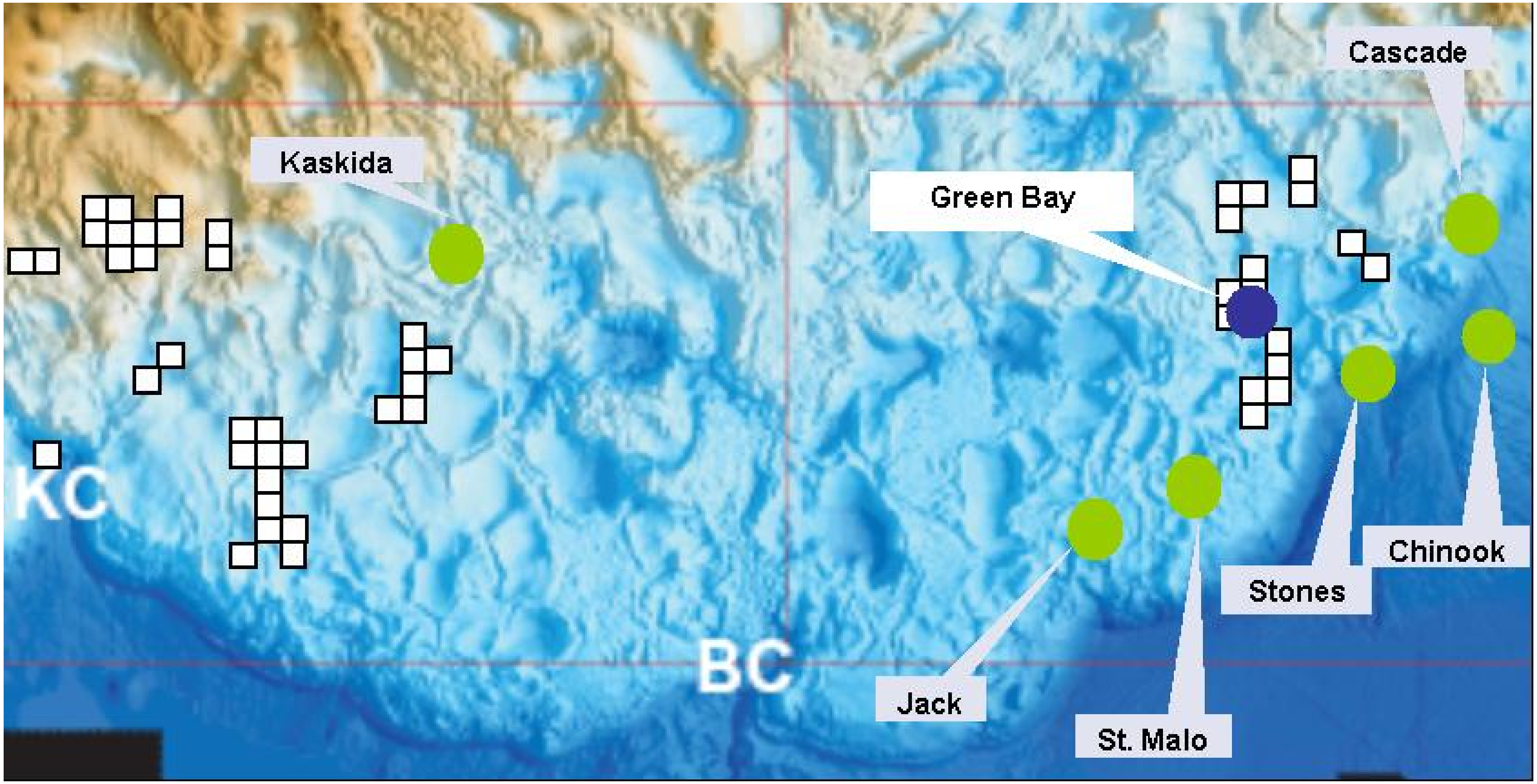
- Substantial inventory of prospects
  - Play types from amplitude to sub-salt, pleistocene to paleocene
  - More than 20 prospects in the new lower tertiary trend

- Four exploration wells in 2007

- Rig capacity secured through 2013
  - Henry Goodrich and new Transocean drillship

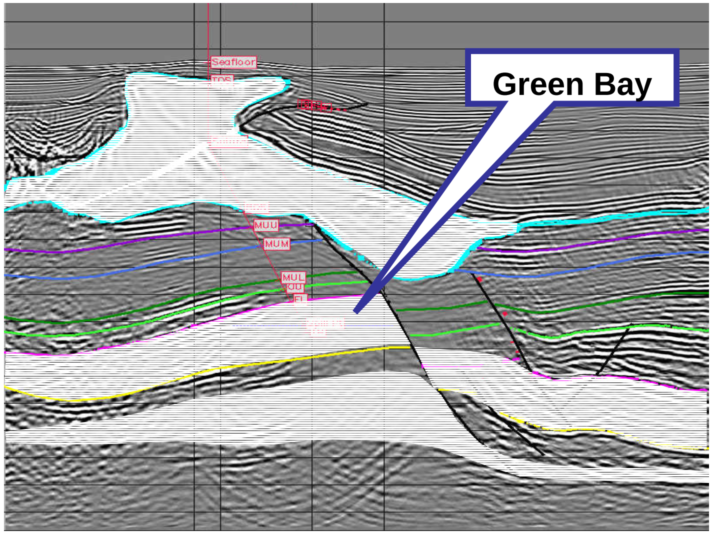
# Strong position in Walker Ridge and Keathley Canyon

Hydro holds 48 blocks covering 9 prospects



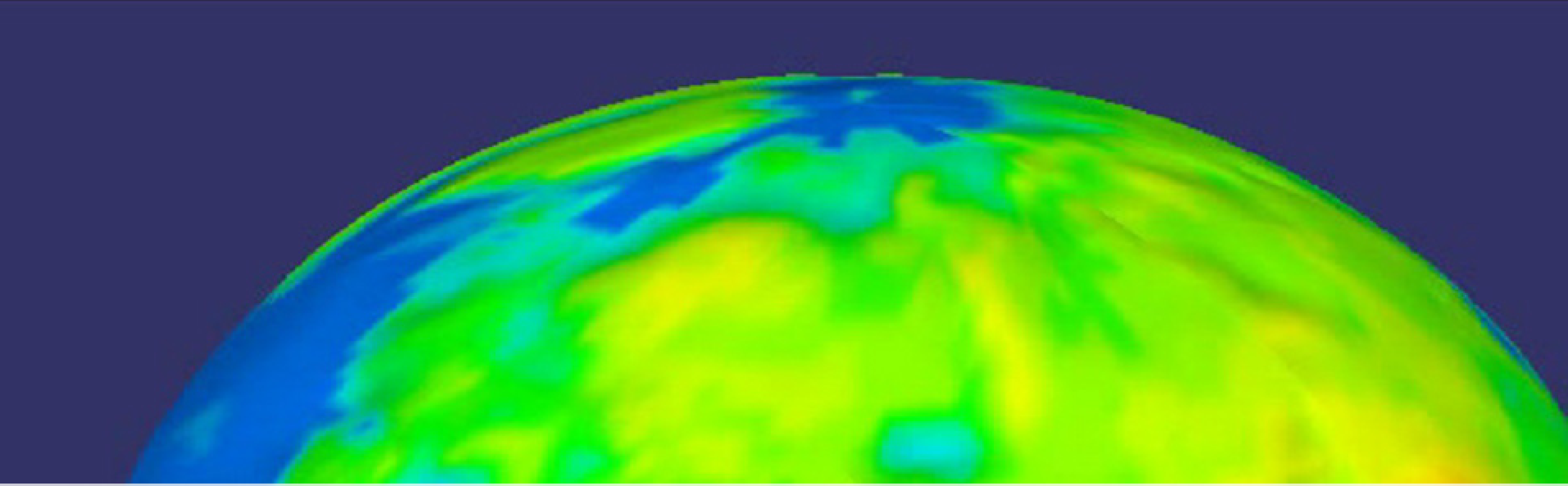
# Green Bay - first Hydro lower tertiary prospect to be tested

- Hydro operator – 40 percent working interest
- Partners: Chevron, Anadarko and Nippon
- Location: Walker Ridge
- Analogs: Jack, St. Malo and Kaskida
- Water depth: 1 900 meters
- Expected spud in 2007



# A long-term perspective in Iran

- Giant Azar oil discovery in the Anaran block declared commercial, negotiations for field development ongoing
- Changuleh West – another significant discovery in the Anaran block
- Hydro closely monitors political and economic conditions



# Early mover in new high potential basins

- Brazil — Won three blocks in deepwater Santos, one operatorship
- Mozambique — Operator in two blocks in the offshore Rovuma basin
  Pre-drilling activities
- Morocco — Operator in the North West Safi license
  Pre-drilling activities
- Cuba — Partner in seven offshore blocks
  Seismic interpretations; first well expected in 2008



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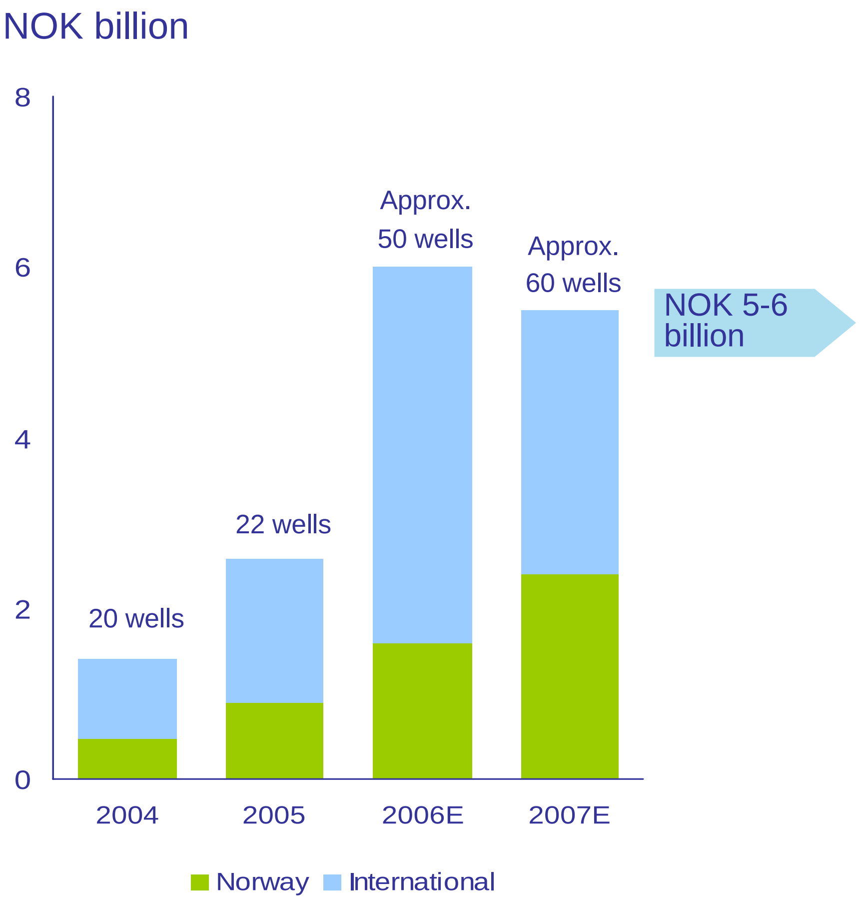
# Continued high global exploration activity



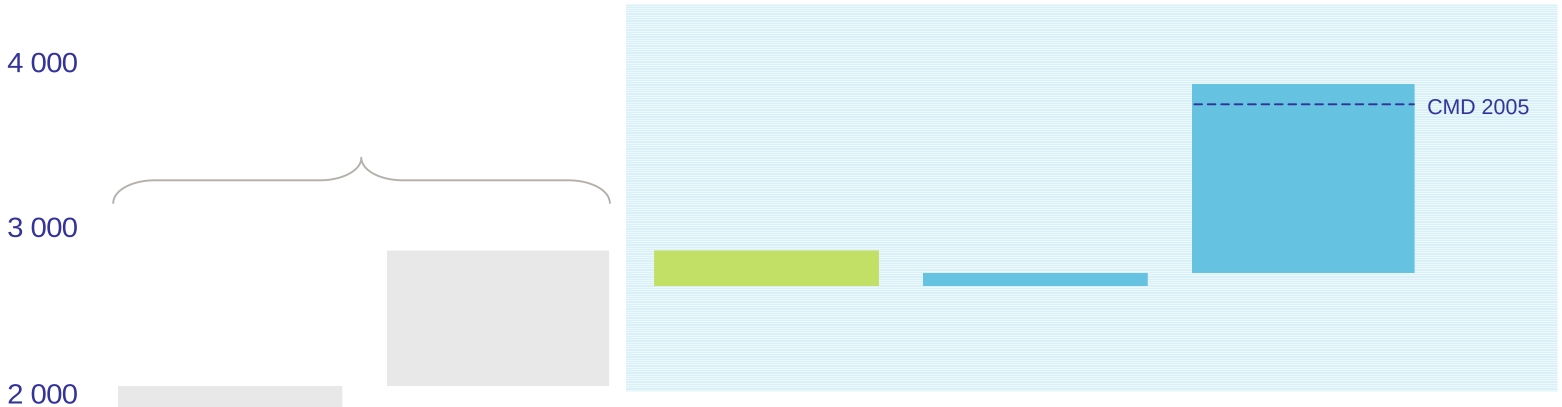

Number of wells = completed wells

- Attractive exploration portfolio
  - Balanced risk
  - Geography
- Rig capacity secured
  - Balanced portfolio of long-term drilling contracts on NCS
  - NCS exploration secured to 2009
  - US GoM deepwater: 2007-2013

