

Capital Markets Day Hydro Agri

**Executive Vice President Thorleif Enger
Norsk Hydro ASA
Oslo, 8 January 2002**



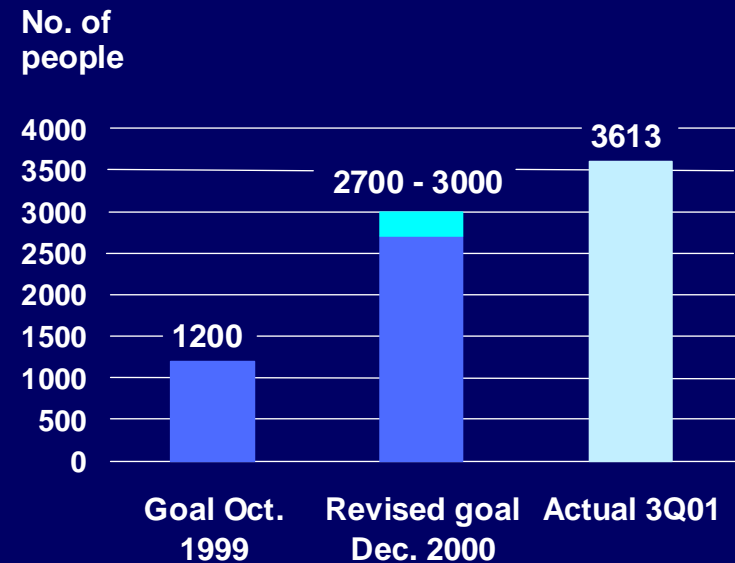


Agri Turnaround goals exceeded

Cost reductions



Demanning



* Total fixed cost reductions 2,226 MNOK compared with 1998 level

Agri Turnaround goals exceeded

Since 1999, our agri business has been through one of the toughest turnarounds in our company's history, with a manning reduction of about 35% and a corresponding reduction in fixed costs.

We announced in October 1999 our strategy for a turnaround program to be completed in 2001. The first targets for manning and cost reductions are shown on this slide. A year later, we announced a further increase in performance improvements. Even though the goals have been increased several times, we have outperformed even the high end of our most ambitious targets.

Many closures and divestments of non-core businesses since 1999



● Plants

- Immingham fertilizer production
- Landskrona fertilizer production
- Montoir nitrate production
- Hurel Arc
- Socadour
- Socofer La Pallice
- Oberhausen
- Barletta
- Porsgrunn potassium nitrate production
- Glomfjord REO production
- Vlaardingen (to JV)

● Hydro Oleochemicals

● Hydelfko

● Danish propane business

● Swedish non-CO₂ gas business

● Hydroship Services

● Hydro Shipping Agency Group

● Fertilizer marketing organizations

- Hungary
- Ukraine
- Bulgaria
- Slovakia
- Rumania
- Slovenia
- Croatia
- Latvia (51%)

● Czech non-fertilizer distributors

● Polish non-fertilizer distributors

● Agtec

● Chafer Machinery

● Noru Priroda mill

● Burlington River Terminal (to JV)

● Hydro Hagebruk (to JV)

● Various ships

Many closures and divestments of non-core businesses since 1999

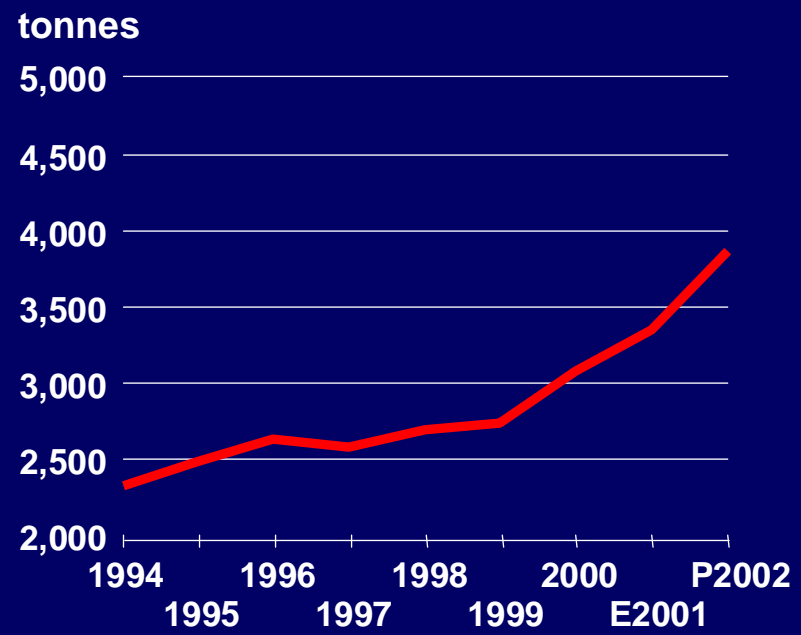
There was a large over-capacity of nitrate fertilizers in Europe. Hydro initiated an industry restructuring by closing down 1 million tonnes of product. So far the total capacity reduction is around 3 million tonnes of product. Restructuring is also taking place in the NPK business where Hydro has closed half a million tonnes of capacity. Hydro has also closed or divested non-core activities and activities below critical size. Our philosophy of active portfolio management is illustrated by our exit list which includes more than 30 businesses and plants since 1999.



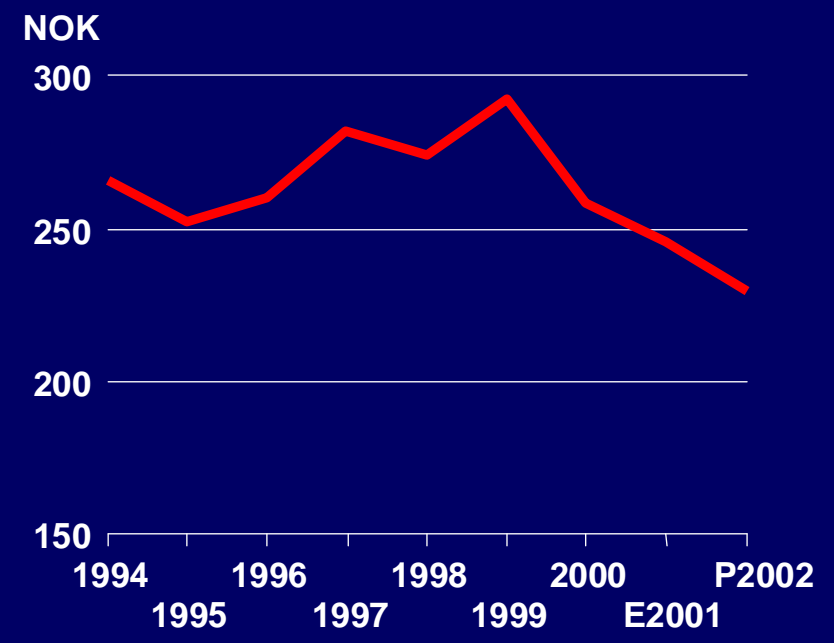
Large productivity improvements

European plants

Production per employee



Fixed costs per tonne*



* Excluding non-recurring items

Large productivity improvements

A steady rise in production per employee in Europe was further accelerated by the Turnaround program. Fixed costs per tonne fertilizer have fallen significantly since 1999. Our competitiveness has improved dramatically and further improvements are planned for 2002. The improved structure and quality of our production assets in Europe are now providing large contributions to our improvement in overall profitability.

Seizing business opportunities at the bottom of the business cycle



Ownership share in parentheses

- **Trevo, Brazil (91%)**
- **Kynoch, South Africa (100%)**
- **Philphos marketing agreement, Philippines (0%)**
- **SQM marketing agreement, Chile (0%)**
- **Qafco IV expansion and marketing agreement (25%)**

**An asset light strategy with
Marketing share > Ownership share**

Seizing business opportunities at the bottom of the business cycle

At the bottom part of the business cycle, when businesses can be acquired at favourable prices, we have also seized the opportunity for asset light growth focused on high potential emerging markets. Whenever possible, we attempt to get a higher marketing share than our share of asset ownership, creating opportunities for a stable cash flow with minimal cyclical swings. One example is our 25% ownership in the world's largest and most cost-effective ammonia and urea facility, where we have a marketing agreement for approximately 50% (twice our ownership share).

