

Capital Markets Day



Financial Issues



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Hydro's financial targets

- ✓ Shareholder return per year over the business cycle **15-20%**
- ✓ Cash Return on Gross Investment (CROGI*), nominal after tax **10%**
- ✓ Return on new investments, real rate after tax **10%**
- ✓ Dividend: Share of net income on average **30%**
- ✓ Solidity: Long term interest-bearing debt/equity **0.5**

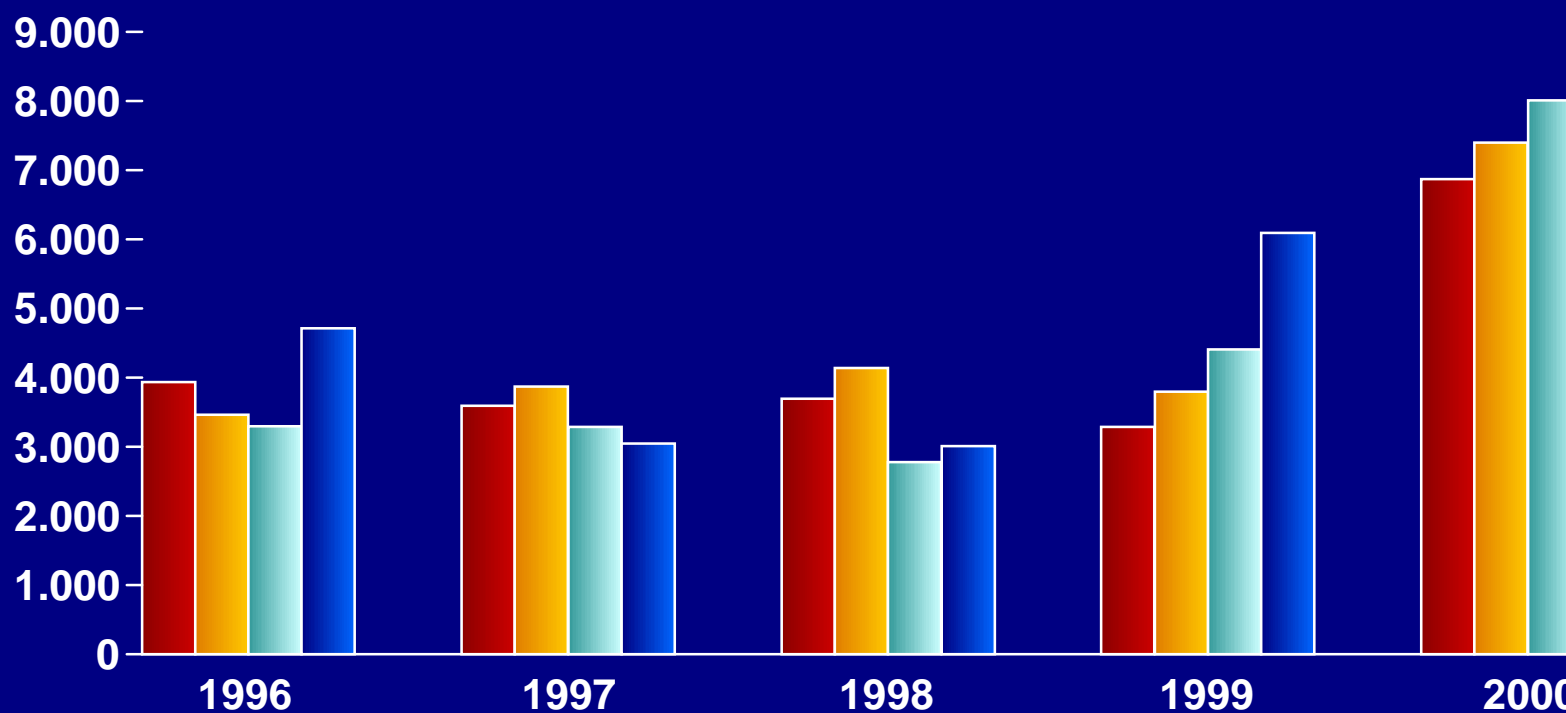
* Based on "normalised" price set



Gross cash flow development

Gross cash flow by quarter

NOK million

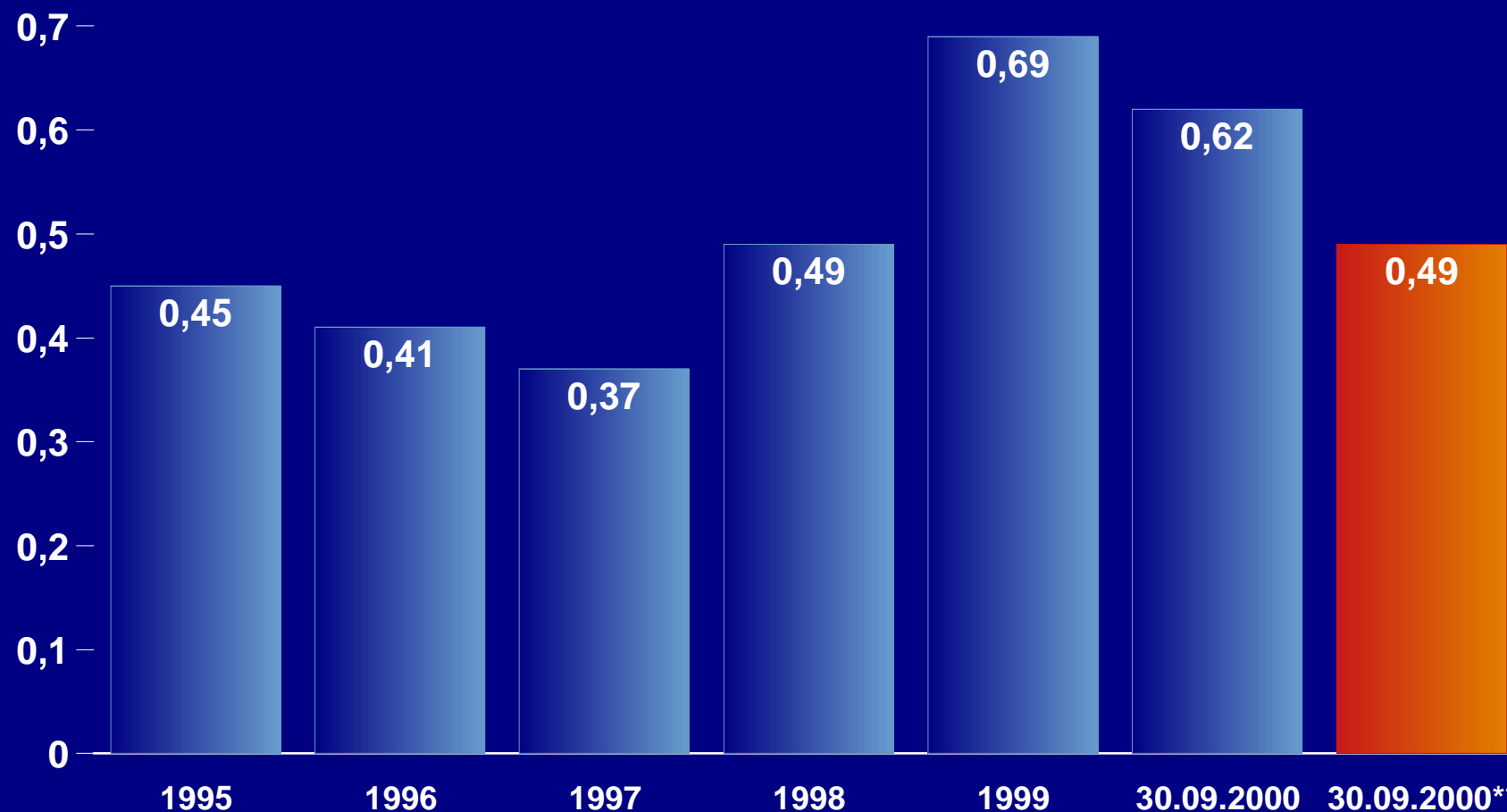


Accumulated	15,431	13,817	13,638	17,607	22,301
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Gross cash flow: EBITDA - Total USGAAP tax expense



Debt/Shareholders' equity*



* Long-term debt divided by shareholders' equity plus minority interest

** Adjusted ratio if current cash position had been normalised

Share price development

NOK/share



Ambitious improvement activities

- ✓ Significant changes in the way performance is managed across the group
- ✓ Continuous and active management of portfolio
- ✓ Initiatives within our businesses
 - Continuous improvement of cost position
 - Increase fixed asset productivity
 - Decrease net operating capital
- ✓ Leveraging the size of the group
 - Hydro Business Partner
 - Hydro Supply Network



CROGI target 2002 (Q2 2000)

CROGI %



Target implies the equivalent of 10 bn. NOK internally generated improvement in EBITDA over 1999 performance



