

Capital Markets Day



Hydro Agri



Executive Vice President Thorleif Enger
Norsk Hydro ASA December 14, 2000

Agri highlights 1999/2000

- ✓ **Hydro Agri Turnaround successful so far**
 - ▶ **Simplified organization and business processes**
 - ▶ **Successful restructuring in Europe**
 - ▶ **Cost reductions ahead of plan**
 - ▶ **Safety improved**
- ✓ **Strong start of new fertilizer season in Europe continues sentiment from first half of 2000**
- ✓ **Continued good results overseas strengthened by acquisitions of majority stakes in Trevo and Kynoch**
- ✓ **Underlying Agri EBITDA after first three quarters of 2000 improved by 1,550 MNOK compared to 1999 (excluding non-recurring items)**



What we said and what we have done

Objectives announced Oct 1999:

- ▶ Reduce nitrate capacity
- ▶ Reduce NPK capacity
- ▶ Reduce fixed cost by 1,350 MNOK vs. 1998 level
- ▶ Reduce manning by 1,200 persons vs. 1998
- ▶ Cut in base level production investments
- ▶ Up-or-out from marginal markets
- ▶ Sell/exit non-core businesses

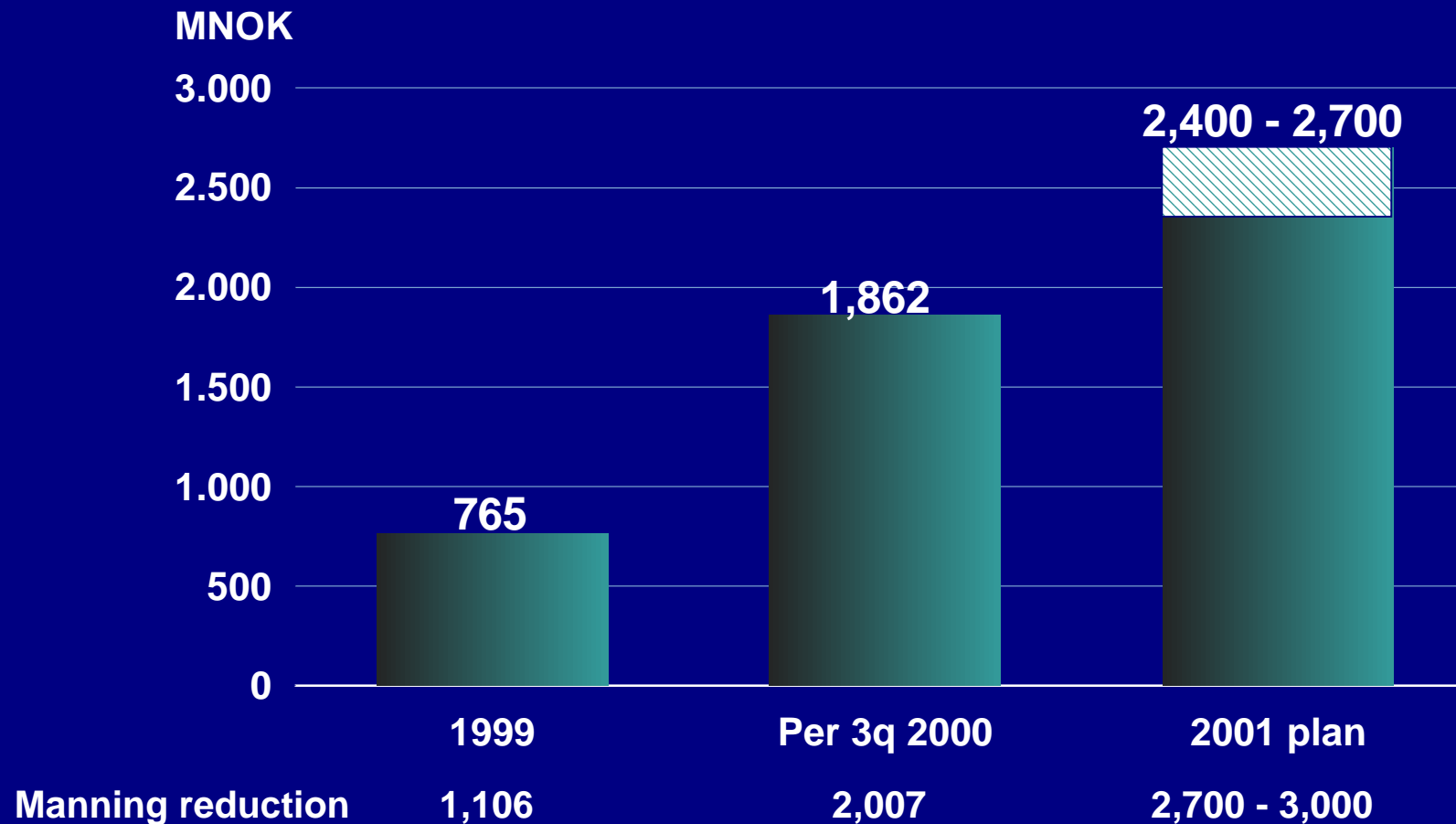
Actions taken:

- ▶ Closure of 1 million tons
- ▶ Closure of 0.5 million tons
- ▶ Reduced by 1,400 MNOK per 3q 2000, variable costs reduced by 500 MNOK relative to market prices
- ▶ Reduced by 2,000 persons per 3q 2000
- ▶ Reduced by 70% vs. 1996-99 average
- ▶ Exit from domestic marketing in 7 countries
- ▶ Sale of 3 businesses during 2000, 1 closed, 1 merged into JV

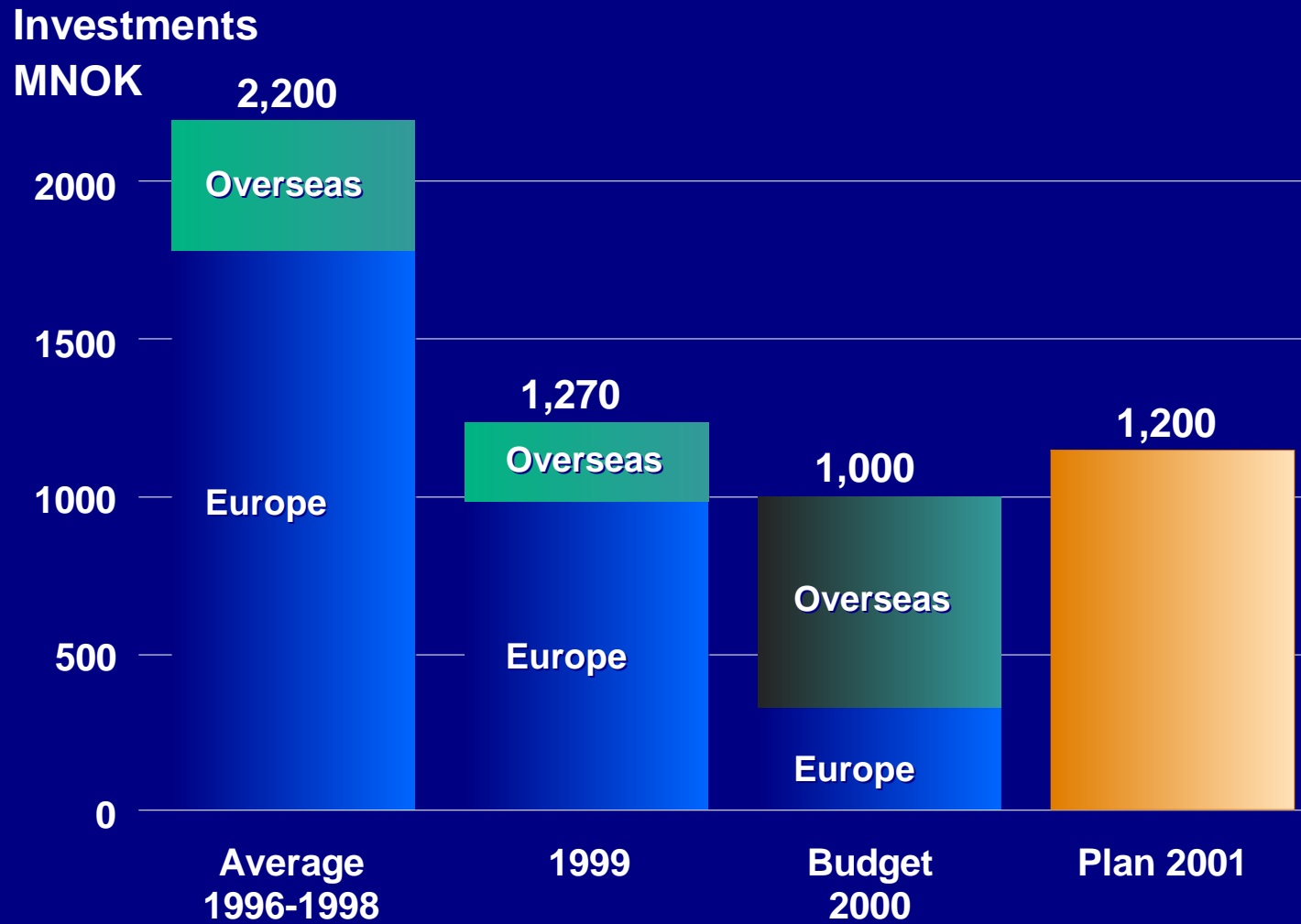


Increased improvement ambitions for 2001

Accumulated cost reduction targets and results HPN + HGC vs. 1998 actual



Plant Nutrition investments reduced and shifted towards emerging markets



Hydro Plant Nutrition has 5 main strengths

- ✓ **World leader in ammonia, the foundation for all nitrogen fertilizer**
- ✓ **World leader in nitrates, the most important fertilizer in Europe**
- ✓ **Strong position in balanced fertilization - NPK - the fastest growing volume fertilizer**
- ✓ **Unique specialty product, CN, provides a basis for growth in high margin markets**
- ✓ **Truly global marketing network and a strong position in the world's growth markets outside Europe**