Strong leadership and focus on main value drivers



- **Productivity**
 - **Productivity improvements will be our trademark**
- **Portfolio**
 - **We own assets by design, not by default**
- **Growth**
 - **Asset light strategy with focus on supply/demand balance**

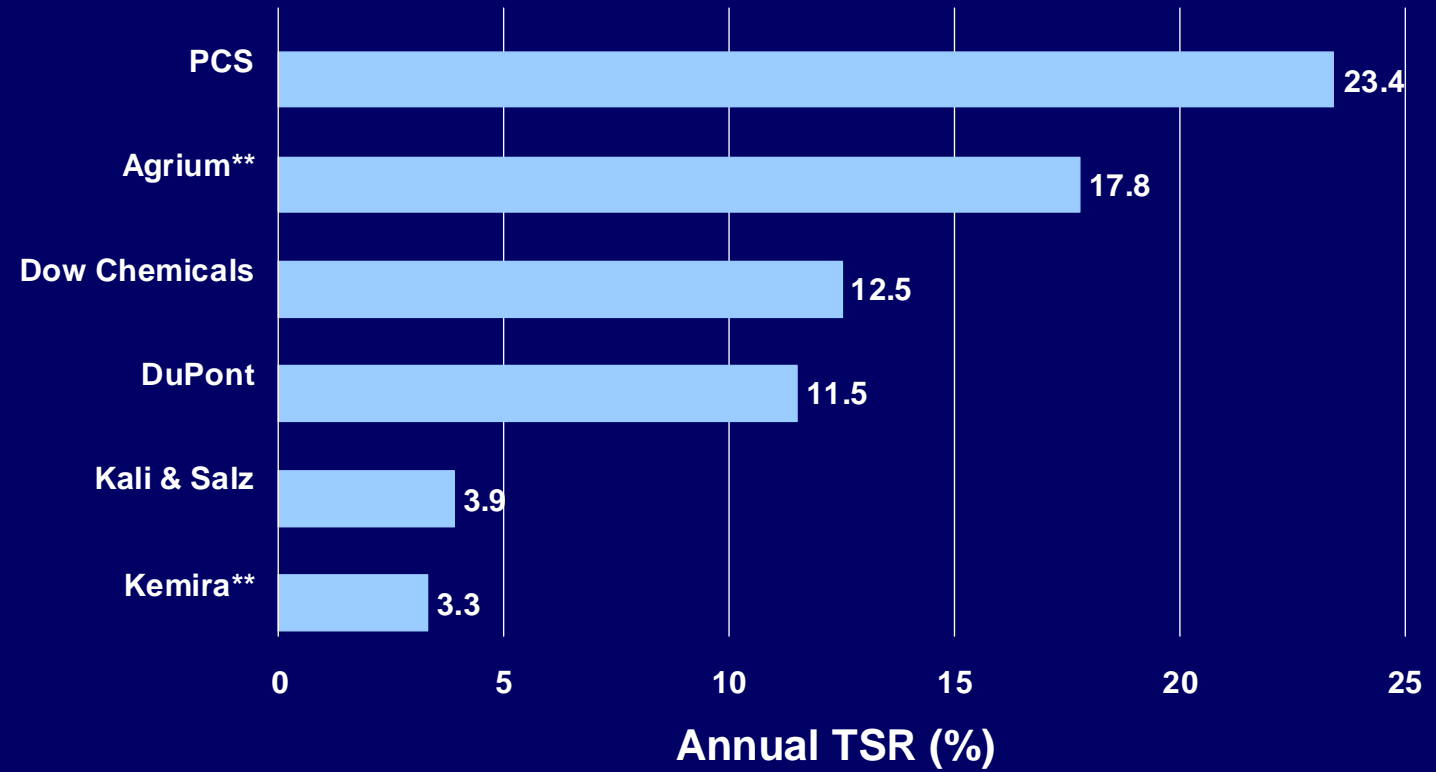
Strong leadership and focus on main value drivers

As already illustrated, Hydro Agri creates value by focusing on three main value drivers: Continuous productivity improvement, active portfolio management and asset light growth. We have ambitious growth targets but focus on asset light opportunities when we are able to acquire less than 100% of an asset and still achieve our cash flow targets.

Shareholder value - the best fertilizer performers have done well



Average annual Total Shareholder Return* across the business cycle (1991-2000)



* TSR = Share price appreciation + dividends to shareholders

** Agrium from merger in 1993 to 2000, Kemira from IPO in 1994 to 2000

Source: BCG database

Shareholder value - the best fertilizer performers...

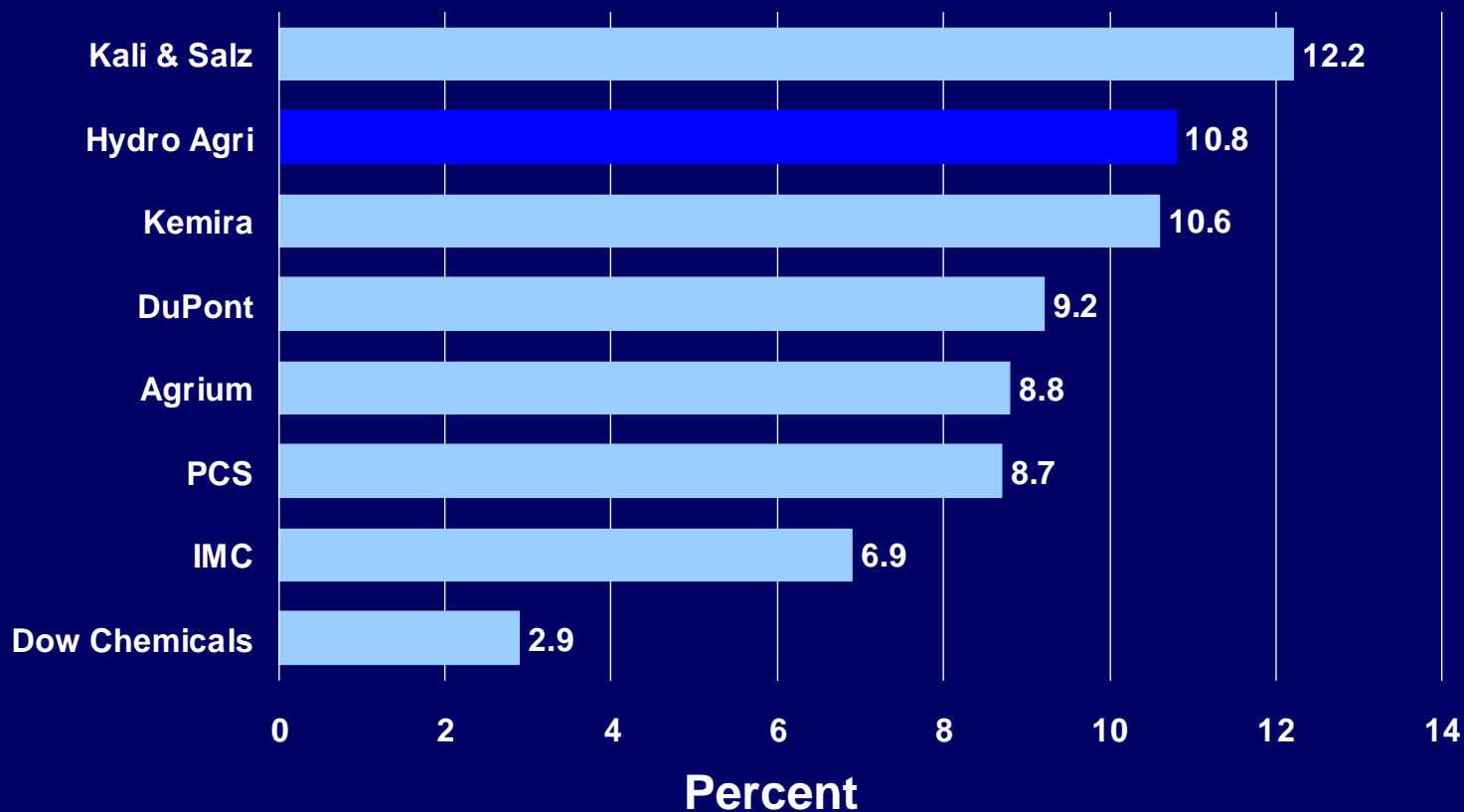
The best fertilizer companies have delivered competitive shareholder returns over time, well above some of the major chemical companies.

Excellent performance over time is rewarded by the stock market. The market's current poor perception of the fertilizer industry in Europe is to a large extent created by the past problems of the industry. The restructuring now taking place will very much improve this situation. For Hydro Agri, our European business is currently showing attractive returns.



