



HYDRO

## Capital Markets Day 2006

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

# 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.



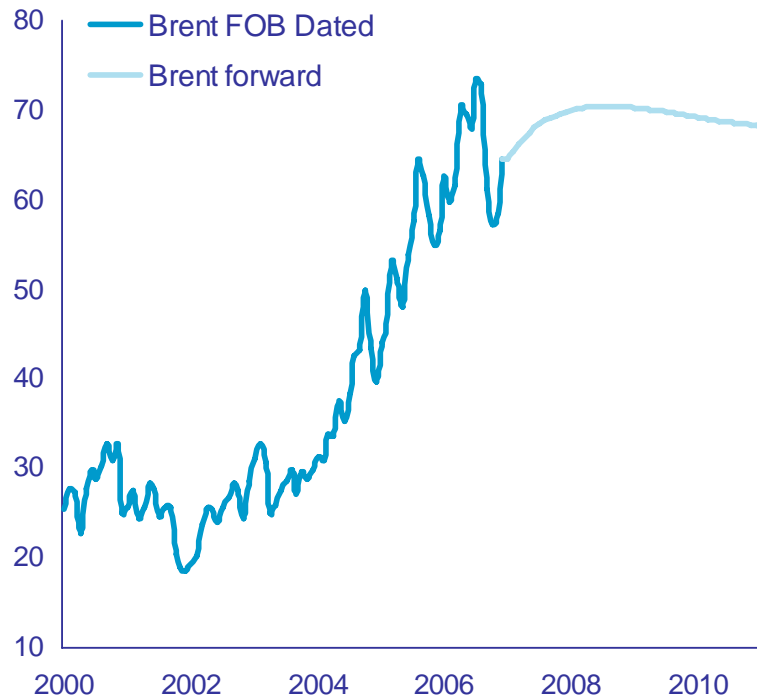
Eivind Reiten  
President and CEO

# Strategy for future growth

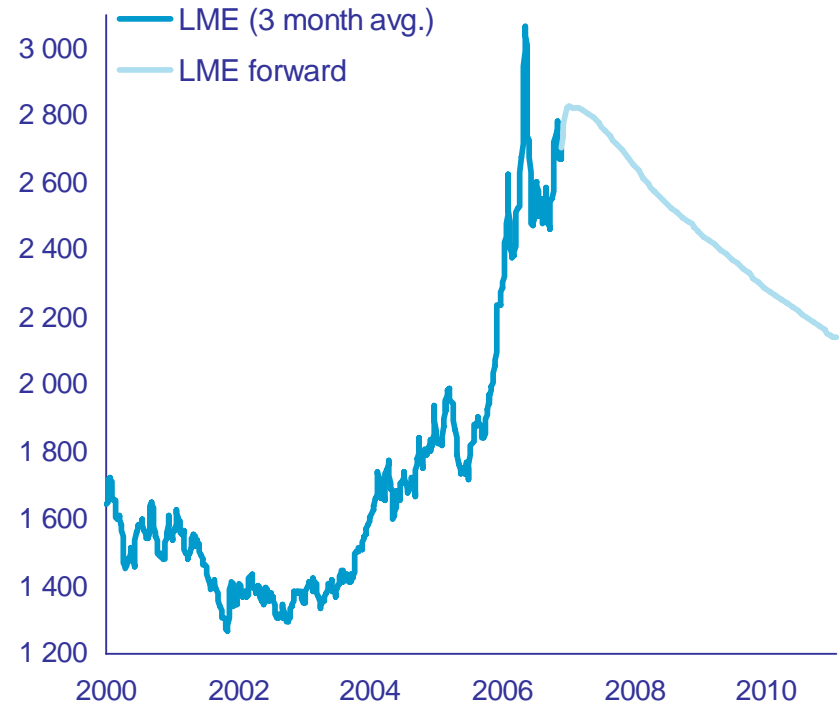
- Build on strong position in industries with attractive market outlook
- Manage cost inflation challenges in both industries
- Grow our resource base in oil and gas
  - Strengthened resource base
  - Continued high exploration and selective acquisitions
  - Robust production and development portfolio 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



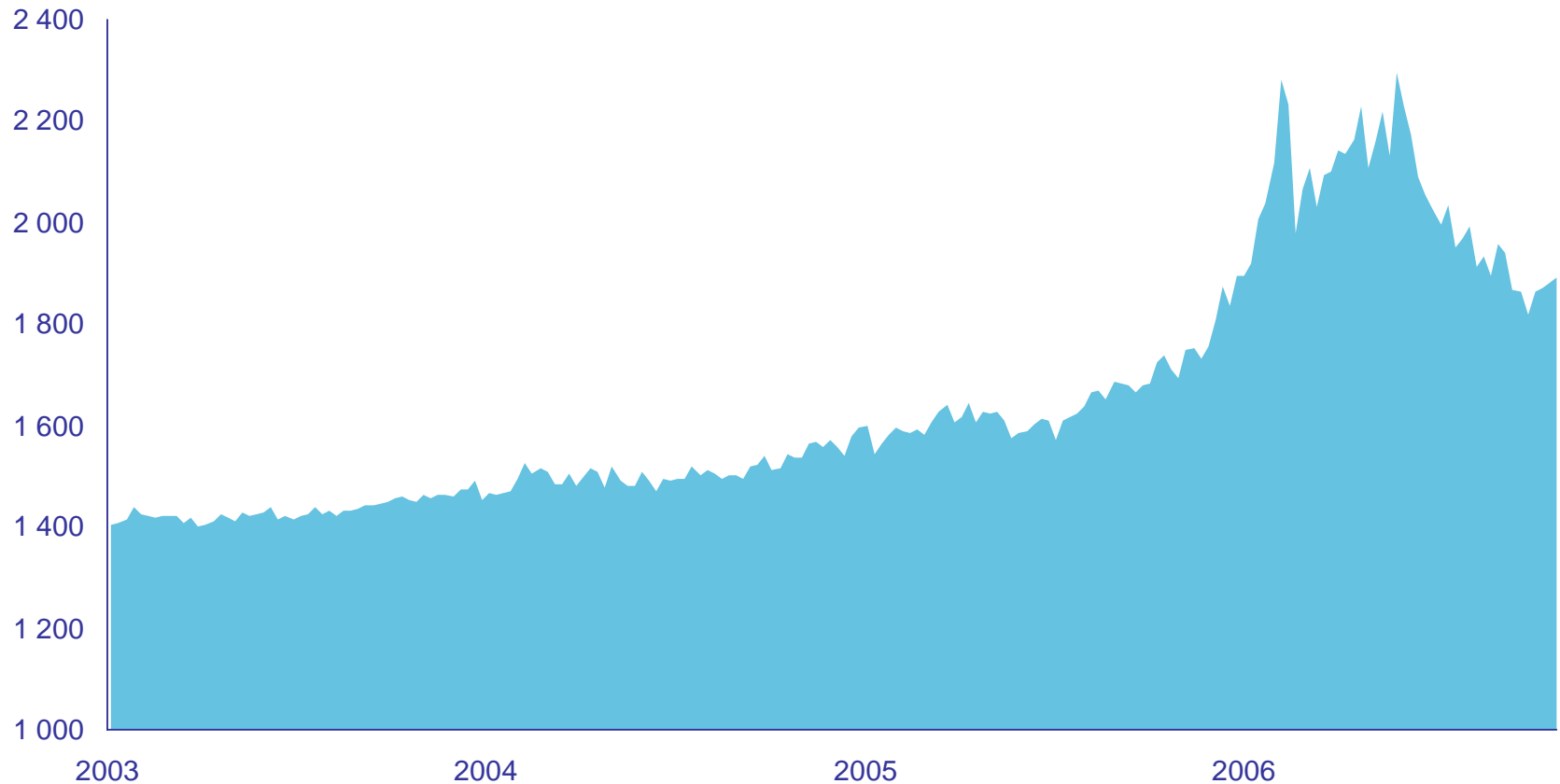
Aluminium price in USD/tonne



Source: Reuters Ecwin and Bloomberg 1 December 2006

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

USD/tonne





# 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

A sharpening slide in the US dollar unnered global markets yesterday as investors sought to protect themselves from the possibility of sustained dollar weakness. As US markets were closing yesterday, the euro stood at a 18-month high of \$1.306, up 1.2 per cent, while sterling gained 0.9 per cent to a 1½-year peak of \$1.9333. The yen climbed 0.3 per cent to ¥115.68.

European and Asian stock markets suffered the fallout from the dollar's decline with exporters to the US the worst performing stocks in all regions. But on commodity markets, dollar-denominated prices tracked higher as gold, copper and oil became cheaper in other currencies.

The euro's strength could put the European Central Bank under fresh political pressure not to raise interest rates again after the expected quarter percentage point rise to 3.5 per cent on December 7.

The dollar has now fallen this year by more than 10 per cent against the euro and 12 per cent against sterling. Some economists suggest the greenback has further to slide given a weak economic outlook in the US and the prospect of interest rate cuts there next year.

Steve Swirell, currencies ana-

lyst at Citigroup, said. "While the economic data remain soft, the dollar will continue to fall."

The gaping US trade deficit, the near certainty of a December rise in eurozone interest rates, rising expectations of a cut in US rates in the spring and worries about borrowing in yen to finance investments in the US all continued to weigh on the dollar, analysts said.

These concerns were heightened by comments from Wu Xiaoling, deputy governor of the People's Bank of China, indicating her unease at a fall in the dollar. She said exchanges reserves from the dollar she stopped she that China was adding to its pile.

"The dollar is under pressure at the beginning of the year," said analyst at RNSP Paris. Equities mark and Asia fell at Nikkei 225 fell 15,704.8, while the 300 shed 8.8 per cent.

Commodities with gold climbed \$638.50 a troy oz per ounce 2.5 per cent. Alumin. 20 per cent to \$29.90.

Markets Page 11

## 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 Ryan in London

Rusal, the Russian aluminium company, is to take over Sual, its domestic rival, and the shares of the company, a private Swiss group, in an estimated \$30bn (£23.4bn) deal to create the

A person close to the deal said the memorandum was signed last Friday and the London listing is expected within three years. The deal - which is still subject to due diligence - is believed to have been closed by Russian president Vladimir Putin, and is expected to be announced by the

deal in the international markets, and comes after the failed merger between Severstal, Russia's leading steel producer, and LUKOIL, a Russian oil company, which was abandoned last week. The combined company will

years, according to the insider. The acquisition would have no cash element and would be paid for entirely with Rusal shares. The combined company will

president Boris Yeltsin. The key shareholder in Sual is Victor Veksberg, whose holding company owns a stake in TSBG BP, the Anglo-Russian oil group.

ASIA

## 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 €7.2bn merger ■ Final decision rests with EU commissioners ■ Critical hurdles remain in France

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

The European Commission is expected to give regulatory approval to the €7.2bn merger between Suez and Gaz de France, following a last round of concessions by the two French groups. Though an internal decision has been made, the Brussels anti-trust regulator has drafted a ruling approving the tie-up provided the two groups meet pre-agreed conditions, according to several people familiar with the deal. The draft decision was last

week sent to national competition authorities, which have to be consulted on Commission anti-trust decisions but cannot veto the regulator's verdicts.

The final decision rests with the 25 European Union commissioners, scheduled to discuss the merger on November 14. It is extremely rare for the body to change its mind at such a late stage. Commissioners normally follow the recommendation given by Nicole Kroes, the EU competition commissioner responsible for the Suez-GdF decision.

Wanting the Commission's backing for the deal would

remove a big obstacle to the politically sensitive merger, but critical hurdles remain in France.

The two parties have yet to resolve differences over the management and structure of the combined group. Last week, people close to the groups warned that Suez and GdF had hit the middle of this week to strike a deal. Failure to conclude such an agreement could even scupper the tie-up, they added.

The Commission opened an in-depth investigation in June, arguing that the deal "would raise significant competition concerns at all levels of the gas and

electricity supply chains in Belgium and at all levels of the gas chain in France". It later issued a statement of objections.

At the time, the Brussels regulator warned that the tie-up would have a particularly negative impact on the Belgian market, where Suez owns the dominant power company, Electrabel, while GdF has a large stake in SFE, the number-two group. The merged entity would have a grip on much of the country's gas industry, the power and gas networks and other infrastructure. To ally Brussels's concerns, Suez and Gaz de France agreed to

a range of disposals and other concessions, including the sale of the SFE holding and of Distrigaz, Belgium's dominant gas distributor. The group will keep the part of Distrigaz that supplies gas to Electrabel's power stations, however.

Earlier this month, the two groups struck a separate deal with the Belgian government in a bid to overcome its concerns over the deal. The agreement - which is being scrutinised by the Commission to see whether it violates EU merger rules - includes a commitment not to raise energy prices for Belgian customers.

EUROPE

## Gazprom speculation is power behind RWE

By Dave Ishack

RWE attracted another burst of takeover speculation yesterday as rumour talk that Gazprom might be interested drove shares in the German utility to an all-time high.

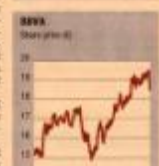
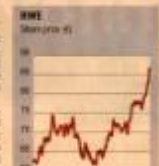
Alexander Heidecker, Gazprom's vice-president, said the two companies were not in negotiations but that his company was "not ruling out any option".

Analysis pointed to RWE's strong underlying fundamentals.

"We think RWE will continue to benefit from high power prices, despite the regulatory expectations of certain politicians," said Morgan Stanley, as it assumed coverage of the stock with an "overweight" rating and price target of €100.

"Power prices should remain high, owing to investment needs and sustainable high fuel costs," Merrill Lynch reiterated its "buy" recommendation and raised its price objective from €95 a share to €100.

"RWE shares have been among the best performers in the utility sector since the



closed 1.5 per cent lower at €95.51.

Michaelis, the tycoon, fell 2 per cent to €90.20 and Continental slipped 0.5 per cent to €71.84.

Among other big dollar sectors, Siemens fell 2.5 per cent to €71.84. Banco Bilbao Vizcaya Argentaria tumbled 4.7 per cent to €18.15 after the Spanish lender announced a capital increase of €2bn to shore up its core capital ratio.

Merrill Lynch and Morgan Stanley were said to be placing RWE shares at €100 in late afternoon trade, down from an earlier target of €115-€120.

RWE said it would place the shares at a minimum of €100 after it reported its financial results.

But Standard & Poor's Equity Research noted that the bank had made €4.6bn of acquisitions since the last capital increase in February 2004.

"While the integration of recently announced Chinese and Texas investments may mitigate near-term acquisition risk, management continues to harbour long-term global ambitions," said Rabot Shah, analyst.

"We believe this is totally unwarranted at this stage," said analyst Javier Garrido. RWE shares fell 1 per cent to €70.08 while Suez edged back 0.3 per cent to €36.80 and GDF slipped 0.4 per cent to €32.17.

In the wider market, the chief concern remained the potential impact of the dollar's weakness on European corporate earnings.

The FTSE Eurozone 300 index suffered its worst one-day drop since June, shedding 22.6 points, or 1.5 per cent, to close at a five-week low of 5,429.96.

Once again, car and car parts makers were among the hardest-hit companies. DaimlerChrysler fell 2.5 per cent to €44.25, Peugeot shed 0.5 per cent to €49.79 and Volkswagen

lost 2.5 per cent to €11.20. Stock exchange agencies were hit by profit-taking after hefty gains last week. Deutsche Börse fell 2.5 per cent to €129.97, while Euronext gained 2.4 per cent to €21.20.





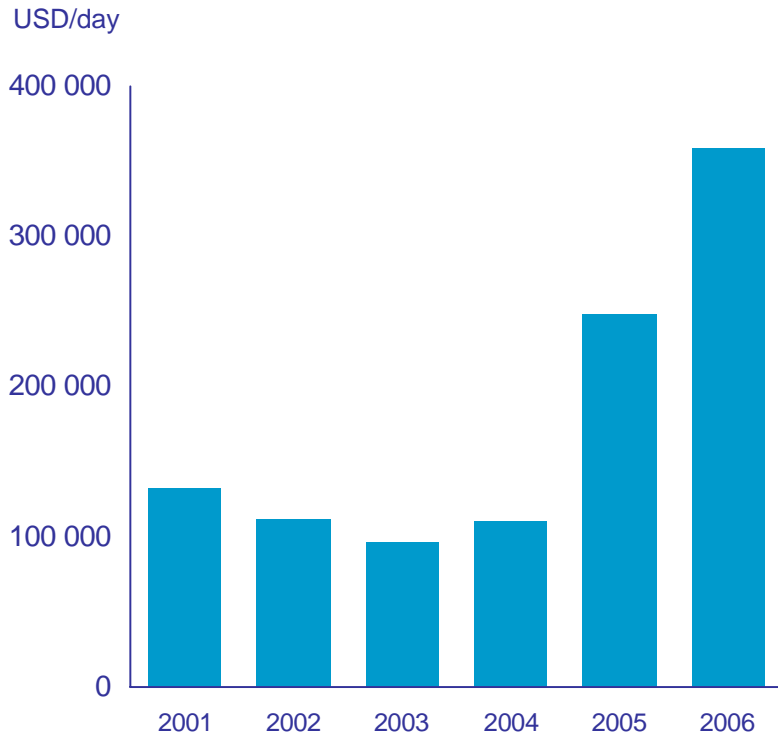


## Hydro has what it takes

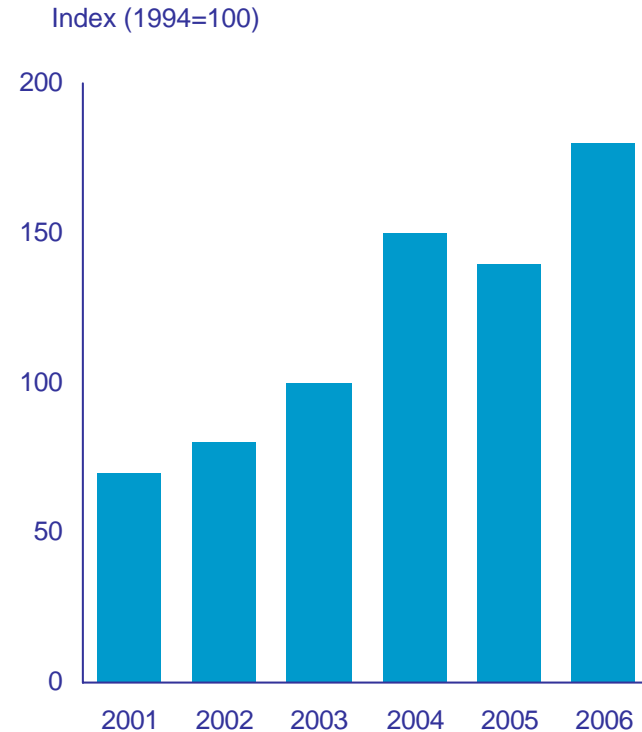
- World-class technology and competence
- Proven high-quality operations
- Cooperation tradition – Hydro and Norway
  - Commercial partnerships
  - Experience in cooperating with local and national authorities and communities
- Strong positions in key basins
- Systematic risk management
- Active portfolio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

# Increasing industry cost

Dayrates ultra deepwater drilling rigs  
Average fixture rates



Steel prices

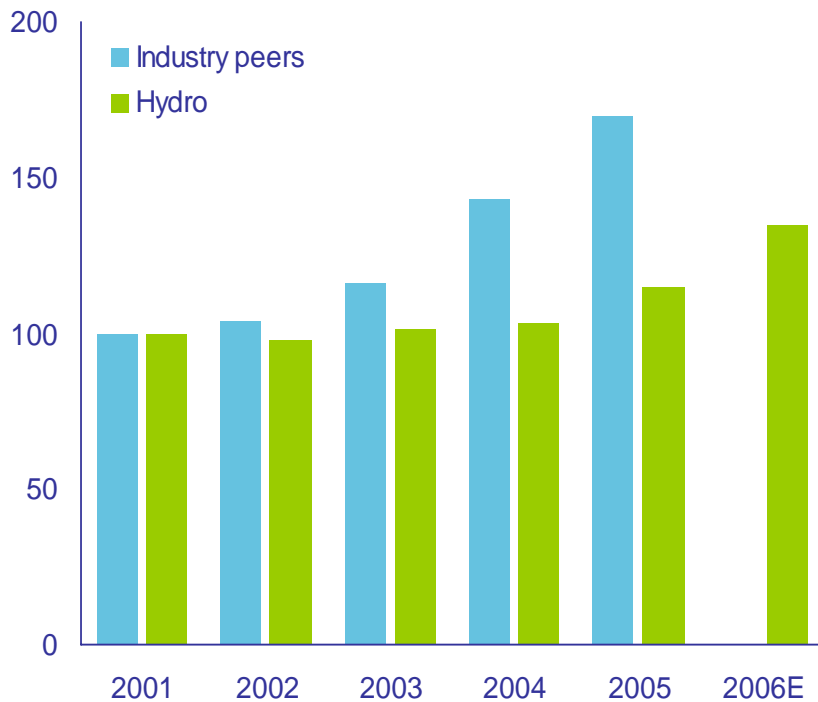


Sources: Fearnley Offshore (rig rates), CRUspi.com (Steel prices)

# Hydro's cost increase well below industry average

## Hydro versus industry peer group\*

Index based on USD/boe operating cost\*\*, 2001 = 100



- 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

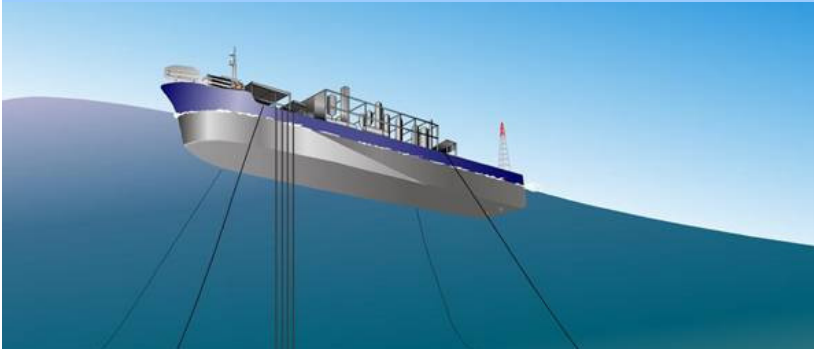
\* Majors, US and European integrated players, US large independents