# Long-term growth perspectives

# Oil and gas reserves and resources

Million boe




- Added total ~350 mboe in new resources in 2006
- Few sanctioned fields in 2006
- 2006 estimated production 209 mboe
- Total reserve/resource base up 120 mboe



* Fields sanctioned in 2006 and revisions of former sanctioned fields, expected reserves (P50)
** Non-sanctioned projects

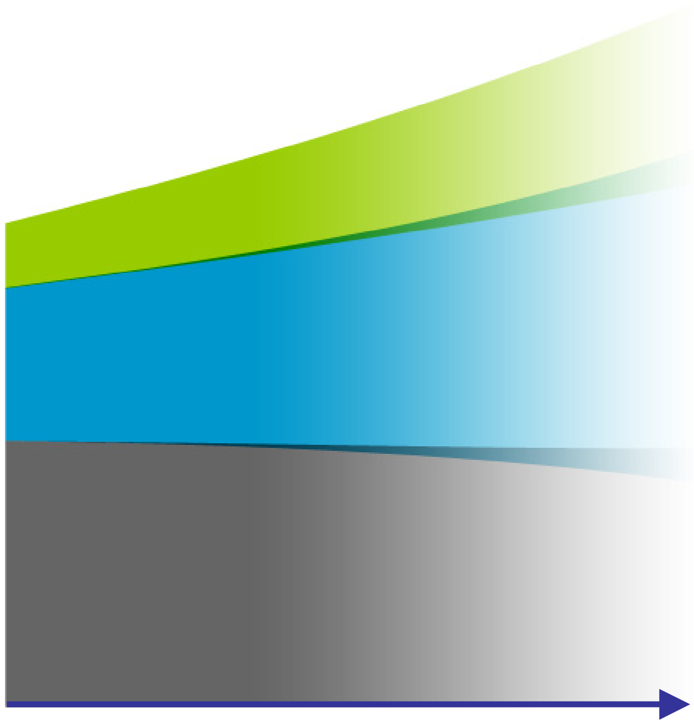
# New projects beyond 2010

| Field name | Country | Type | Operator |
|---|---|---|---|
| Peregrino | Brazil | Oil | Hydro/Anadarko |
| Sigrid | Norway | Gas/Cond | Hydro |
| Idun/Skarv | Norway | Gas/Cond | BP |
| Hiberina South | Canada | Oil | ExxonMobil |
| Dagny | Norway | Gas/Cond | Statoil |
| Pazflor | Angola | Oil | Total |
| Morvin | Norway | Oil | Statoil |
| Njord North-West Flank | Norway | Oil/Gas | Hydro |
| Peon | Norway | Gas | Hydro |
| Troll Future Development | Norway | Oil/Gas | Statoil |
| Azar | Iran | Oil | Hydro |
| Astero | Norway | Oil | Hydro |
| Kharyaga Phase III | Russia | Oil | Total |
| Murzuk NC-186: I/R; J & K | Libya | Oil | Repsol |
| Dahra North & South East | Libya | Oil | Total |
| Garian | Libya | Oil | Total |
| CLOV | Angola | Oil | Total |
| Hejre | Denmark | Oil | ConocoPhillips |
| Thunder Bird | US GoM | Oil | Murphy |
| Thunder Ridge | US GoM | Oil | Murphy |
| Valemon | Norway | Gas/Cond | Statoil |
| Hebron | Canada | Oil | Chevron |

*Non-exhaustive list*

# Growth perspectives beyond 2010

## Existing portfolio, technology leadership and exploration excellence



- International production build-up in top petroleum provinces
- Gas growth from large reserve base
- Strong NCS oil position

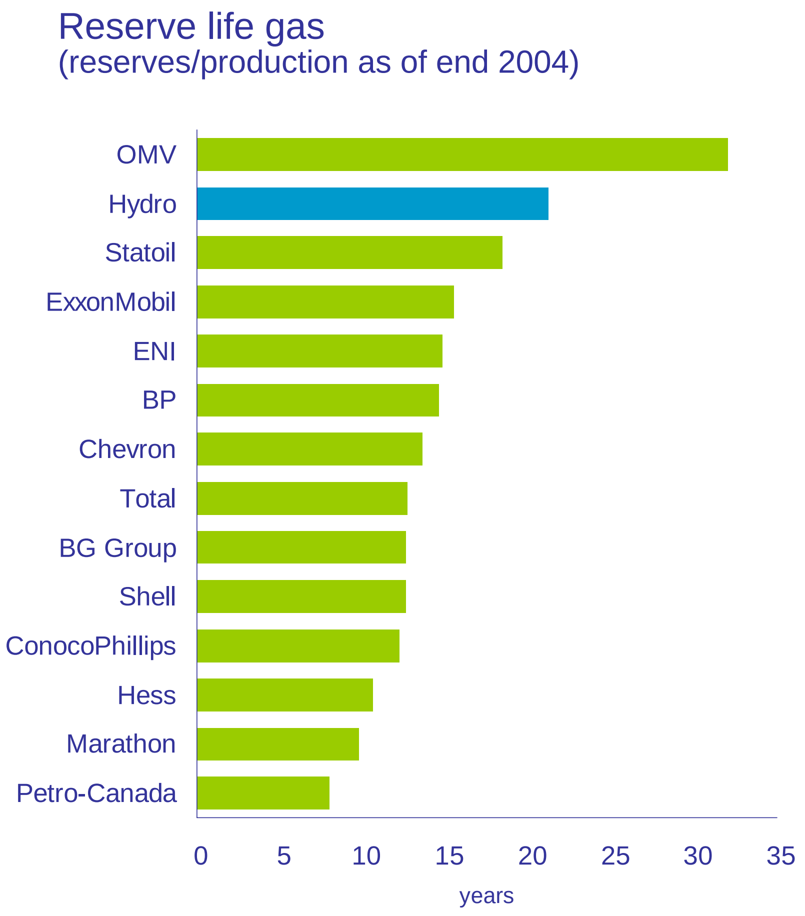
# Jørgen C. Arentz Rostrup

## Senior Vice President, Oil & Energy Markets

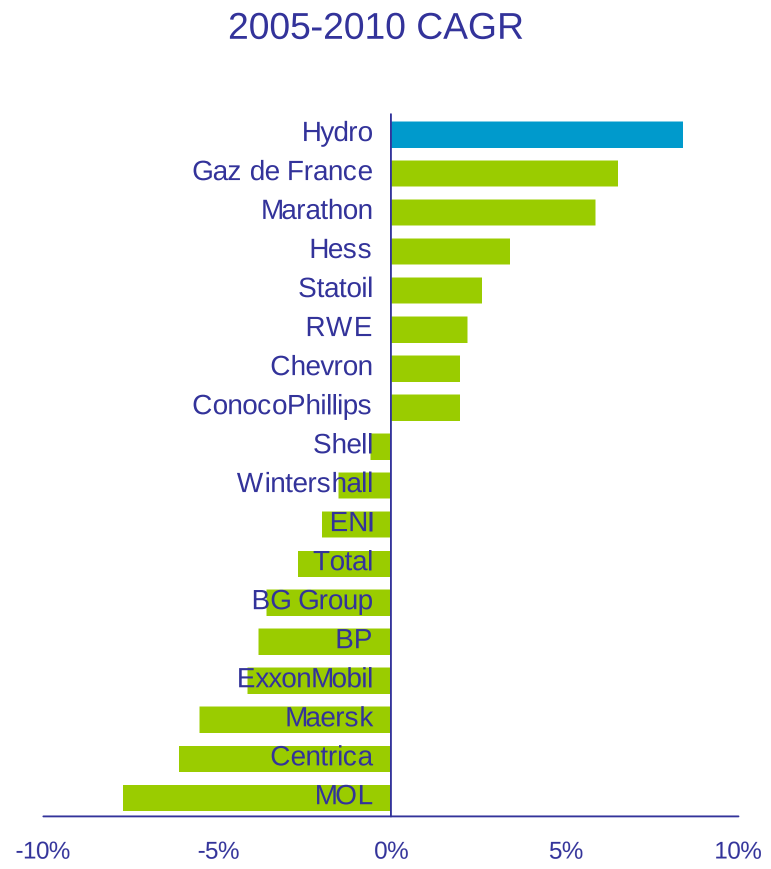
# Hydro’s gas story

- Strong reserve life – 20 years
- Continued increase in gas production
- Cost competitive and flexible asset base
- Attractive market positions

# Hydro on top in European gas production growth




*Source: CSFB 2005*

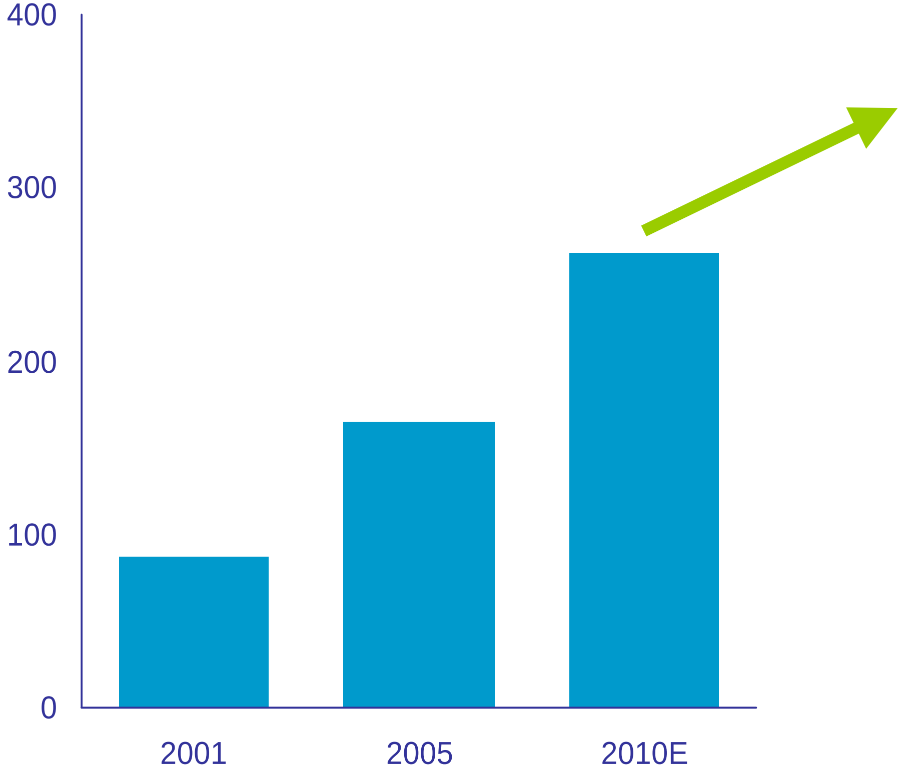



*Source: Rystad Energy*

# The growth story continues beyond 2010

Gas production

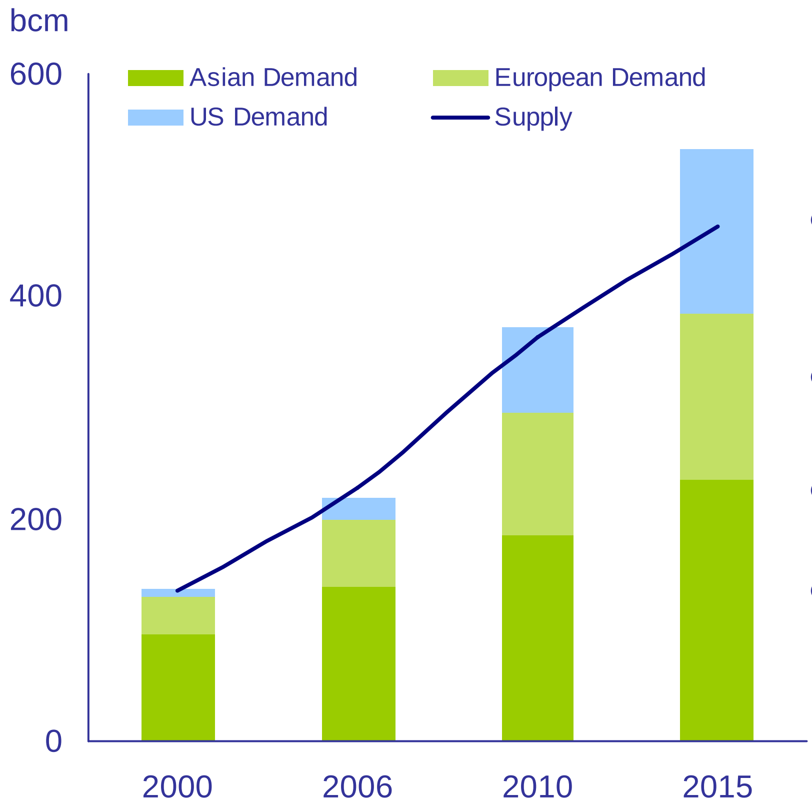
1 000 boed




- Increased gas production from existing reserve base
- Good progress in development of discoveries
- High exploration activity