Top quartile Hydro Agri performance in 2001

Gross return on assets* Jan. - Sep. 2001



* Gross return on assets is similar to CROGI and defined as EBITDA divided by Total assets

Source: Company quarterly reports

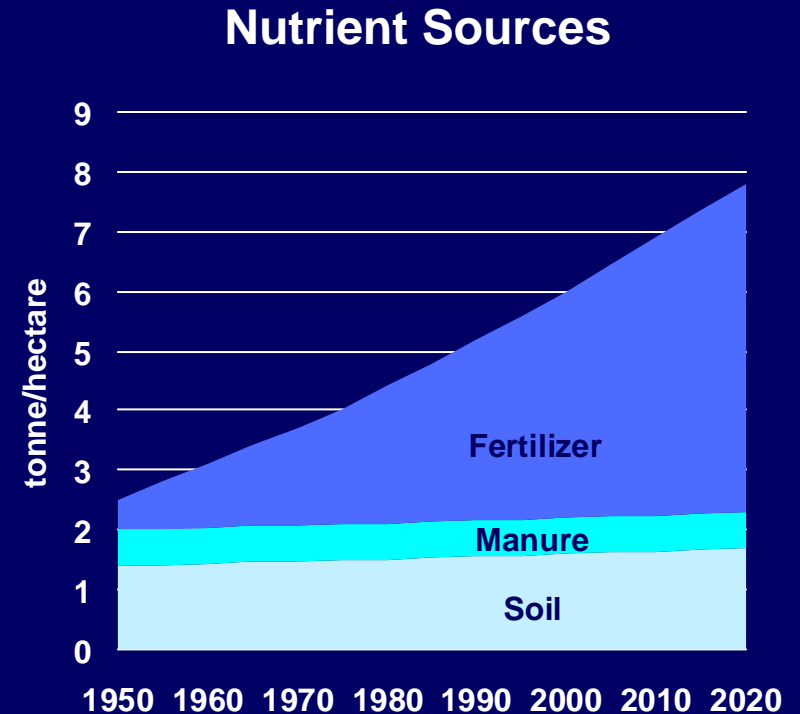
Top quartile Hydro Agri performance in 2001

In a very competitive industry, Hydro Agri has steadily been strengthening its results since our Turnaround program started in 1999. In the first three quarters of 2001, we find ourselves in the top quartile of our peer group and we have steady momentum towards even higher levels of performance.



Fundamental forces drive growth

- World population growing
- Land availability limited
- Mineral fertilizer only sustainable major source of nutrient



Expected growth 2-3% per year

Source: IFA, Worldmarkets.com, PCS, Hydro

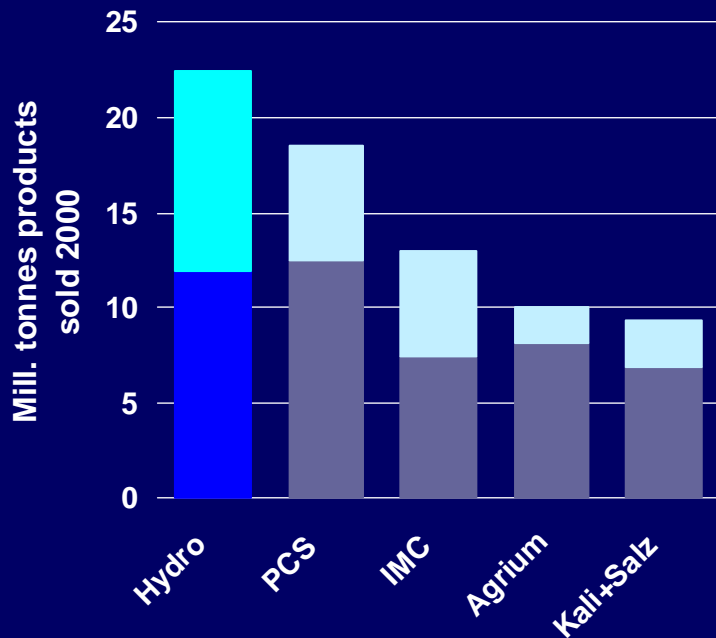
Fundamental forces drive growth

Although the annual industry growth is not very high, it has been remarkably stable over several decades. A rising world population, combined with a declining amount of arable land per person requires more food production from a limited land base. Increased use of fertilizers, particularly in developing nations which face the largest population growth, will be critical to produce the necessary amount of food.

Our agri business is a unique combination of size and global presence

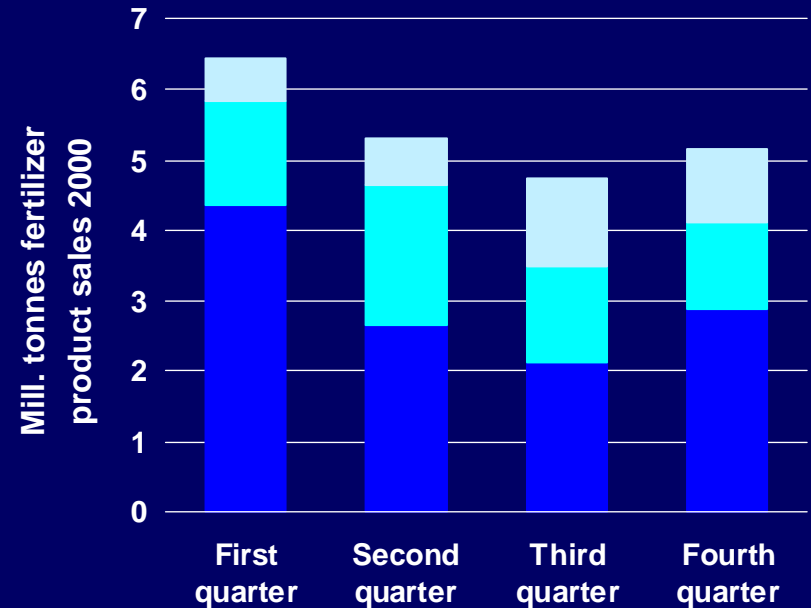


All fertilizer products



- Hydro Overseas
- Hydro Europe
- Overseas
- Home market

Hydro Agri Non-European sales reduce seasonality



- Europe
- Other Northern hemisphere
- Southern hemisphere

Source: Annual reports

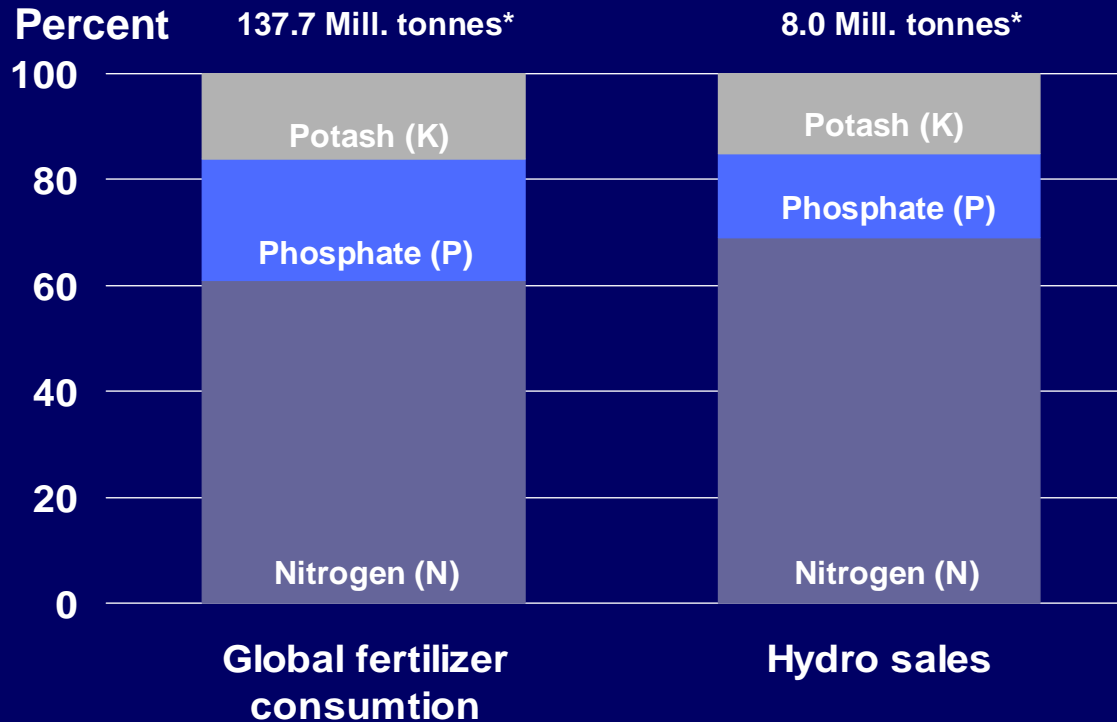
Our agri business is a unique combination of size and global presence

Hydro is number one in fertilizer sales compared with other fertilizer companies. Almost half of our sales take place outside of our home market Europe. This puts Hydro in a unique position in the industry and make our profits less exposed to seasonality and problems in one specific geographical region. This becomes even more pronounced as Europe's importance gradually diminishes.