\*\* Operating and lease expenses – not including gas injection cost

Source: SEC, Company reports

# Distinct project skills more valuable than ever

Gimboa



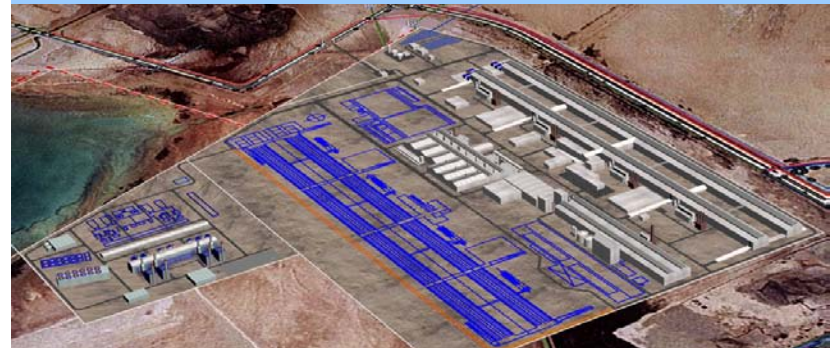
Ormen Lange



Sunddal

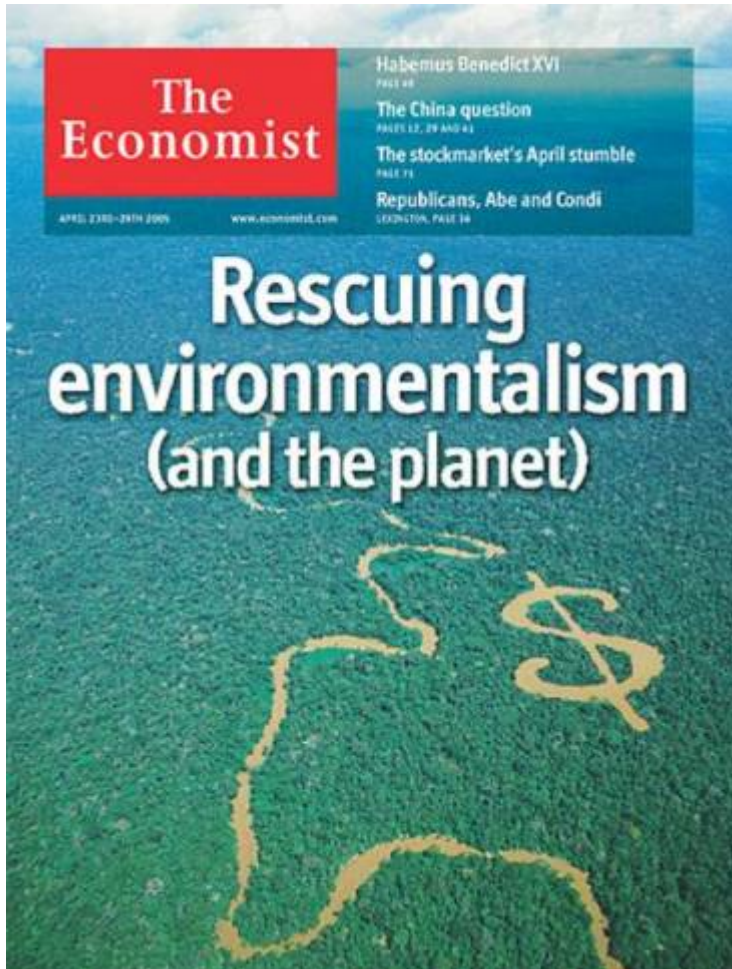


Qatalum





# Climate change – the biggest challenge of all





Performance update

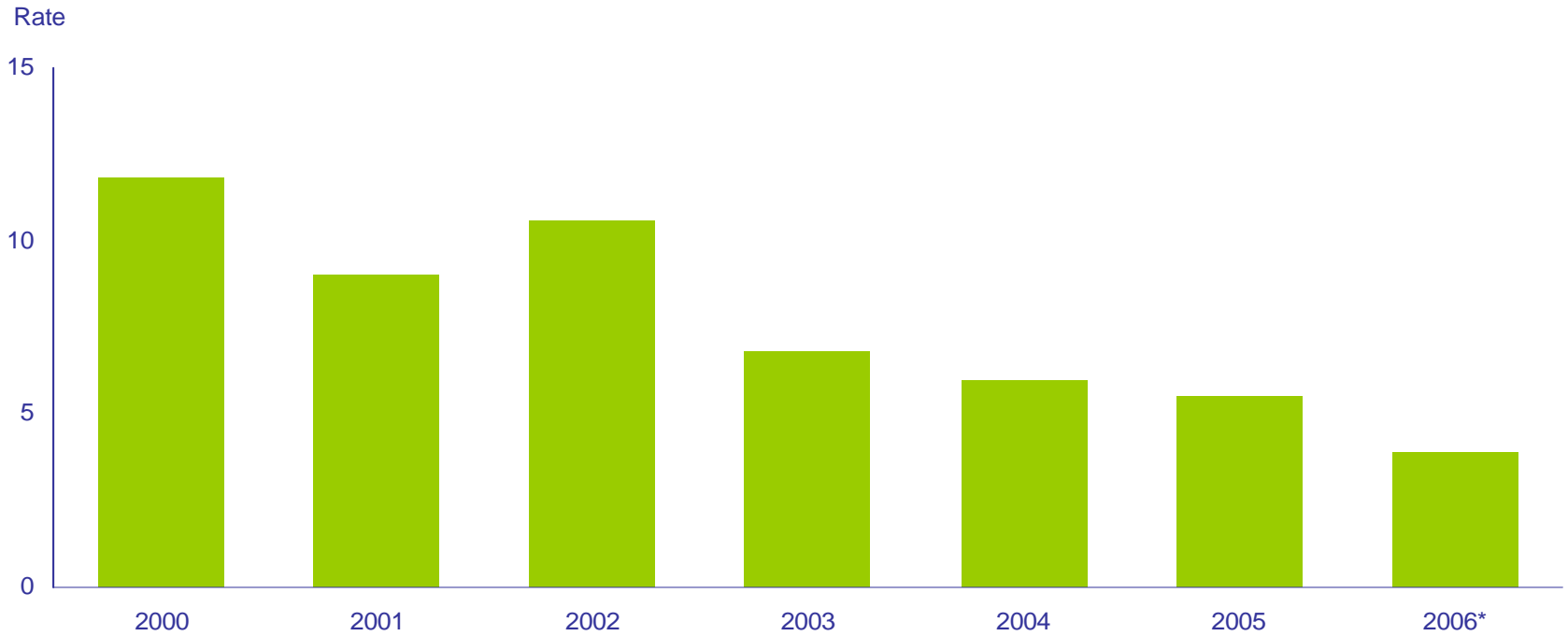


# Key messages last year

- 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

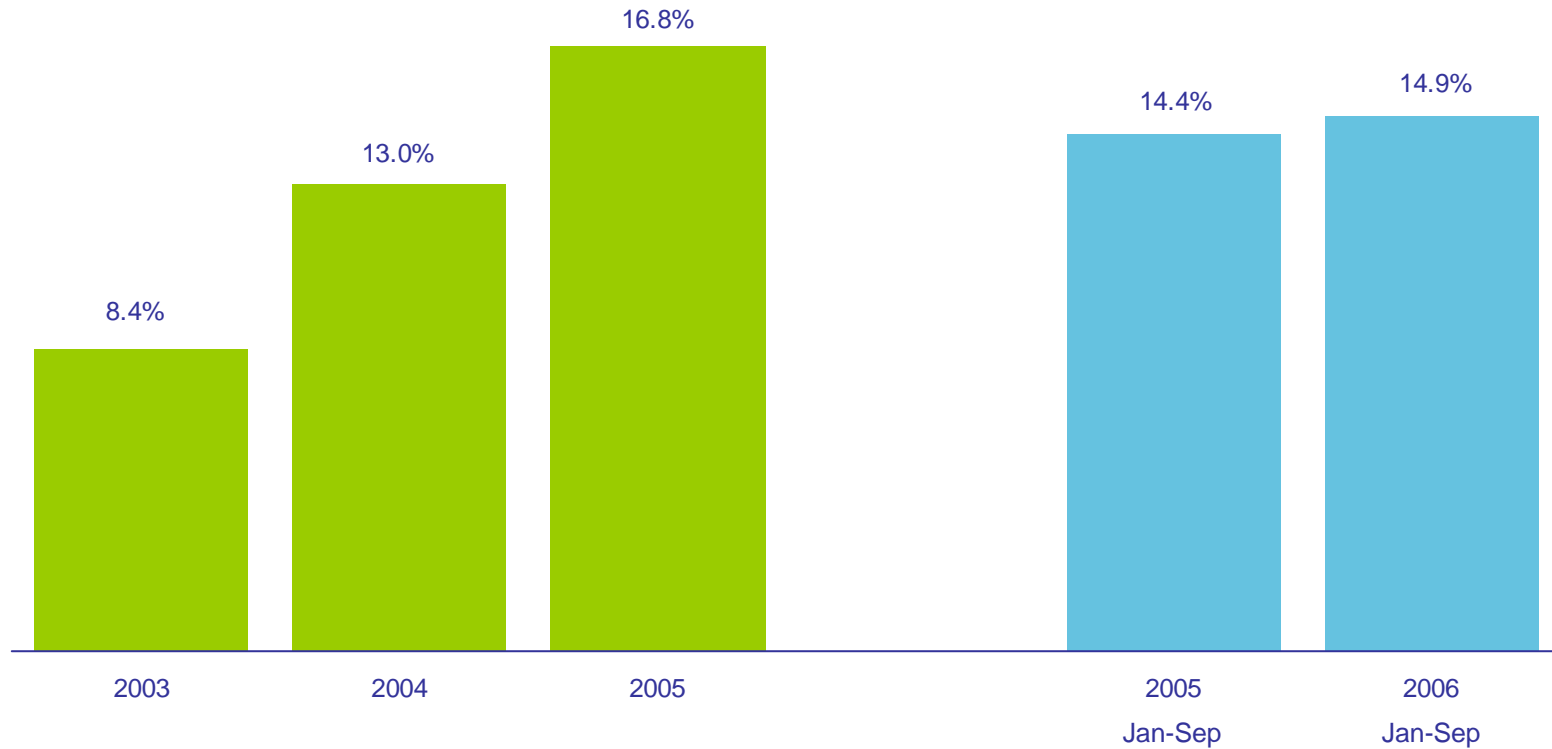
Total reported injuries per million working hours (TRI)



\* 12 month rolling Oct 2005-Oct 2006

# Improved returns

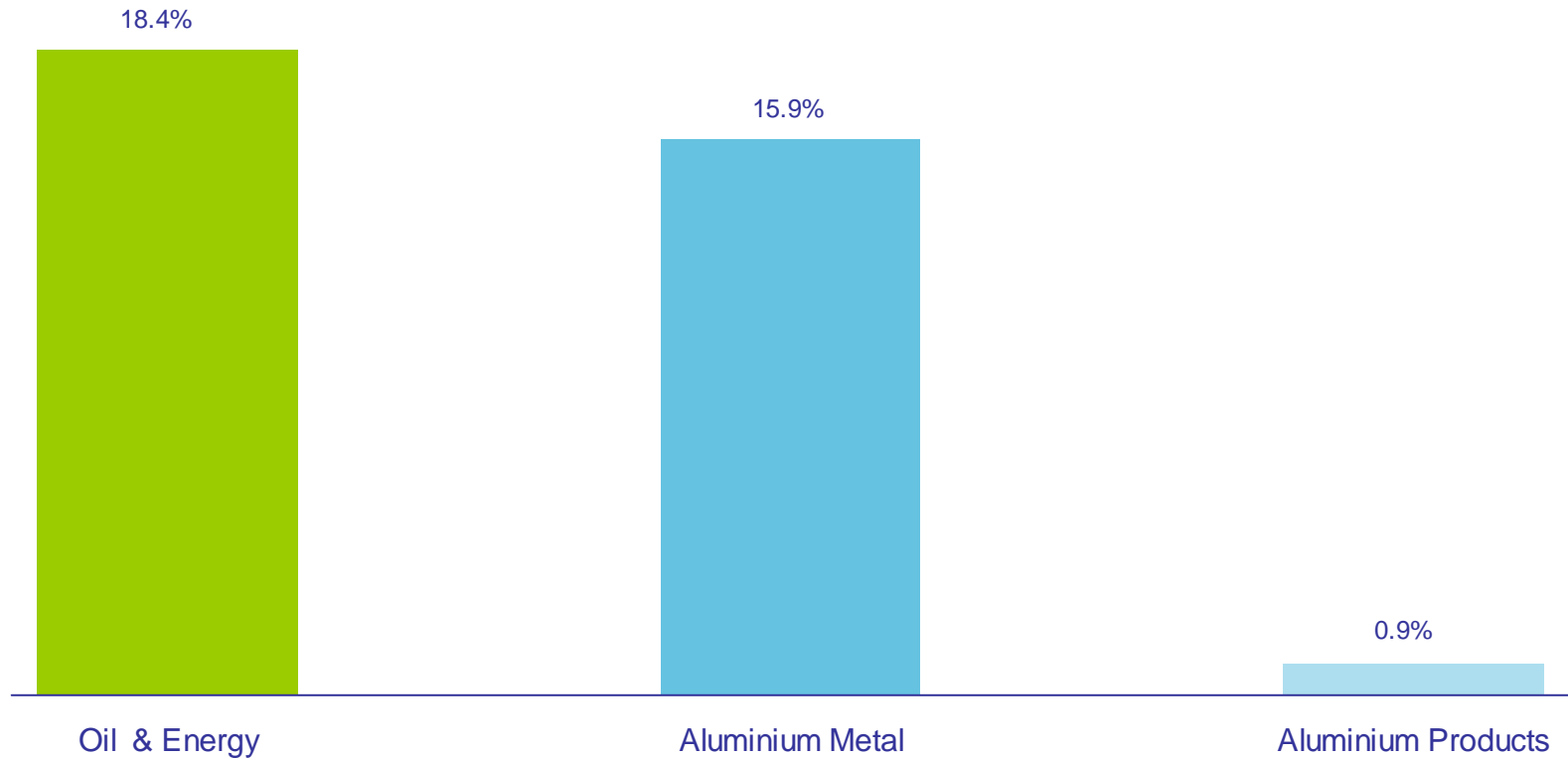
Return on average capital employed – RoaCE



Jan-Sep figures are not annualized

# RoaCE by business area

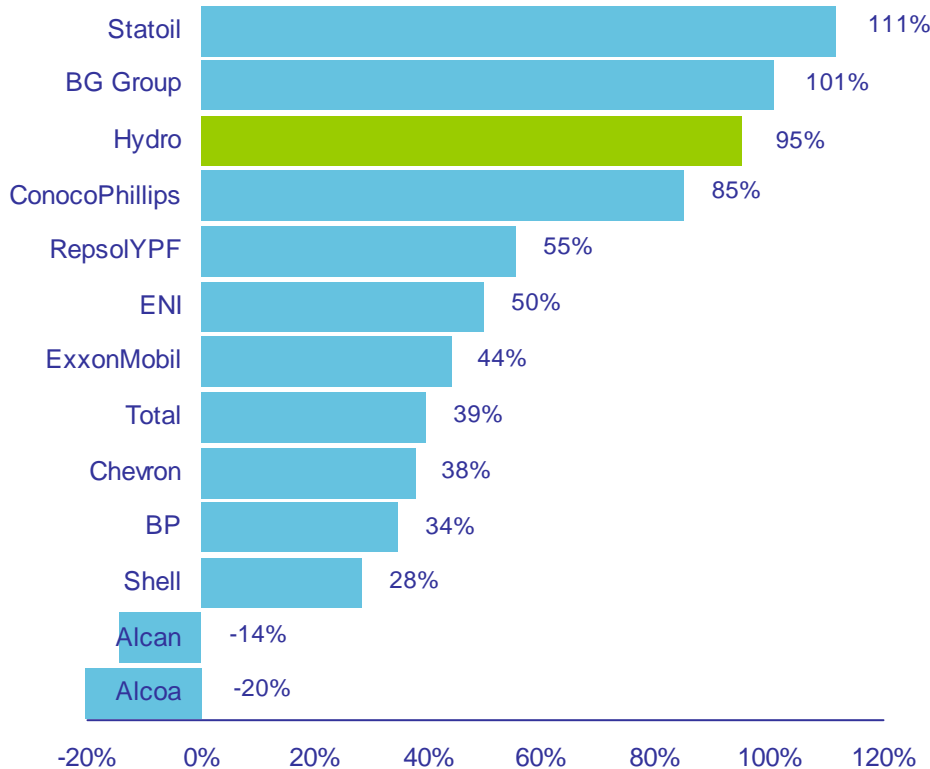
First nine months 2006



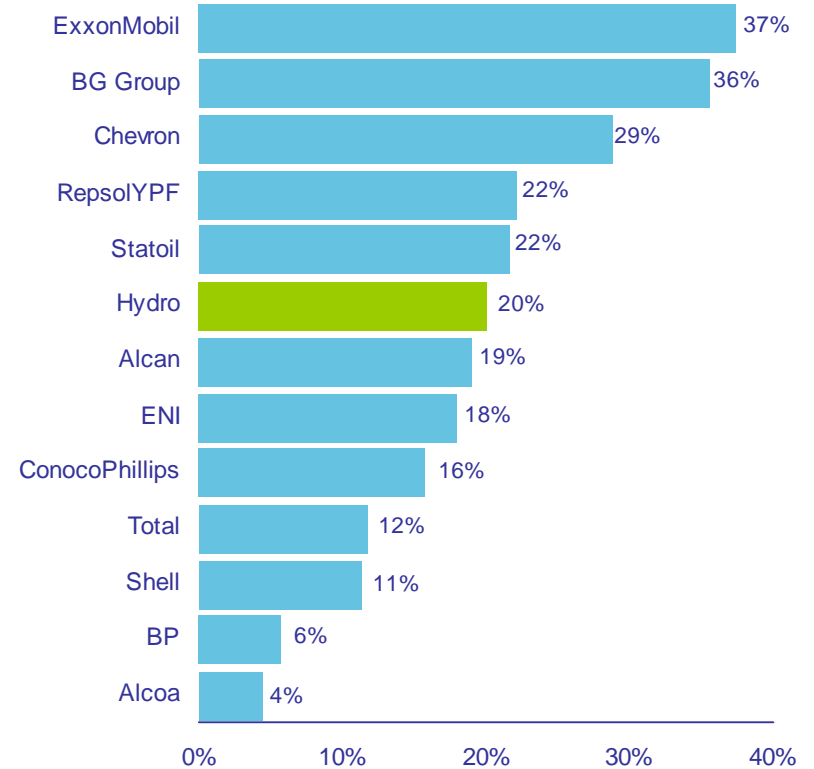
Figures are not annualized

# Competitive share price development

1 January 2004 to 31 December 2005



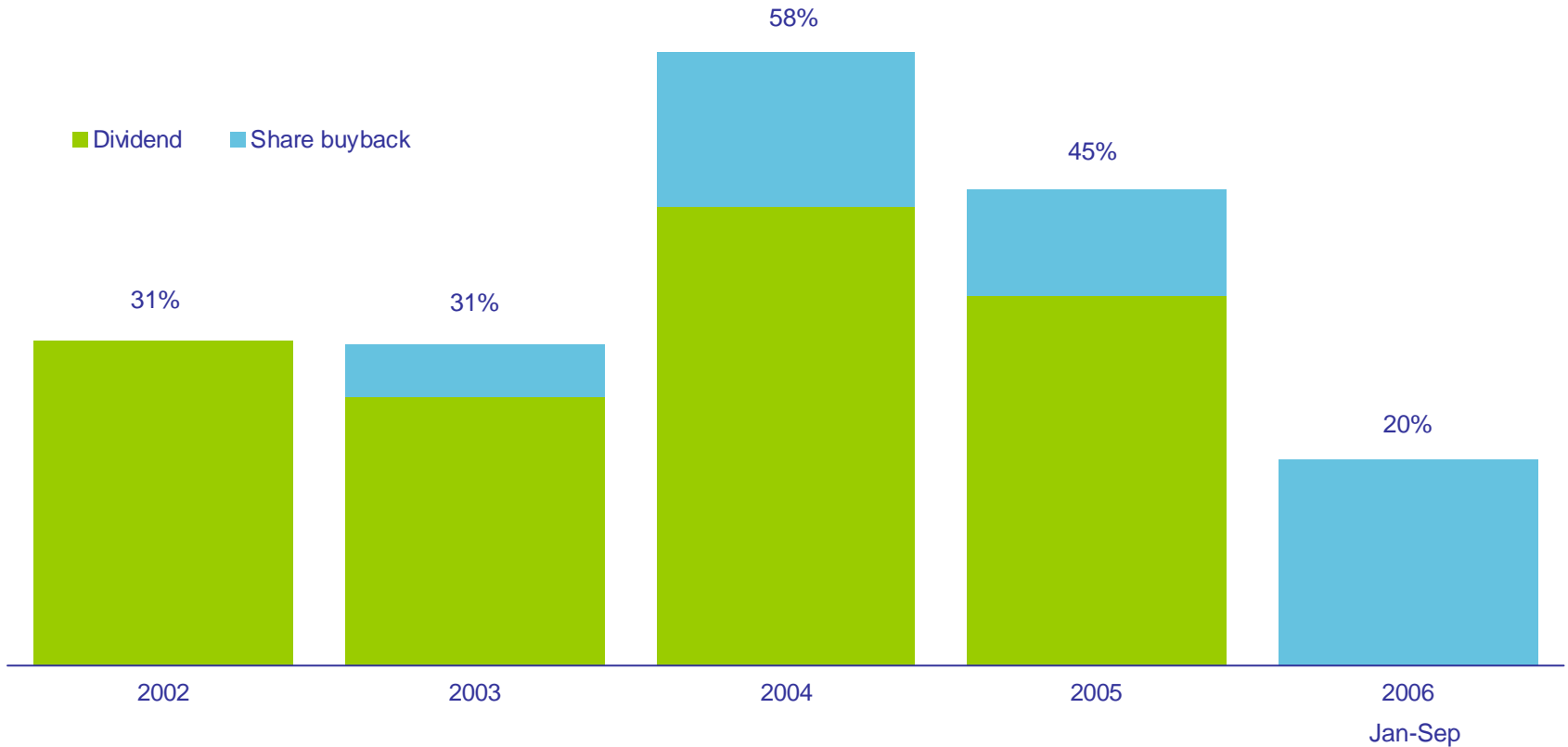
1 January to 1 December 2006



Source: Yahoo Finance, NYSE, USD

# Competitive payout to shareholders

Payout ratio – dividend and buyback



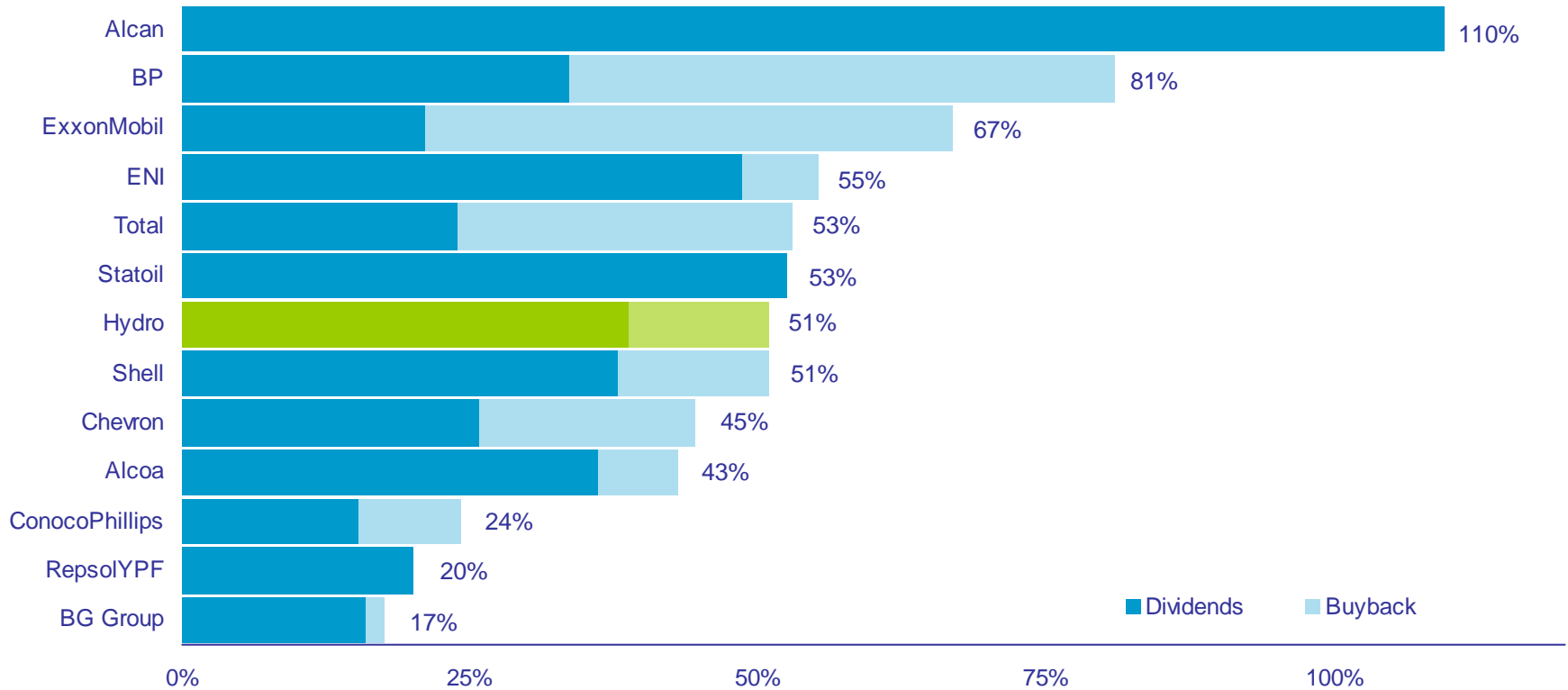
Dividend allocated to the year for which the dividend was paid. Buyback allocated to the year when the buyback transactions were executed.



# Competitive payout to shareholders

Dividend and share buyback relative to net income

1 January 2004 to 31 December 2005



Source: Company reports

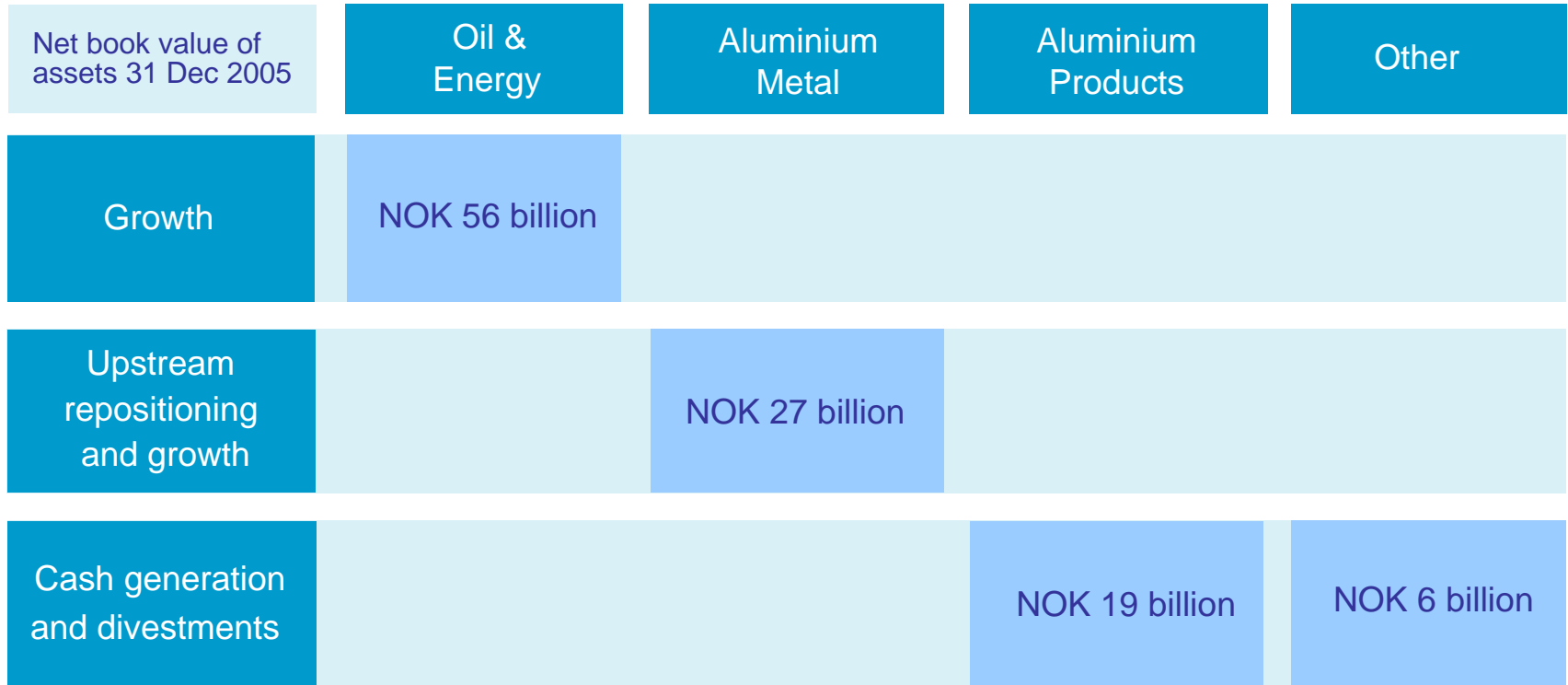
# Active portfolio management 1999-2006

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
<b>Total acquisitions</b>	<b>77</b>
Divestments	
Yara International (2004)	*21
Various non-core activities (2000-2006)	28
Automotive Castings and Meridian (2006)	4
<b>Total divestments</b>	<b>53</b>

\* Enterprise value at public listing date 25 March 2004

# A more focused portfolio

Capital employed NOK 109 billion



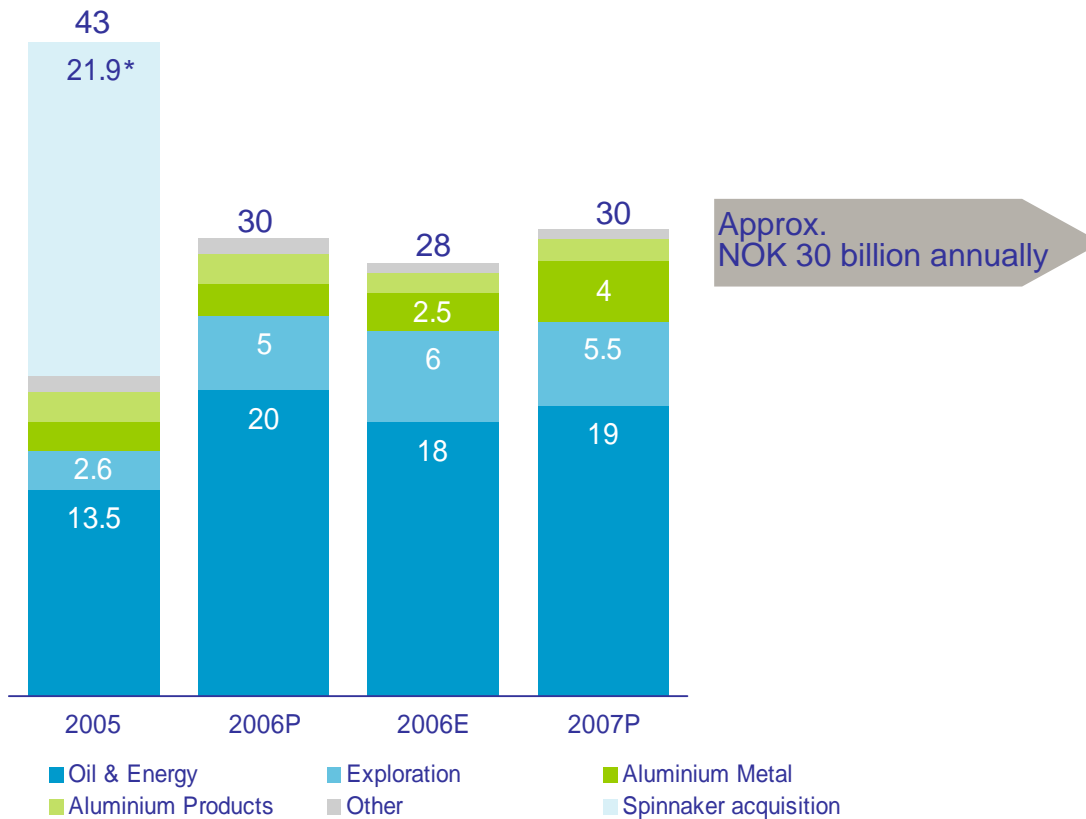


## Hydro Polymers – listing or divestment being considered

- 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

NOK billion



## 2007-2010

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

\* Including non-cash element of NOK 5.5 billion



A high-angle, close-up photograph of an offshore oil rig worker. The worker is wearing a bright red safety suit, a white hard hat, and white work gloves. They are standing on a metal platform with a perforated metal floor. The worker's right hand is resting on a vertical metal railing. In the background, the deep blue ocean is visible, with white foam from the rig's wake. The overall scene conveys a sense of industrial activity in a maritime environment.