# From regional to global gas markets

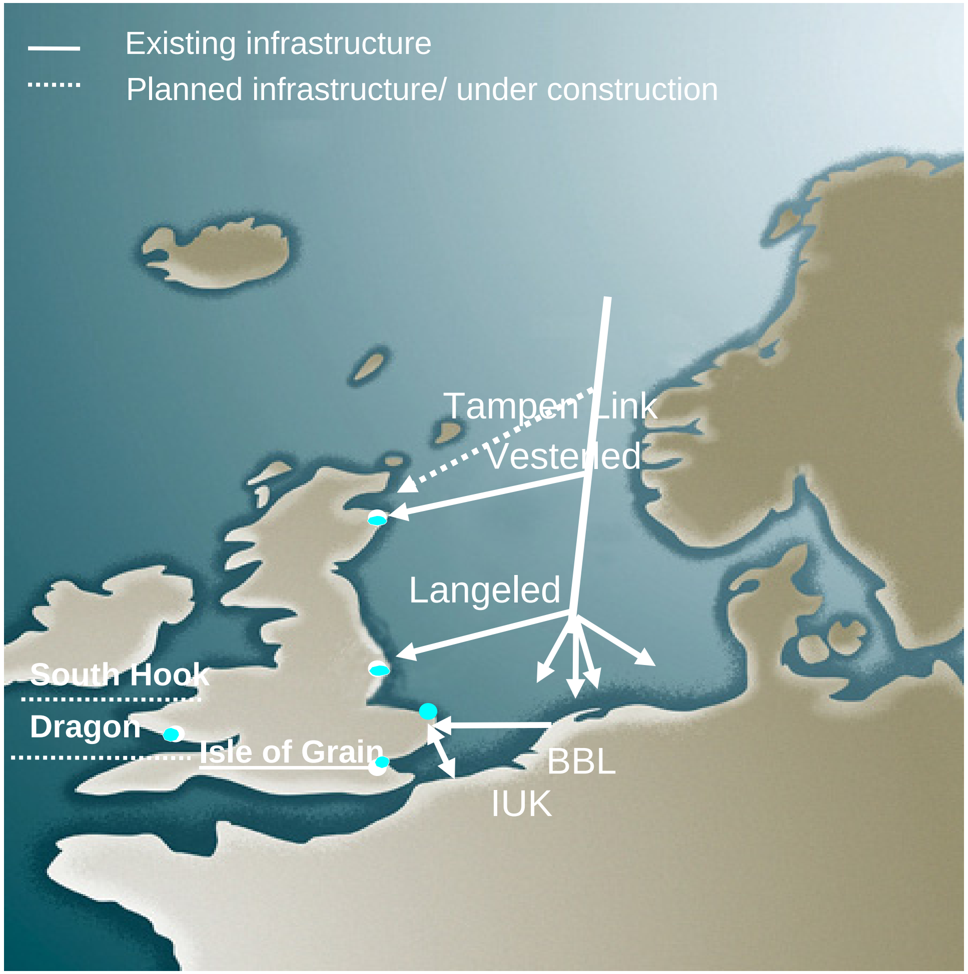
## Global LNG supply and demand




- Europe and US increasingly dependent on long-distance imports (LNG)
- Global balance and regional imbalances
- Worldwide competition over LNG cargoes
- Flexibility in LNG supply chain

*Sources: Pira, Wood Mackenzie*

# UK connected to the Continent and global markets




- Strong capacity build-up
- Improved flexibility to balance the market
    - Connectivity to continental Europe
    - Highly responsive supply and demand in US
    - Increased call on gas from Asia



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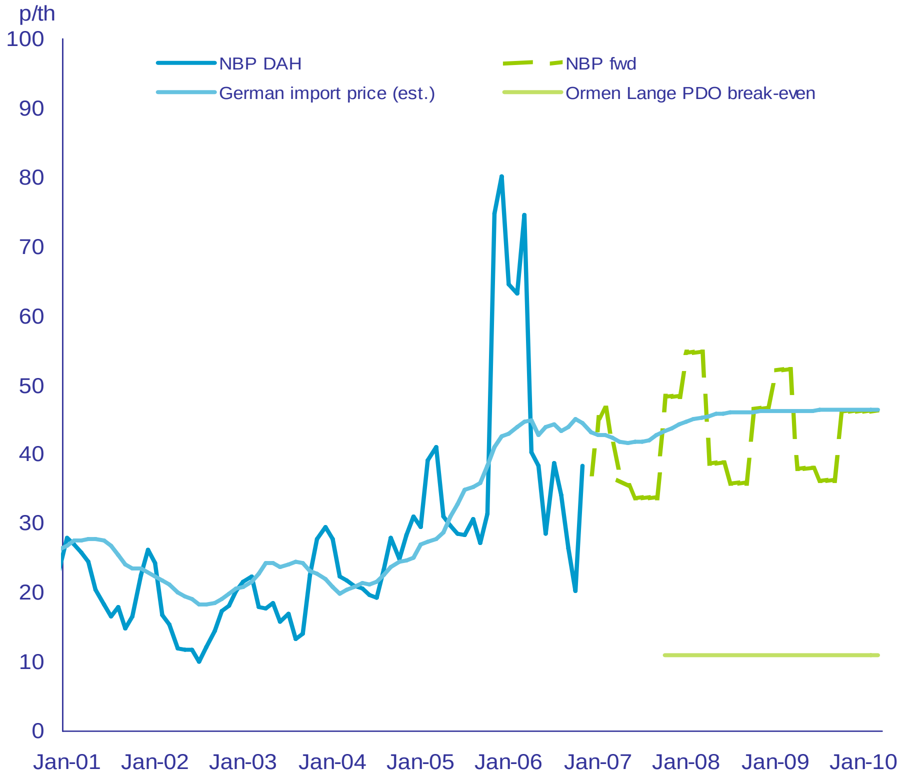
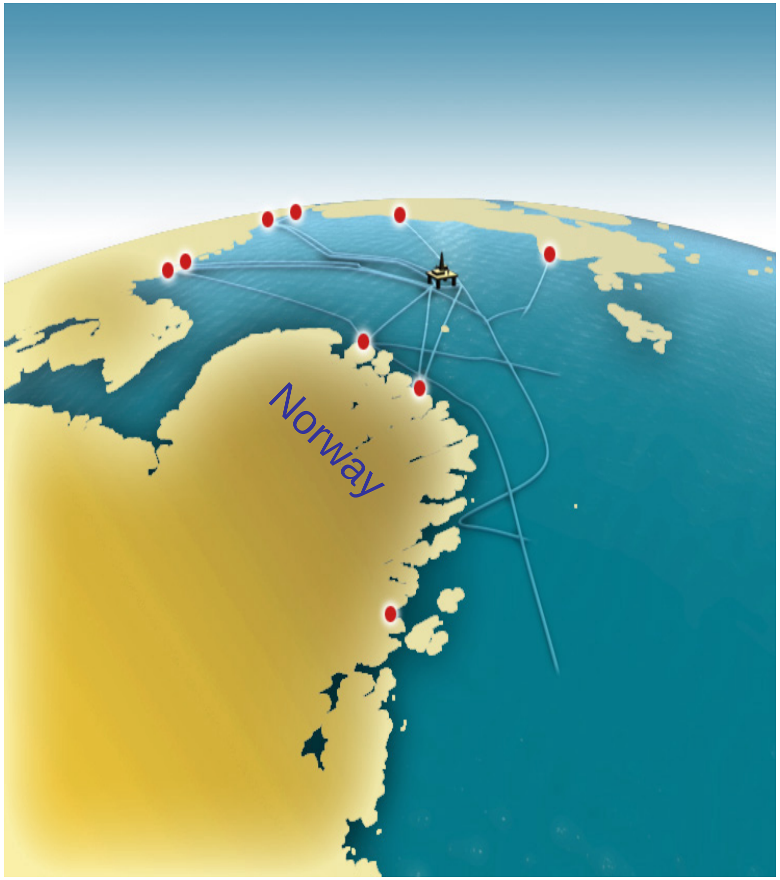
# Strong NCS base in volatile markets




- High gas prices driven by high oil prices
- Record-high prices during last winter
- Possibility of low-price days in summer
- NCS gas competitive

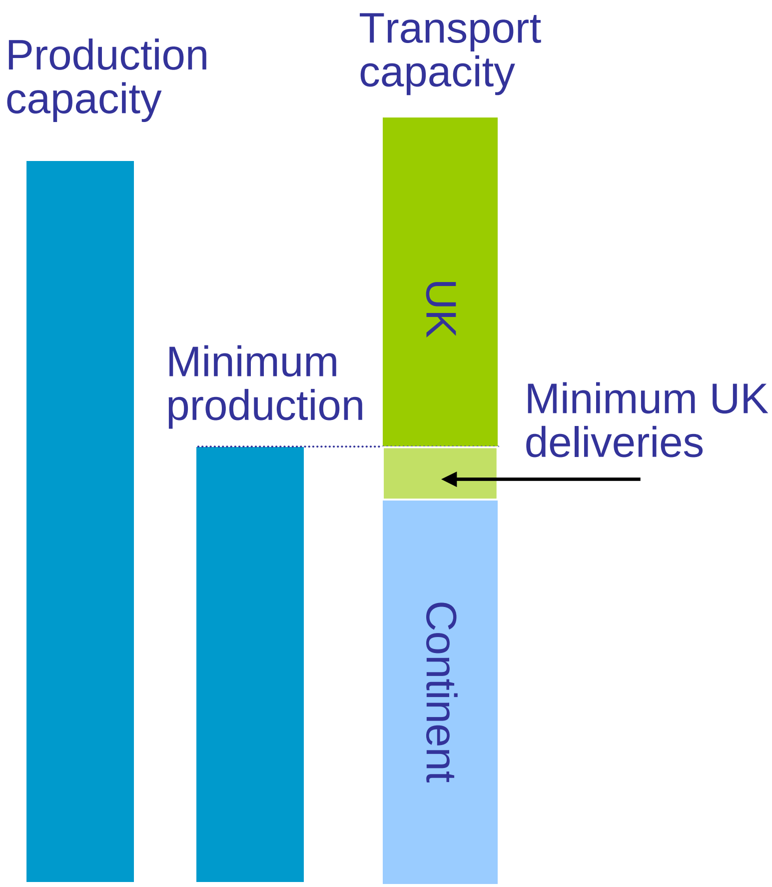
Note: Forward prices/currency rates 1 December 2006. Nominal prices. Monthly average.
*Source: Heren*

# Flexible asset base




- Diversified supply sources
- Extensive pipeline network
- Multiple landing points
- Flexible fields – Oseberg and Troll key fields

# Flexibility in gas deliveries




- Hydro has significant swing capacity to react on price signals
- High production and routing towards the UK at high prices
- Minimum production and re-routing to the Continent at low prices

# Increased share of gas indexation

- New volumes to the United Kingdom
- UK contracts typically gas indexed
- Liquid market enabling day-to-day optimization
- Gas indexation increase from 30 percent to 50 percent of gas sales