Hydro Agri sales are well balanced among the three important nutrients



2000 sales



Average global Hydro market share ~6%

* Nutrient tonnes

Source: IFA, Hydro

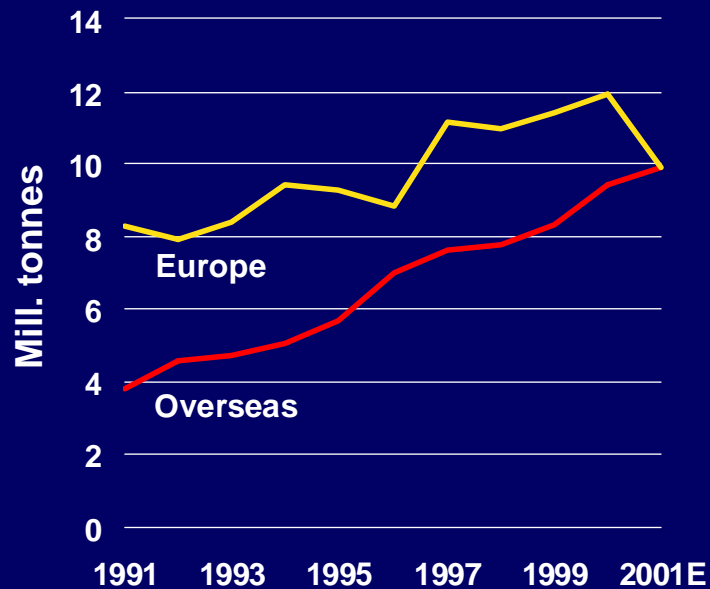
Hydro Agri sales are well balanced among the three important nutrients

Compared with the global fertilizer consumption, Hydro's sales are well balanced between the three primary nutrients. As nitrogen is the most important and hence the largest plant nutrient in terms of consumption, our sales also have a higher share of nitrogen than the other nutrients. Our comprehensive product portfolio enable us to fully satisfy the needs of farmers and distributors.

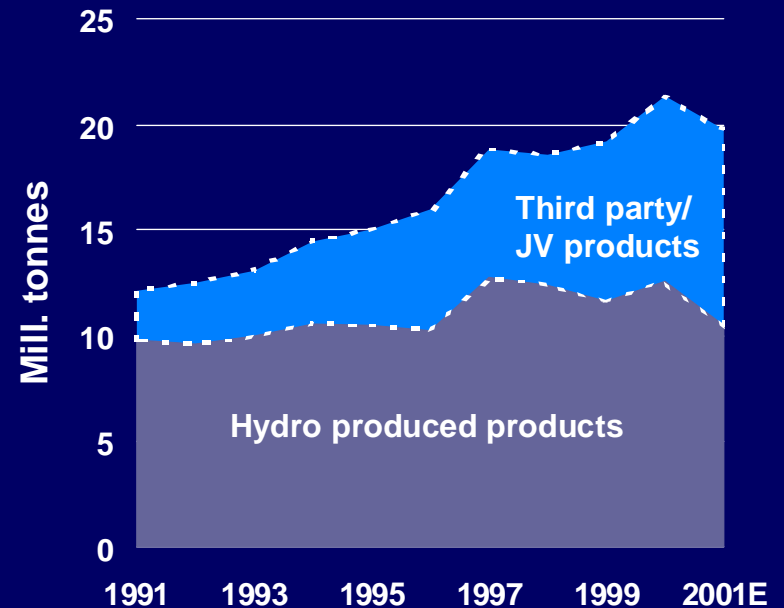


Sourcing strategy for overseas growth

Overseas volume increasing, Europe stagnating



Third party sourcing increasing



Sourcing strategy for overseas growth

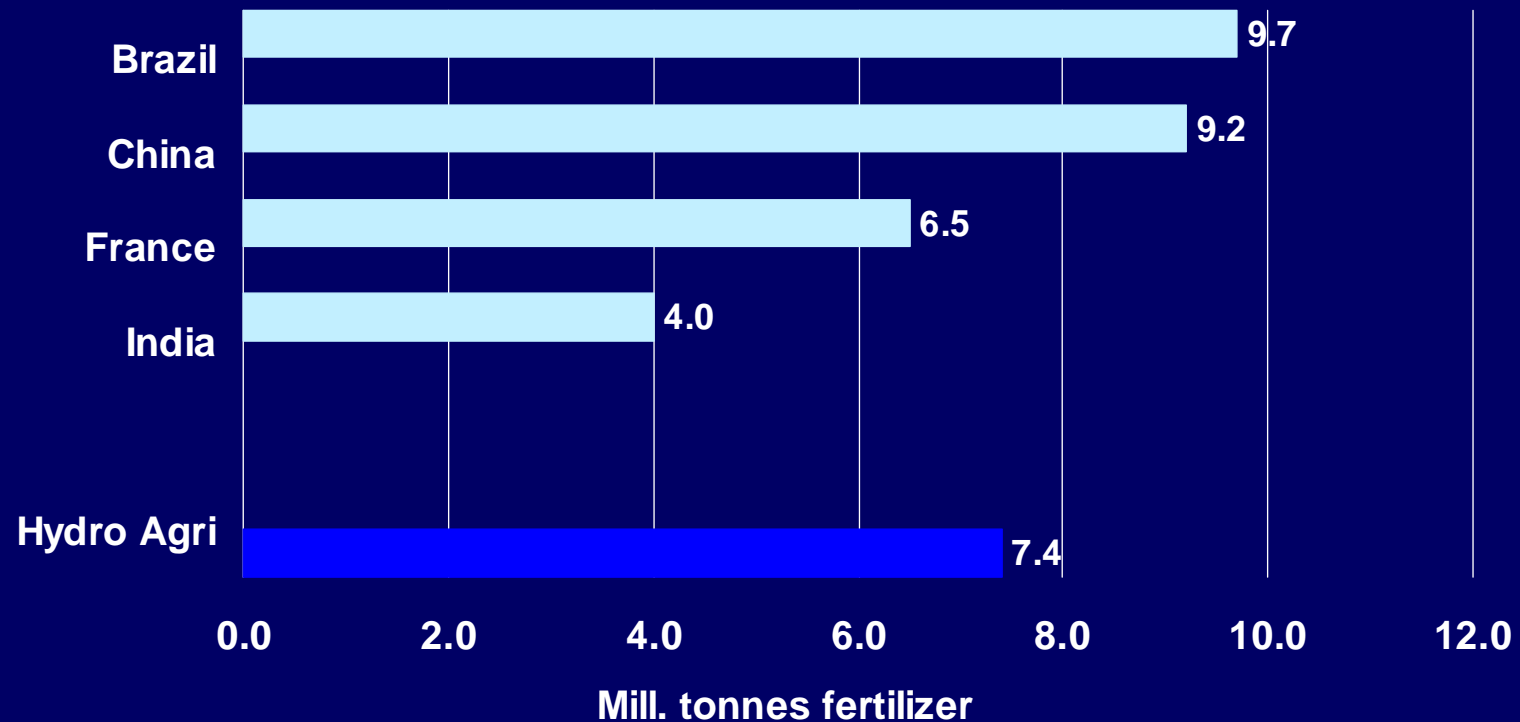
While fertilizer consumption in Europe is stagnating, many overseas markets continue their strong growth. This is reflected in our sales profile (left graph). In 2001, our sales in Europe were affected by a significant reduction in fertilizer consumptions caused by exceptionally bad weather in spring.

Hydro's increasing share of third party products and products from production and marketing joint ventures give us increased sales and cash flows without the exposure created from owning large fixed assets.



Strong leverage based on purchasing power

Hydro Agri's fertilizer purchasing is similar to the entire imports of large countries



* Products included are Urea, AN, CAN, AS, DAP, MAP, TSP, MOP, SOP

Source: IFA

Strong leverage based on purchasing power

Our extensive sourcing from other producers gives us a purchasing power which ensures that Hydro gets the best fertilizer prices. This makes it less important whether we produce basic fertilizer products ourselves or source them from others. Many of our fertilizer suppliers also provide raw materials for our own fertilizer production. This adds to our procurement leverage and economies of scale.