# Oil & Energy – performance and perspectives



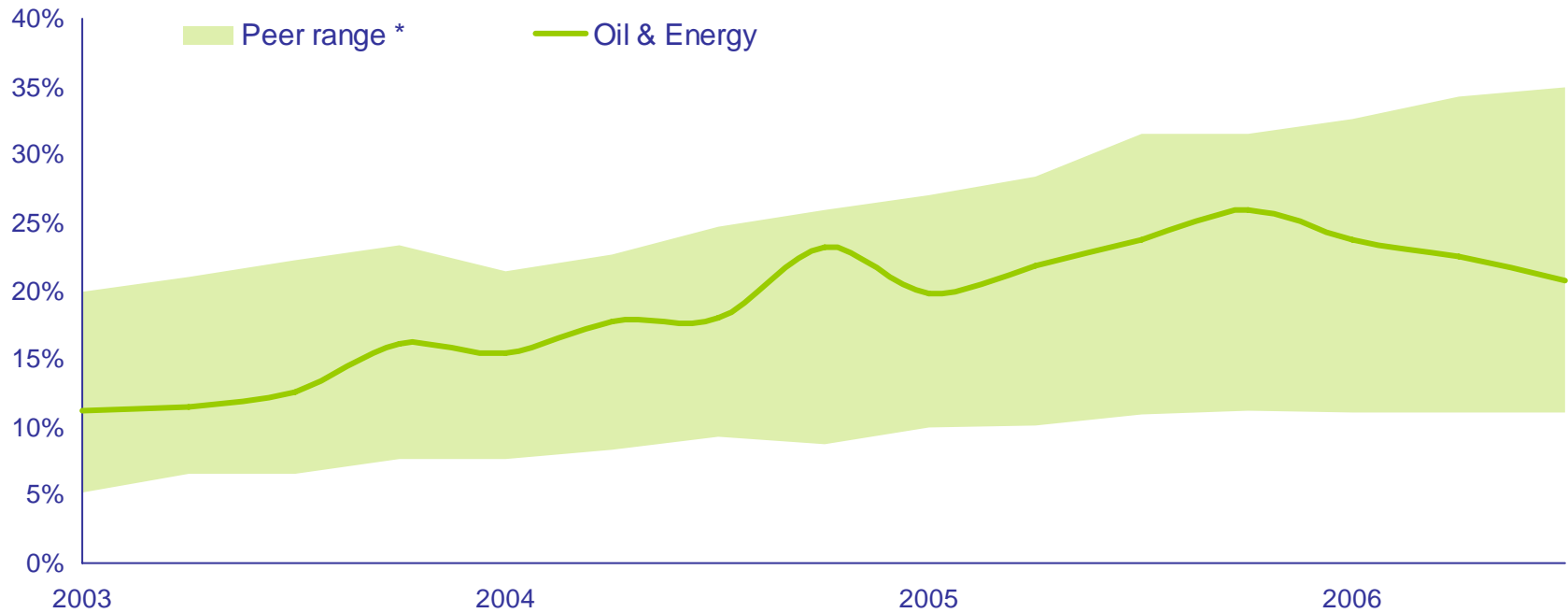


## Highlights Oil & Energy

- 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

# Return on capital in line with with peers

RoaCE

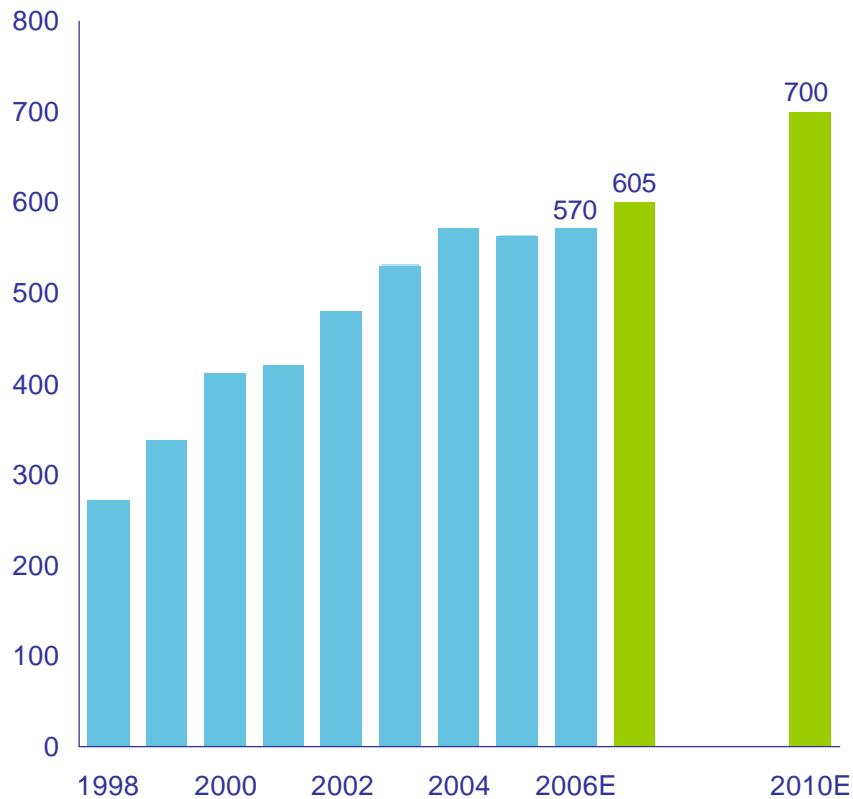


\* BG Group, BP, Chevron, ExxonMobil, RepsolYPF, Shell, Statoil and Total

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

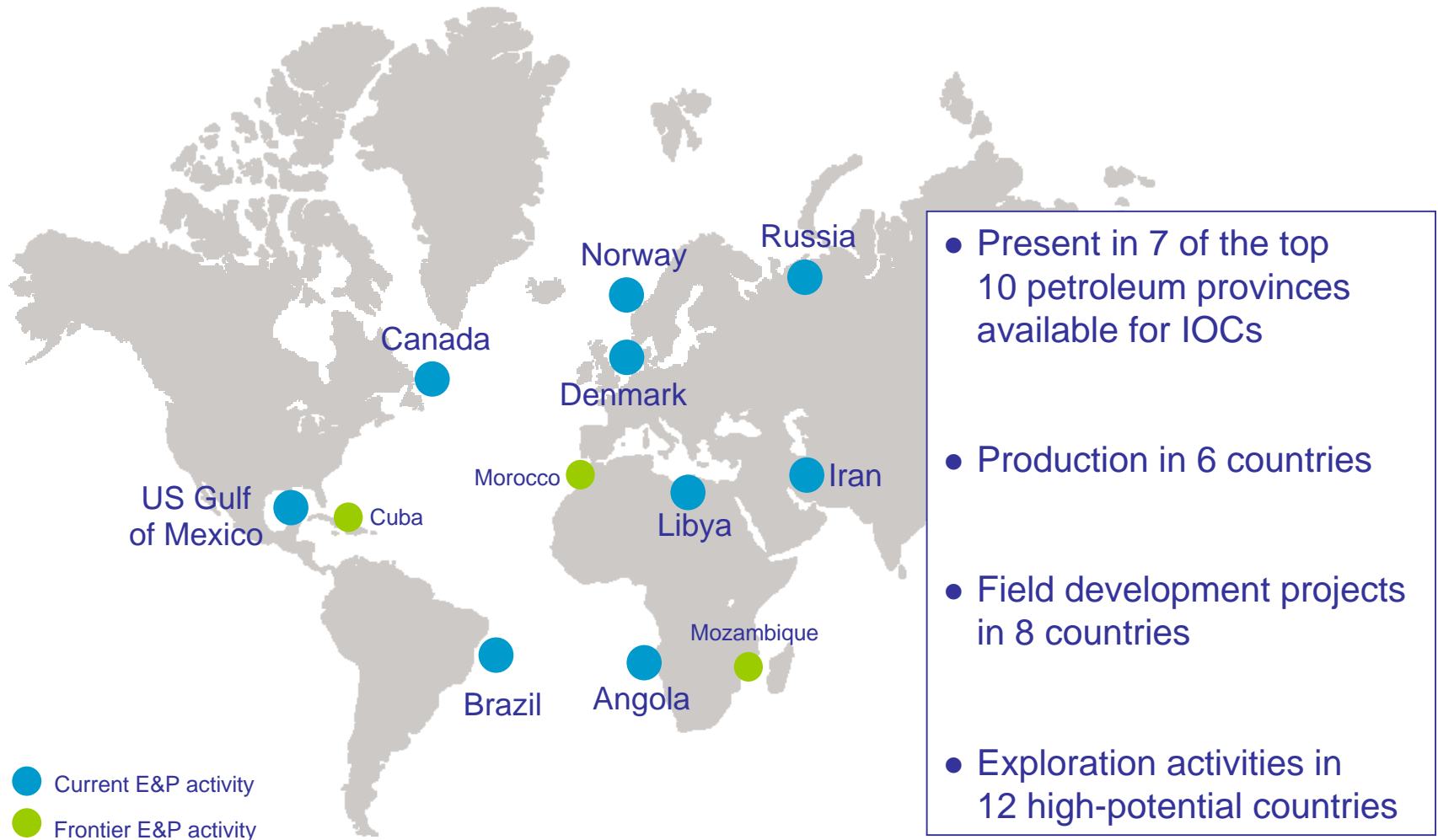
# Continued production growth

1 000 boed



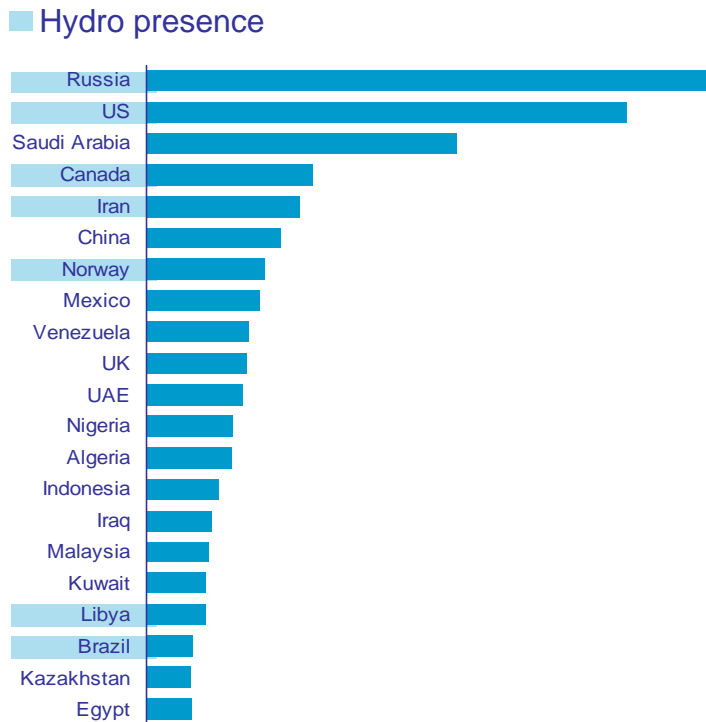
- 2007 target: 605 000 boed
- 2010 expected: 700 000 boed
  - Capacity constraints lead to project delays
- Growth from high-quality portfolio
- Improved growth prospects beyond 2010

# International portfolio in top tier countries



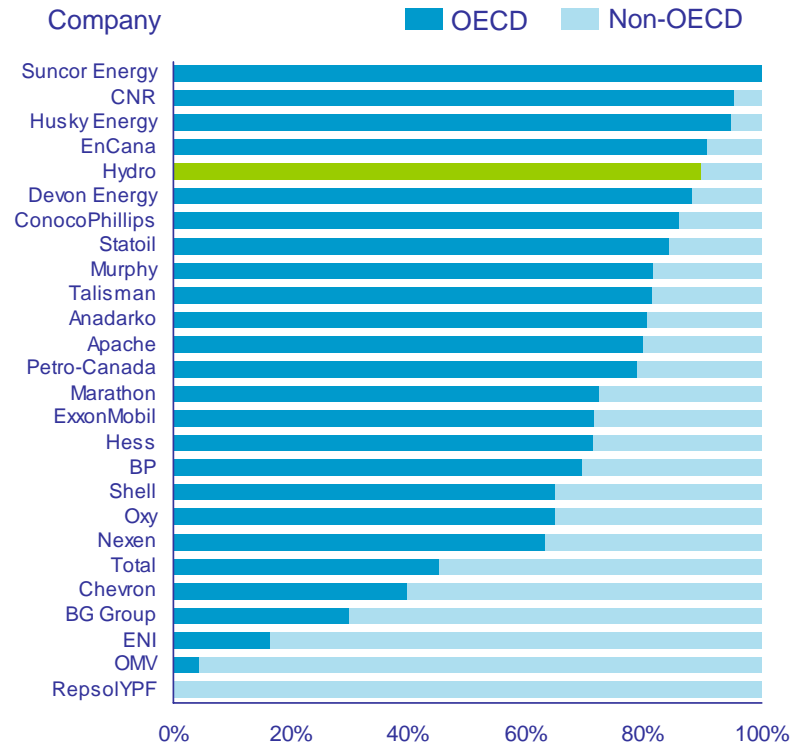
# High share of production in OECD countries

Top 2005 producing countries globally



Source: EIA

2005 production by region



Source: SEC/Company reports



A high-angle, close-up photograph of a worker on an offshore oil rig. The worker is wearing a bright red safety suit, a white hard hat, and white gloves. They are standing on a metal grating platform, with their right hand resting on a vertical metal pipe. The background shows the deep blue ocean with white-capped waves. A semi-transparent white banner is overlaid on the left side of the image, containing the worker's name and title in blue text.

Tore Torvund  
Executive Vice President, Oil & Energy



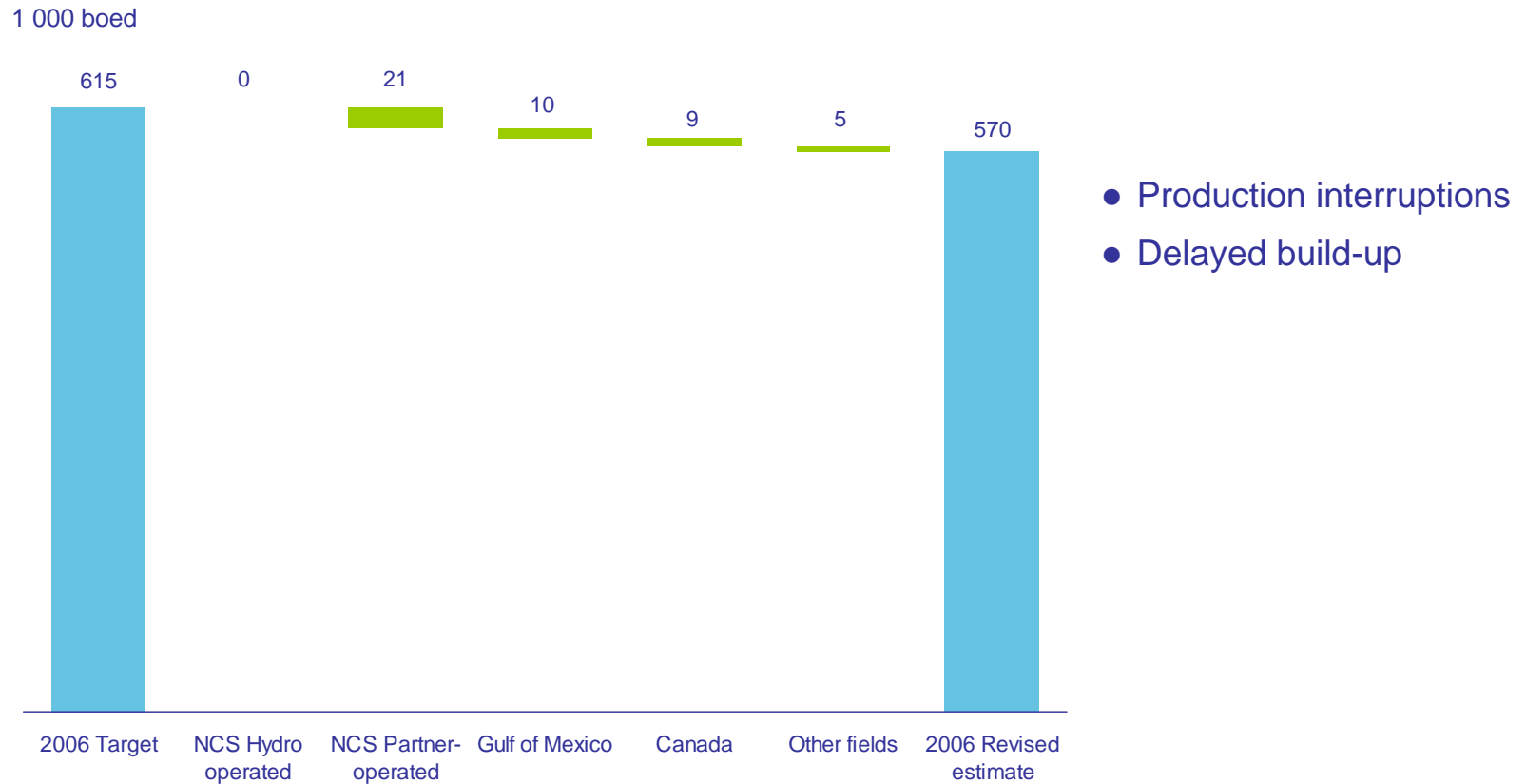


## Operational highlights

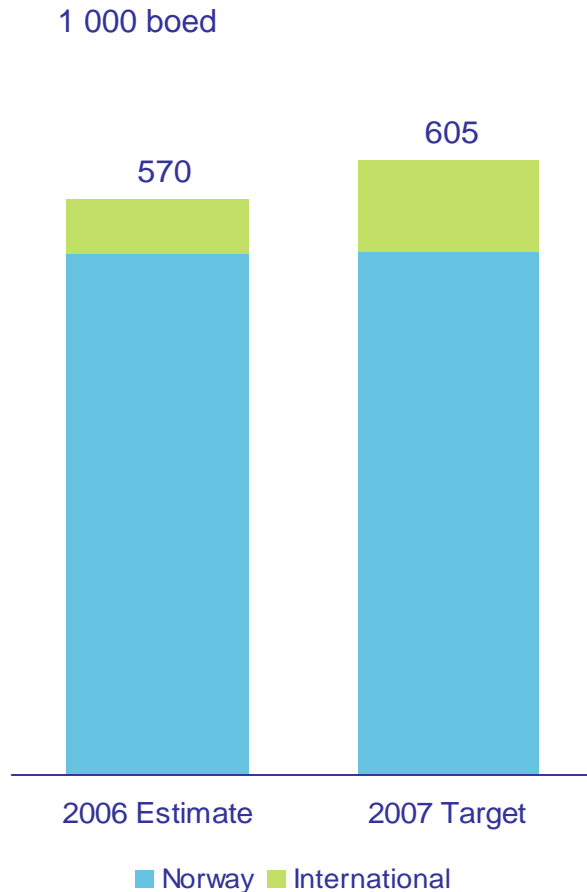
	CMD 2005	2006 estimate
Production	615 000 boed	570 000 boed
Production costs	NOK 23/boe	NOK 25/boe
Capital expenditures	NOK 20 billion	NOK 18 billion
Exploration activity	NOK 5 billion	NOK 6 billion

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

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



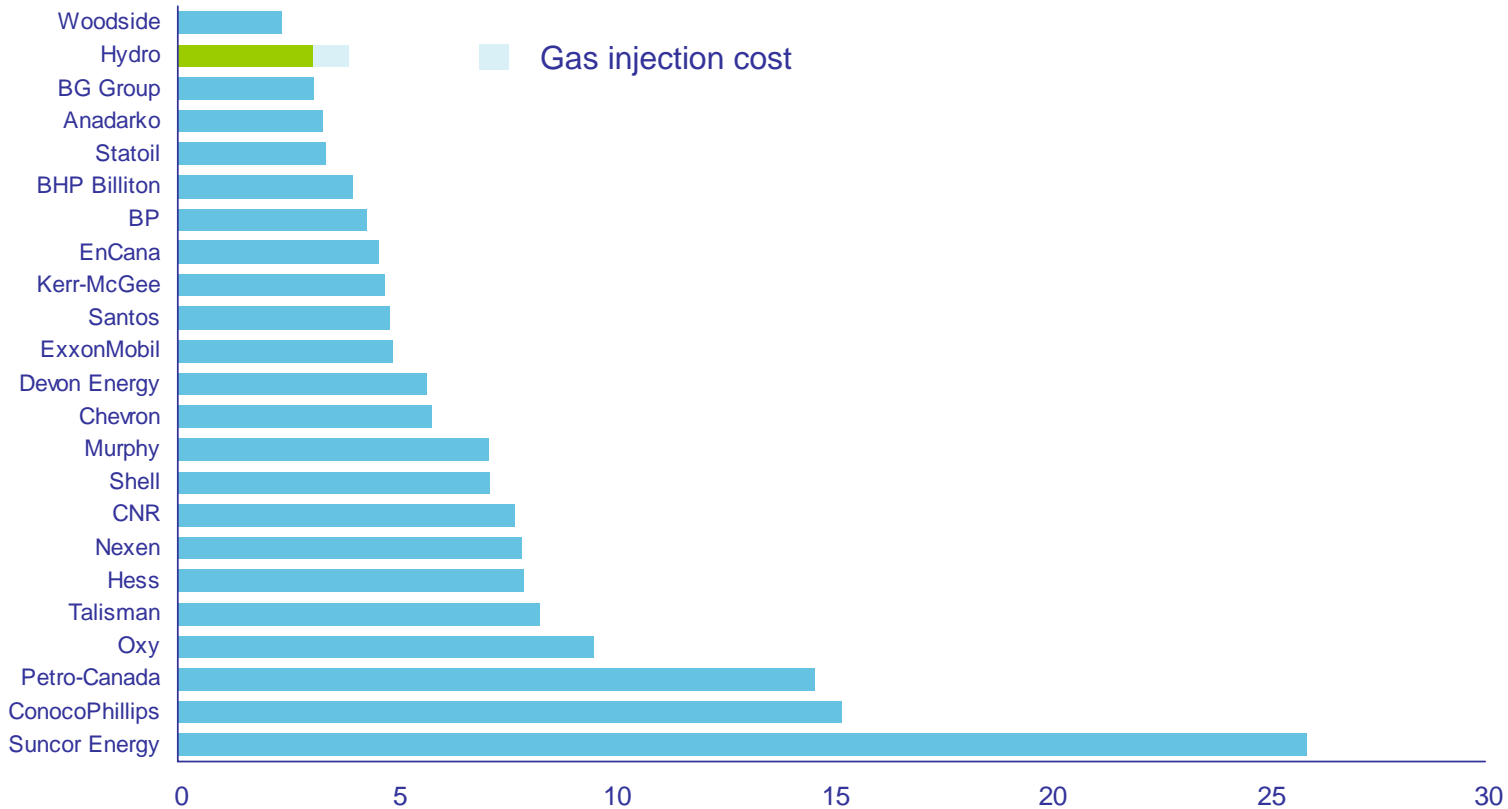
# Measures to meet 2007 target



- 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

Production cost excluding gas injection in NOK/boe





An aerial photograph of a large offshore oil rig, showing its complex steel structure, yellow support legs, and various deck levels. The rig is situated in the dark blue ocean. A semi-transparent white rectangular box is overlaid across the center of the image, containing the text "Growth from existing portfolio" in a blue, sans-serif font.