# Well placed to extract market value in Northwest Europe

**Market developments**

- New import capacity
- Increased volatility
- Geographical differentials

Long-term relationships with all major players

Proactive positioning in emerging markets

Strong trading presence

**Hydro position**

- Competitive cost base
- Flexible production
- Multiple landing points

# Strong outlook

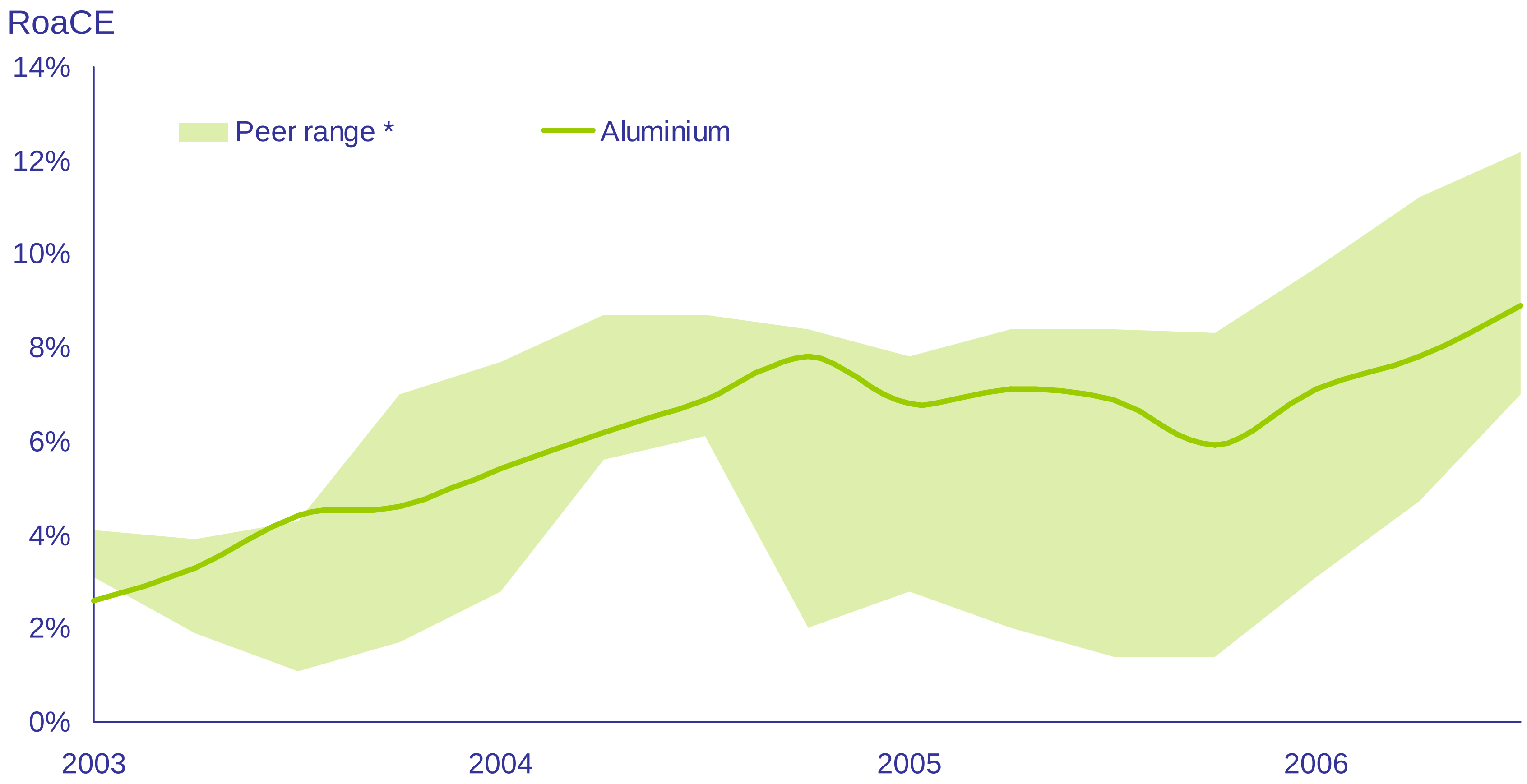
- Robust market fundamentals – volatility to continue
- Highly competitive growth
- Effective monetization strategy and approach

# Aluminium – performance and perspectives

# Aluminium highlights

- Strong results in Aluminium Metal, restructuring on plan and cost
- Low returns in Aluminium Products, solid net cash flow
- Finalize restructuring of Aluminium Products' portfolio – selective growth in areas with leading edge
- Pursue metal and alumina opportunities in attractive regions

# Return on capital in line with peers



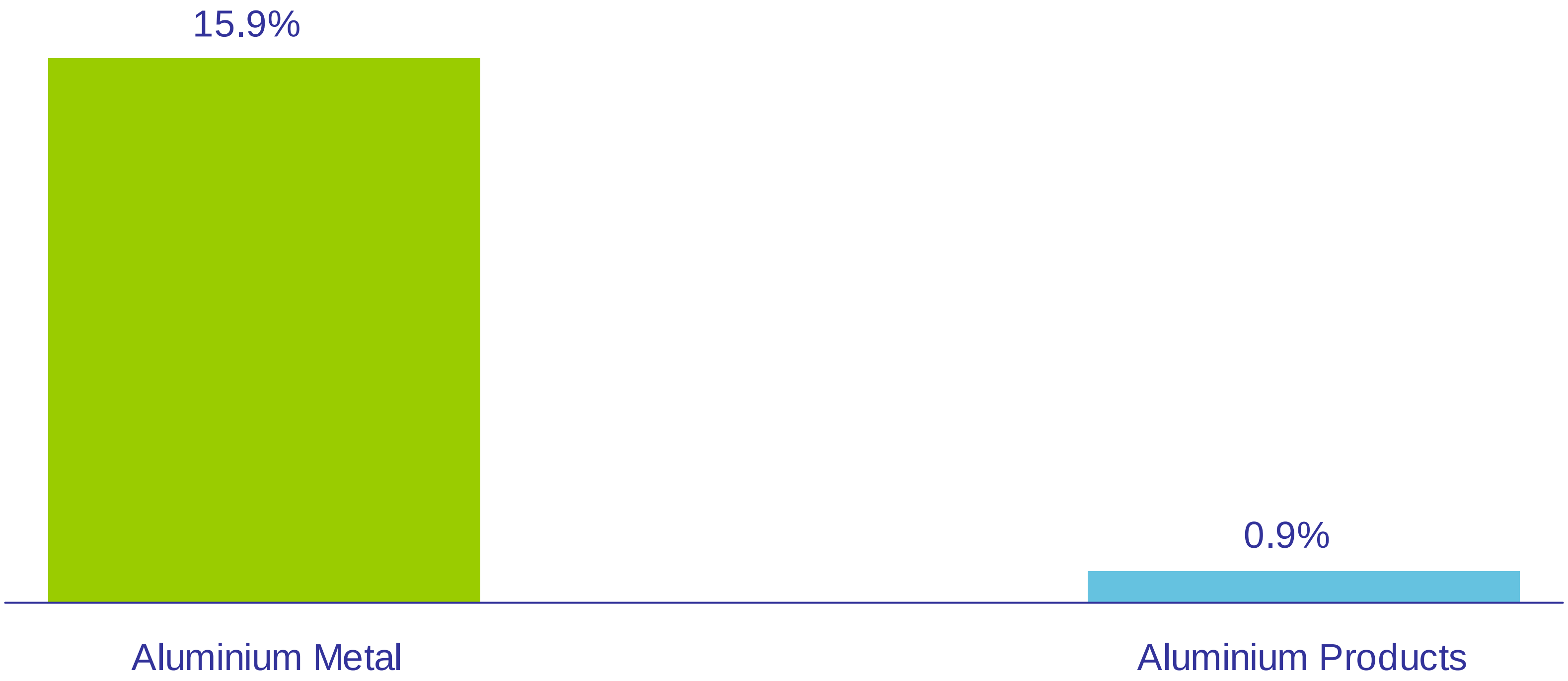

* Alcoa and Alcan

*Source: Bloomberg return on capital methodology. 12 month rolling Q1 2002-Q3 2006. Hydro figures are approximations to Bloomberg methodology.*

# Strong Aluminium cash flow

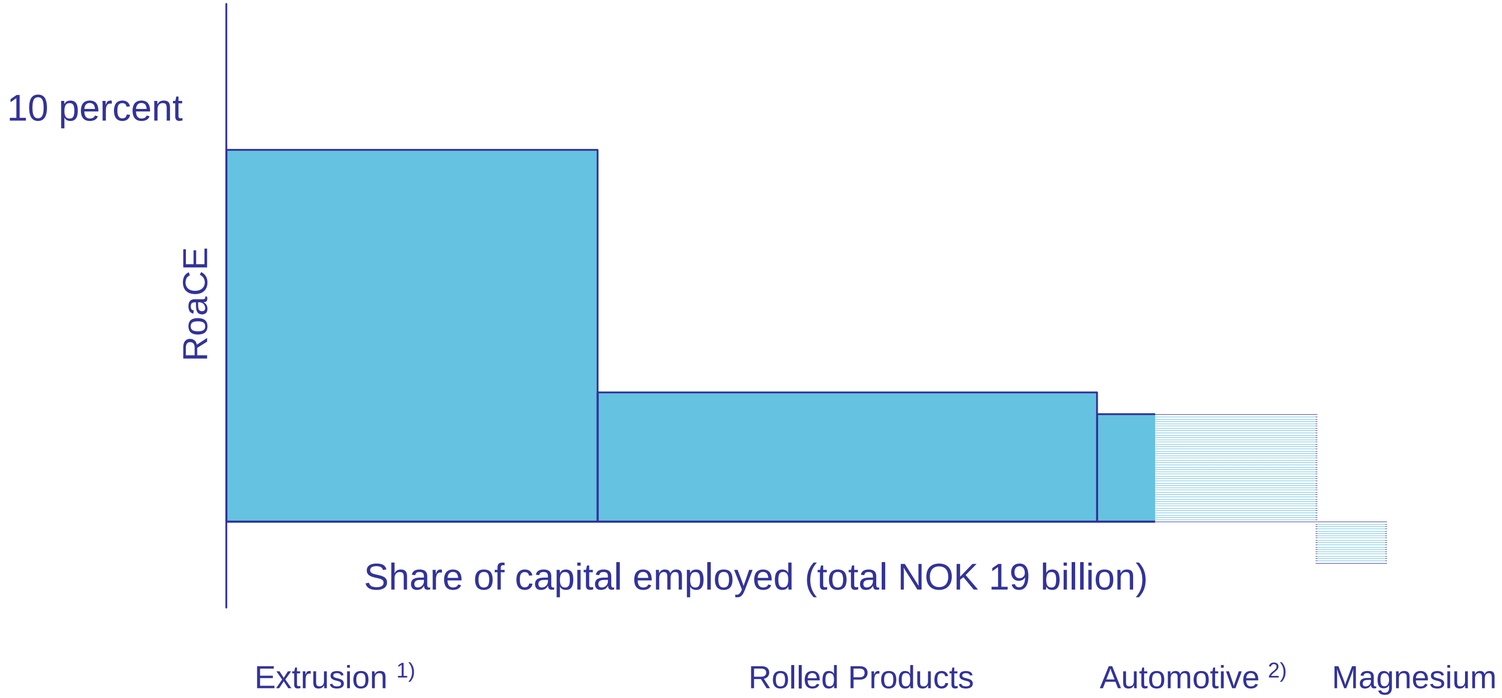
# Strategic shift to ensure upstream repositioning and growth

RoaCE first nine months 2006




Figures are not annualized

# Adjusted profitability 2006 and capital employed in Aluminium Products




1) Including Extrusion Europe, Extrusion Overseas, Building Systems and Precision Tubing

2) Including Automotive Castings, Automotive Structures and Meridian


# Executing Aluminium Products strategy

- Solid net cash generation – NOK 1.1 billion first nine months 2006
- Operational improvements in most areas, but overall profitability remains too low
- Solid fundament for good returns in Extrusion
- Rolled Products improving, market still challenging

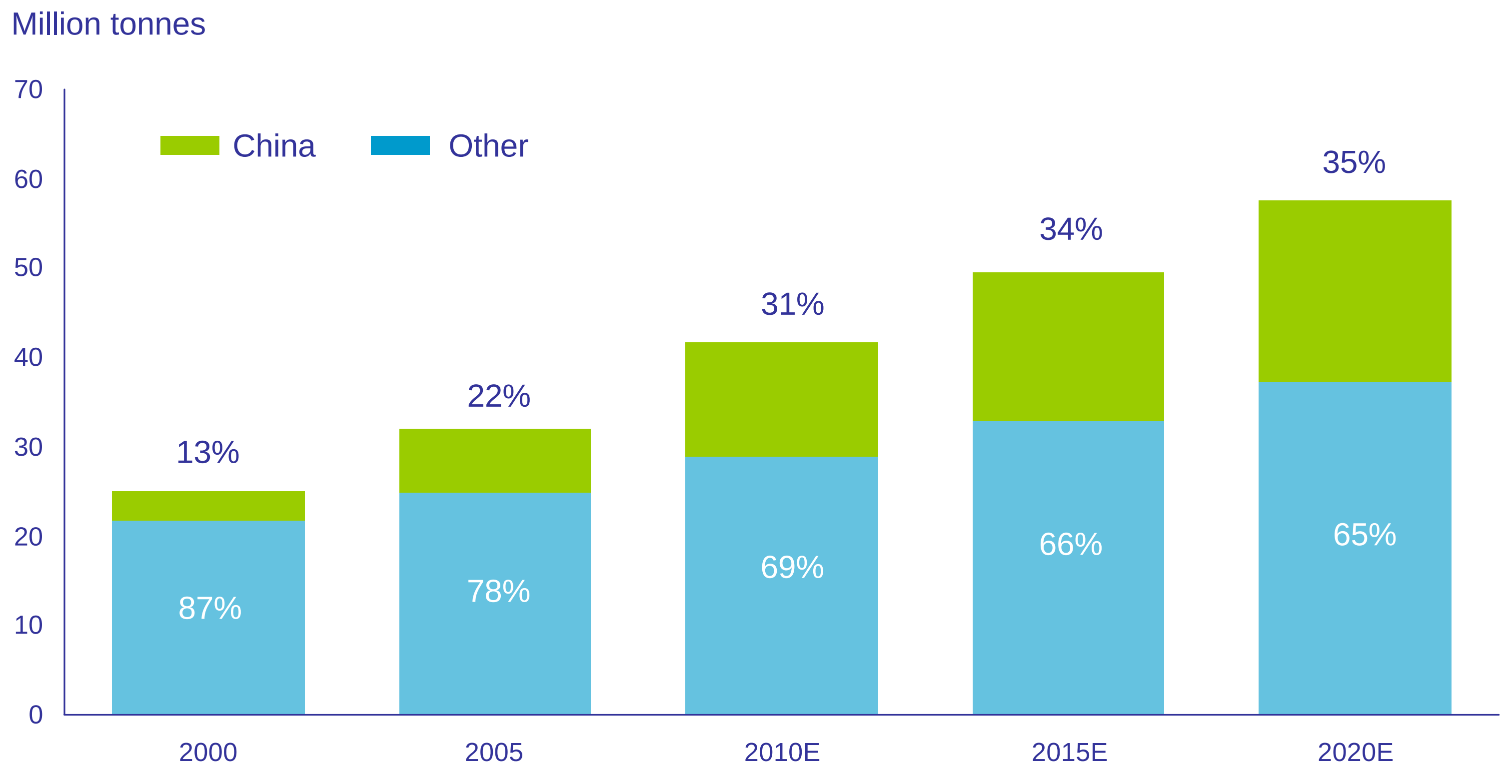
Net cash flow defined as adjusted EBITDA minus capital expenditures