Hydro Agri, the global leader in

- **Ammonia - the basis for all nitrogen fertilizer**
- **Nitrates - the most important fertilizer in Europe**
- **Balanced fertilization (NPK) - serving value-added segments**
- **Speciality fertilizers - serving high margin cash crop markets**
- **Industrial applications - mainly in Europe**
- **Global marketing network - local activities in more than 60 countries on all continents**

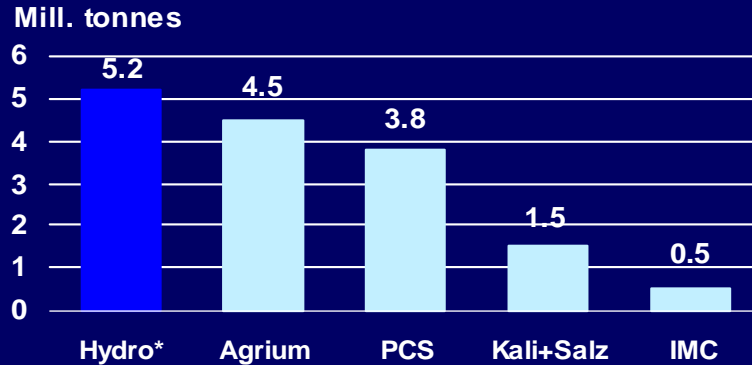
Hydro Agri, the global leader in

- * Hydro has the highest market share in traded (non-captive) ammonia which is used to make nitrogen fertilizers.
- * Hydro has the highest market share in nitrates, the most important type of fertilizer in Europe.
- * Hydro's cash costs in NPK production are lower than for other producers using a different production process. NPK is the fastest growing volume fertilizer product category.
- * Hydro has the world's largest sales of speciality fertilizers. While own produced Calcium Nitrate (CN) form the basis, the alliance with Chilean SQM, the leading player in Potassium Nitrate (PN), has created a unique business concept which is hard to copy by any other fertilizer company.
- * In the European CO₂ market, Hydro is the leading supplier with a market share of around 30%, approximately twice that of the nearest competitor. Hydro also has dominant positions in other industrial gases and technical ammonium nitrate in Europe.
- * Hydro has a global market share of about 6% which is twice the size of the next largest companies, PCS, IMC and Agrium.

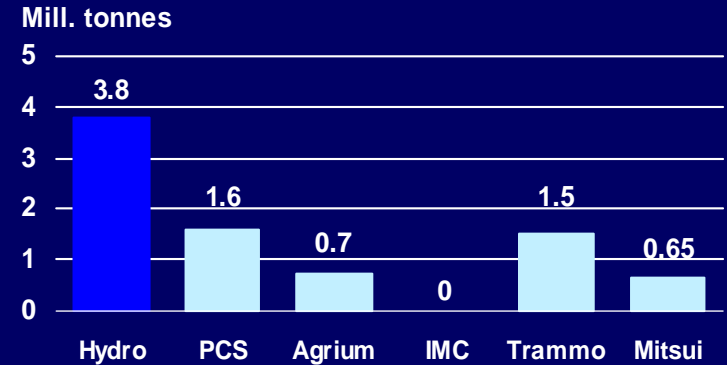


Hydro is the leading ammonia player

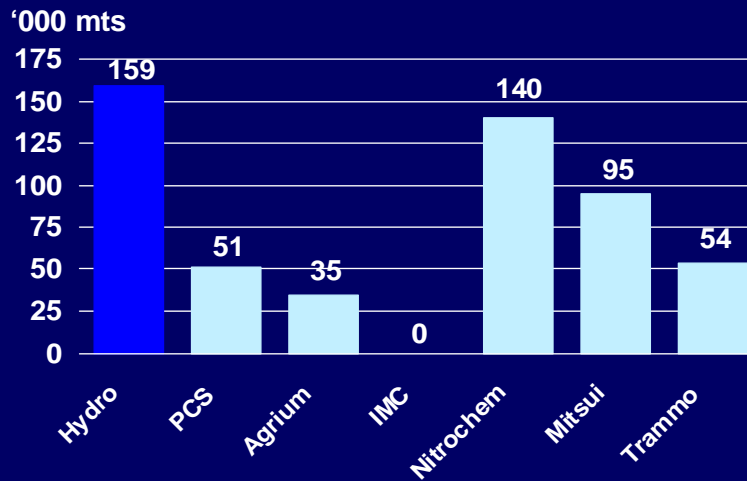
Production capacity



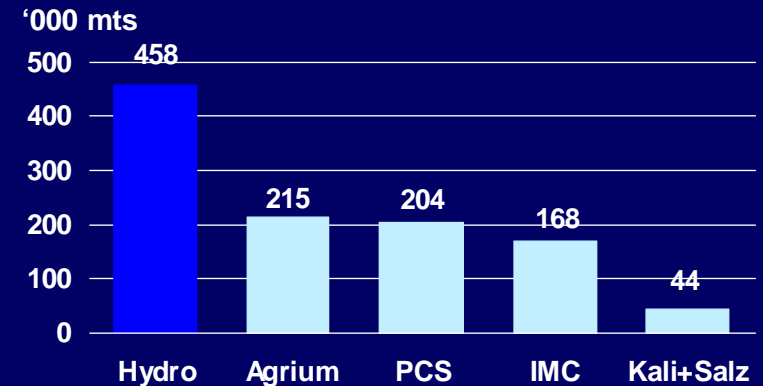
Trade



Shipping capacity



Maritime storage capacity



* Incl. Hydro share of JVs

Source: Company info, Blue-Johnson, British Sulphur, Hydro,

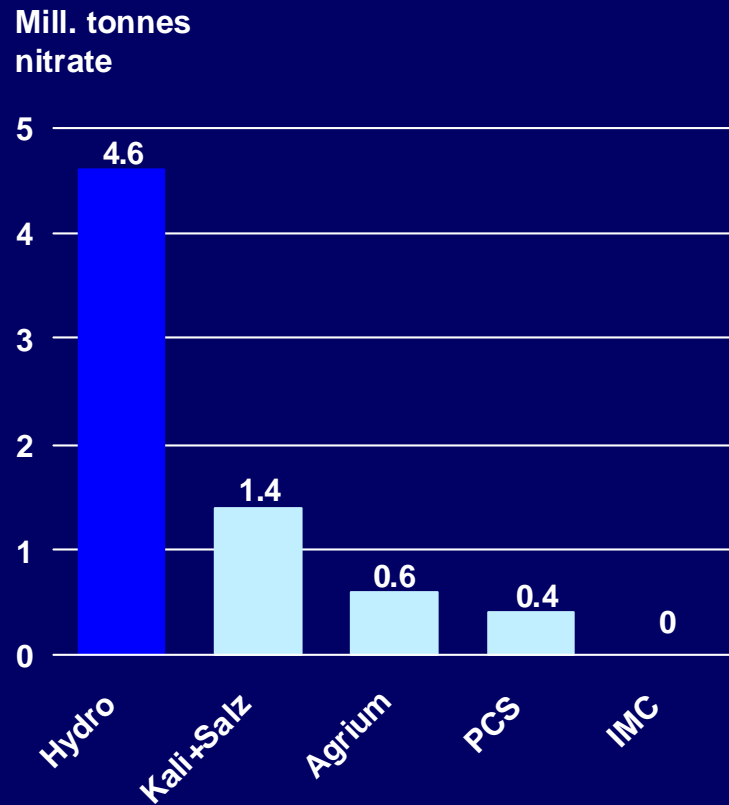
Hydro is the leading ammonia player

On all relevant parameters, Hydro is the largest ammonia player, including when looking beyond the traditional fertilizer industry. This is important due to ammonia's critical role as raw material for fertilizer production. Furthermore, having extensive production, shipping and logistical networks enable Hydro to compete for contracts few others are able to compete for.