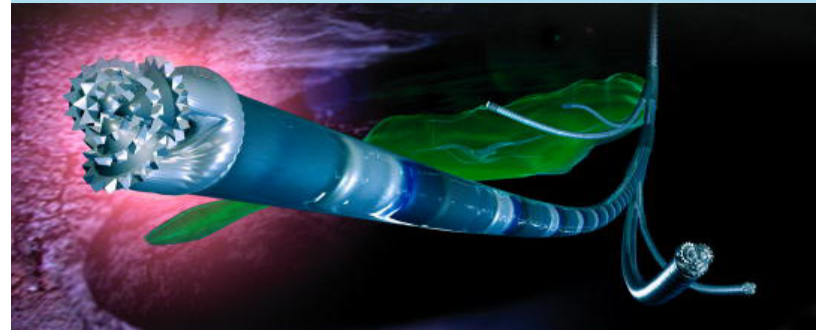
Growth from existing portfolio

# Technology leadership to deliver growth

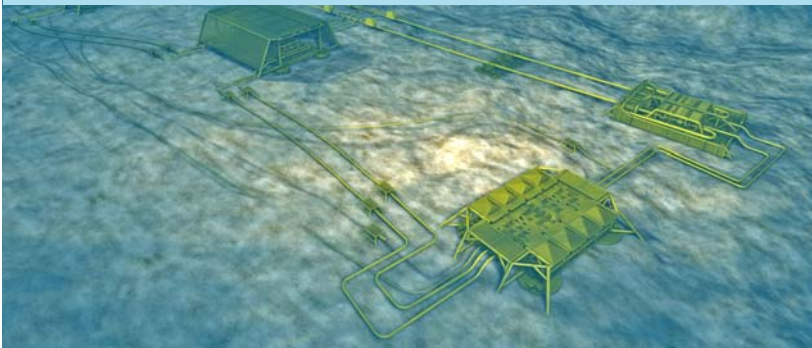
Exploration excellence



Advanced drilling



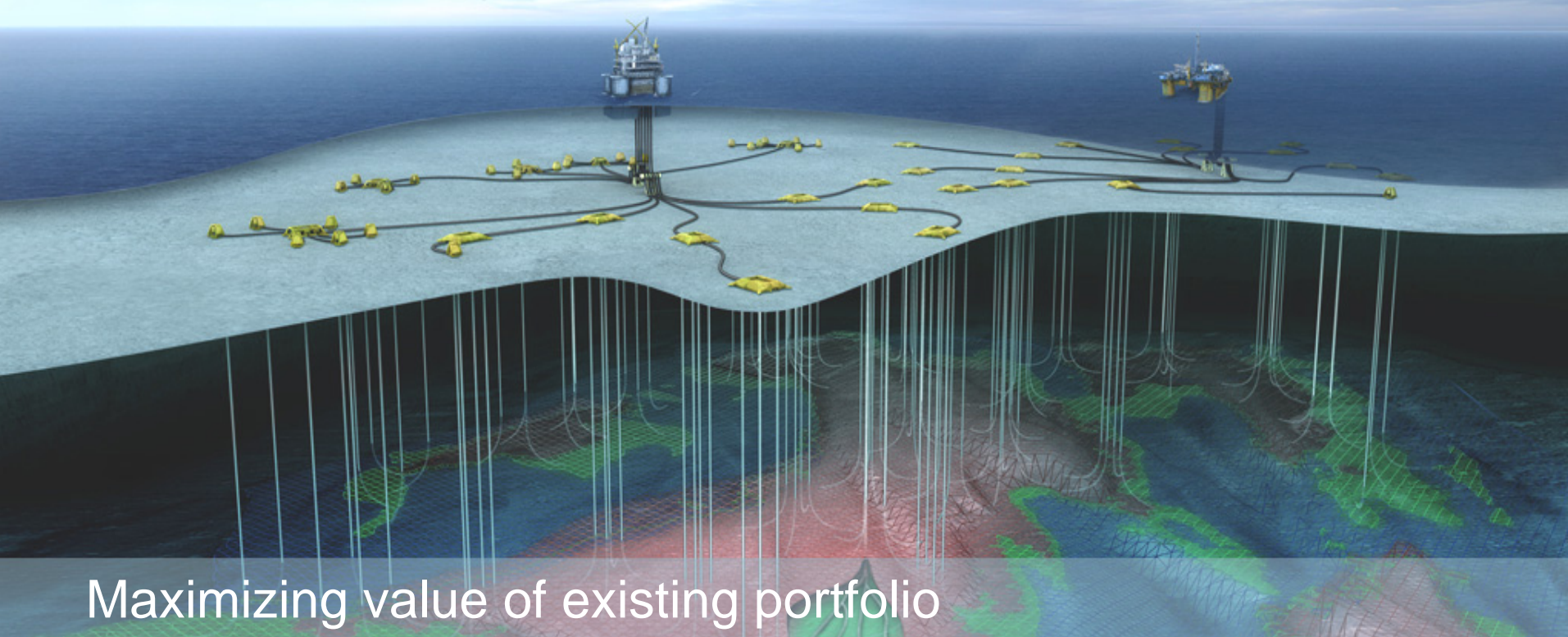
Subsea technology



Project management







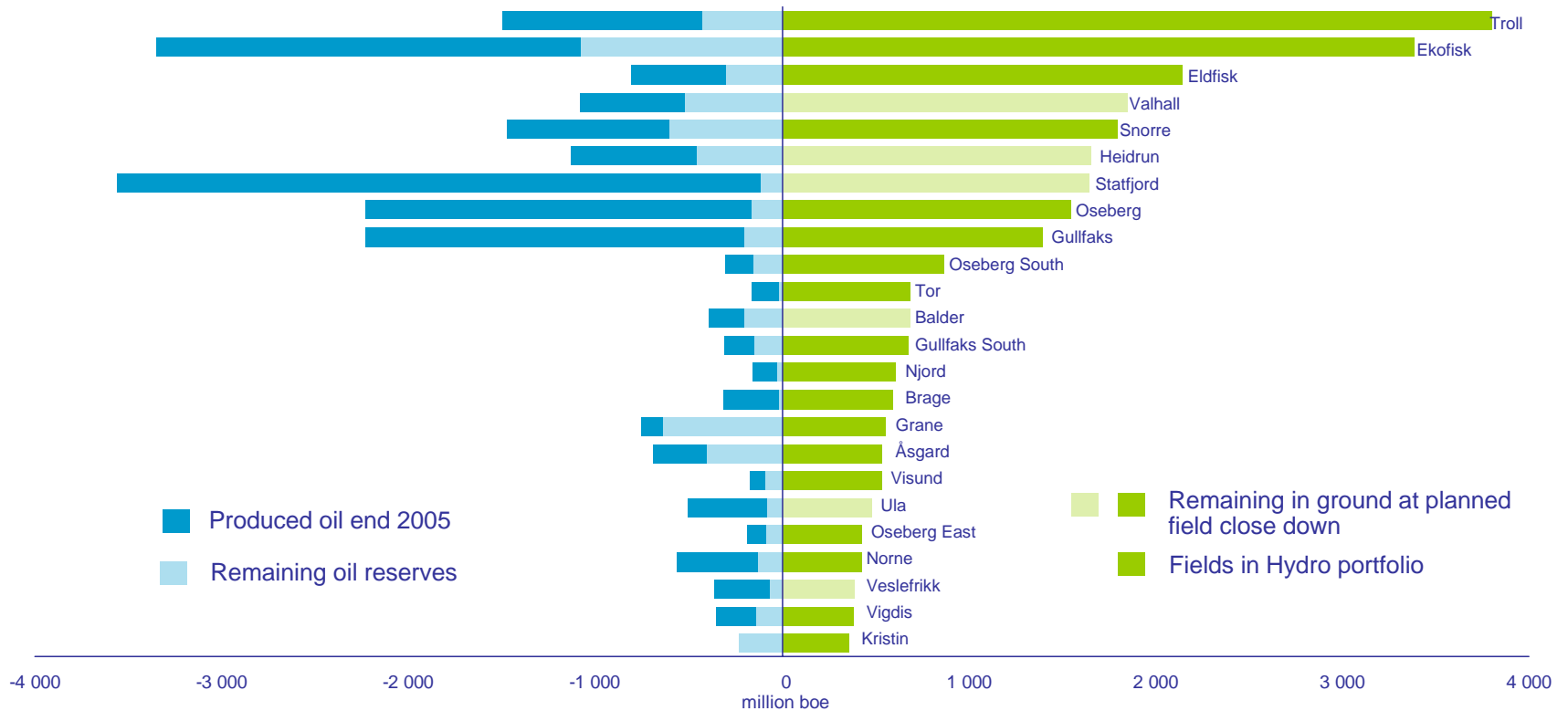
## Maximizing value of existing portfolio

- 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



# 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

Fram East  
 Fram West  
 Front Runner  
 Girassol  
 Grane  
 Jasmim  
 Kharyaga  
 Kristin  
 Lorien  
 Kvitebjørn  
 Mikkel  
 Murzuk NC 186-A & D  
 Oseberg West flank  
 Ringhorne East  
 Sigyn  
 Skirne/Byggve  
 Terra Nova  
 Tune  
 Urd  
 Vale  
 Vigdis Extension  
 Visund Nord

## Fields under development

Ormen Lange  
 Dalia  
 Rosa  
 Independence Hub area:  
 Q , Spiderman , San Jacinto  
 Vilje  
 Njord Gas  
 Volve  
 Rimfaks/Skinfaks  
 Oseberg Delta  
 Oseberg East Drilling  
 Gimboa  
 Tune South  
 Tyrihans  
 Thunder Hawk  
 Alve  
 Hibernia South  
 Murzuk NC-186: B & H  
 Vega

## New projects

Peregrino  
 Idun/Skarv  
 Sigrid  
 Dagny  
 Pazflor  
 Morvin  
 Njord North-West Flank  
 Peon  
 Troll Future Development  
 Azar  
 Astero  
 Kharyaga Phase III  
 CLOV  
 Murzuk NC-186: I/R; J&K field  
 Dahra North& South  
 Garian  
 Hejre  
 Thunder Bird  
 Thunder Ridge  
 Valemon  
 Hebron

*Non-exhaustive list*

# Field development portfolio

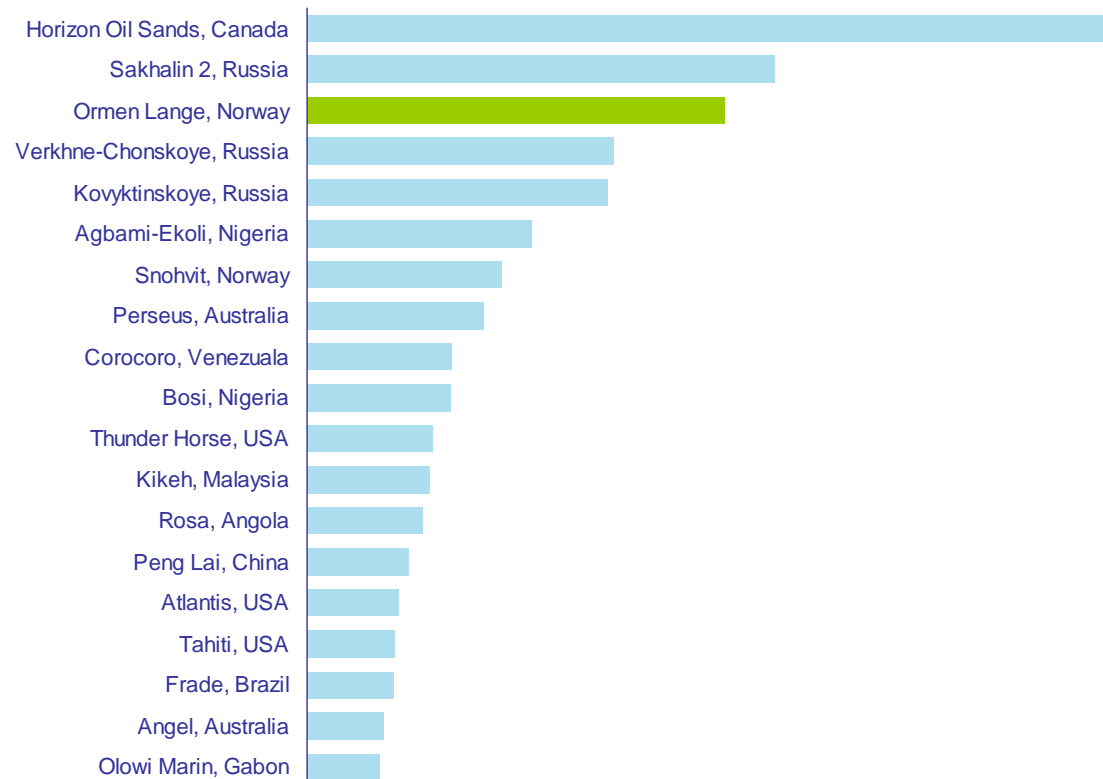
Generating above 200 000 boed at peak

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

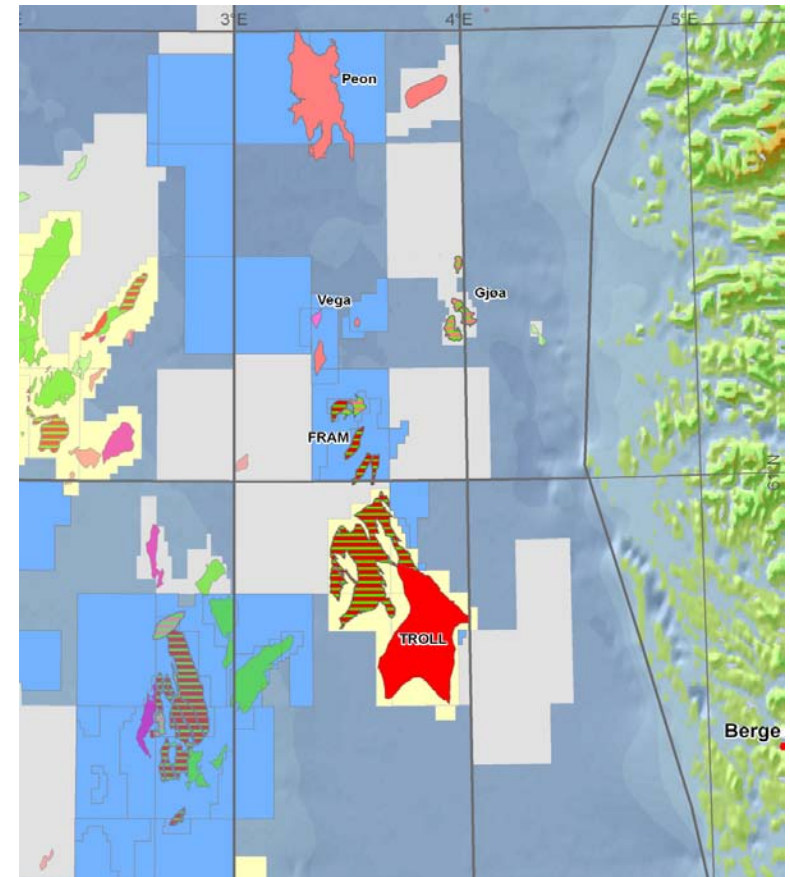


- A vast subsea scheme with ground-breaking technology
- Largest industrial undertaking ever in Norway
- Third-largest field development globally
- Langede South opened on schedule in October 2006

Source: Rystad Energy

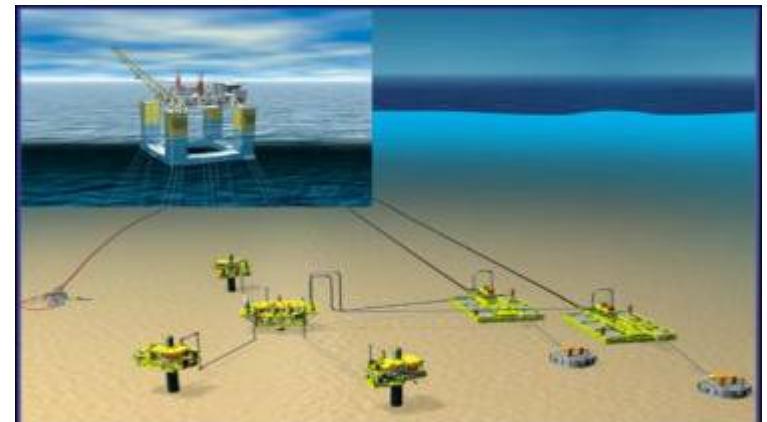
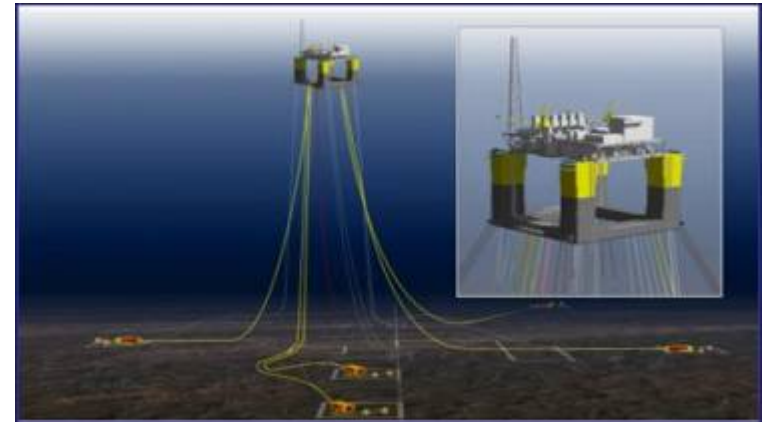
# Field developments in main core area

- 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



# 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

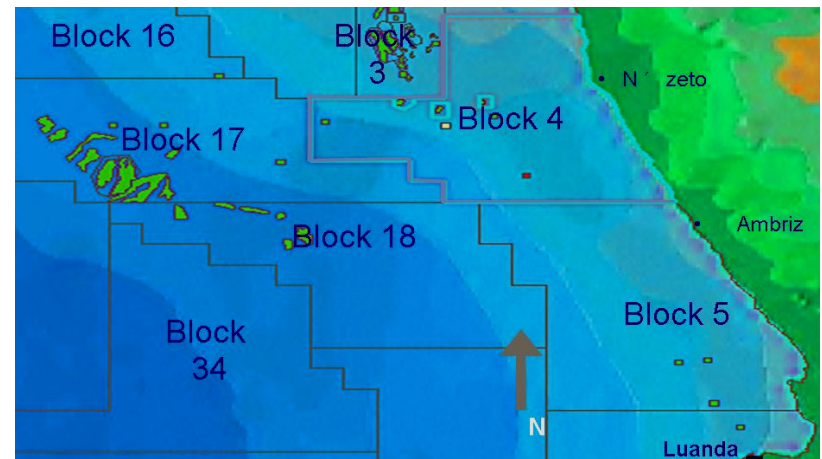
## Approaching 40 000 boed in 2008

### 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



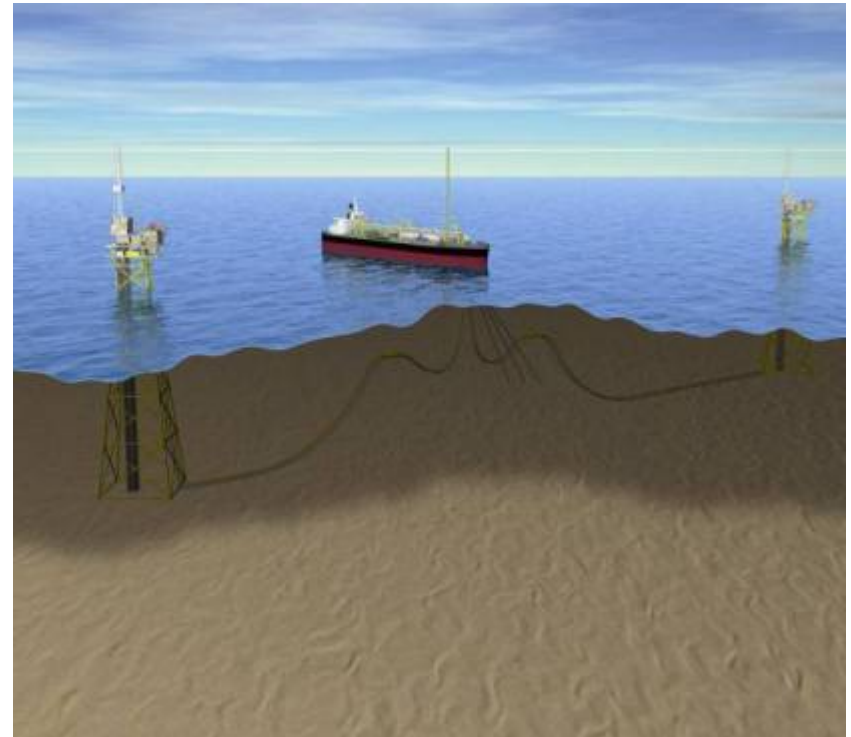
# Leveraging strong Canadian position

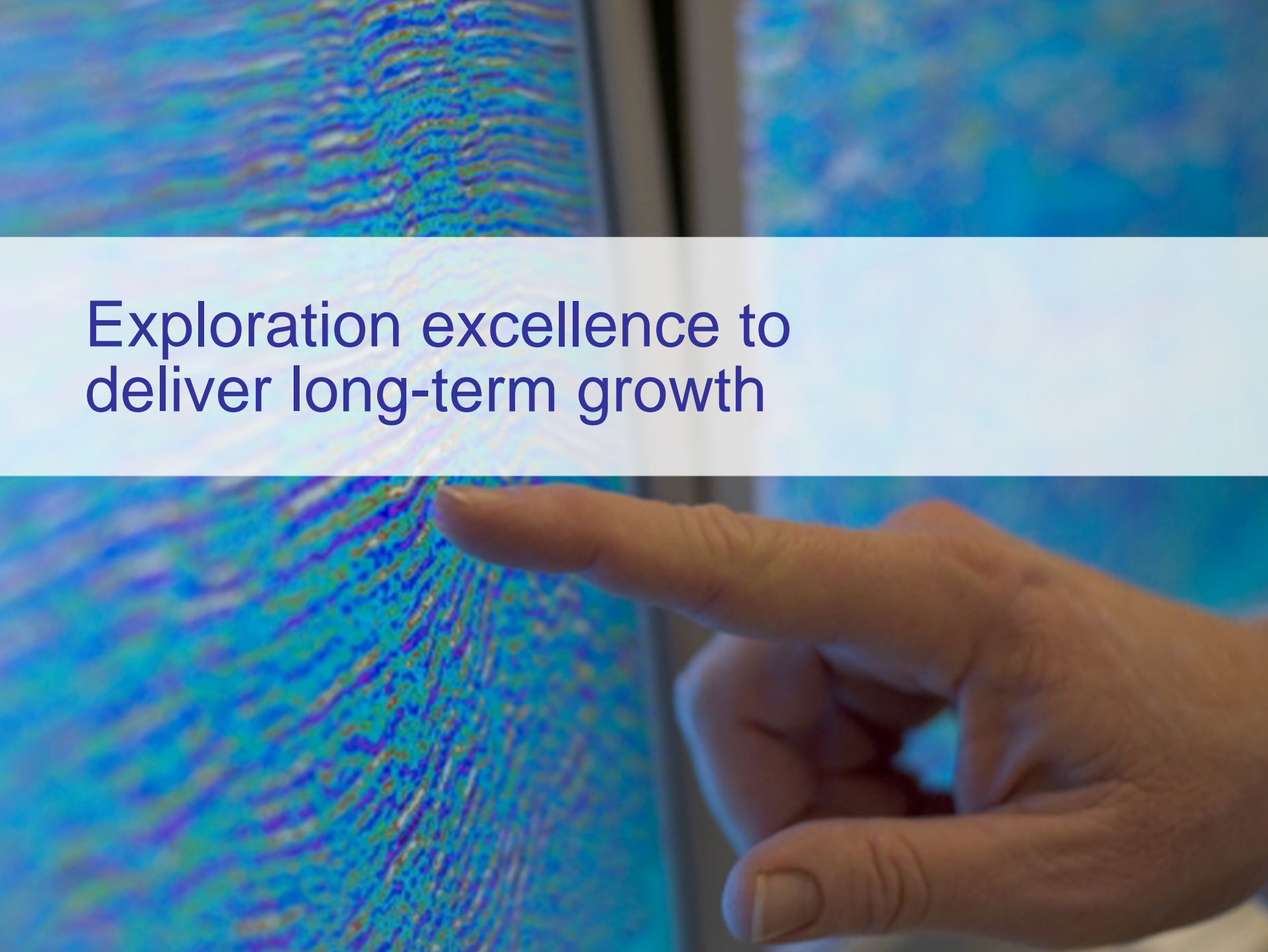
- Terra Nova back on stream
  - 15 000 boed net Hydro share
  - Comprehensive re-certification 2006
- Hibernia in steady production
  - 9 000 boed net Hydro share
- Hibernia South
  - Development plans in process
- Hebron
  - Significant development resource
- Grand Banks – prolific area
  - West Bonne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

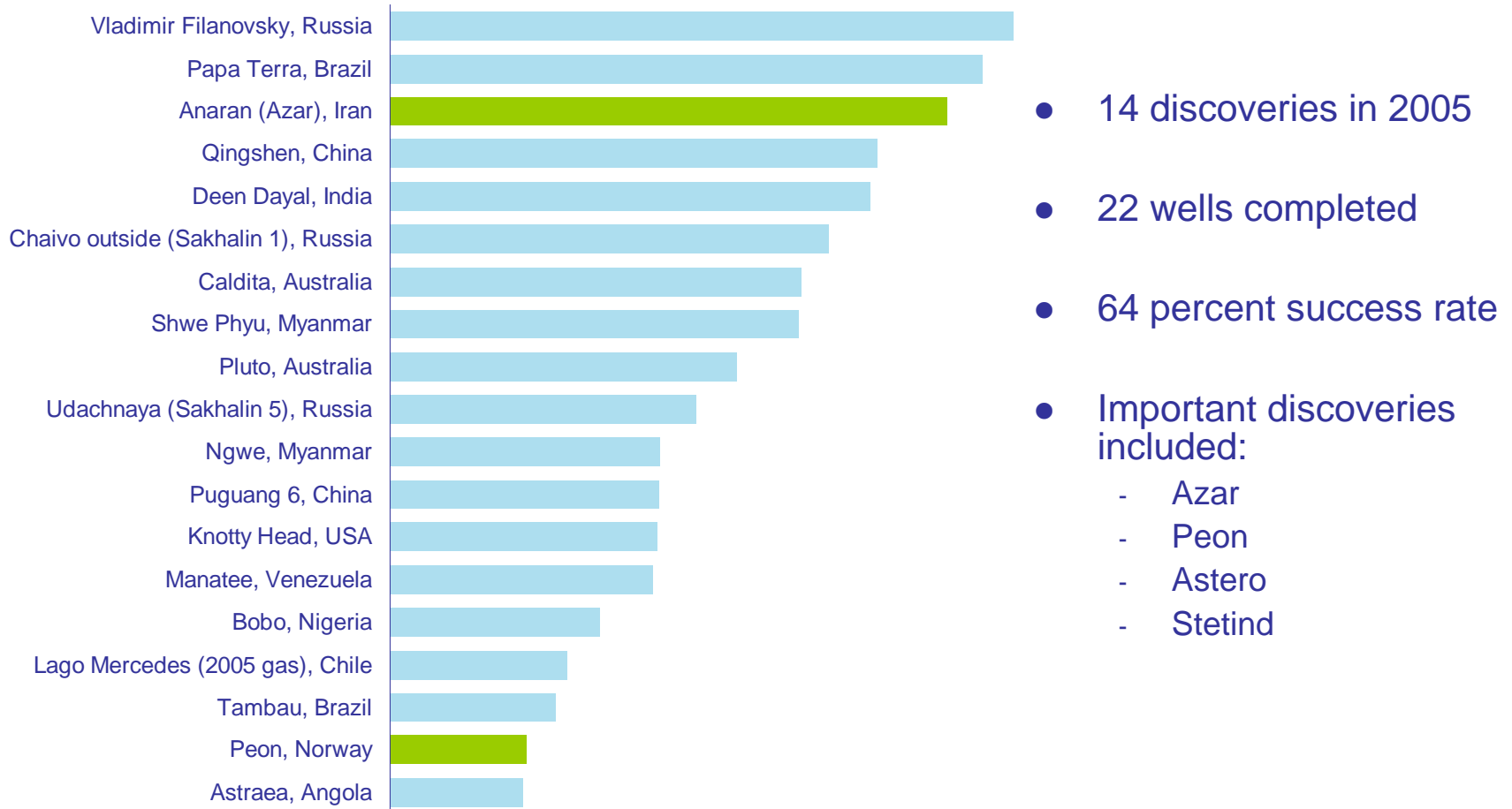


A hand is pointing at a digital screen displaying seismic data. The screen shows a complex, colorful pattern of lines and curves, representing geological or seismic information. The background is a blurred view of the same screen, showing the same data. The text is overlaid on a white horizontal band across the middle of the image.