# Reduced engagement in Aluminium Products

- Closures
  - Magnesium Porsgrunn, Magnesium Canada, extrusion capacity UK
- Divestments
  - Aluminium Castings, enterprise value NOK 3.7 billion
  - Meridian magnesium casting, enterprise value NOK 0.6 billion
- Divestments in process
  - Automotive Structures, Magnesium remelters and smaller businesses

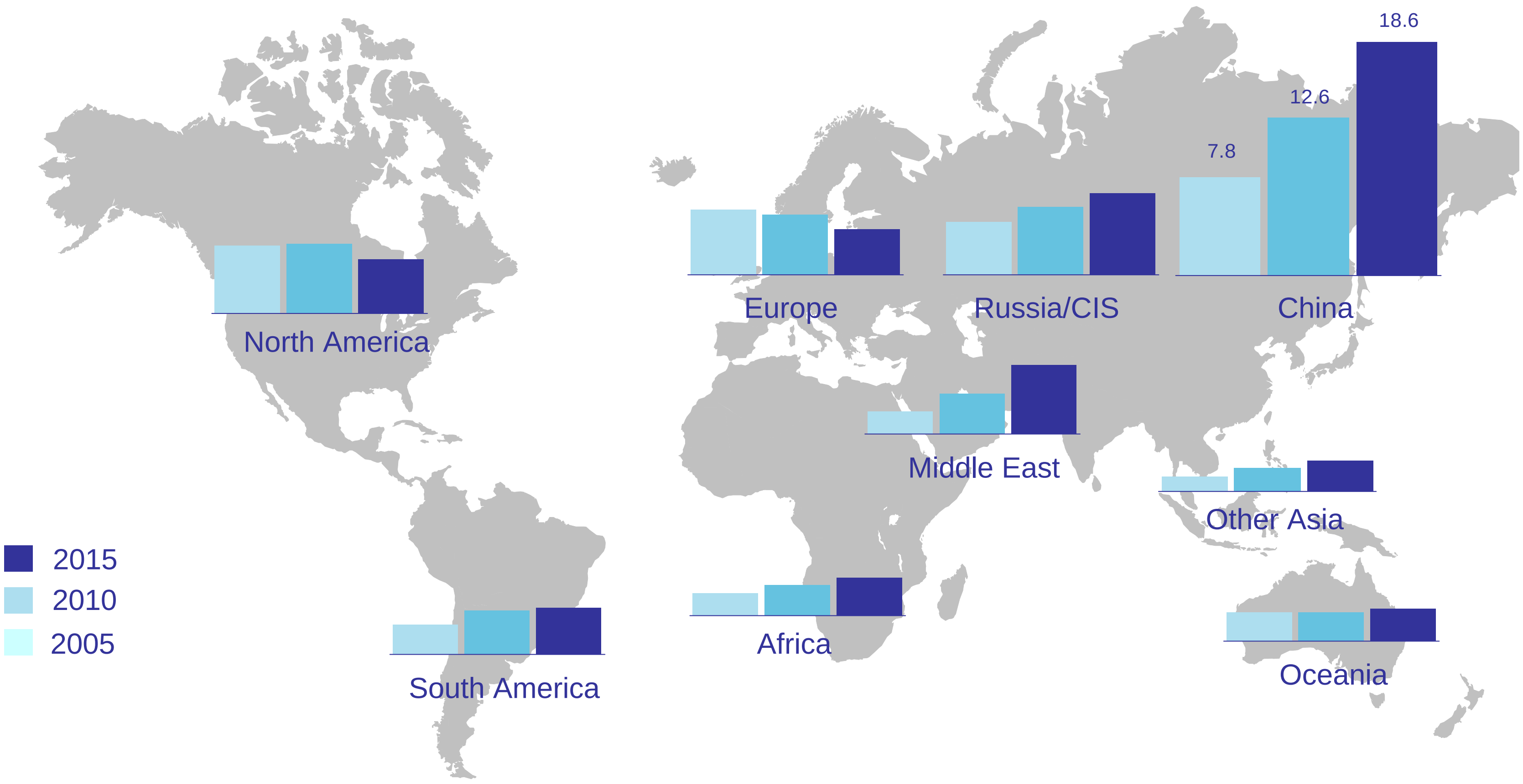
# China driving the demand for primary aluminium

4 percent annual growth rate 2005-2020




*Source: CRU 2006*

# Production to grow outside the US and Europe




*Source: CRU / Hydro. Million tonnes*

# Torstein Dale Sjøtveit

## Executive Vice President, Aluminium Metal


# Highlights Aluminium Metal

- Strong focus on return on capital
- Restructuring on track
- Operational excellence and production creep
- Long-term profitable growth

# Restructuring executed – improved cost position

- Restructuring on track – closing 180 000 tonnes
- Restructuring costs below NOK 1 billion
- Improving average cash cost 40-50 USD/tonne



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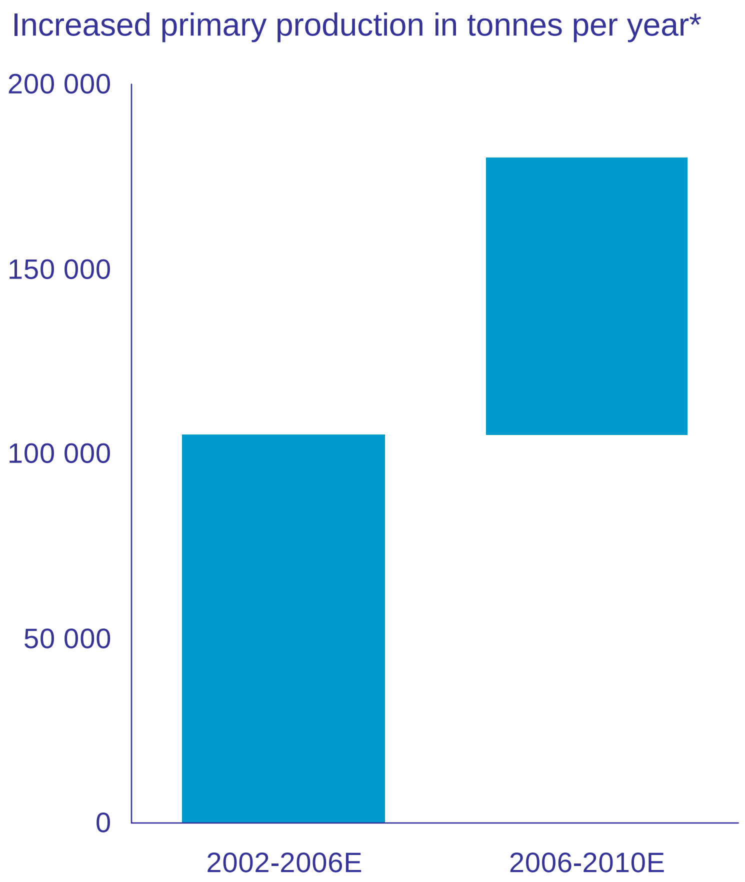
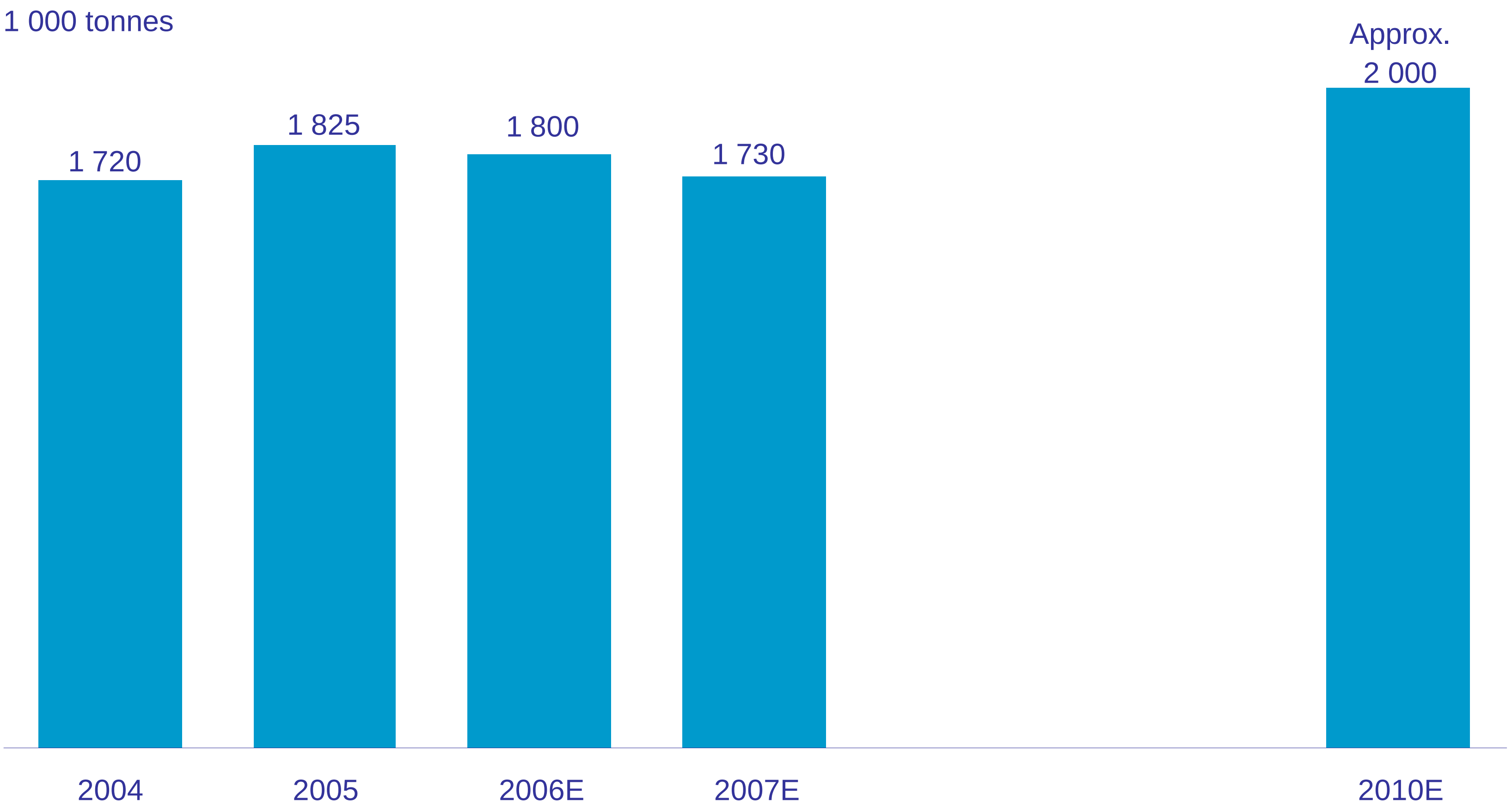
# Further production creep in existing plants




* All prebake lines excl. Stade

- Low capital expenditures per tonne
- Strong profitability
- EBITDA contribution in 2006
    - NOK 500 million

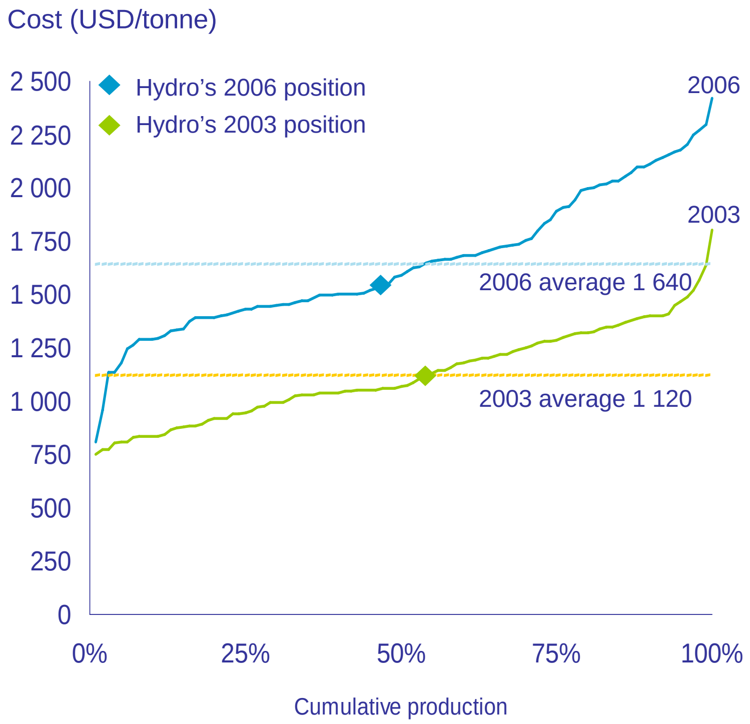
# Production volumes 2004-2010*




* Including closed or to-be-closed capacity of Hamburg, Stade and Søderberg at Årdal, Høyanger. Qatalum in full production from mid-2010.