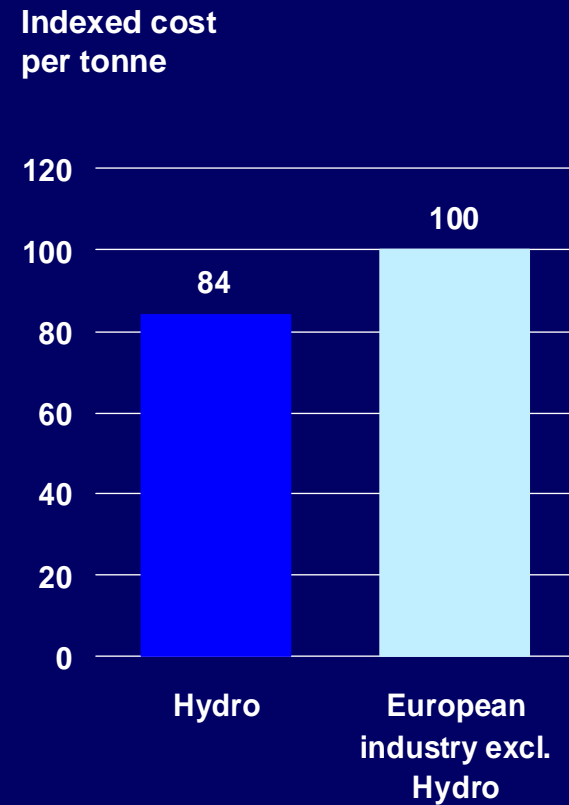


Hydro is the leader in nitrate production

Total production capacity 2000



Average production cost 2000



Source: Nitrex-Complex, EFMA

Hydro is the leader in nitrate production

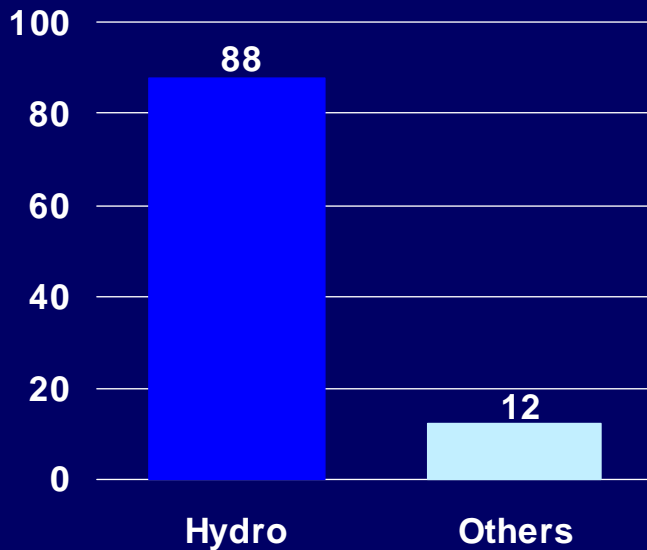
In nitrates, the most important fertilizer in Europe, Hydro is the largest and most cost effective producer. While the European nitrate industry suffered under structural over capacity until 1999/2000, industry closures of 3 million tonnes, to which Hydro contributed 1 million tonnes, have created a better supply/demand balance. Capacity utilization is now approaching attractive levels.

Leading market position in speciality fertilizers



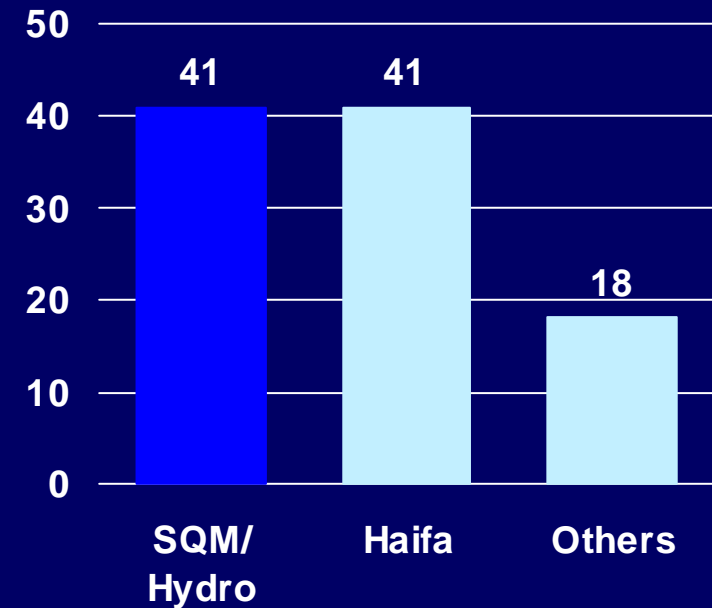
Calcium Nitrate (CN)

Market share (%)



Potassium Nitrate (PN)

Market share (%)



Calcium Nitrate and Potassium Nitrate constitute approximately 65% of total speciality fertilizer market

Leading market position in speciality fertilizers

There is high potential for value creation in speciality products for high value cash crops. Hydro has strong market positions in the two main fertilizers, Calcium Nitrate and Potassium Nitrate, which together constitute the bulk of the speciality fertilizer market. Hydro's unique nitrophosphate production technology has given us a superior position for Calcium Nitrate, and our recent global marketing agreement with the Chilean fertilizer company SQM has also given us a strong position in the other main product, Potassium Nitrate. In total, this enables Hydro to supply our customers with an attractive product mix at favourable prices.

Strong position in selected industrial applications



- **Leading supplier of CO₂ in Europe**
- **Strong position in the high growth segment for environmental products**
- **Leading supplier of technical ammonium nitrate to the civil explosives industry**
- **Strong financial performance over time**

Strong position in selected industrial applications

Hydro Agri's Gas and Chemicals business is a successful niche player and has enjoyed stable and good profitability and healthy growth over a number of years. In addition to being the leading supplier of CO₂ and technical nitrate products in Europe, Hydro also has a market share of around 20% in industrial gases in Scandinavia and is seeing interesting growth for nitrogen chemicals in environmental markets.



KFK: Step change in creating shareholder value

- **KFK in an aggressive turnaround mode**
 - Large improvements being implemented in existing feed and grain business
 - New farm management strategy being rolled out, shifting focus to higher margin segments

- **Hydro's ownership position**
 - Strong support of new management and value creation efforts
 - Hydro's strategic link to KFK diminished
 - Ownership will be reduced

KFK

KFK has launched an ambitious turnaround program for their core activities. In addition, a new farm management strategy has been designed to provide step change in value creation and total shareholder returns. As KFK is no longer a core business to Hydro, ownership will be reduced. Both for Hydro and KFK, it will be important to find new owners which can strongly support new opportunities for KFK.



Hydro Agri's global leadership strategies

Ammonia

- **Grow business by playing on strengths**

Nitrates

- **Maintain market share in Europe**

**Balanced fertilization
(NPK)**

- **Growth in cash crop market**

Speciality fertilizers

- **Develop alliance with SQM**

**Selected industrial
applications**

- **Develop new products and markets**

Marketing network

- **Reach critical size in all chosen markets**

Hydro Agri's global leadership strategies

We will continue to develop each of our areas of strength and get full leverage of our size wherever we are present. Still, we have a pragmatic attitude to our portfolio and we will continue to apply an up-or-out policy to assets which do not perform. We will also continue to search for new high potential business opportunities. Our size and reach make Hydro Agri attractive to players who want to exit the business or enter into alliances. This is becoming an important competitive advantage in light of the ongoing industry consolidation.



Ambitious financial targets

- **Have an average profitability across the cycle which is**
 - higher than Hydro's general requirement of 10% CROGI
 - in the best quartile of chemical industry peers
 - leading among agri companies
- **Pursue an asset light growth strategy**
- **Make good profits at bottom of business cycle**

- ➔ **Targeted annual EBITDA growth in 2002 and 2003: 10-15%**
- ➔ **Minimum EBITDA at bottom of business cycle: 3 BNOK**

Ambitious financial targets

During the past three years, Hydro Agri has demonstrated its ability to execute a challenging turnaround with an impressive financial recovery, leading to top quartile industry performance. Going forward, Hydro Agri will strengthen its leading position and continue to grow its cash flow. This will be done through a combination of asset light growth, continued productivity improvements and active portfolio management.



Hydro Agri: Key messages

- **Agri Turnaround targets exceeded**
- **Unique business model based on global strengths**
- **Strong platform for future value creation**
- **Good industry performers deliver competitive shareholder returns**

Hydro Agri: Key messages

We have met our Turnaround targets and compare favourably with our peers in 2001 and we believe that we now have a strong platform for the future.

We continue to have a strong belief in the fertilizer industry and believe that Hydro Agri will create considerable value for our shareholders. Our leadership team and the competence and skills in our organisation are second to none in our industry and we have confidence in our ability to create value in the years ahead.