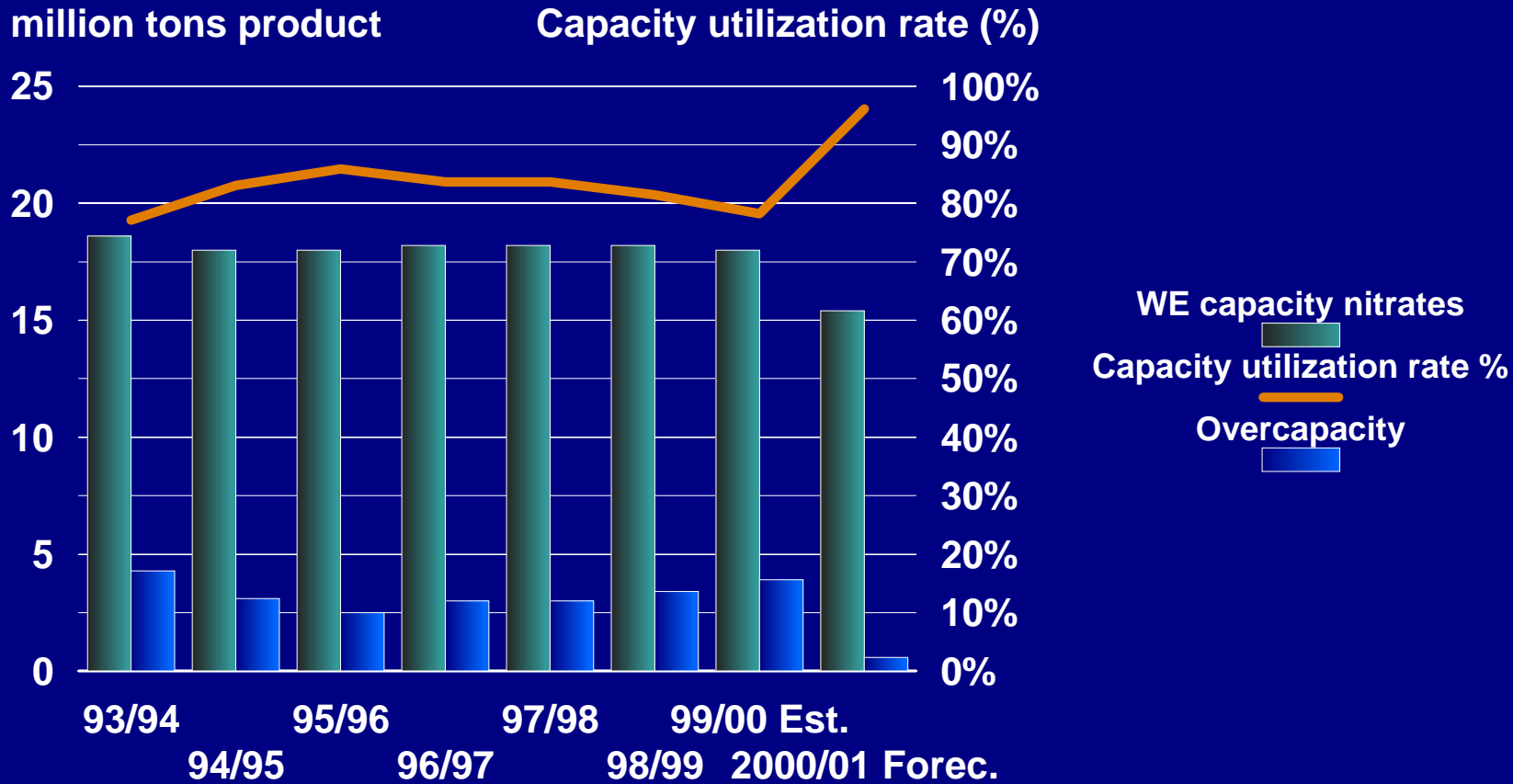


Strong position in ammonia

- ✓ Captive use for 80-90% of production
- ✓ High proportion of global trade, market leader
- ✓ Fast response to trade opportunities due to fully controlled shipping fleet
- ✓ Low requirement for future investment
- ✓ Energy and environmentally efficient plants