# Industry costs rising – Hydro’s position improved

Significant shift in industry cost curve*

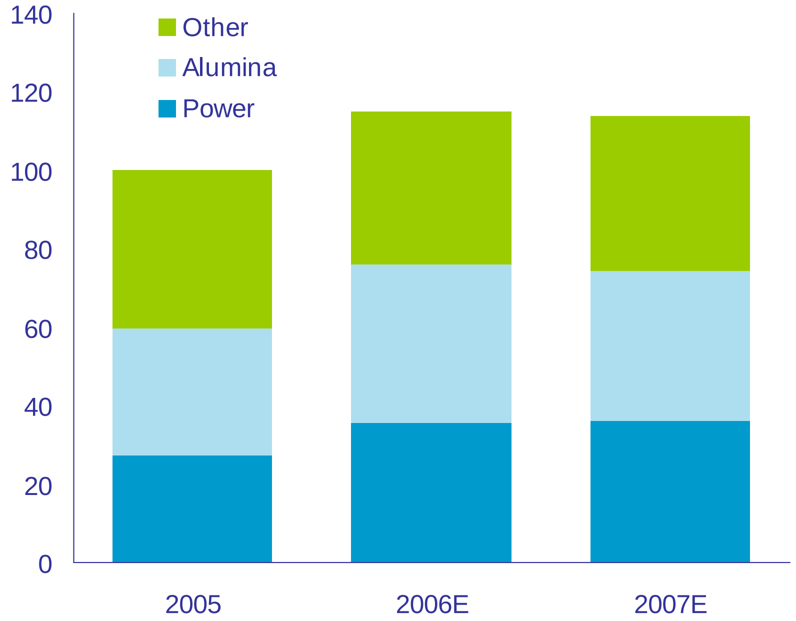



- **Alumina**
  - Two thirds of cost increase
  - Coming down from peak
- **Energy**
  - Oil and gas prices
  - Coal prices
  - $CO_2$ emission trading
  - Supply/demand for electricity
- **Other raw materials**
- **Freight**

** Source: CRU (Corporate operating cost definition)*

# Increase in smelting cost

Cost per tonne for Hydro's smelter capacity, 2005=100*




LME USD/tonne

| | 2005 | 2006E | 2007E |
|---|---|---|---|
| LME USD/tonne | 1 840 | 2 460 | 2 300 |

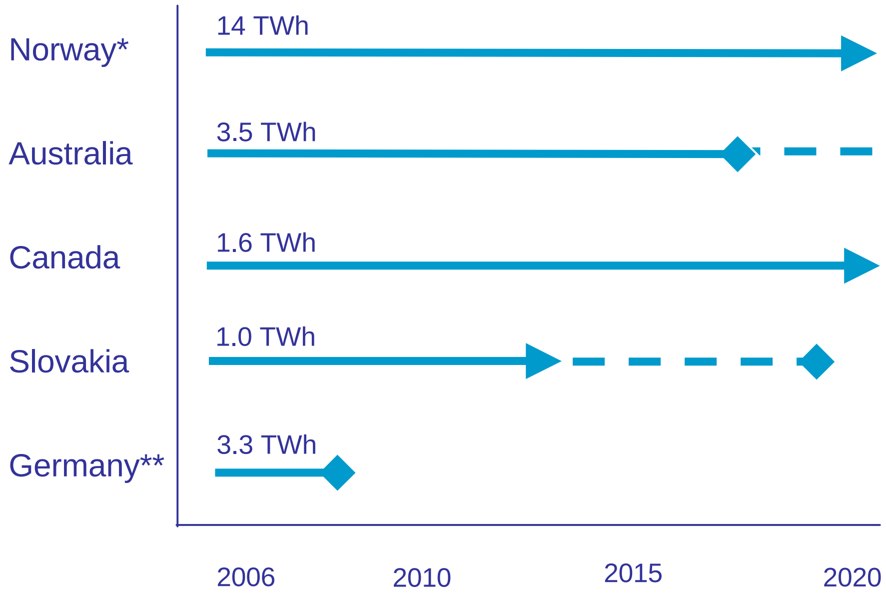
- Cost development 2005-2006
  - NOK 1.2 billion total power cost increase**
    - New contracts and increased grid cost Norway and Germany
  - Alumina cost increase
    - 60 percent equity position
    - 40 percent contracts linked to LME
- Outlook 2006-2007
  - Power cost expected to increase approx. NOK 0.3 billion in Germany and Norway**
  - Stable alumina cost
- Longer term
  - Improved alumina equity position
  - Satisfactory power position

* Liquid metal cash cost (CRU definition). Excluding Hamburg. Equity alumina at cash production cost

** For continuing operations

# Long-term power contracts ensure predictable cost levels going forward

Contract portfolio




- Power supply and price secured
- Norway: gradual increase in power price until 2010 as new contracts replace old
- Germany: moderately increasing power prices
- Other portfolio: stable real prices

*Power figures indicate Hydro ownership share of power consumption*
** excl. Søral*
*** excl. Stade*

# Alunorte alumina refinery – key asset in repositioning

- Third expansion of 1.9 million tonnes started June 2006
- Targeting 6.5 million tonnes production by 2009
- Hydro stake 34 percent of world’s largest refinery
- First-quartile investment costs and highly competitive conversion costs
- Pursuing new opportunities in Brazil

# Sunndal 4 – project execution and efficiency improvements

- Project completed ahead of plan and below budget
- Production level 17 percent above target
  - From 230 000 tonnes to current level of 268 000 tonnes
- Profitability above plan and well above Hydro hurdle rates

# Preparing for Qatalum

- Total investment in the range of USD 4.5 billion (100 percent)
  - General cost increase for key materials and construction
  - Weaker USD/Euro exchange rate
  - Design changes

- Final cost estimate and build decision summer 2007



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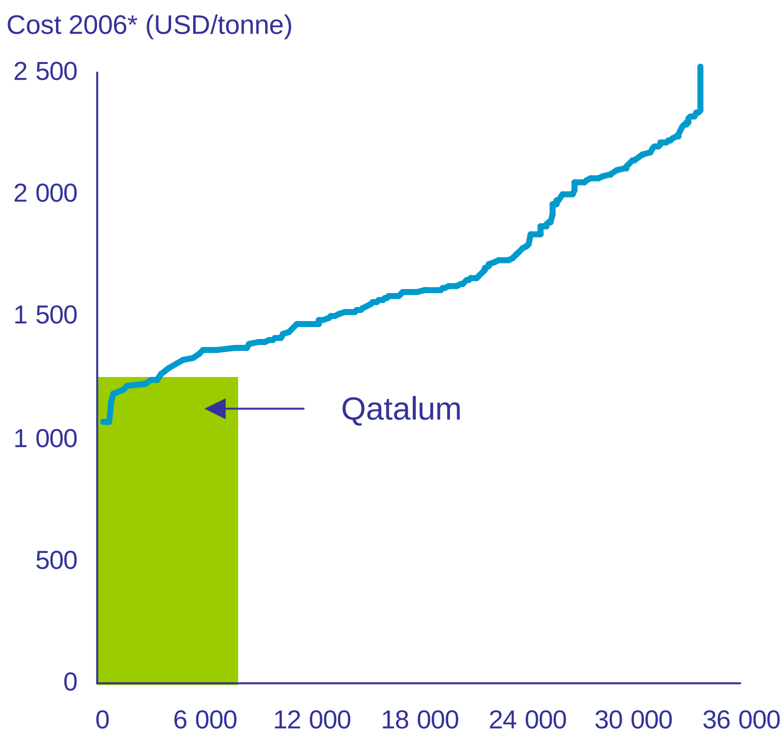
# Qatalum – profitable mega smelter in key region

World production 2006, 1 000 tonnes




- 50/50 Hydro/Qatar Petroleum
- 585 000 tonnes per year, expansion potential to 1.2 million tonnes
- Low operating cost – captive power
- High efficiency and creep potential
- Attractive logistics for alumina and products
- Hydro to market the products

** Source: CRU, Liquid metal cost definition, September 2006*



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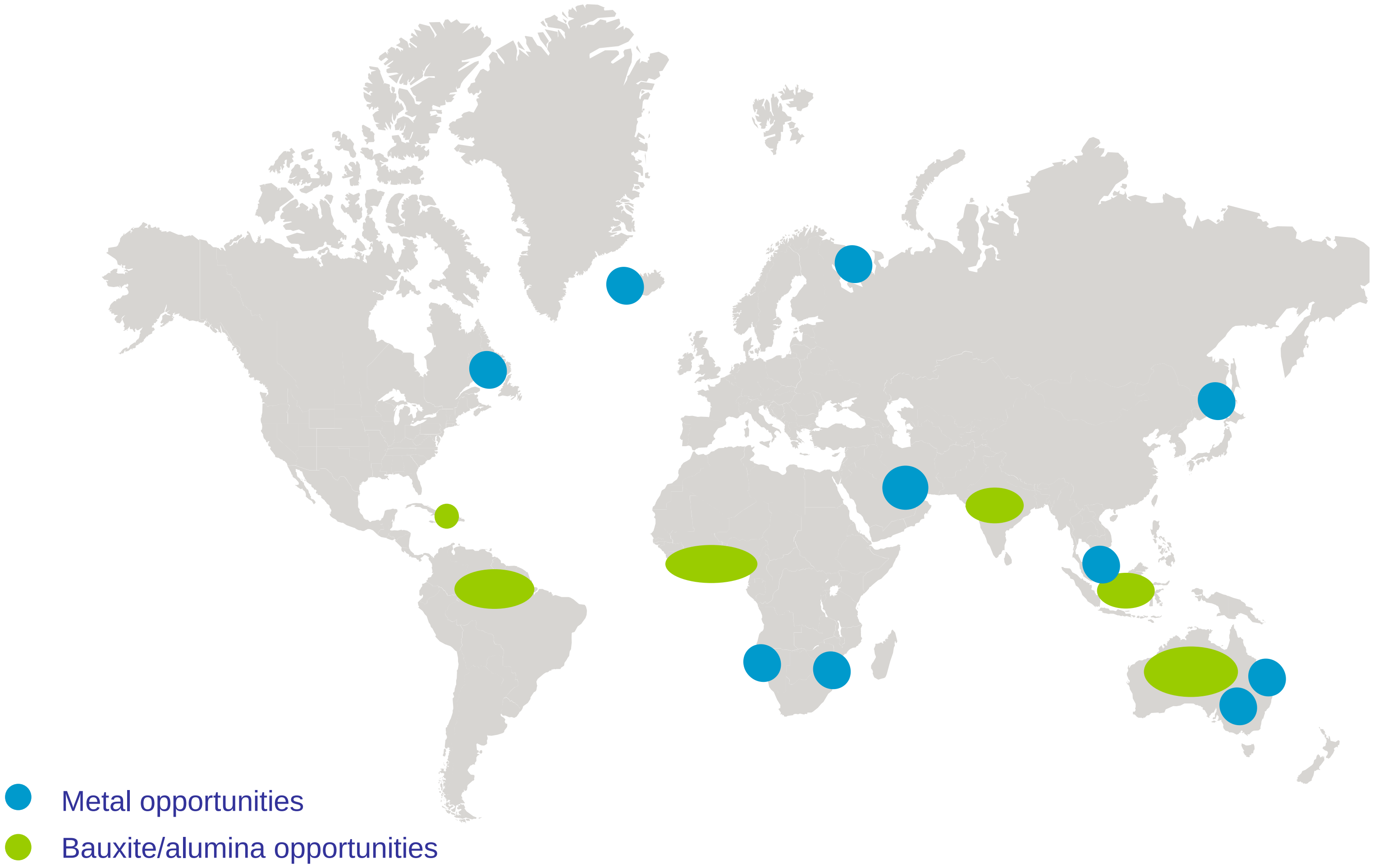
# Primary production will grow in new areas



# Competence and technology provide basis for growth

- Distinct project management skills
- Proprietary technology opens doors for new business opportunities
- Next-generation smelter cell technology being developed
- Value-added primary products attractive to partners