Exploration excellence to  
deliver long-term growth

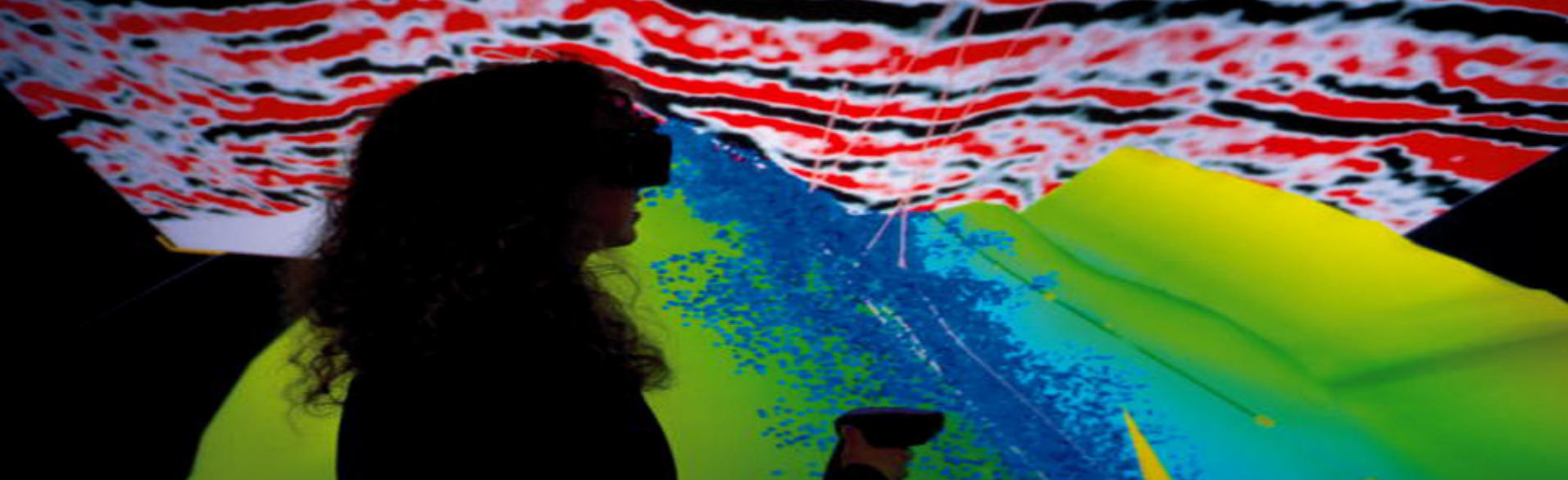


# Two Hydro discoveries among the world's largest in 2005



Source: Rystad Energy



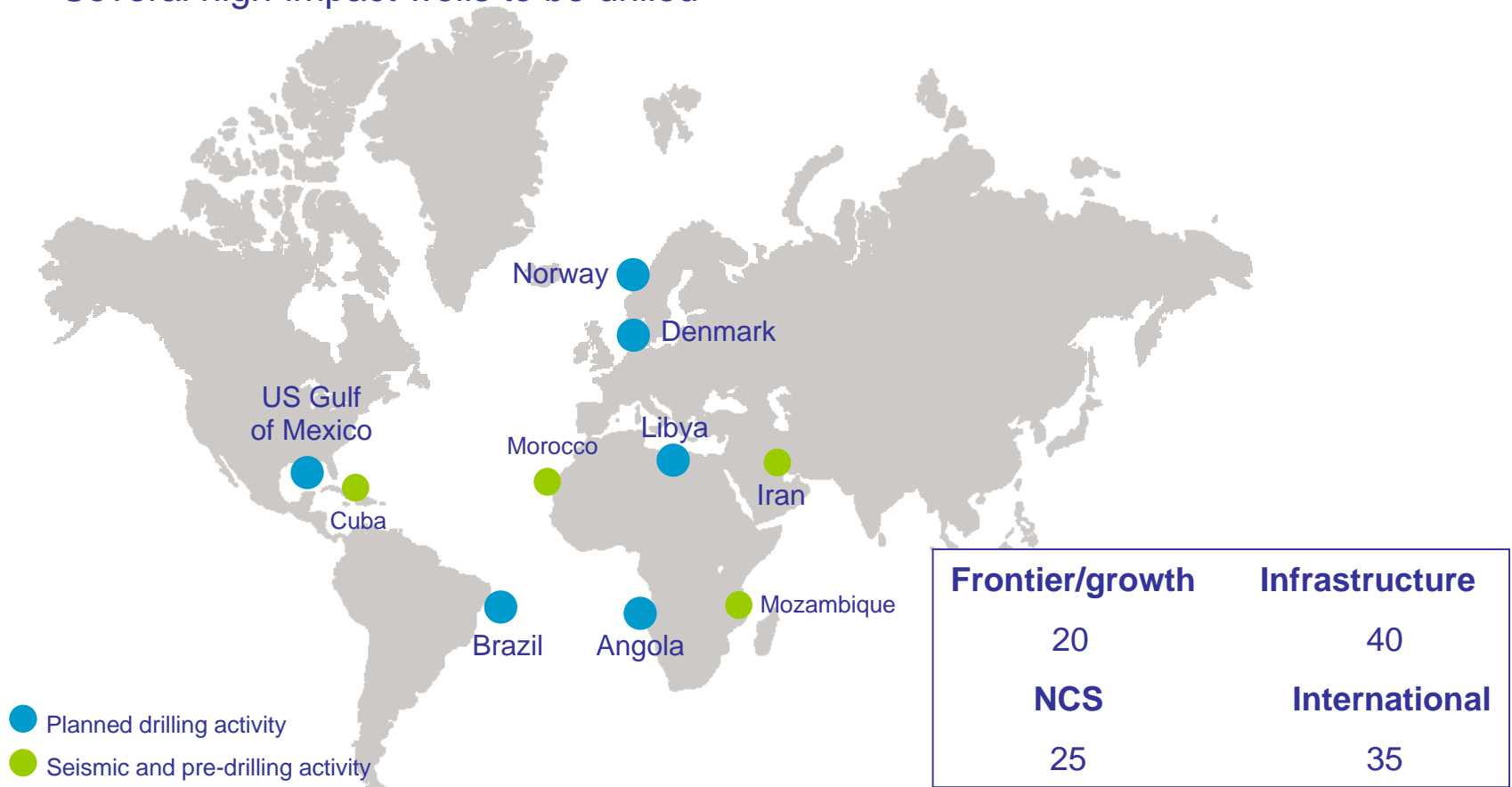


## Extensive exploration in 2006

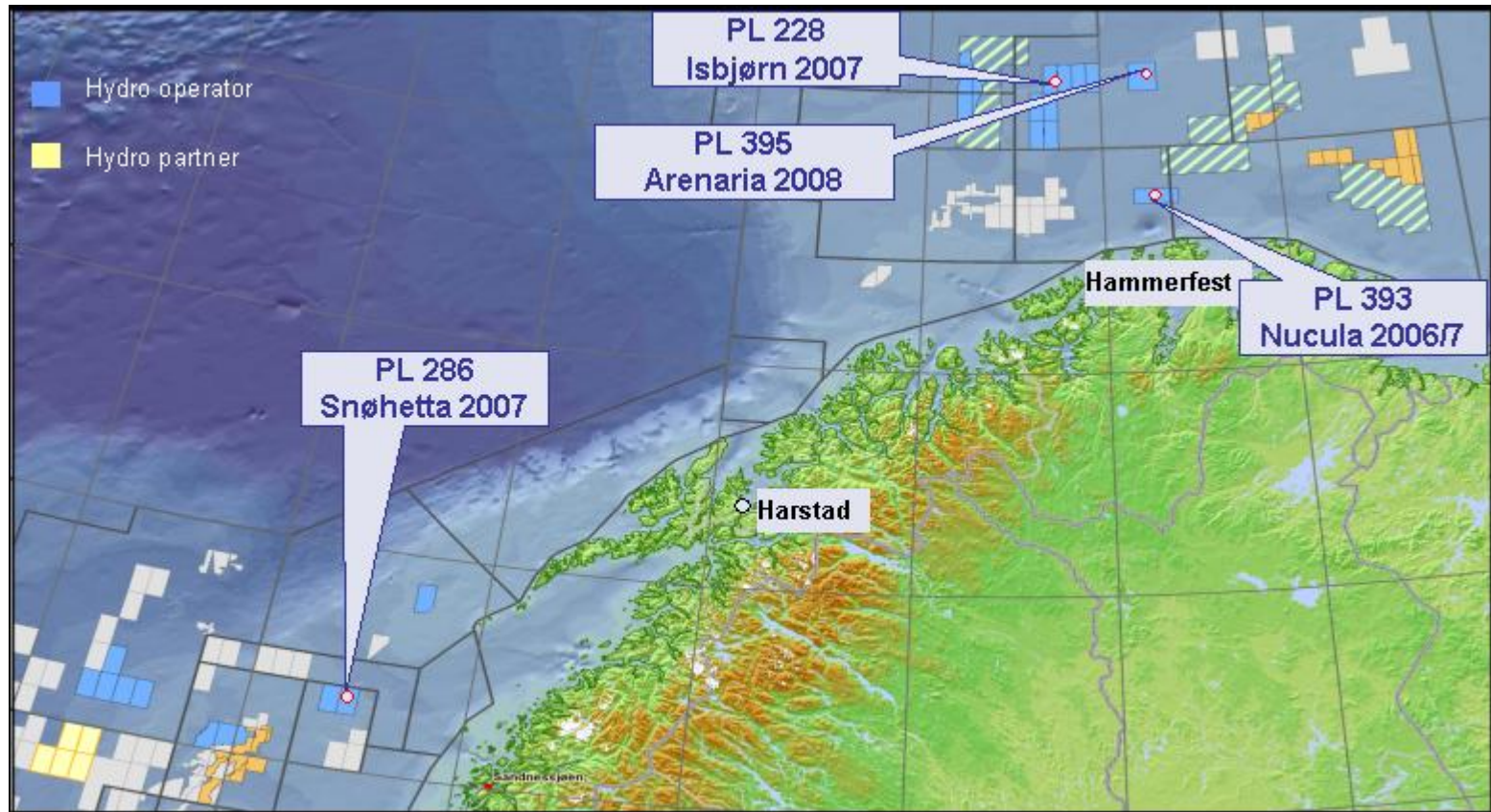
- 47 wells completed so far (13 Norway and 34 international)
- 25 discoveries (5 Norway and 20 international)
- 53 percent success rate
- Mainly infrastructure-led exploration
- Attractive new exploration acreage
  - US Gulf of Mexico, Norway, Denmark, Canada and Brazil

# High exploration level to continue in 2007

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



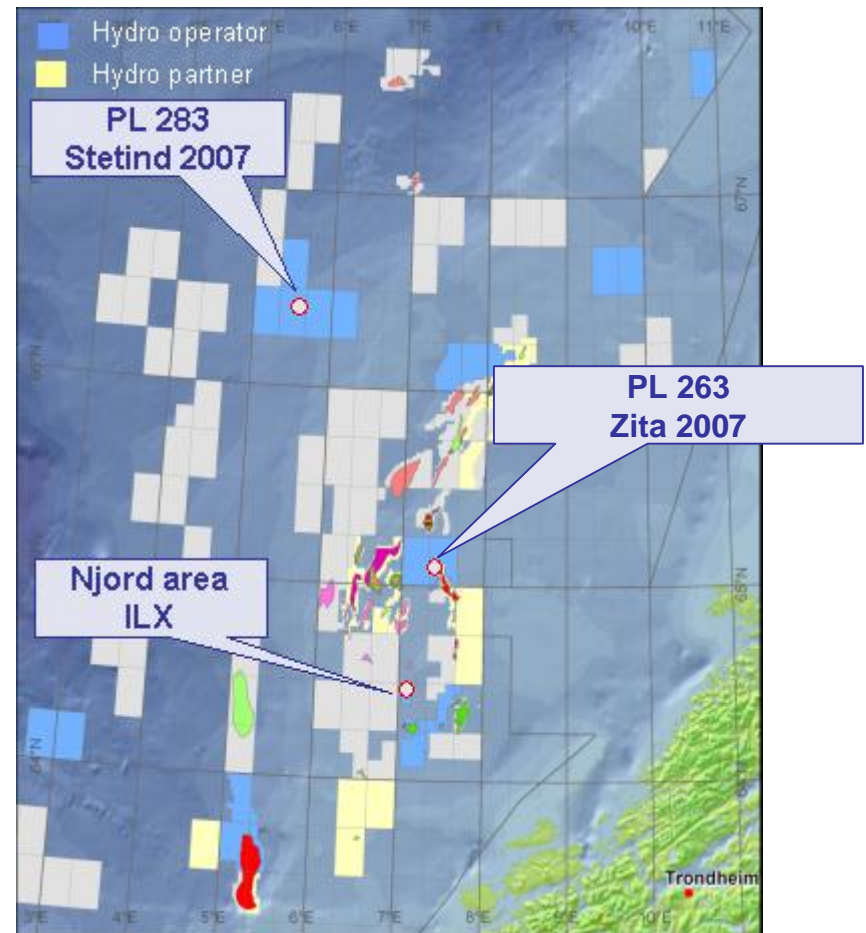
# Northern Norway - exciting frontier exploration



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

# Norwegian Sea - frontier and growth exploration

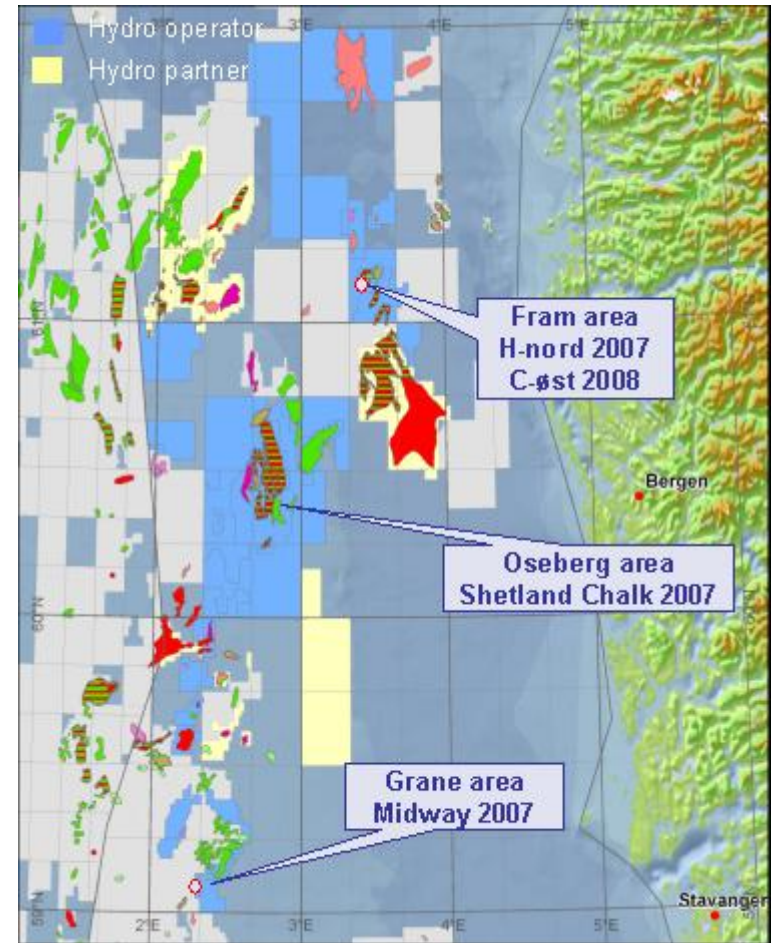
- Pursue the deepwater gas play in the Stetind area
- New wells to test Halten area potential
- Njord near field exploration
  - Galtvort
  - Noatun





# Northern North Sea – near-field exploration potential

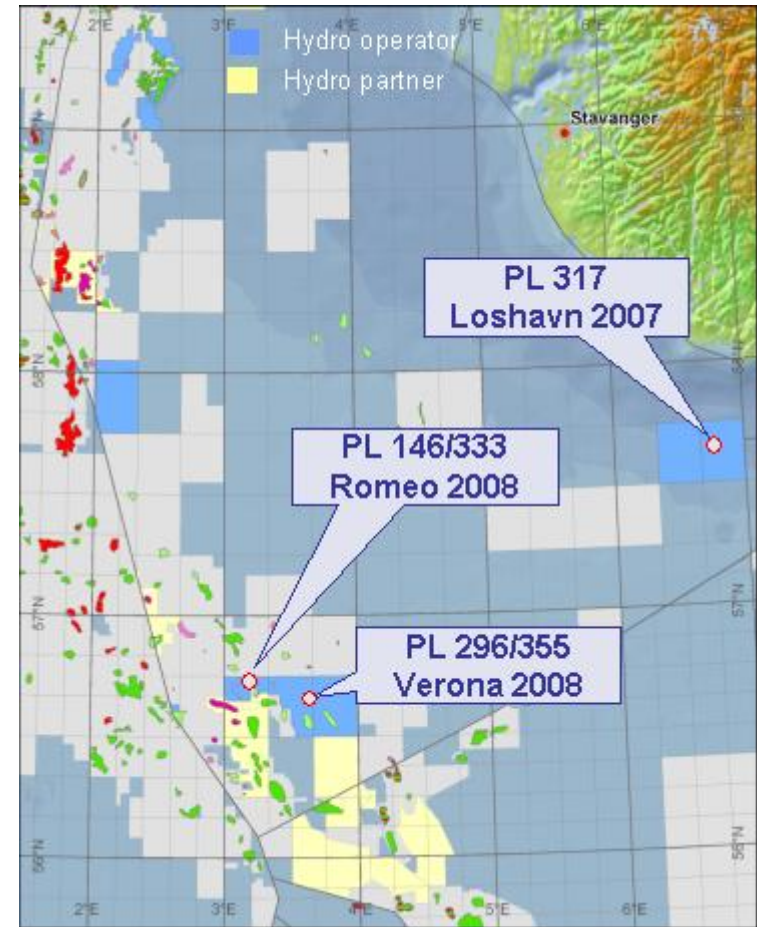
- Oseberg area
  - Shetland Chalk
- Fram area
  - New structures to be tested
- Grane area
  - Midway prospect to be tested
- Exploration in mature areas to maximize value of infrastructure
- Short lead times

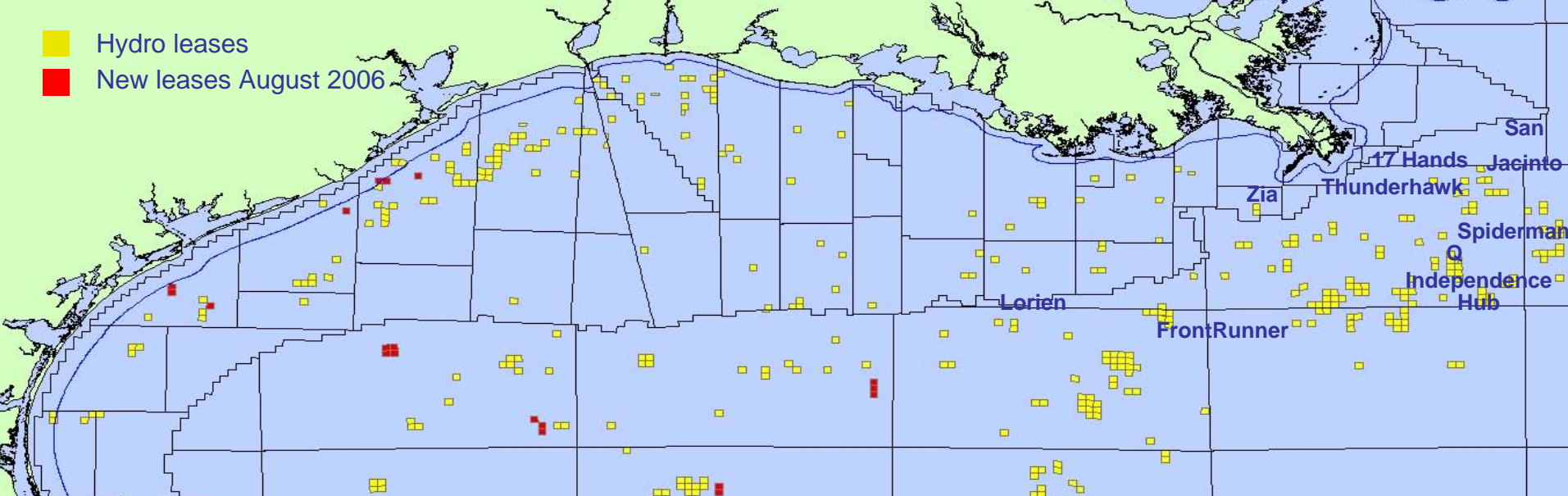




# Southern North Sea - significant growth potential

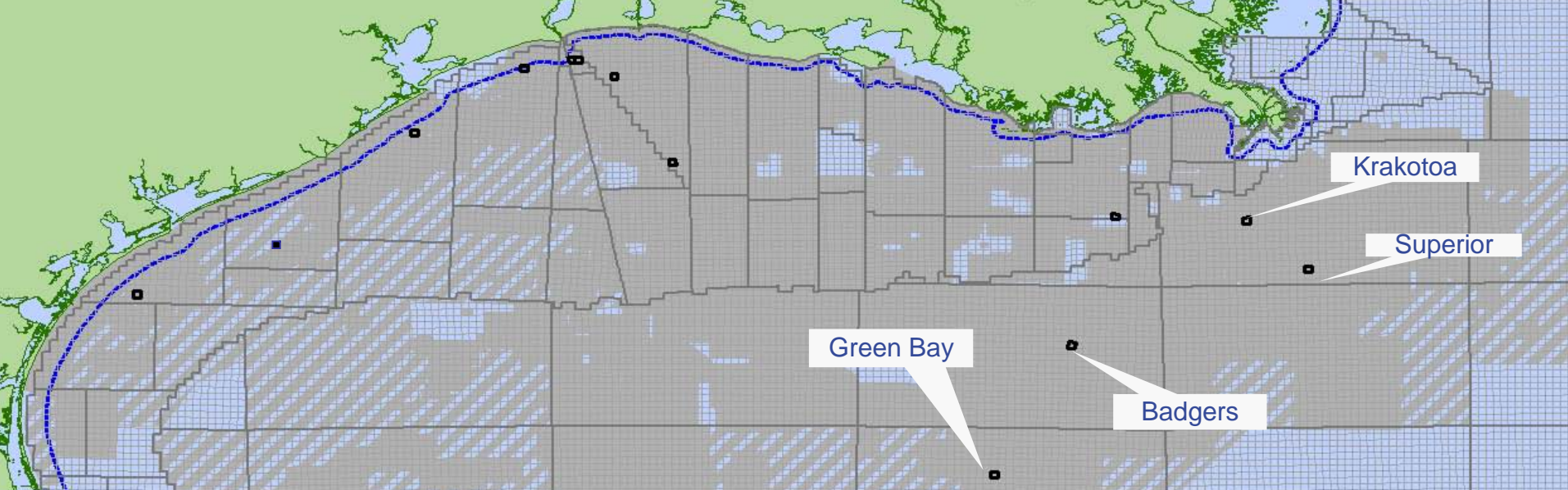
- Exploring a new basin
  - Farsund basin is an untested basin with a large oil potential
- Revival of the deep Central Graben
  - Upper Jurassic and Permian geological plays
  - Deep challenging wells
- Strong acreage position extending into Denmark





## 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<sup>th</sup> largest leaseholder, 405 leases, 52% operated
- Important lease sales in 2007 and 2008



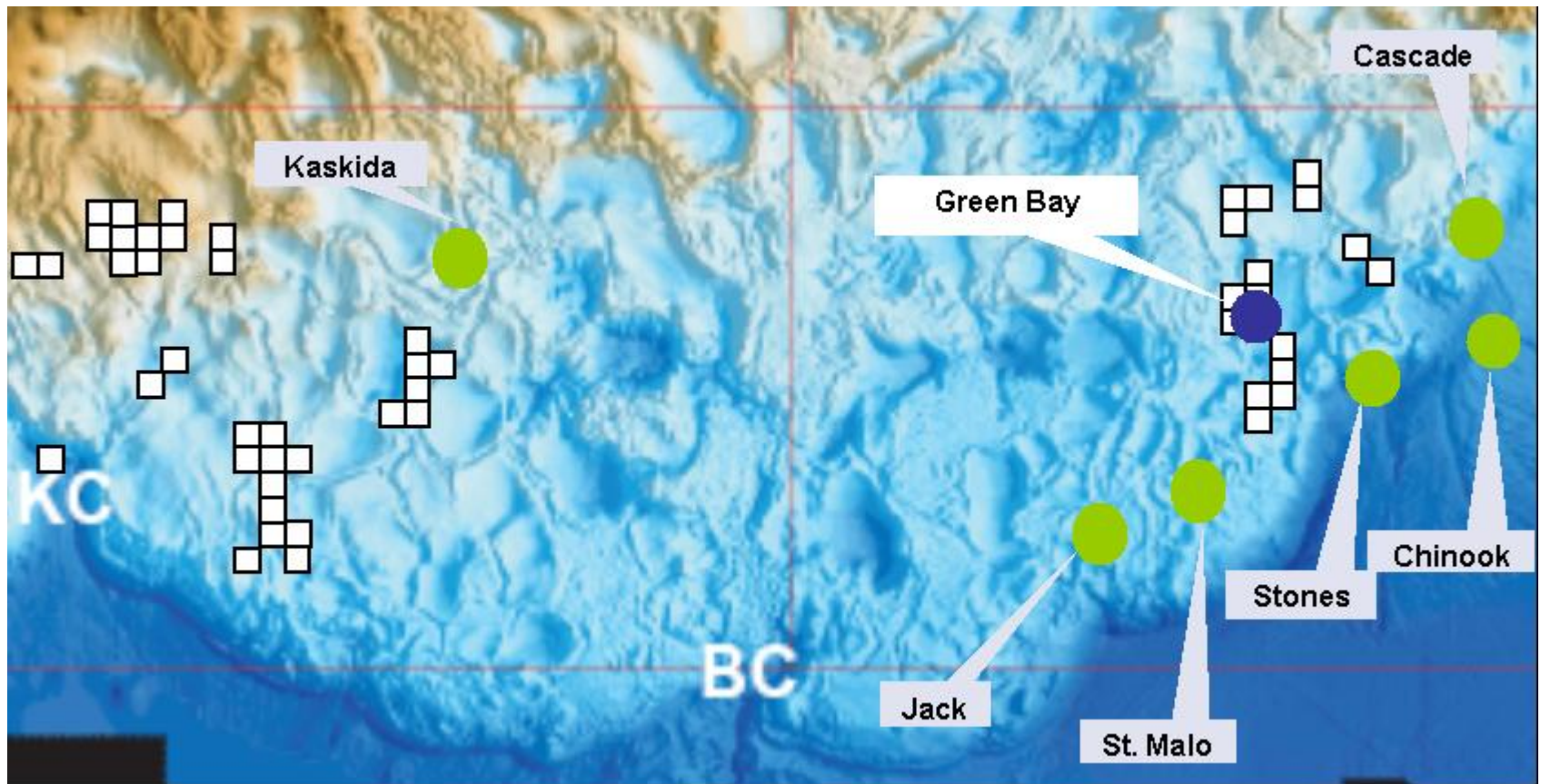
## Active deepwater exploration program

- 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



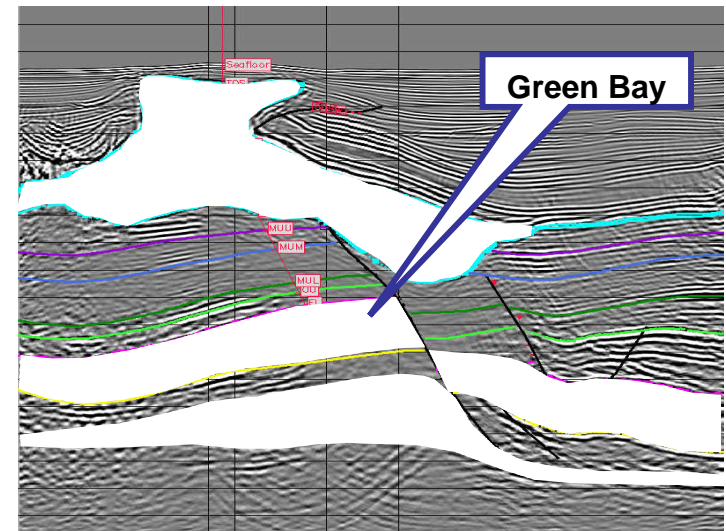
# Strong position in Walker Ridge and Keathley Canyon

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
- Changleh West – another significant discovery in the Anaran block
- Hydro closely monitors political and economic conditions