The target fully encompasses and exceeds the previously stated initiatives

- ✓ Agenda '99
- ✓ Agri Turnaround
- ✓ Saga integration
- ✓ Hydro Business Partner
- ✓ Supply initiative



Sharpened price set

Oil price assumption lowered to 18 USD/bbl

	Q2 price set	Restated price set
NOK/USD	8.00	8.00
Brent Blend (USD/bbl)	21	18
CAN27 (DEM/t)	200	200
LME 3M (USD/t)	1,500	1,500



CROGI target 2001 and 2002

CROGI %



Elements reducing price sensitivity

- ✓ **Development of Light Metals business**
 - ▶ Downstream expansion
 - ▶ Metal Supplier Concept

- ✓ **Counter cyclical nature of Oil & Gas and Agriculture business earnings**

- ✓ **Development of a more balanced and international Agriculture portfolio**
 - ▶ Less exposure to European market swings



Indicative sensitivity by unit changes

	EBITDA Mill NOK	Net income Mill NOK	Indicative CROGI % points
Oil price +1 USD/boe	1,120	290	0.12
LME +100 USD/t	400	280	0.12
CAN +10 DEM/t	320	220	0.09
Currency +0,1 NOK/USD	420	90*	0.07

Underlying assumptions :

Oil 18 USD/bbl, LME 1,500 USD/t , NOK/USD 8.00

Full taxpaying position offshore

* whereof after tax disagio on loans and interest (90). These elements are not included in the CROGI measure.

Indicative sensitivity by % changes

	EBITDA Mill NOK	Net income Mill NOK	CROGI % points
Oil price + 5% USD/bbl	1,010	260	0.11
LME + 5% USD/t	310	215	0.09
CAN + 5% DEM/t	320	220	0.09
Currency + 5% NOK/USD	1,590	350*	0.22

Underlying assumptions :
 Oil 18 USD/bbl, LME 1,500 USD/t , NOK/USD 8.00
 Full taxpaying position offshore

* * whereof after tax disagio on loans and interest (335). These elements are not included in the CROGI measure.

Additional sensitivity information



Oil & Energy - indicative sensitivities

	EBITDA Mill NOK	Net income Mill NOK	CROGI % points
Oil price +1 USD/boe	1,225	525	0.41
Currency + 0,1 NOK/USD	330	150	0.12

Underlying assumptions : Oil 18 USD/bbl, NOK/USD 8.00

Simplified tax rates: 60% for Exploration and production, 40% for Energy, and 30% for Oil marketing



Light Metals- indicative sensitivities

	EBITDA Mill NOK	Net income Mill NOK	CROGI % points
LME +100 USD/t	400	280	0.62
Currency + 0,1 NOK/USD	110	80	0.17

Underlying assumptions :

LME 1,550 USD/t , NOK/USD 8.00

Simplified tax rate: 30%



Agri - indicative sensitivities

	EBITDA Mill NOK	Net income Mill NOK	CROGI % points
CAN +10 DEM/t	320	220	0.50
Oil price +1 USD/boe	- 105	- 73	- 0.17
Currency +0,1 NOK/USD	- 18	- 12	- 0.03

Underlying assumptions :
 Oil 18 USD/bbl, CAN 200 DEM/t , NOK/USD 8.00
 Simplified tax rate: 30%



Additional CROGI information



New performance target - CROGI

Cash return on gross investment

EBITDA - tax ¹

Gross Cash Flow

Gross Investment

**Gross ² assets
- short term
interest free
liabilities**

1 Total USGAAP current and deferred tax on Group level,
standard taxes on business area and segment levels

2 Book value plus accumulated depreciation and writedowns



Why CROGI?

✓ Benefits

- Cash based and after tax
- Gross Investment = total capital committed to the business
- Aligned to internal management systems (VBM)



Safe harbour statement

Certain statements in this presentation are or may constitute “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not in the nature of historical facts may be deemed to be forward-looking statements and may contain identifying words such as “believes,” “anticipates,” “plans,” “expects” and similar expressions. These forward looking statements are based on Hydro’s current expectations, assumptions, estimates and projections about the company and the industries in which it engages in business. All forward-looking statements involve risks and uncertainties. For a detailed description of factors that could cause Hydro’s actual results to differ materially from those expressed in or implied by such statements, please refer to its annual report on Form 20-F for the year-ended December 31, 1999 and subsequent filings on Form 6-K with the U.S. Securities and Exchange Commission.