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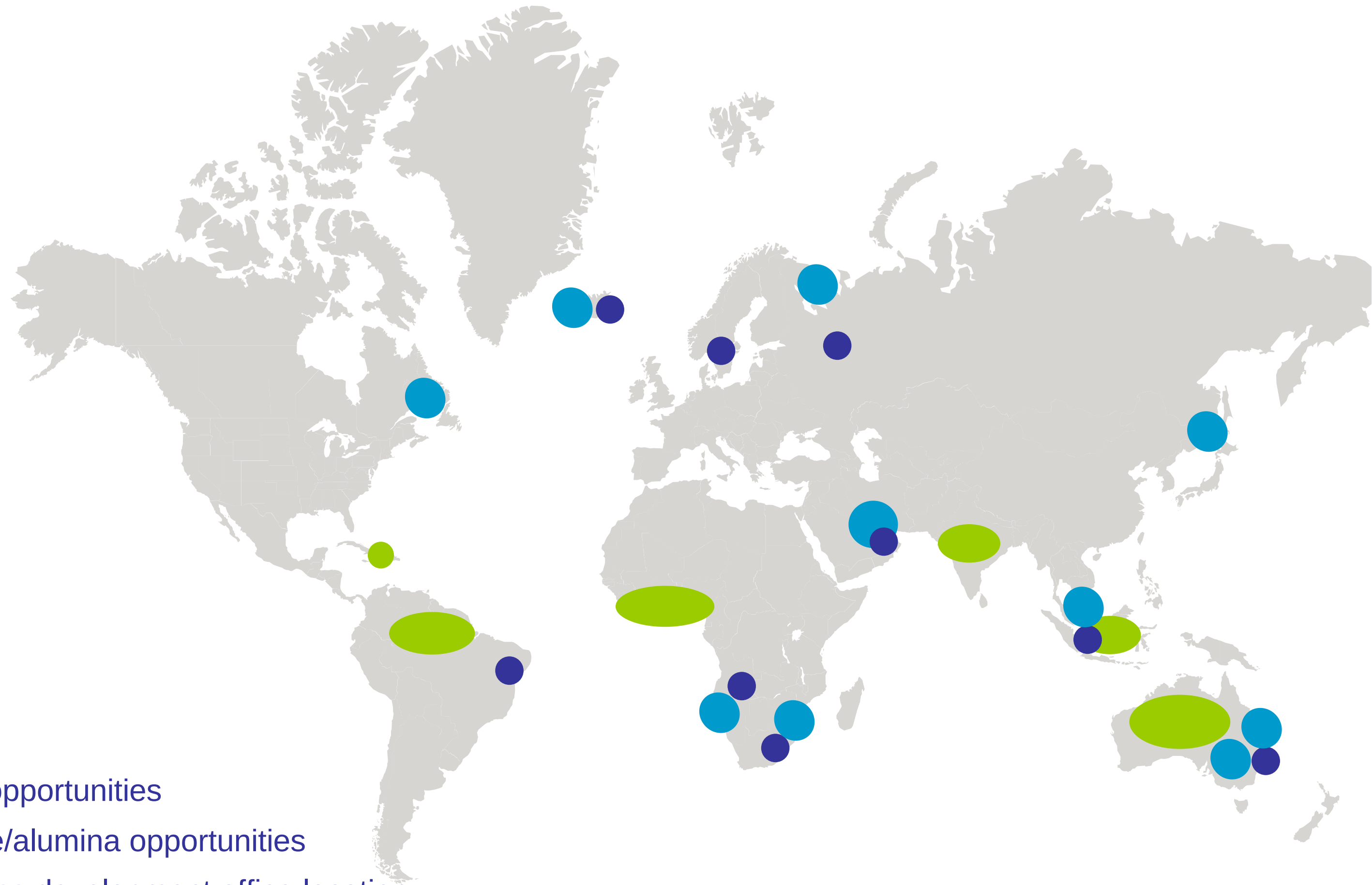
# An experienced international project developer



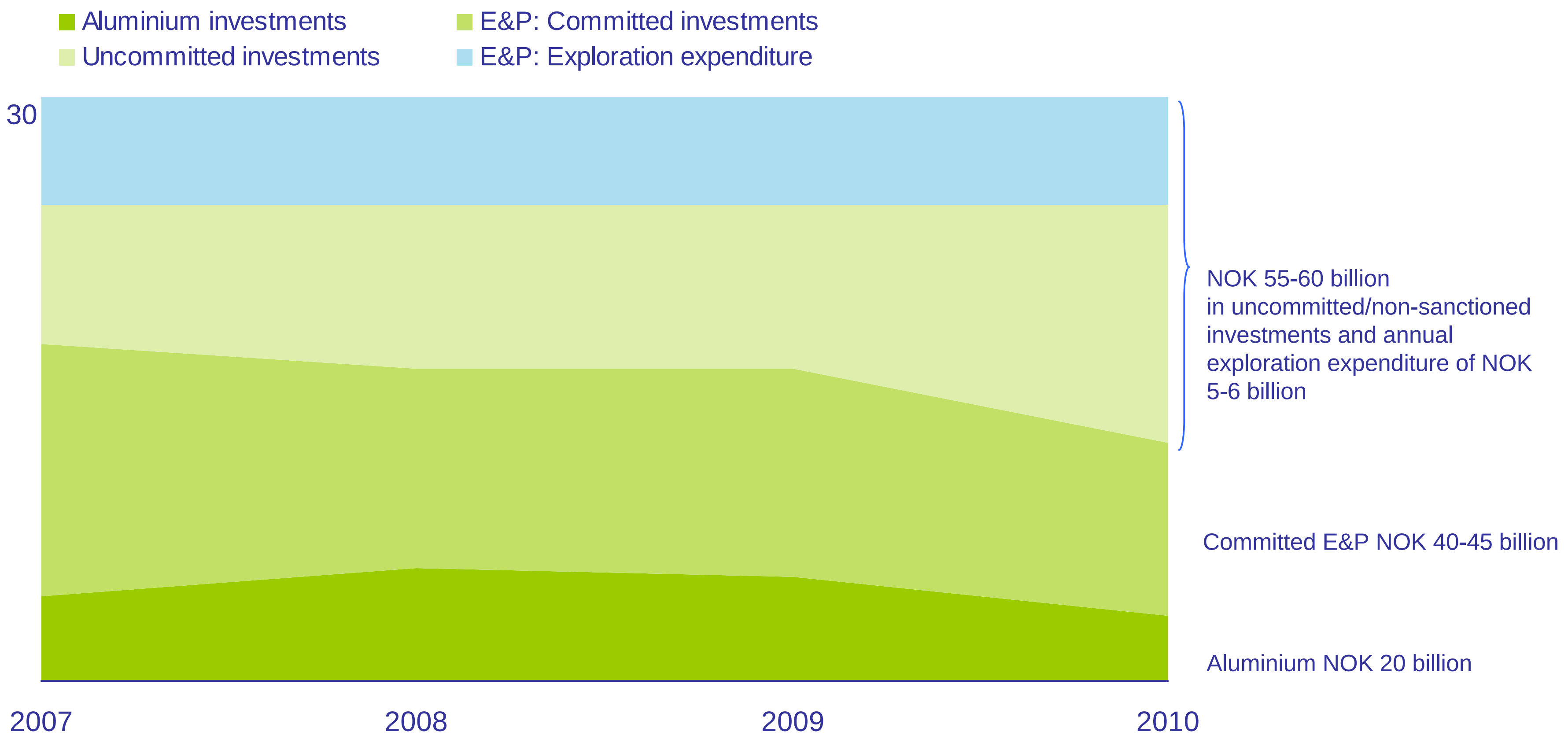
- Metal opportunities
- Bauxite/alumina opportunities
- Business development office location

# On track to reposition and grow

- Strong return on capital
- Focus on operational excellence
- Delivering new profitable growth opportunities globally

# Additional information

# Capital allocation 2007-2010
## Annual investments approximately NOK 30 billion



# Indicative price and currency sensitivities 2007

| NOK million | Income before tax | Net income | Change |
|---|---|---|---|
| Oil price per barrel | 1 190 | 345 | 1 USD |
| Aluminium price per tonne | 1 000 | 655 | 100 USD |

| NOK million | Income before tax | Net income | Change |
|---|---|---|---|
| USD Oil & Energy | 10 340 | 3 780 | 1 NOK |
| USD Aluminium Metal | 3 280 | 2 130 | 1 NOK |
| USD Aluminium Products | (90) | (60) | 1 NOK |
| USD before financial items | 13 530 | 5 850 | 1 NOK |
| USD financial items | (3 600) | (2 500) | 1 NOK |
| USD Net income | 9 930 | 3 350 | 1 NOK |

- Based on approximate average 2006 prices and expected business volumes for 2007:
  - Oil 65 USD/bbl
  - Aluminium 2 575 USD/tonne
  - NOK/USD 6.45
- USD sensitivity for Oil & Energy and Aluminium business areas includes both USD revenues and USD costs
- Total USD sensitivity of financial positions is NOK 4 600 million negative and consists of assets and liabilities in various financial instruments. Positive net working capital of USD 1 000 million reduces the total sensitivity to NOK 3 600 million.



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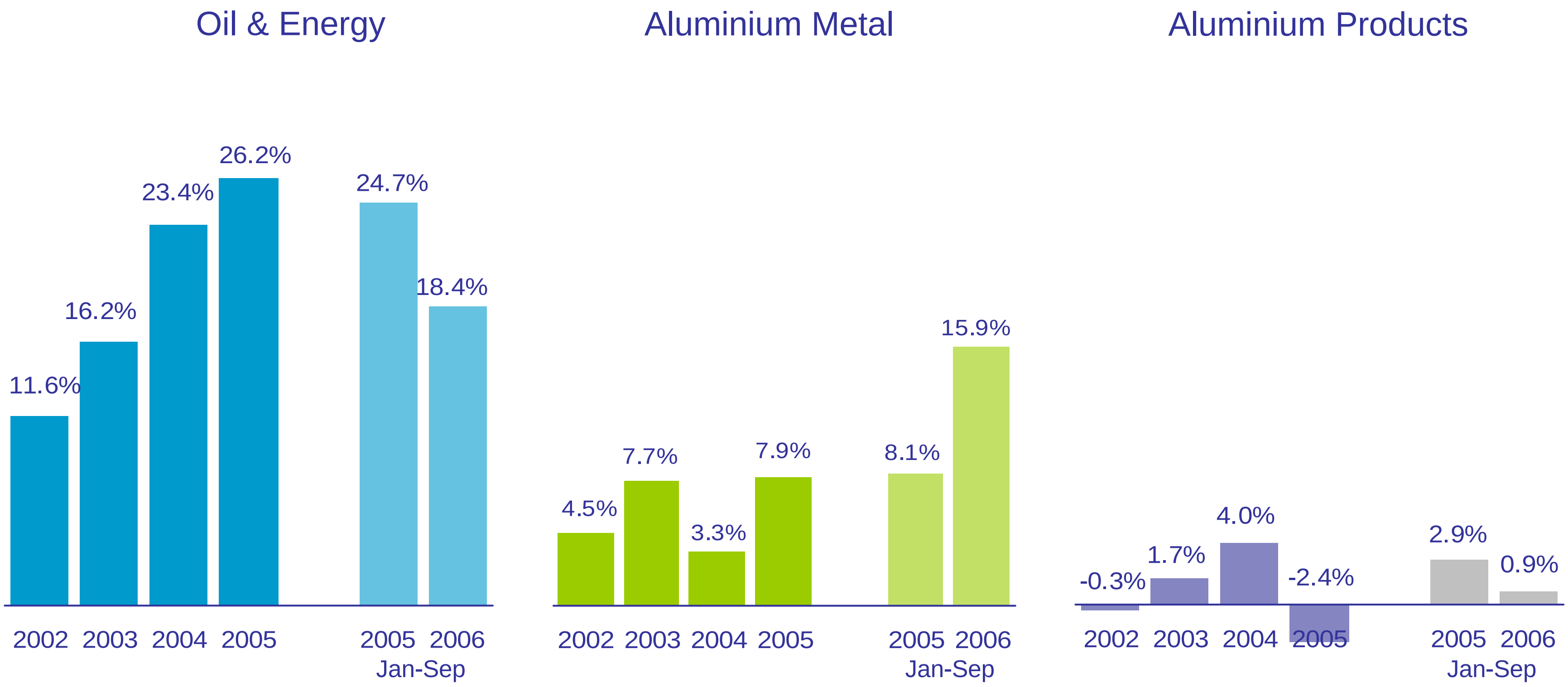
# Investment criteria

| | |
|---|---|
| • Oil price | USD 35 per barrel |
| • Aluminium price | USD 1 700 per tonne |
| • NOK/USD | 6.5 |
| • NOK/EUR | 8.0 |
| • Hurdle rate | 8-10% IRR real after tax |