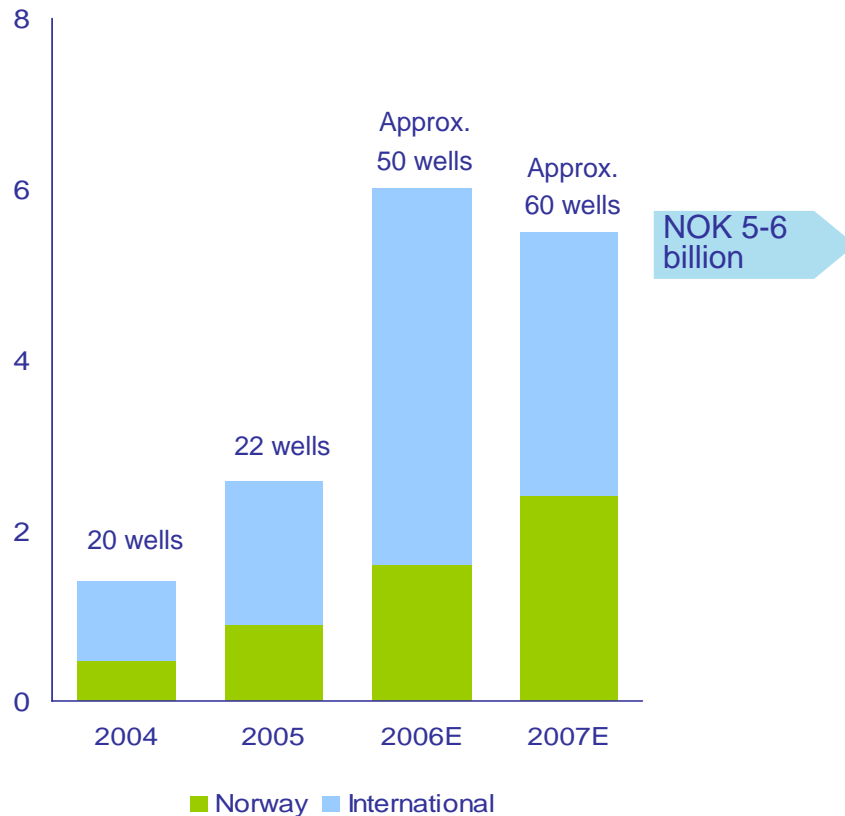


## Early mover in new high potential basins

- 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

# Continued high global exploration activity

NOK billion



Number of wells = completed wells

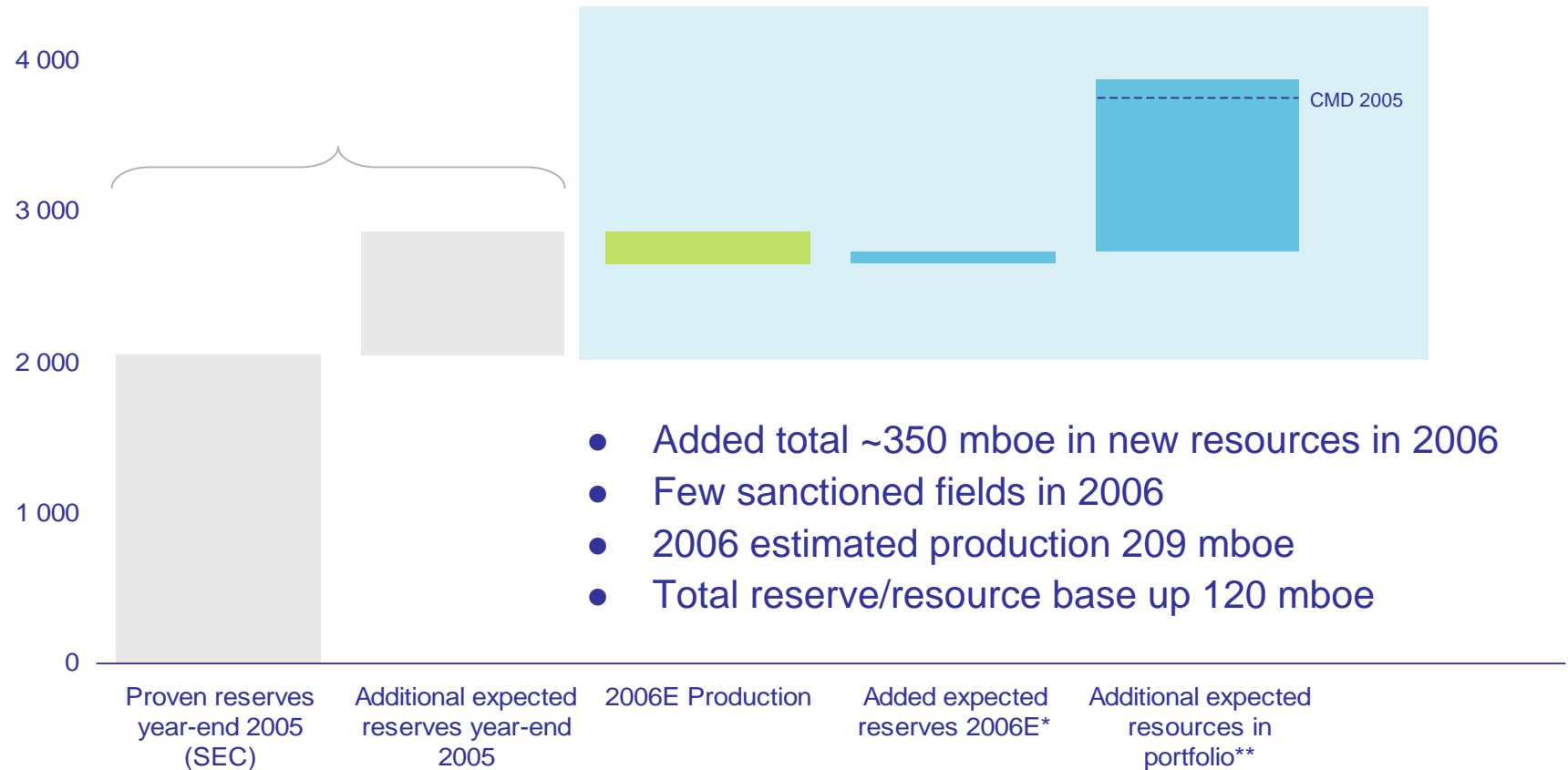
- Attractive exploration portfolio
  - Balanced risk
  - Geography
- Rig capacity secured
  - Balanced portfolio of long-term drilling contracts on NCS
  - NCS exploration secured to 2009
  - US GoM deepwater: 2007-2013

A photograph of three business professionals in an office setting. In the foreground, a woman with long brown hair, wearing a dark suit jacket over a white shirt, is smiling broadly and gesturing with her hands as if in the middle of a conversation. Behind her, a man in a light blue shirt and a patterned yellow tie looks on attentively. To the right, the back of another woman's head and shoulder is visible, suggesting a collaborative meeting. A laptop is open on the table in front of the woman. The scene is lit with warm, soft light, creating a professional yet approachable atmosphere.

Long-term growth perspectives

# Oil and gas reserves and resources

Million boe



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

\*\* Non-sanctioned projects

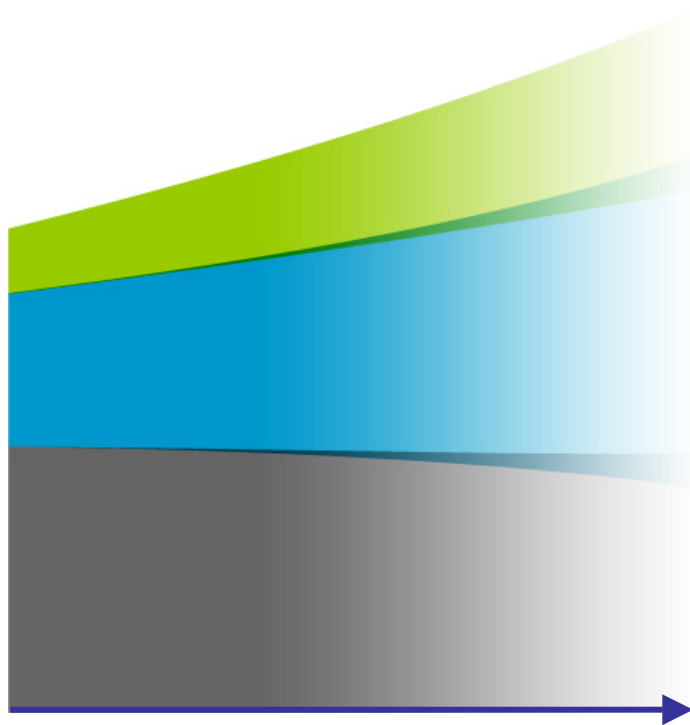
# New projects beyond 2010

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



A large offshore oil platform is shown in the background, featuring a complex network of steel structures, pipes, and a multi-story white building. The platform is supported by several thick, dark legs extending into the water. The water is turbulent, with white foam and waves crashing against the legs. The sky is overcast and grey.

**Jørgen C. Arentz Rostrup**  
Senior Vice President, Oil & Energy Markets

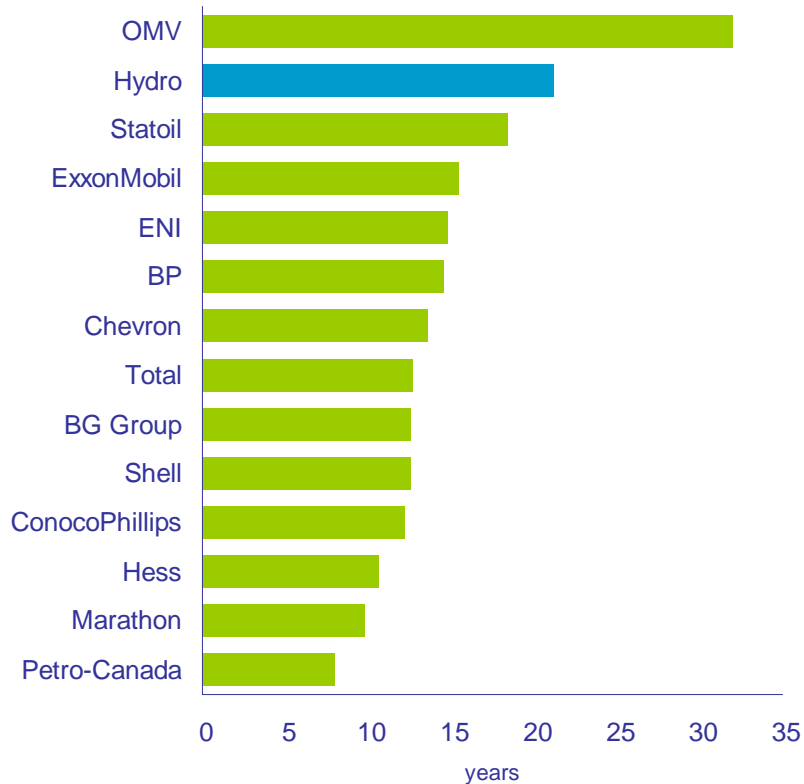


## Hydro's gas story

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

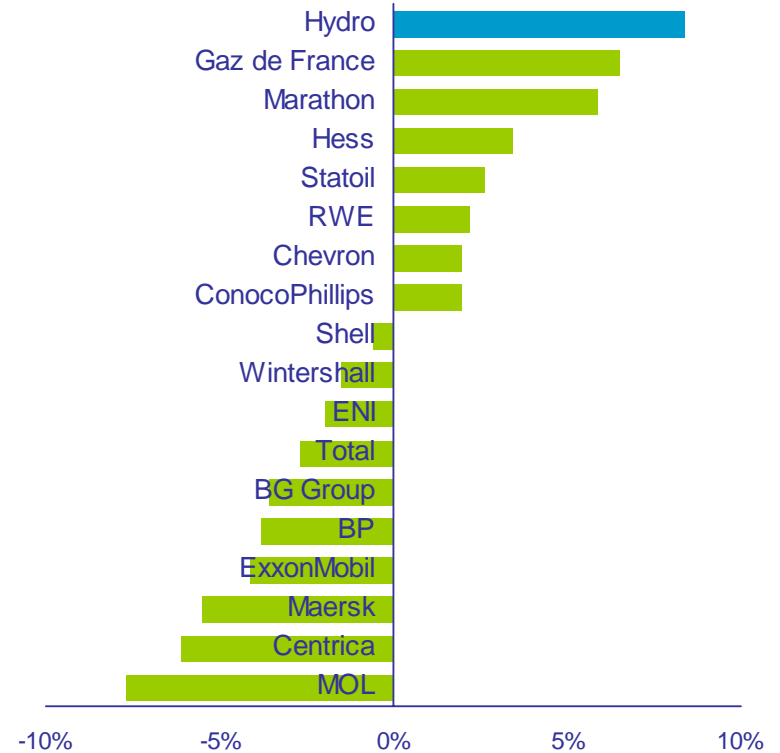
# Hydro on top in European gas production growth

Reserve life gas  
(reserves/production as of end 2004)



Source: CSFB 2005

2005-2010 CAGR

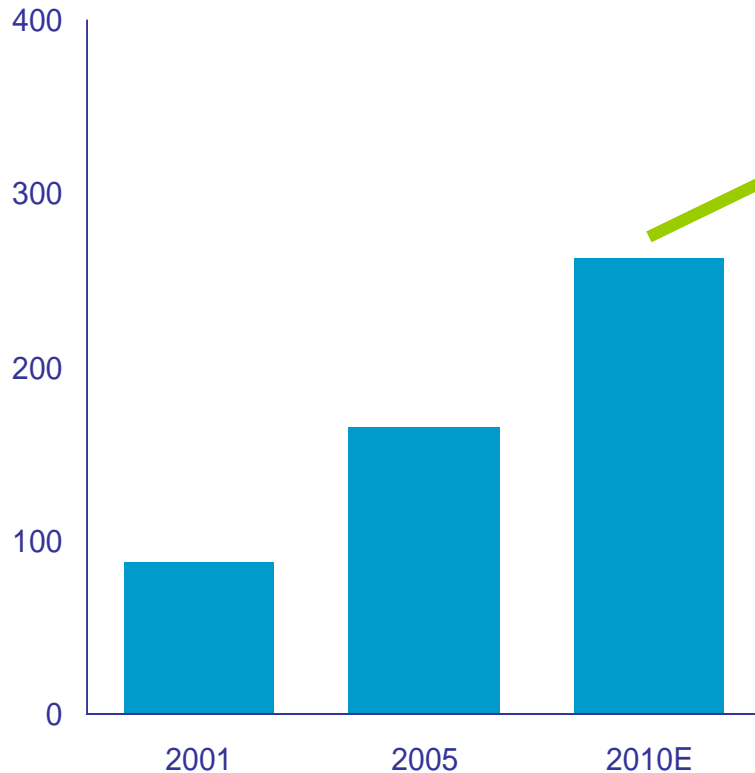


Source: Rystad Energy

# The growth story continues beyond 2010

## Gas production

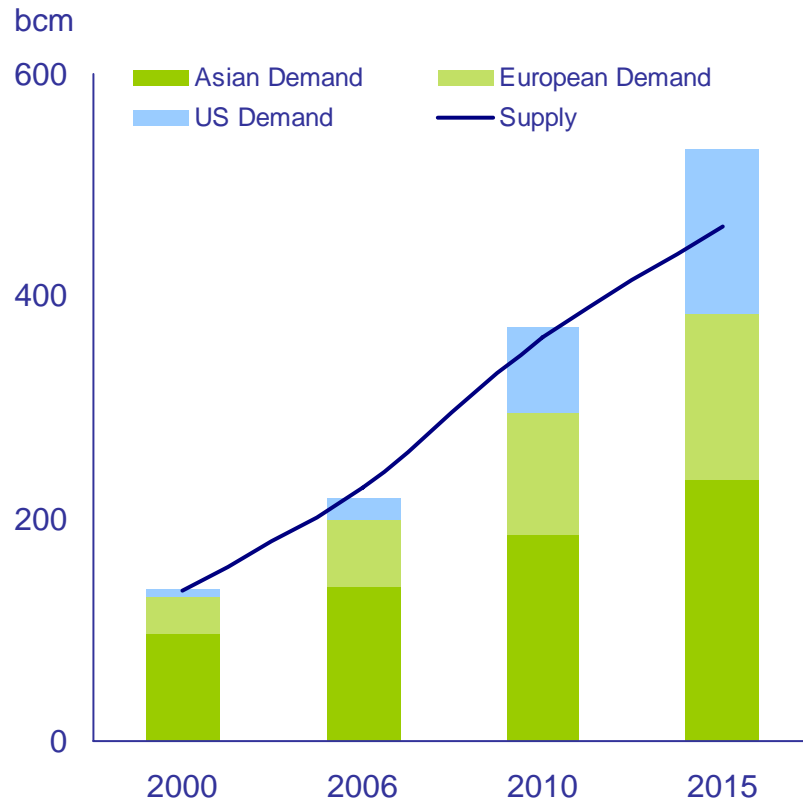
1 000 boed



- 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

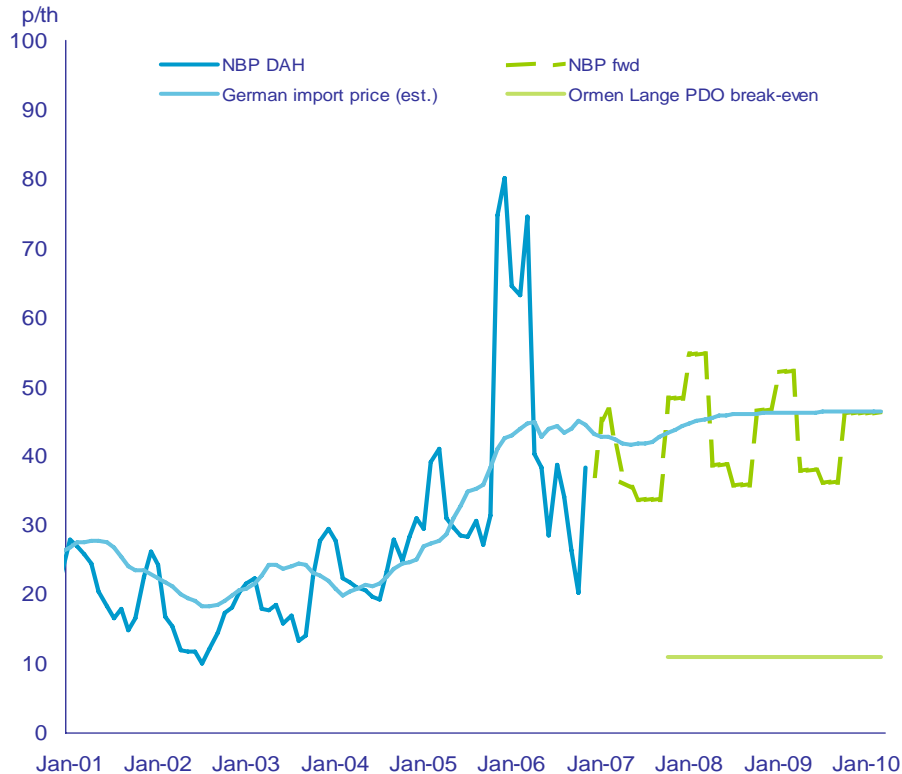


# UK connected to the Continent and global markets



- 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

# Strong NCS base in volatile markets

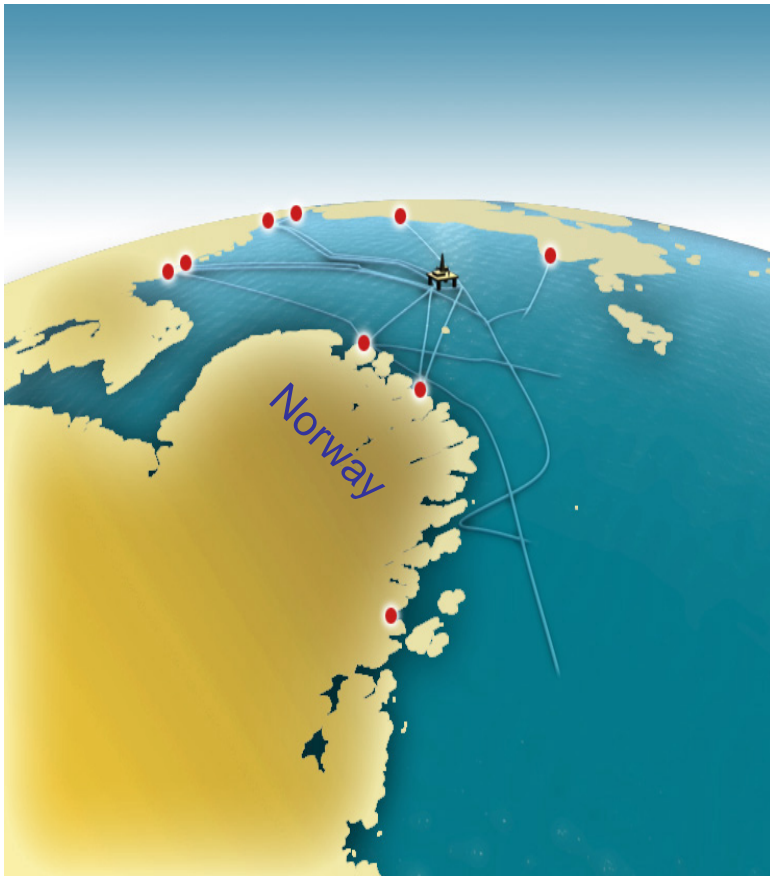


- High gas prices driven by high oil prices
- Record-high prices during last winter
- Possibility of low-price days in summer
- NCS gas competitive

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

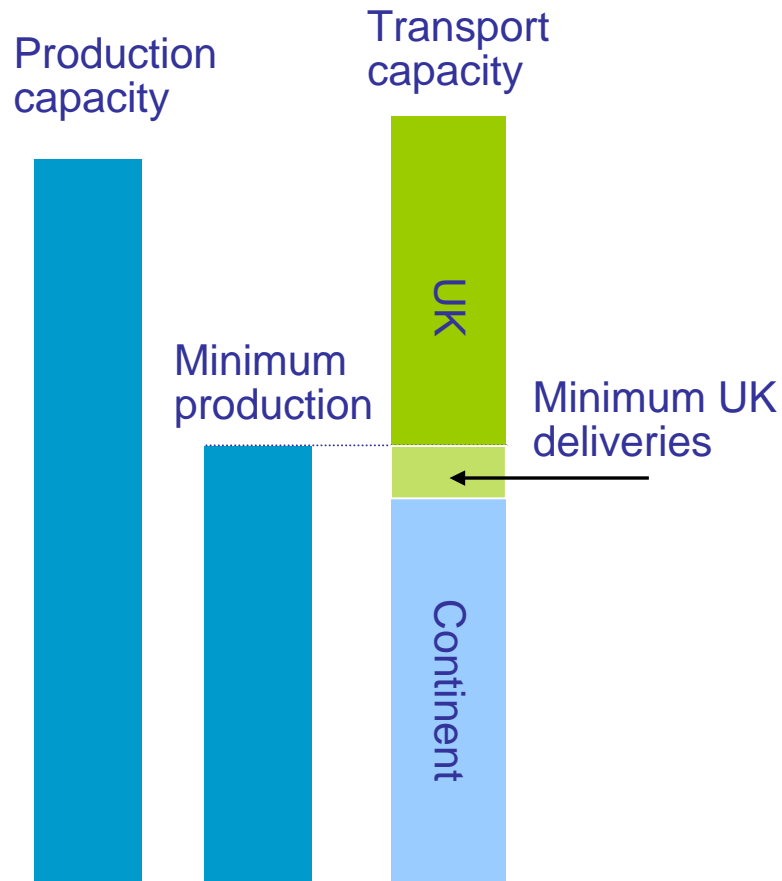
Source: Heren

# 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

A welder wearing a white protective suit and mask is working on a glowing metal piece. The welder's hands are gloved and positioned near the metal. The background is dark with a bright, glowing orange and yellow light source, likely the welding process.