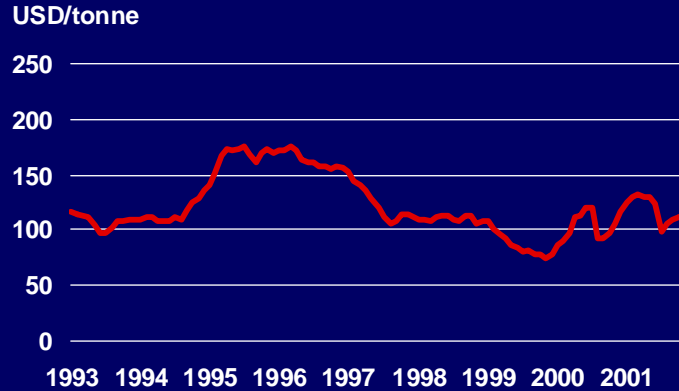


APPENDIX

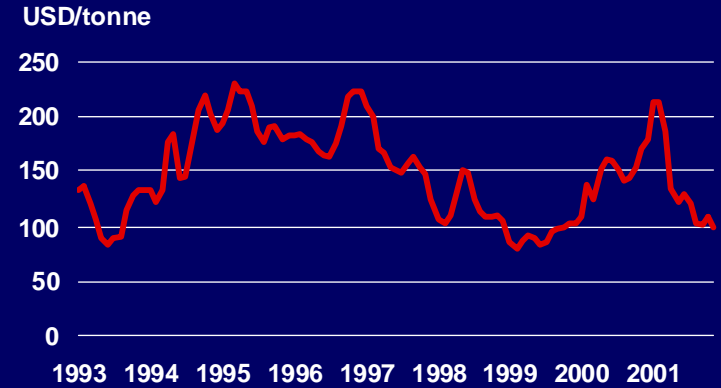


Fertilizer prices

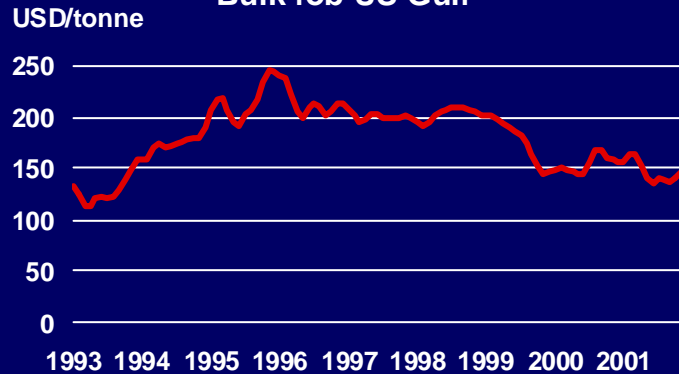
CAN Germany
Bulk delivered warehouse



Ammonia
Fob Caribbean



DAP
Bulk fob US Gulf



Urea
Bulk fob Middle East



Source: International publications

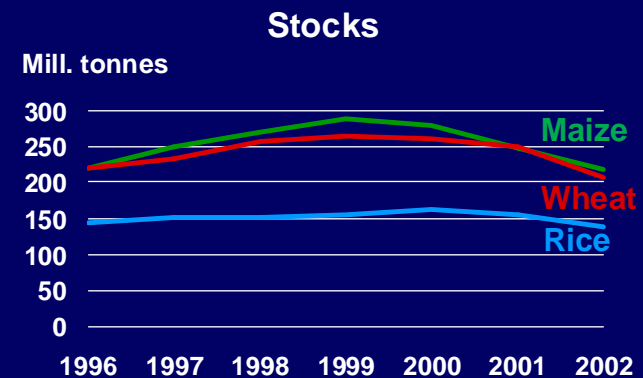
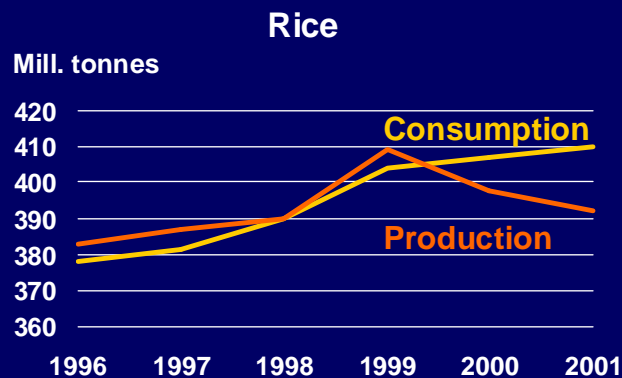
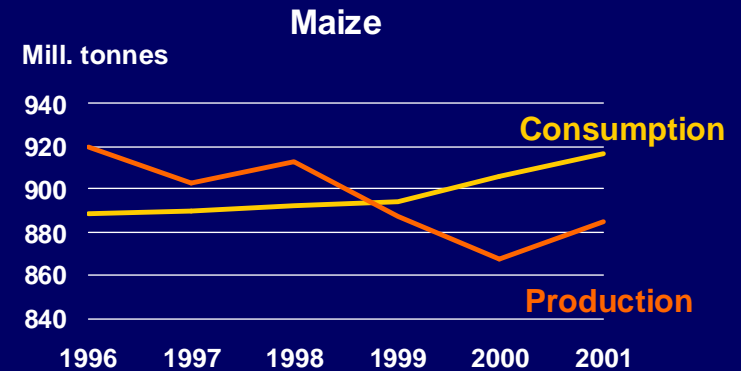
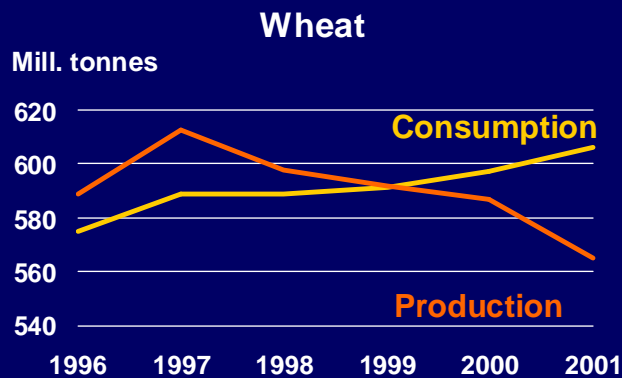
There are positive short term market trends



- **World cereal consumption is now higher than production, leading to reduced stocks**
- **Cereal and international fertilizer prices are below historic averages but increasing**
- **This should lead to increased demand and higher prices for fertilizers**