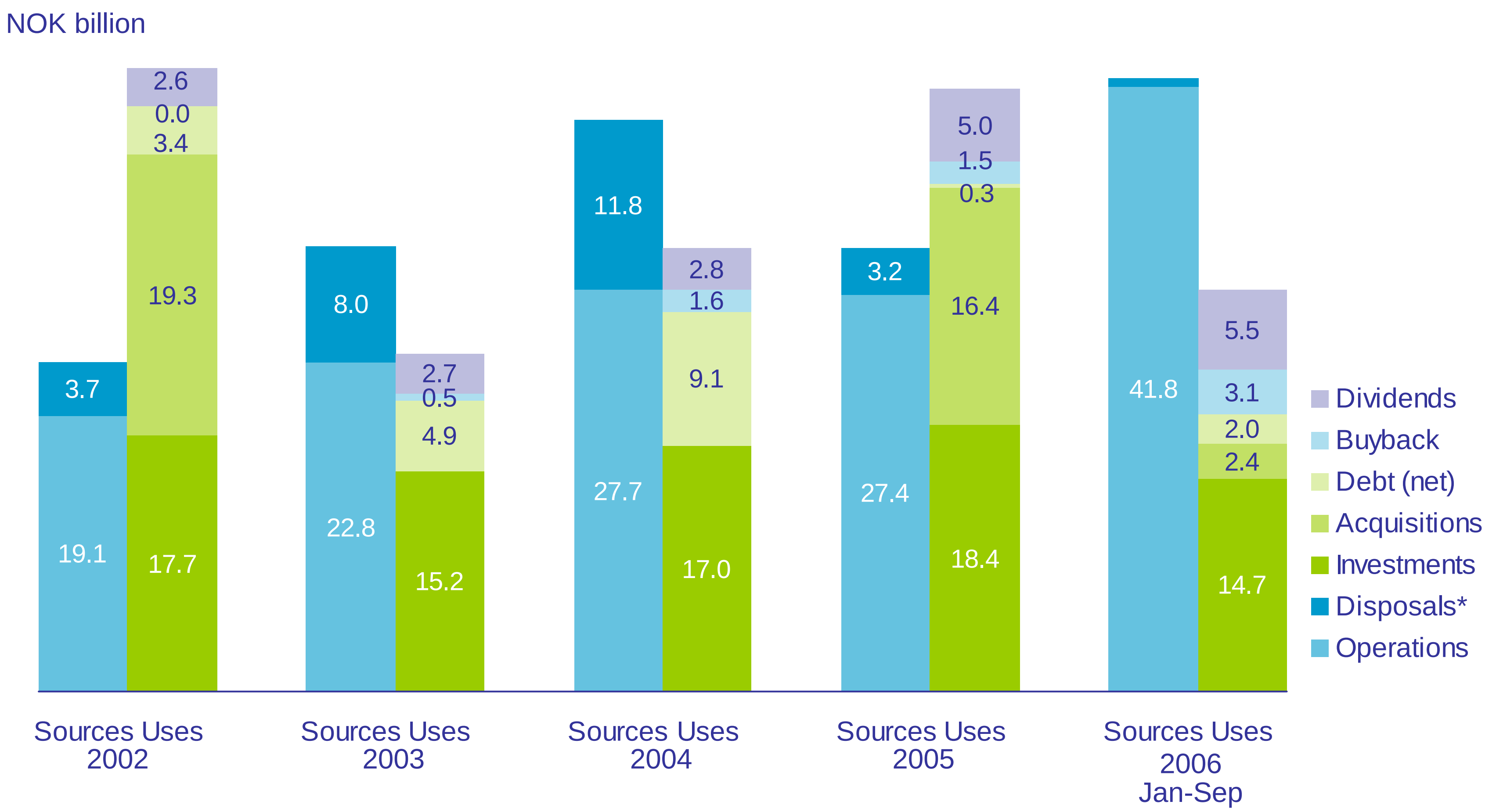
- IRR after tax above Hydro’s cost of capital when risk is accounted for in cash flows

# RoaCE by business area




Jan-Sep figures are not annualized

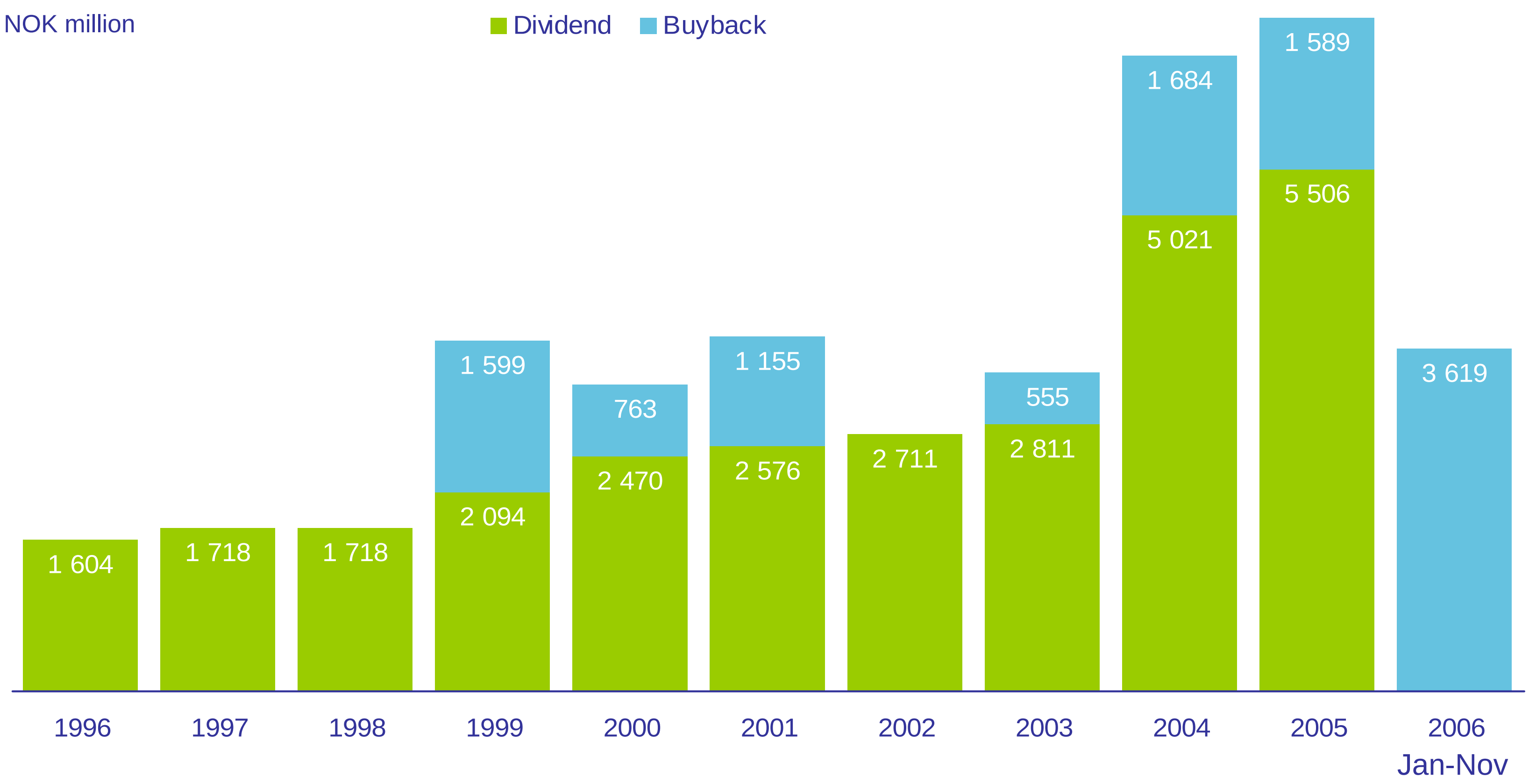
# Sources and uses of cash




* Net cash from discontinued operations (Yara) included

# Increasing payout to shareholders

## Dividend policy: 30 percent payout over time




Dividend allocated to the year after for which the dividend was paid. Buyback allocated to the year when the buyback transactions were executed.

# Field development portfolio
## Generating above 200 000 boed at peak

| Start year | Field name | Hydro share at peak rate | Peak year | Country | Type | Operator |
|---|---|---|---|---|---|---|
| **2006** | Dalia | 21,000 | 2008 | Angola | Oil | Total |
| **2007** | Ormen Lange | 70,000 | 2010 | Norway | Gas/Cond | Hydro |
| | Rosa | 14,000 | 2008 | Angola | Oil | Total |
| | Independence Hub Area | 11,500 | 2008 | US GoM | Gas | Hydro/others |
| | Vilje | 10,000 | 2008 | Norway | Oil | Hydro |
| | Njord Gas | 8,000 | 2008 | Norway | Gas | Hydro |
| | Volve | 6,000 | 2008 | Norway | Oil/Gas | Statoil |
| | Rimfaks/Skinfaks | 3,000 | 2011 | Norway | Oil/Gas | Statoil |
| | Murzuk NC-186: B & H field | TBD | - | Libya | Oil | Repsol |
| **2008** | Oseberg Delta | 13,500 | 2009 | Norway | Oil | Hydro |
| | Gimboa | 5,500 | 2009 | Angola | Oil | Sonangol/Hydro technical |
| | Oseberg East Drilling | 5,500 | 2010 | Norway | Oil | Hydro |
| | Tune South | 4,500 | 2009 | Norway | Oil | Hydro |
| | Alve * | 3,000 | 2009 | Norway | Gas/Cond | Statoil |
| **2009** | Tyrihans | 14,000 | 2016 | Norway | Oil | Statoil |
| | Thunder Hawk | 11,000 | 2010 | US GoM | Oil | Murphy |
| **2010** | Vega * | 18,000 | 2011 | Norway | Gas/Oil | Hydro |

* Will be sanctioned in December 2006

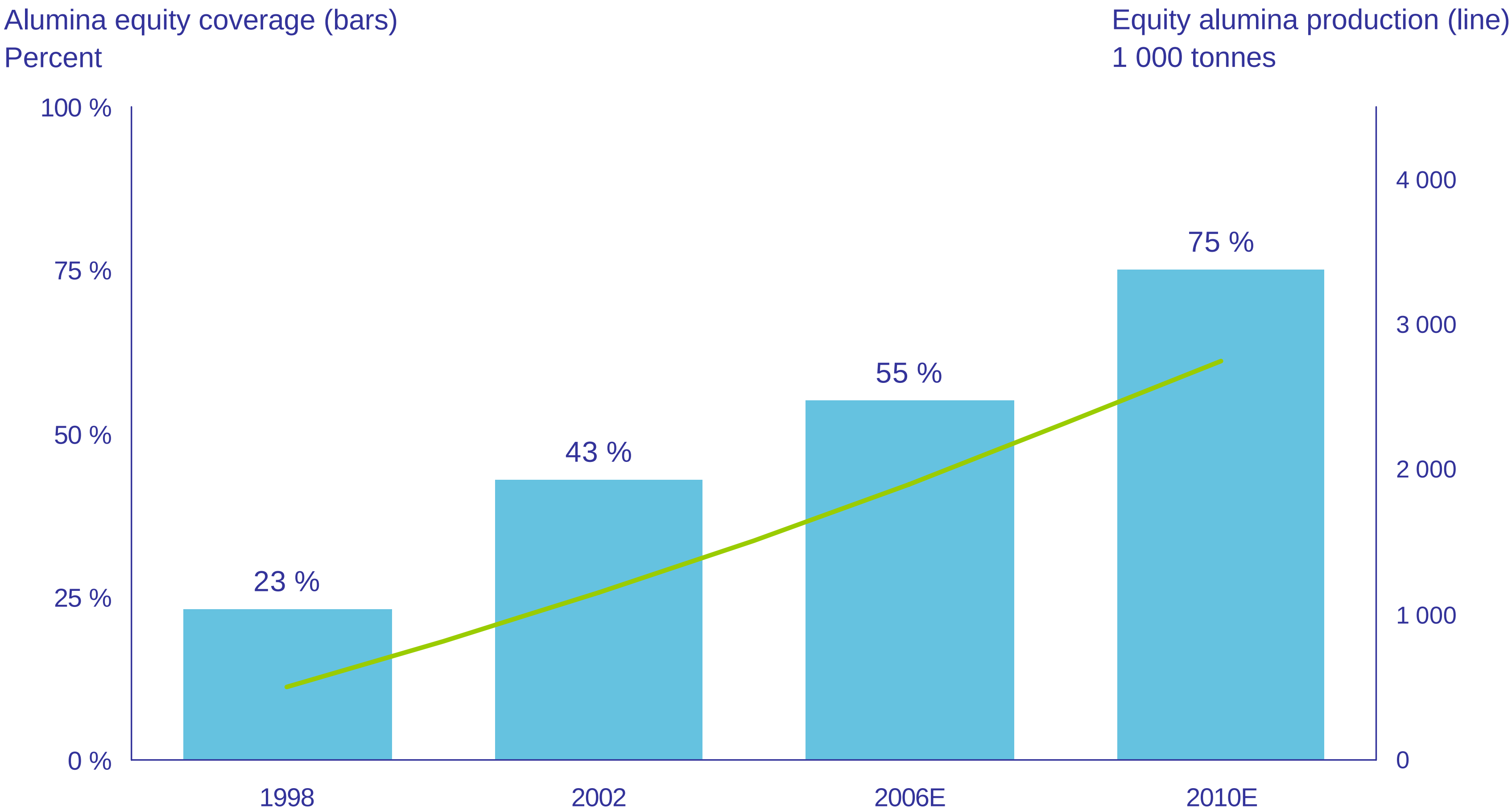


HYDRO

# Rising smelter cost for the industry


*Source: CRU (Corporate operating cost definition)*

# Increasing alumina equity coverage for Hydro



# Investor Relations in Hydro

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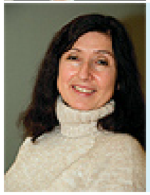
|  | **Irene Raposo** | **Investor Relations Secretary** | irene.raposo@hydro.com | **t +47 22 53 31 53**<br>**m +47 414 02 174** |

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