# Aluminium – performance and perspectives

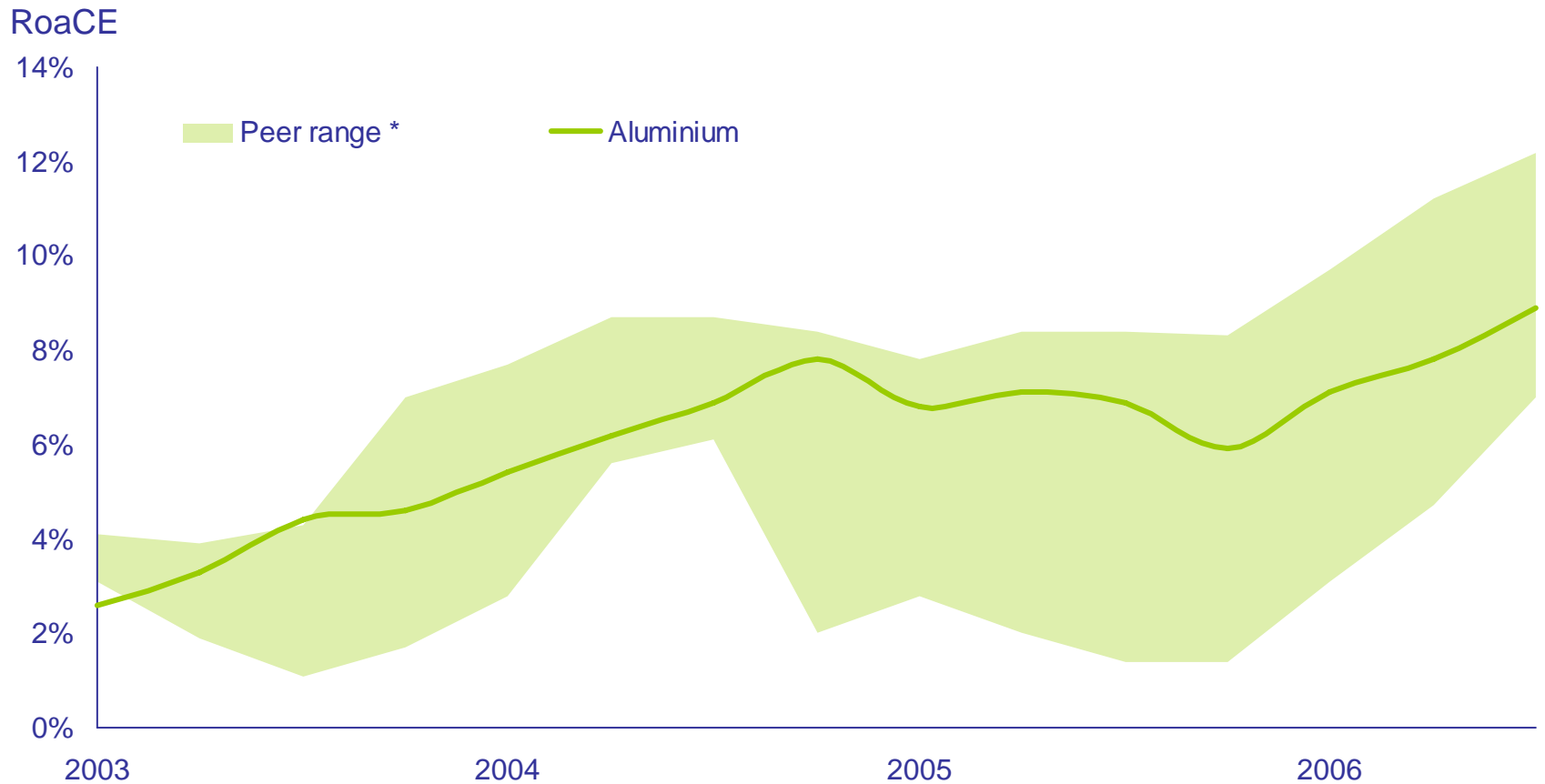




## Aluminium highlights

- 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



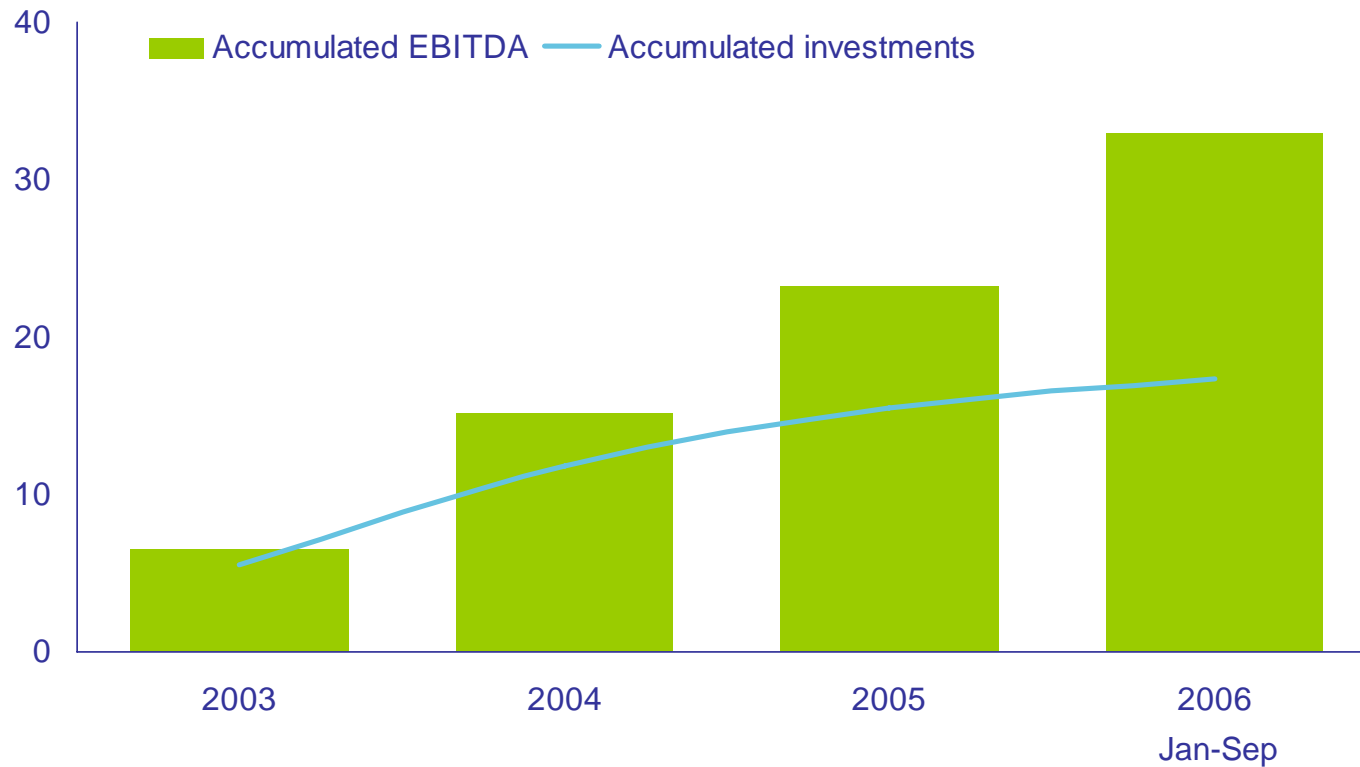
\* Alcoa and Alcan

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



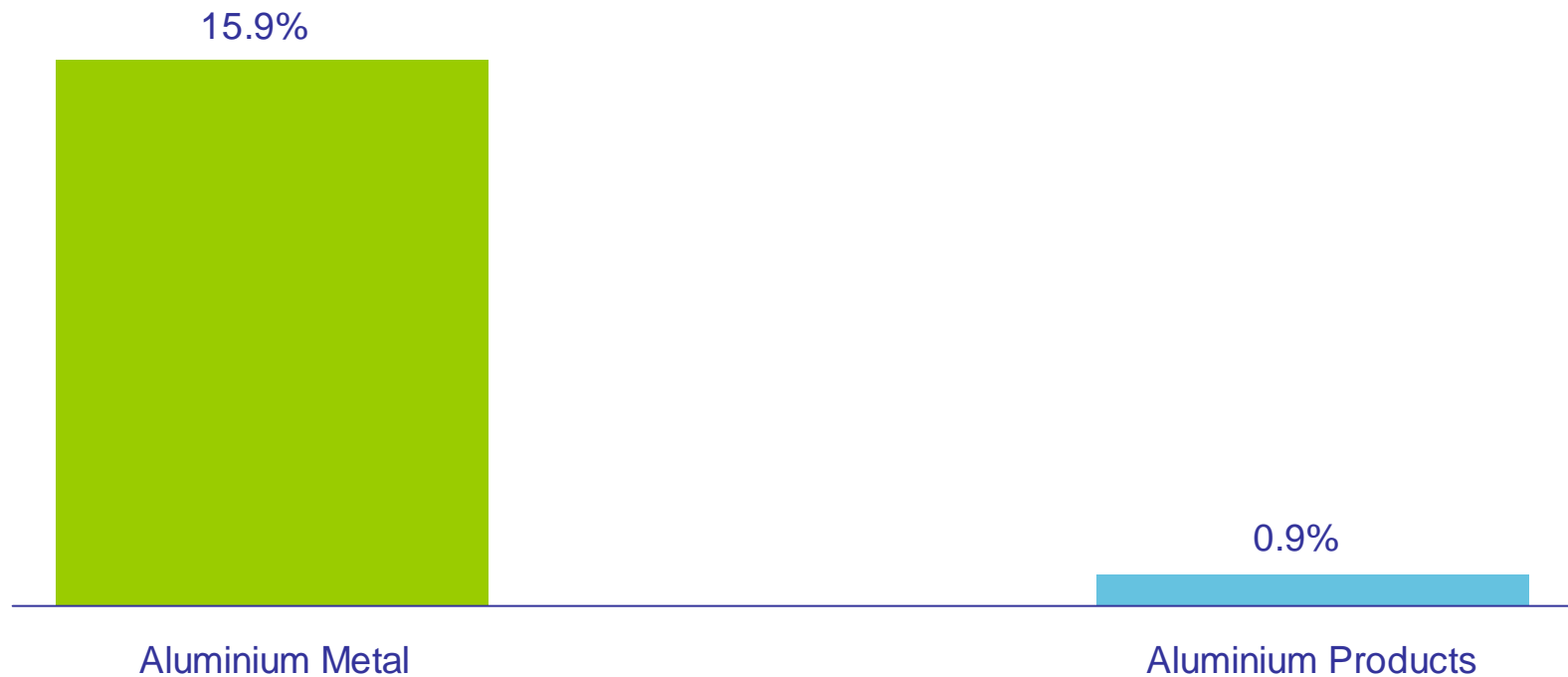
# Strong Aluminium cash flow

NOK billion



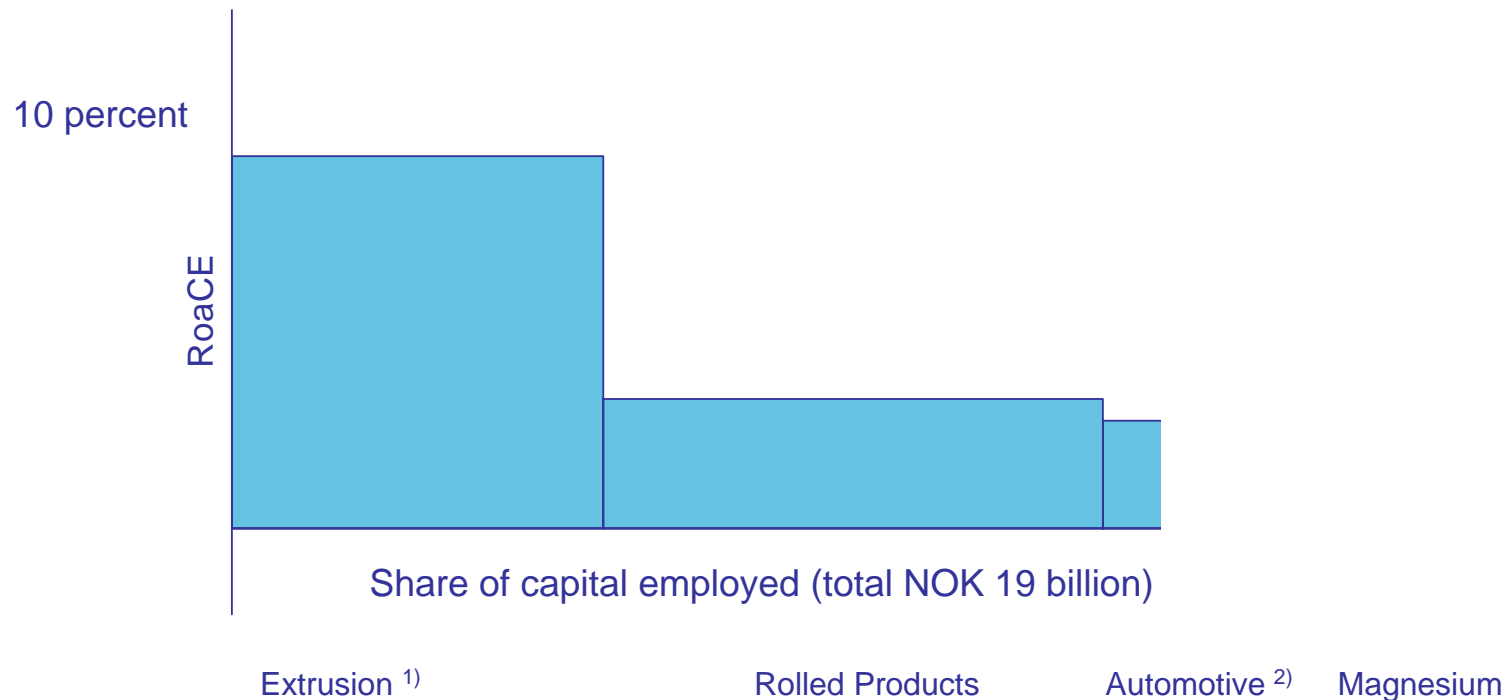
# Strategic shift to ensure upstream repositioning and growth

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



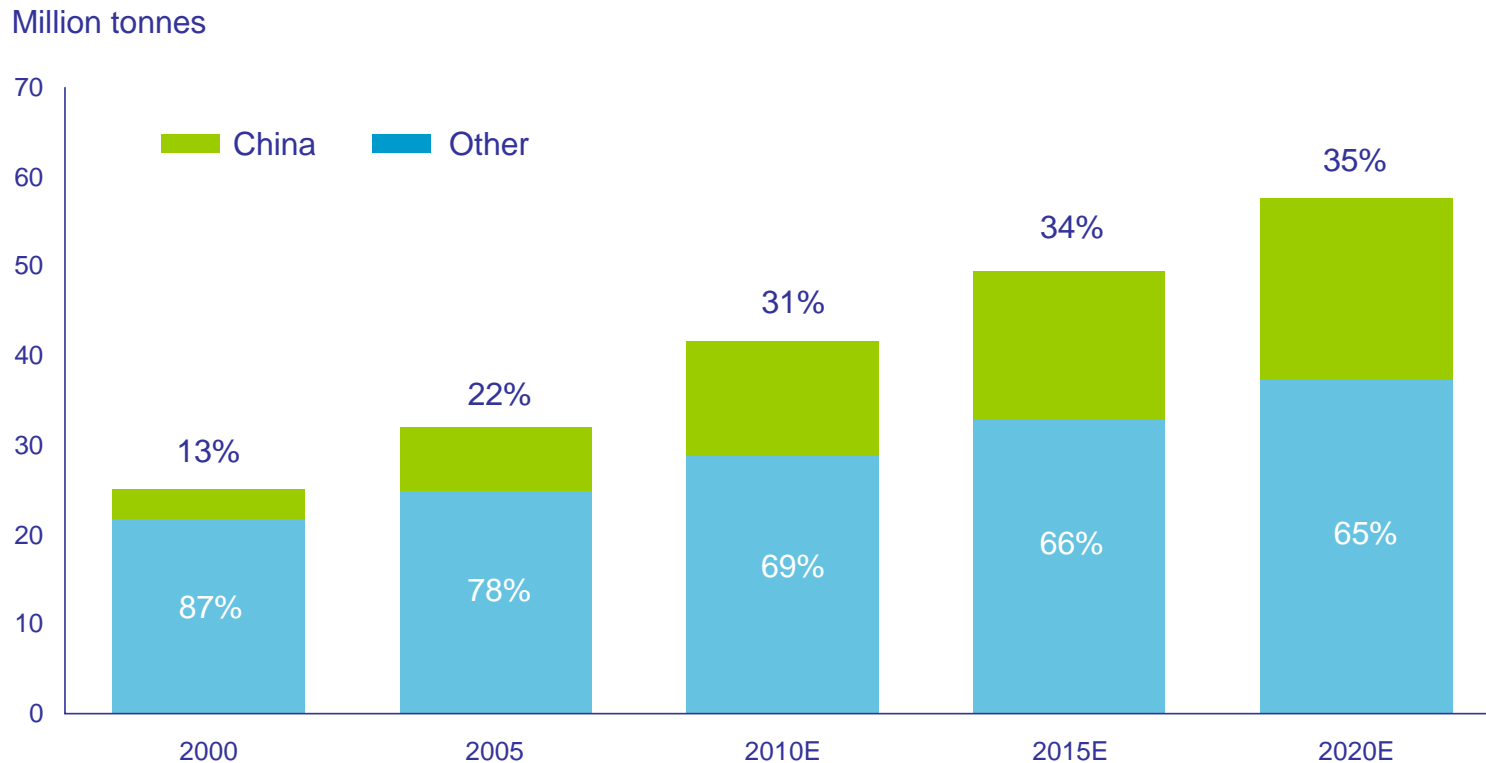
## Reduced engagement in Aluminium Products

- 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



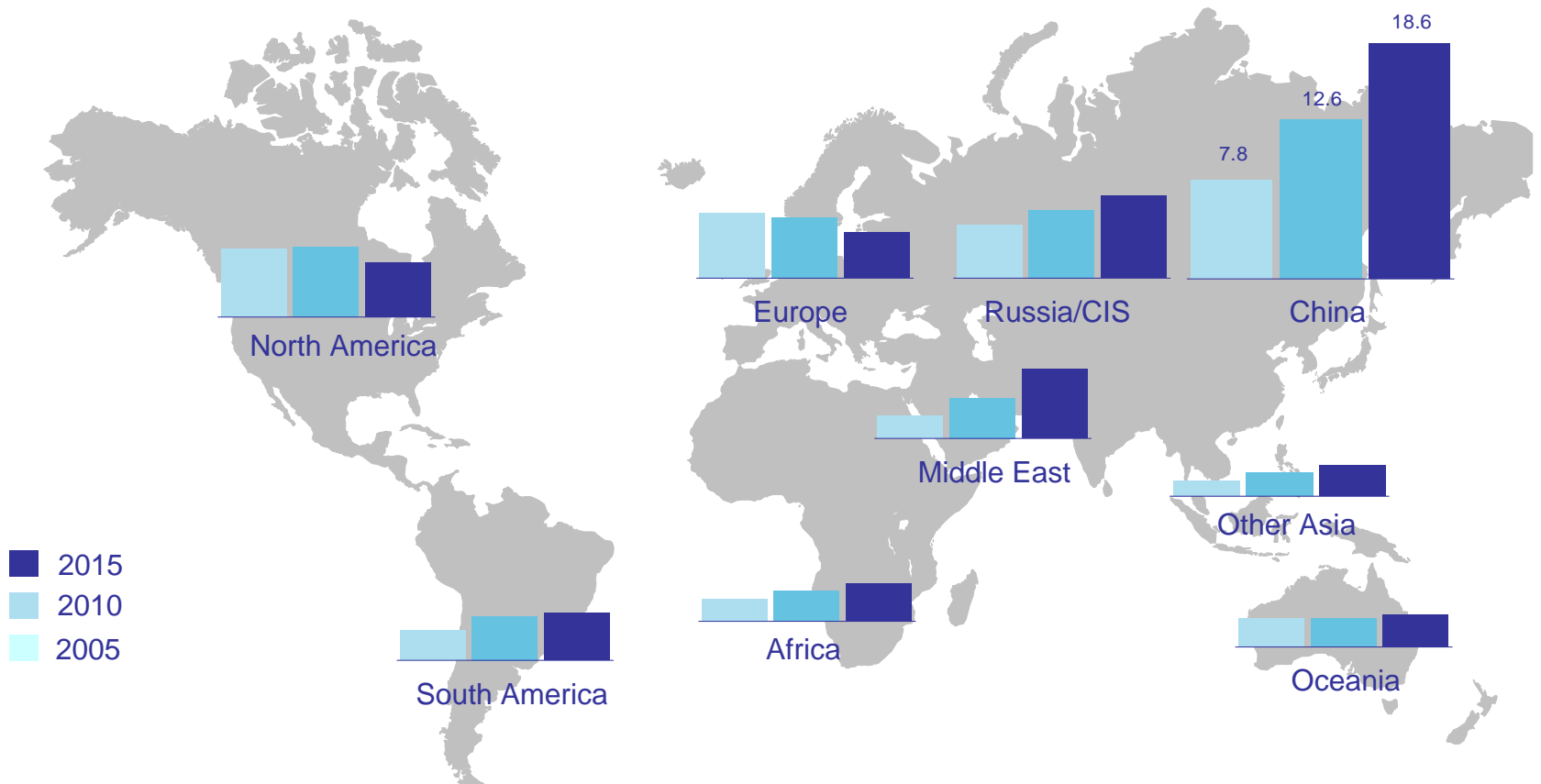
# China driving the demand for primary aluminium

4 percent annual growth rate 2005-2020




Source: CRU 2006

# Production to grow outside the US and Europe



Source: CRU / Hydro. Million tonnes

A person wearing a white protective suit and gloves is working with molten metal. The background is a bright, glowing orange-red, suggesting a high-temperature industrial environment. The person's hands are clasped together in front of them, and they are holding a small object. The overall scene is industrial and focused on safety and precision.

**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



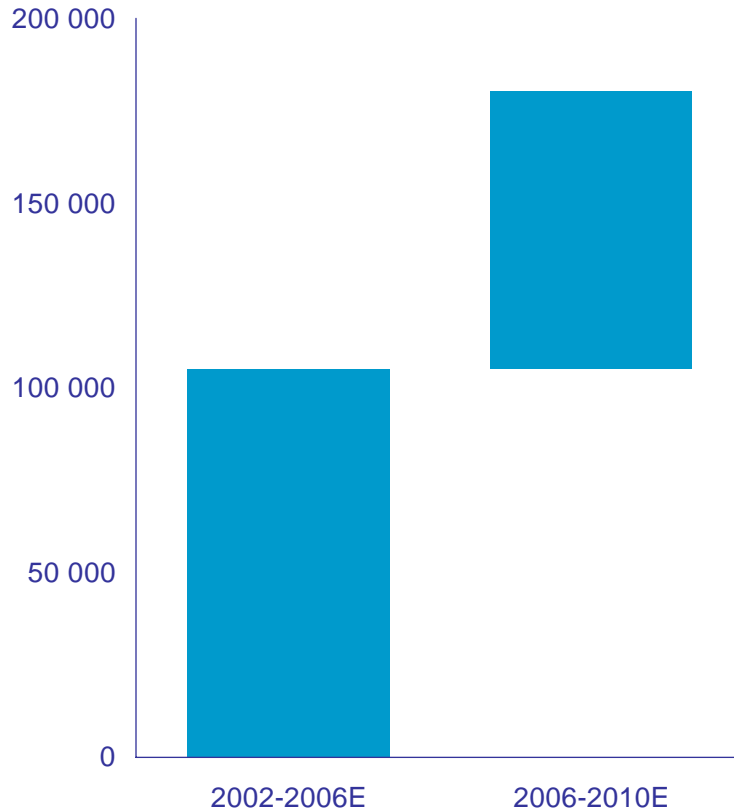
## Restructuring executed – improved cost position

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



# Further production creep in existing plants

Increased primary production in tonnes per year\*

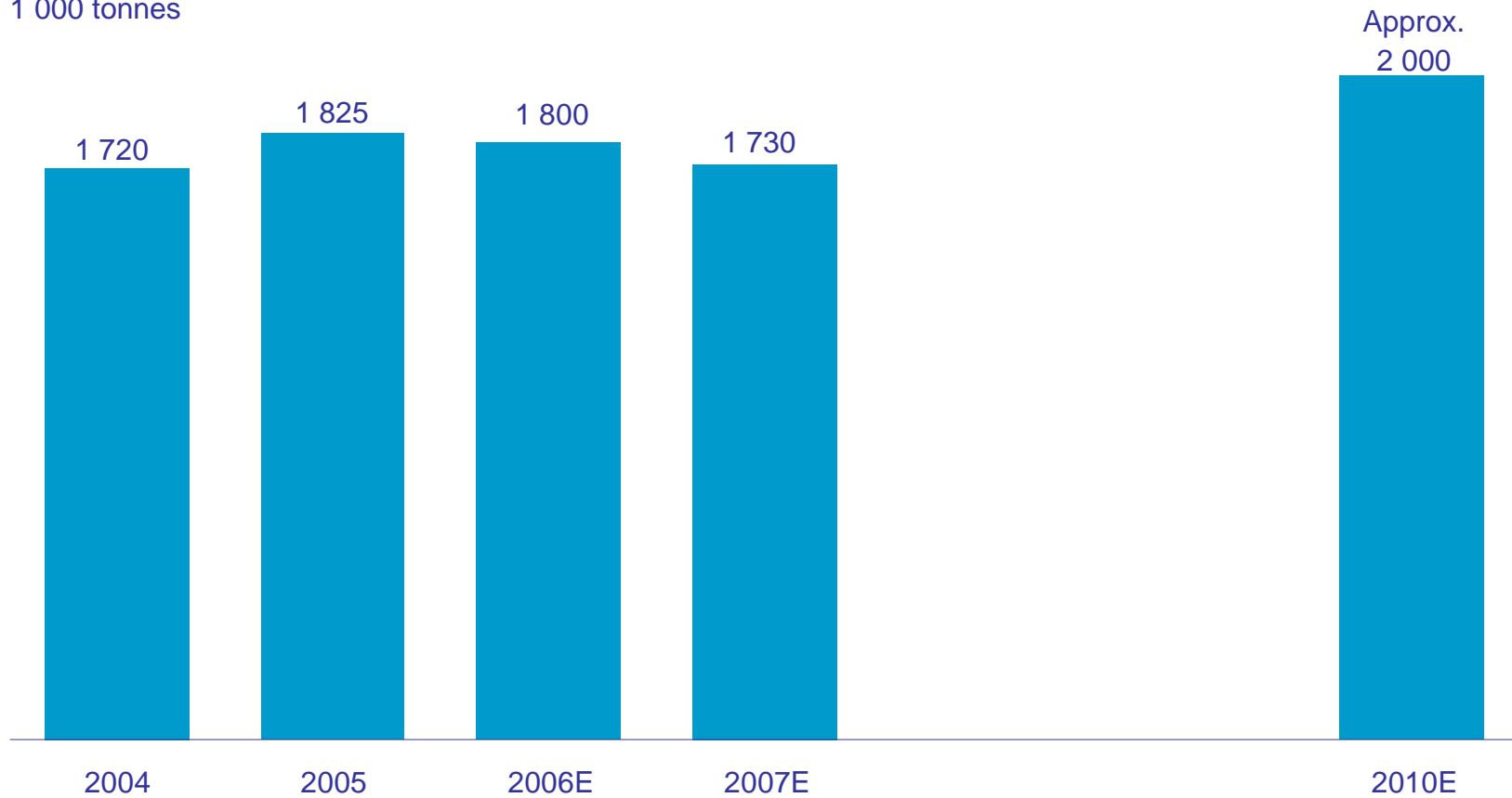


- Low capital expenditures per tonne
- Strong profitability
- EBITDA contribution in 2006
  - NOK 500 million

\* All prebake lines excl. Stade

# Production volumes 2004-2010\*

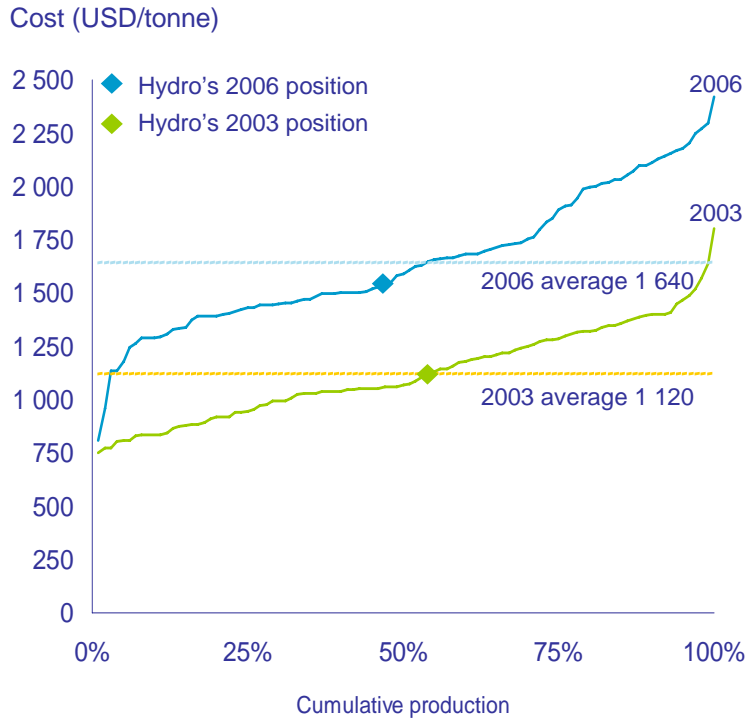
1 000 tonnes



\* Including closed or to-be-closed capacity of Hamburg, Stade and Söderberg 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<sub>2</sub> emission trading
- Supply/demand for electricity

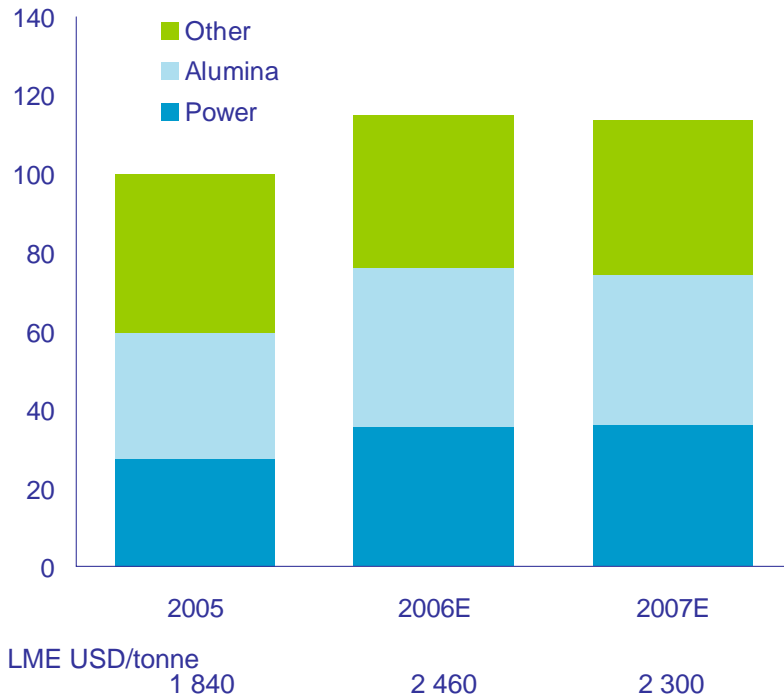
- **Other raw materials**

- **Freight**

\* Source: CRU (Corporate operating cost definition)

# Increase in smelting cost

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



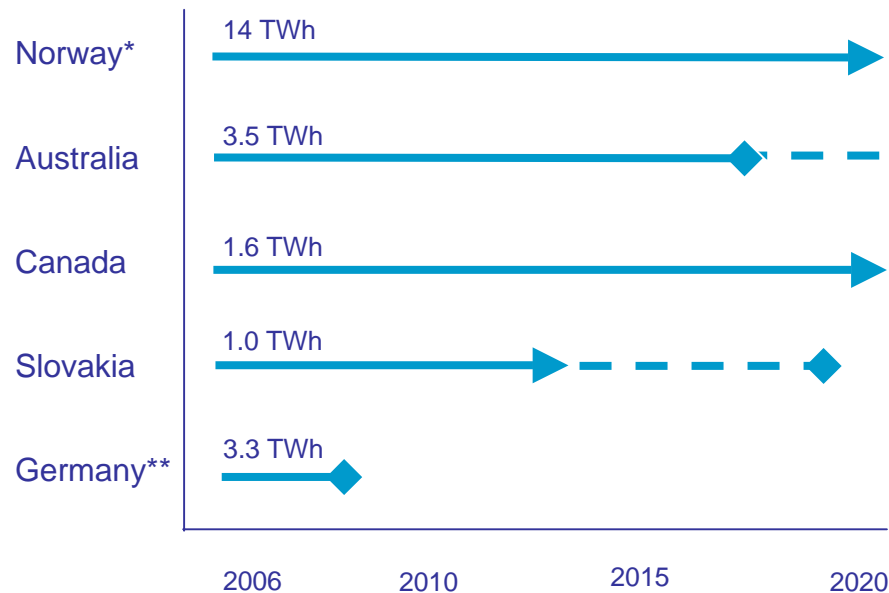
- Cost development 2005-2006
  - NOK 1.2 billion total power cost increase\*\*
    - New contracts and increased grid cost Norway and Germany
  - Alumina cost increase
    - 60 percent equity position
    - 40 percent contracts linked to LME
- Outlook 2006-2007
  - Power cost expected to increase approx. 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