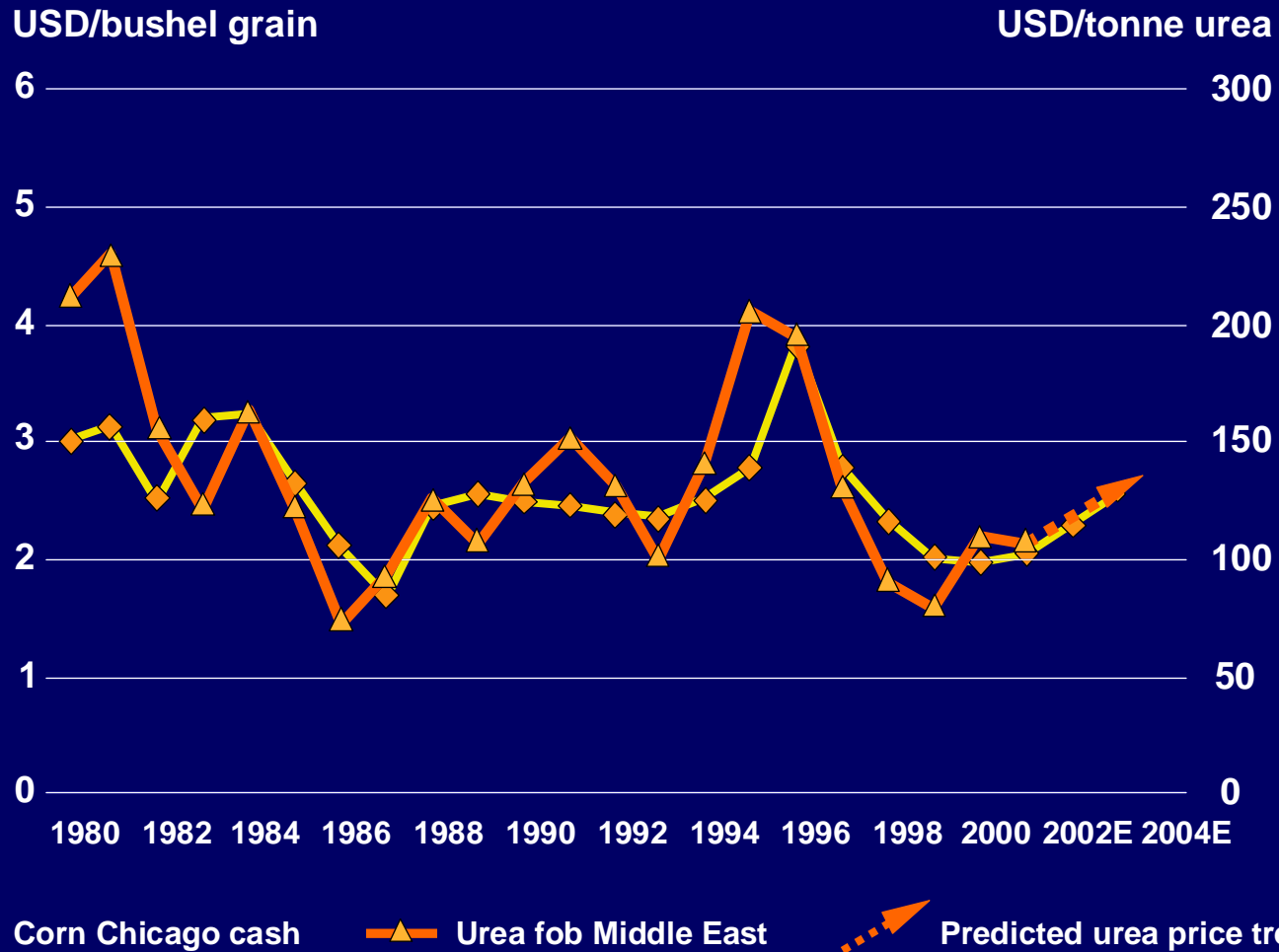


Cereal consumption now higher than production, calling for increased fertilizer demand



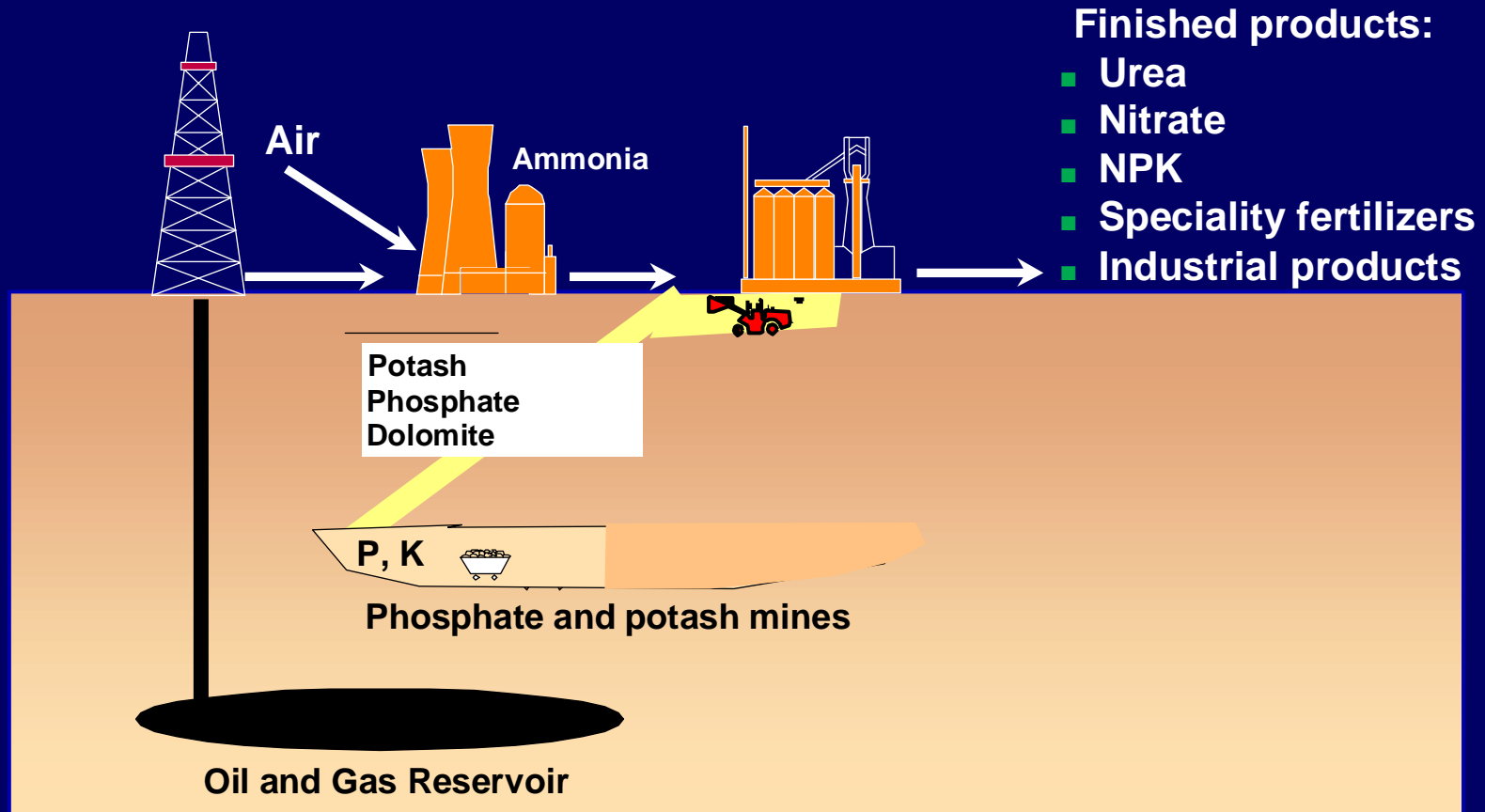
Source: FAO

Grain prices correlate with fertilizer prices and indicate price increase in next years



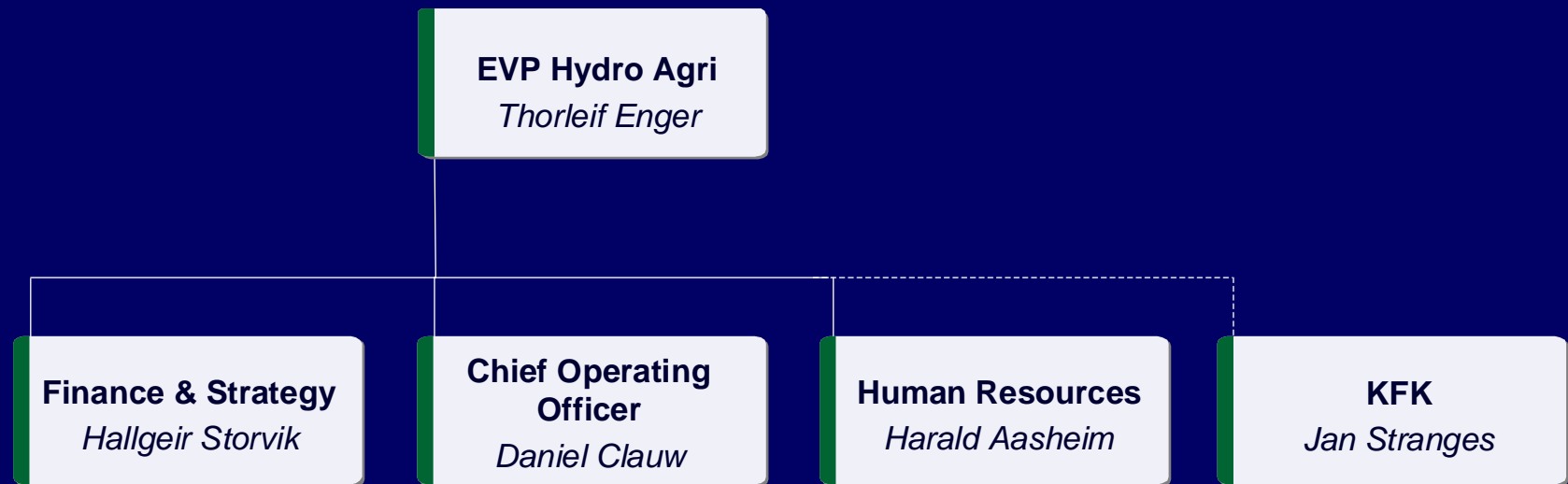
Source: Blue-Johnson, CBT

Energy and ammonia are the basis for mineral fertilizer





Hydro Agri structure





Safe harbour statement

In order to utilize the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995, Hydro is providing the following cautionary statement: This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Company and certain of the plans and objectives of the Company with respect to these items. By the nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The actual results and developments may differ materially from those expressed or implied in the forward-looking statements due to any number of different factors. These factors include, but are not limited to, changes in costs and prices, changes in economic conditions, and changes in demand for the Company's products. Additional information, including information on factors which may affect Hydro's business, is contained in the Company's 2000 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.