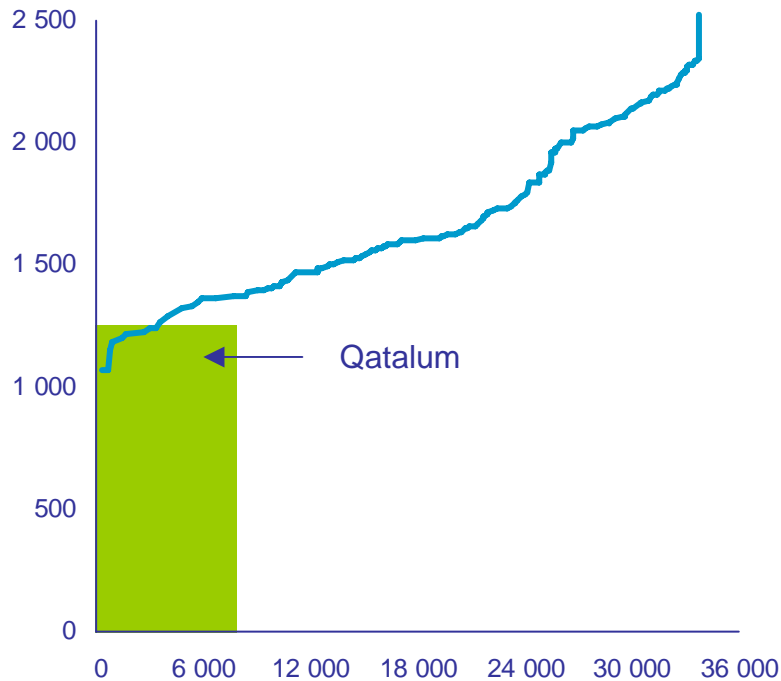
- Total investment in the range of USD 4.5 billion (100 percent)
  - General cost increase for key materials and construction
  - Weaker USD/Euro exchange rate
  - Design changes
- Final cost estimate and build decision summer 2007



# Qatalum – profitable mega smelter in key region

World production 2006, 1 000 tonnes

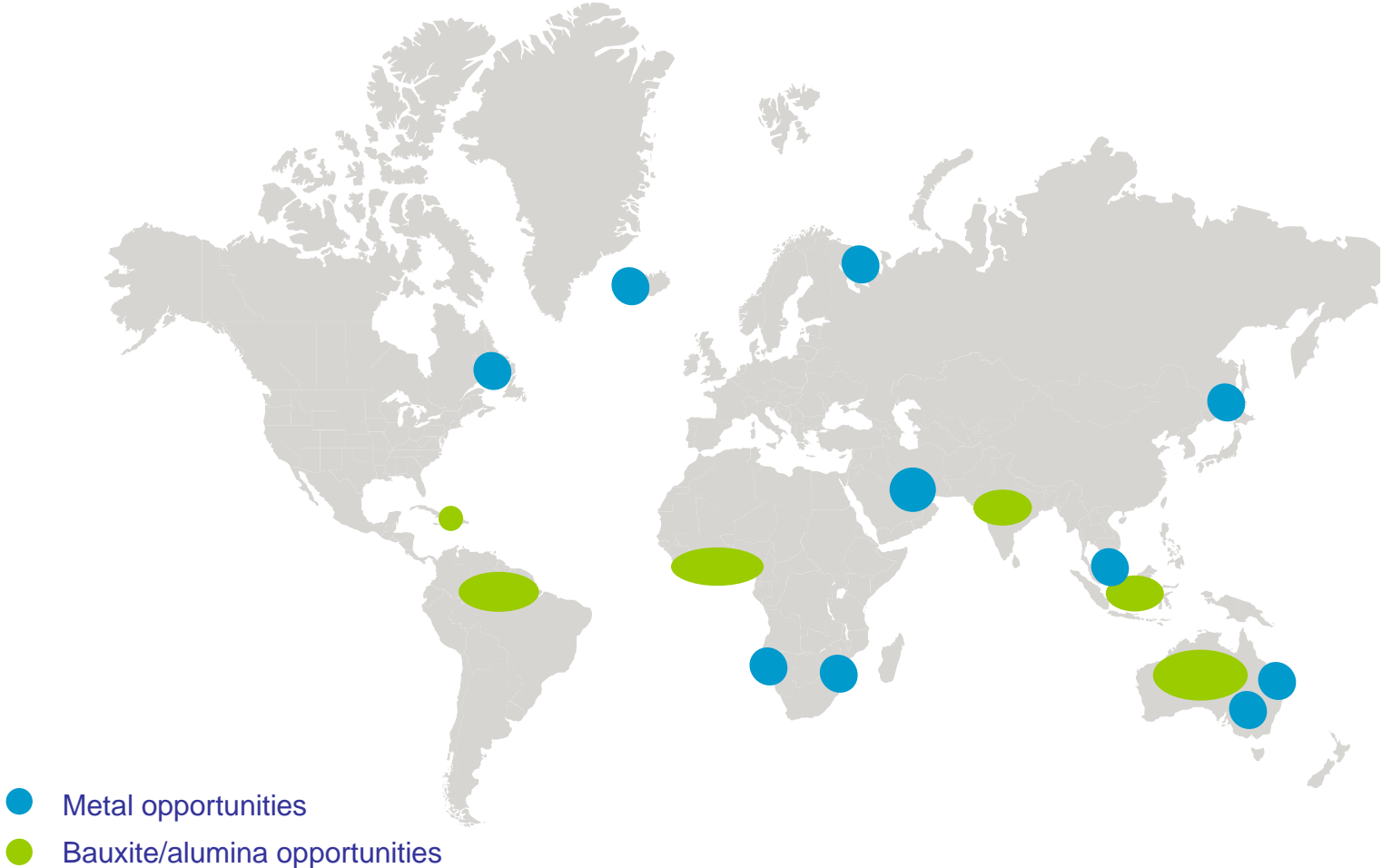
Cost 2006\* (USD/tonne)



- 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

# Primary production will grow in new areas



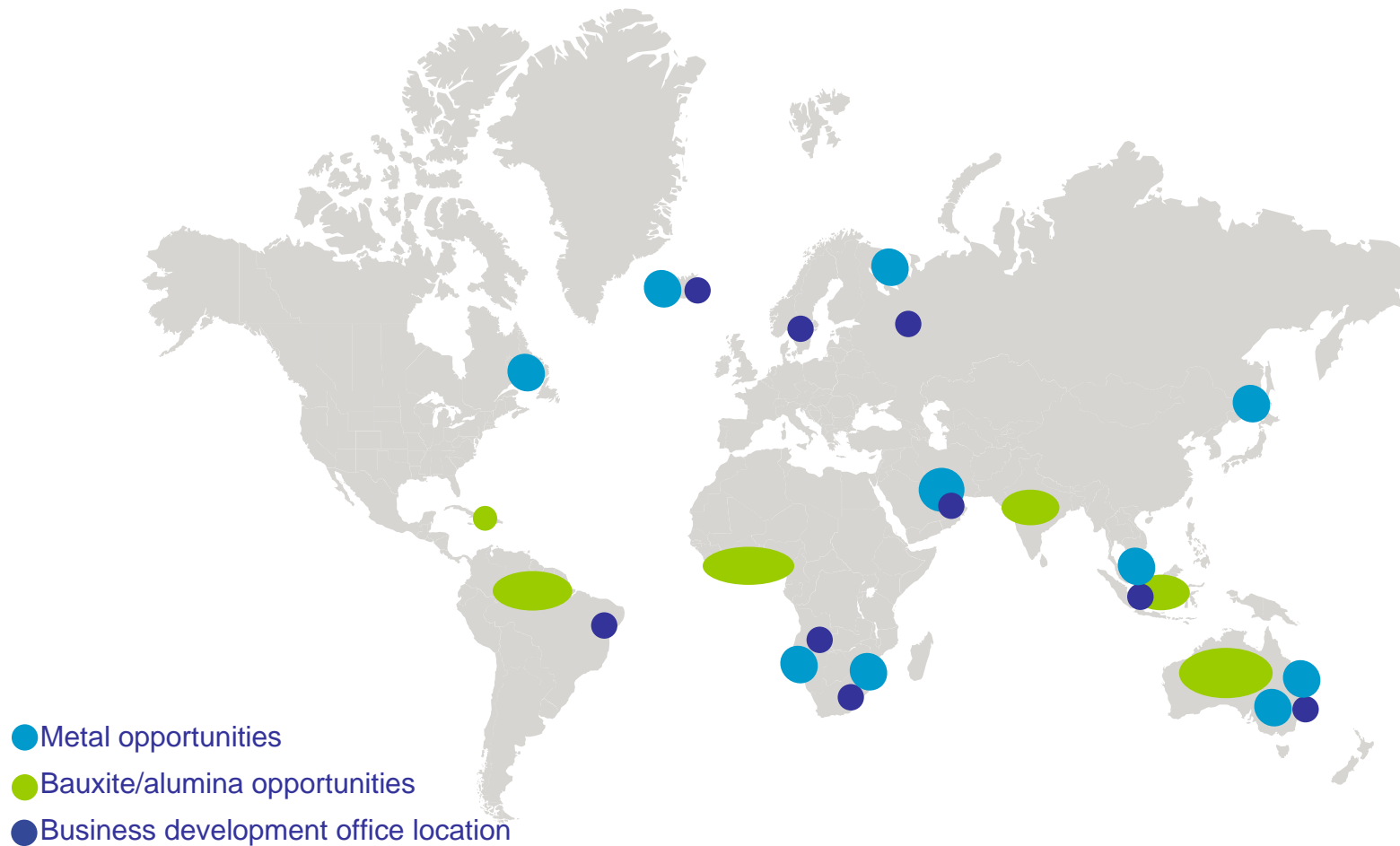




## Competence and technology provide basis for growth

- 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

# An experienced international project developer





## On track to reposition and grow

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

A blurred, high-angle photograph of people walking through an airport terminal. The image is motion-blurred, suggesting a busy, fast-paced environment. Several individuals are visible, some pulling rolling suitcases. The lighting is bright, creating strong shadows on the floor. The overall color palette is cool, with blues and greys, punctuated by a red jacket on the left and a blue suitcase in the lower center.

# 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.

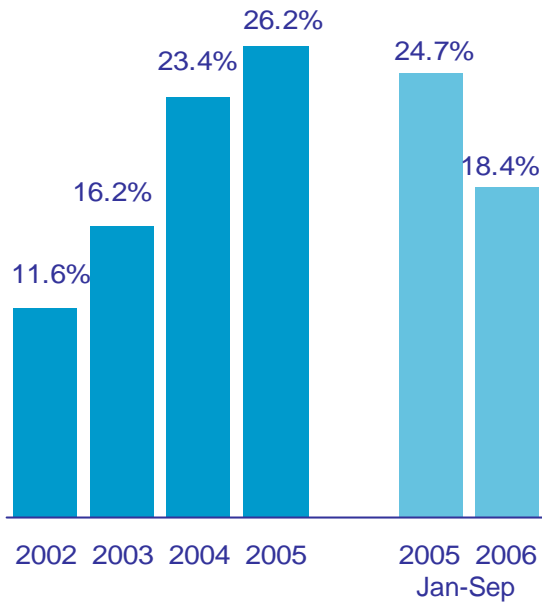


## Investment criteria

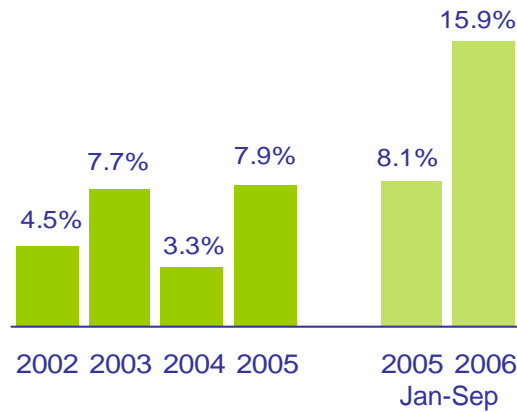
- Oil price                      USD 35 per barrel
- Aluminium price            USD 1 700 per tonne
- NOK/USD                     6.5
- NOK/EUR                     8.0
- Hurdle rate                   8-10% IRR real after tax
  - IRR after tax above Hydro's cost of capital when risk is accounted for in cash flows

# RoaCE by business area

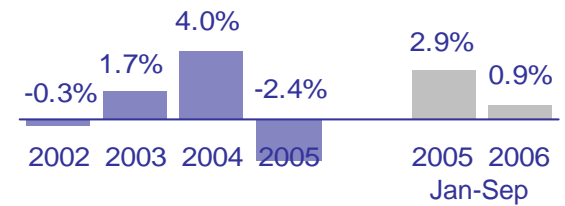
## Oil & Energy



## Aluminium Metal



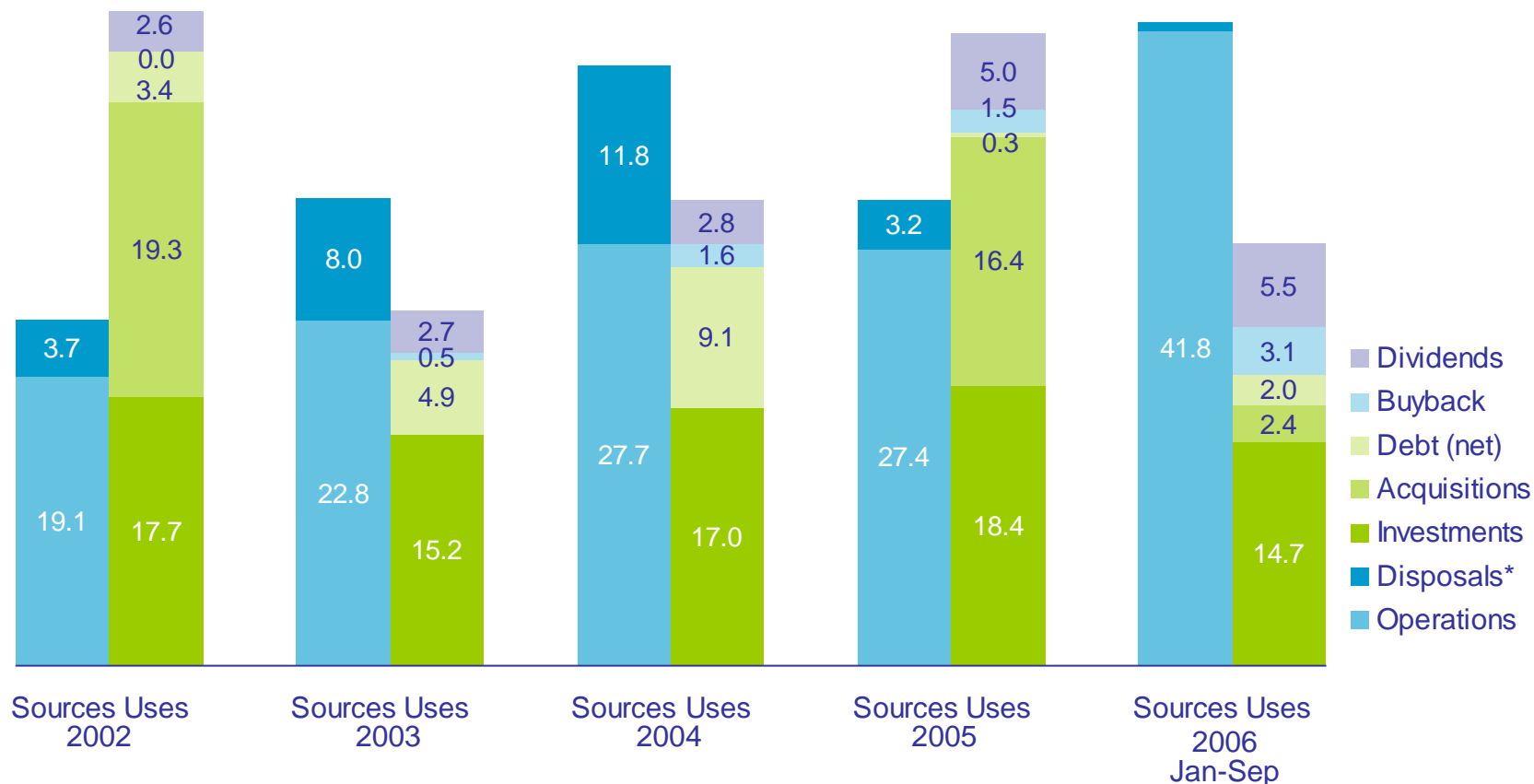
## Aluminium Products



Jan-Sep figures are not annualized

# Sources and uses of cash

NOK billion



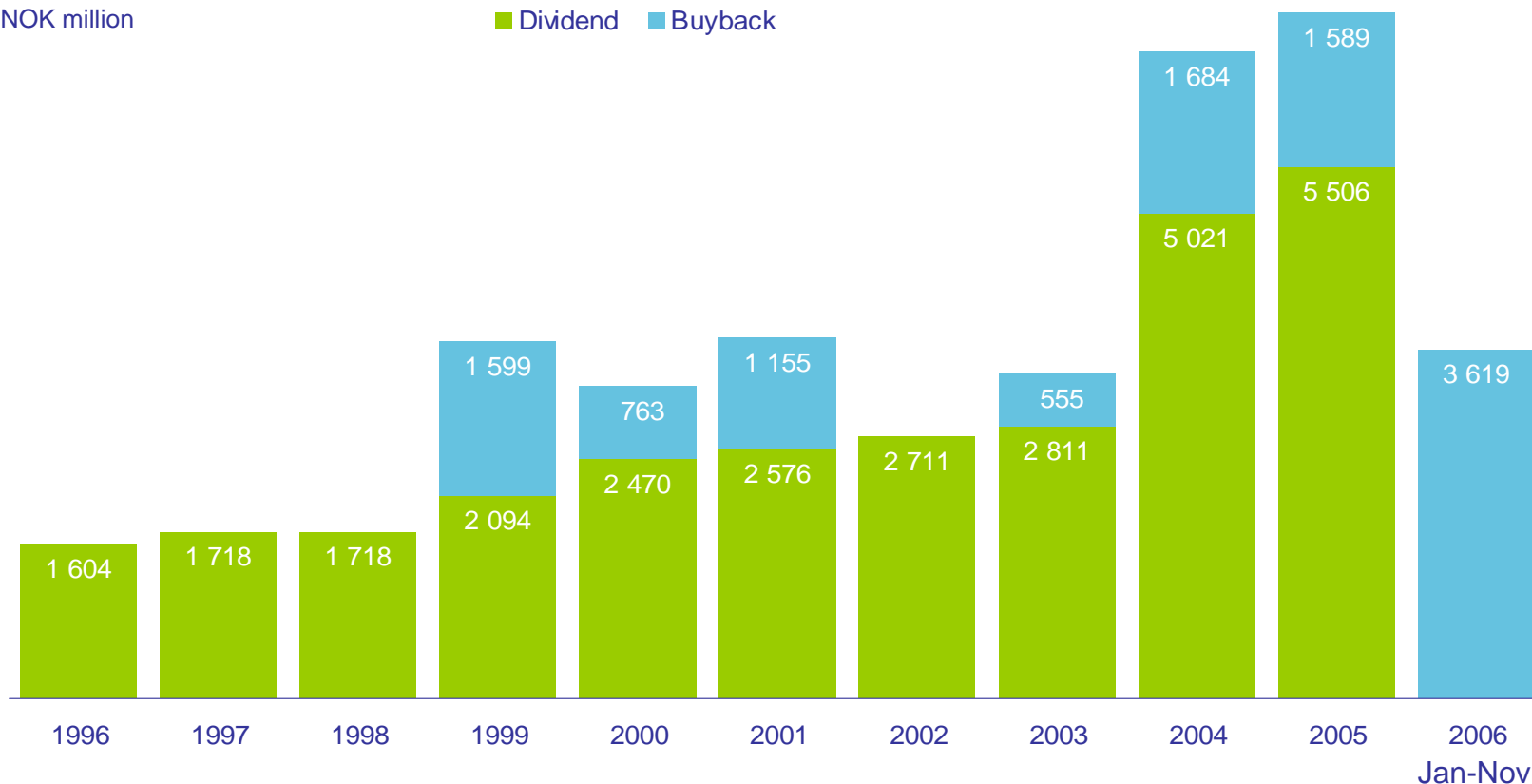
\* Net cash from discontinued operations (Yara) included

# Increasing payout to shareholders

## Dividend policy: 30 percent payout over time

NOK million

■ Dividend ■ Buyback



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

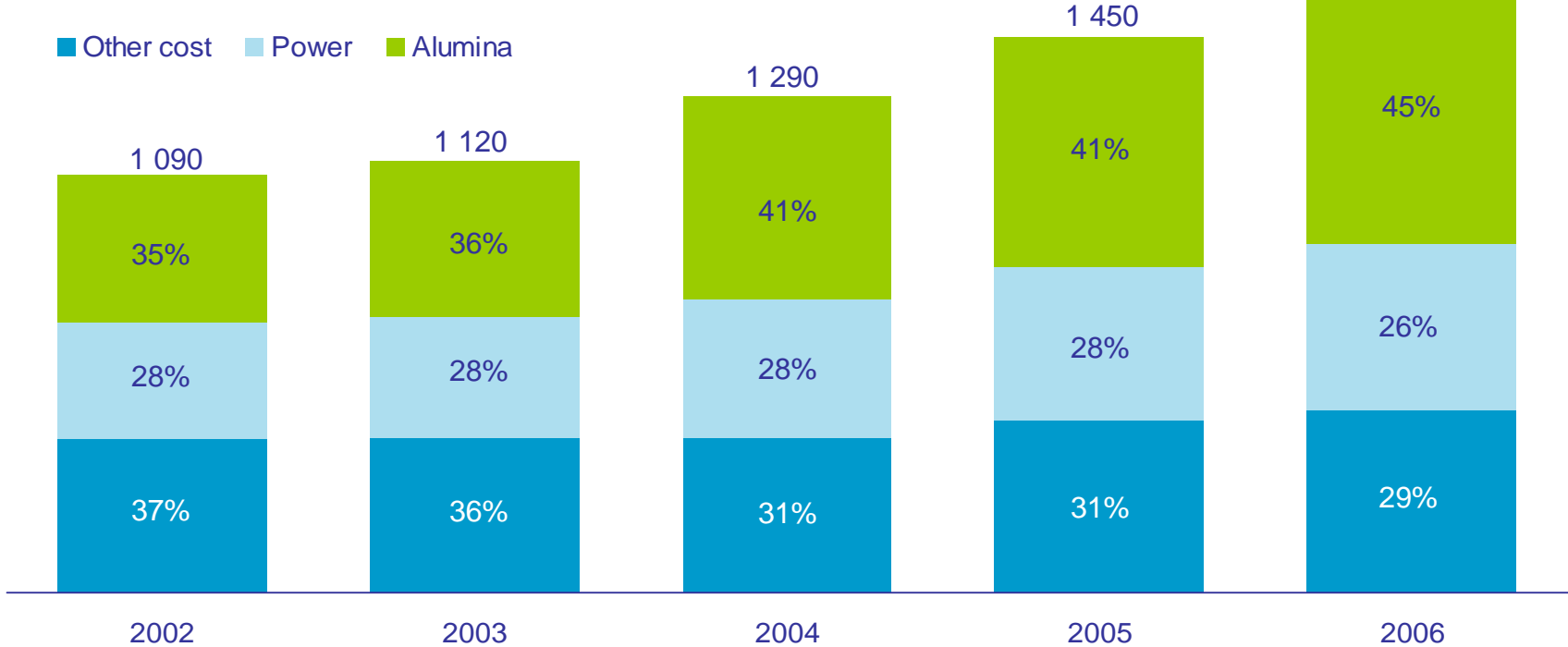
Generating above 200 000 boed at peak

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

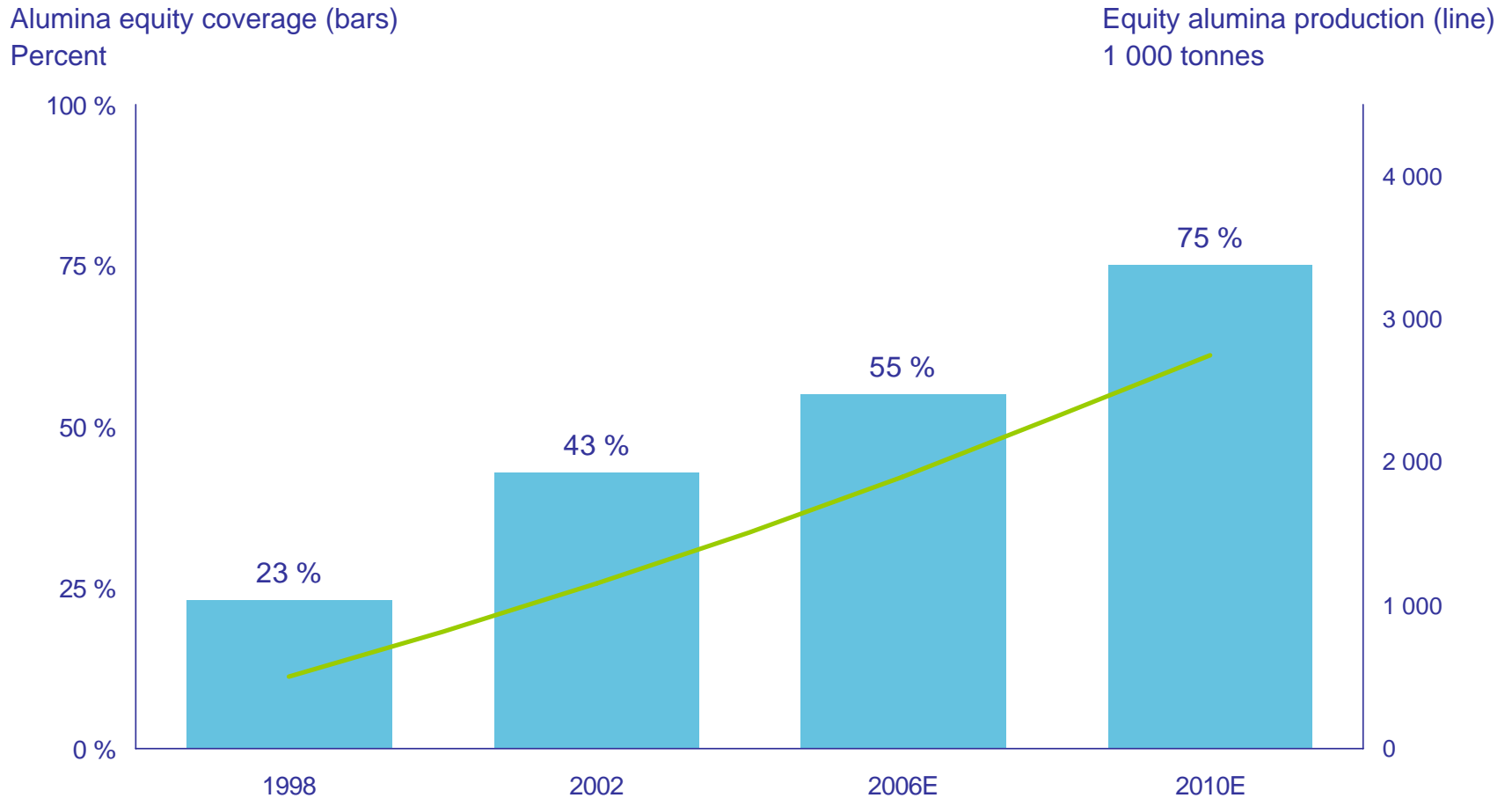
# Rising smelter cost for the industry

USD per tonne



Source: CRU (Corporate operating cost definition)





# Increasing alumina equity coverage for Hydro





Investor Relations in Hydro

# Investor Relations in Hydro

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