Nitrates capacity utilization in Western Europe high after closures

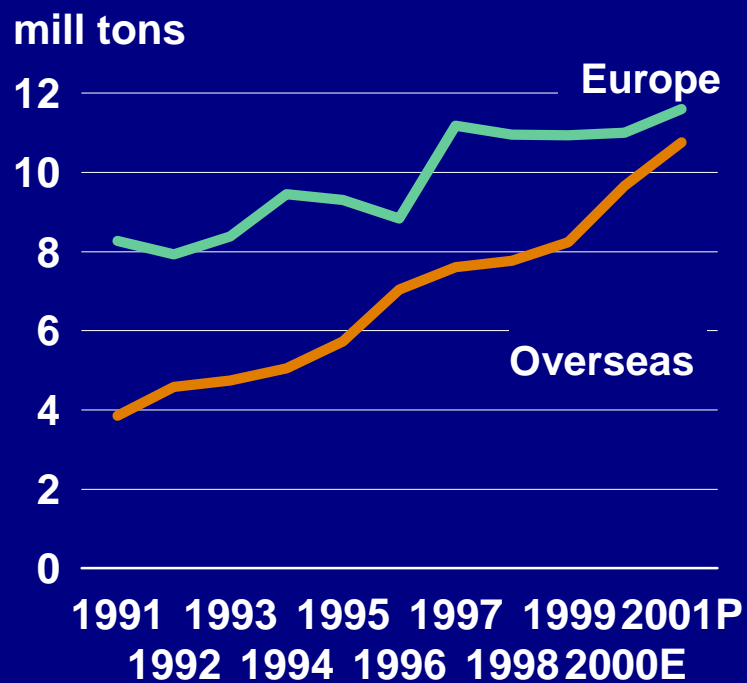


3 million tons of capacity reduction announced, taking effect in season 2000/01 and 2001/02.

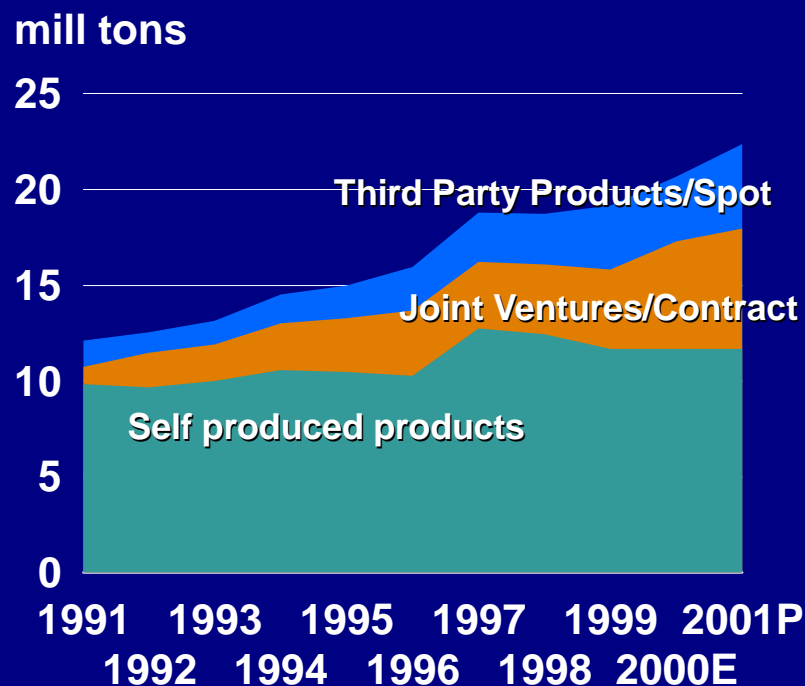


Hydro sales development and fertilizer sourcing

Overseas increasing,
Europe stagnating



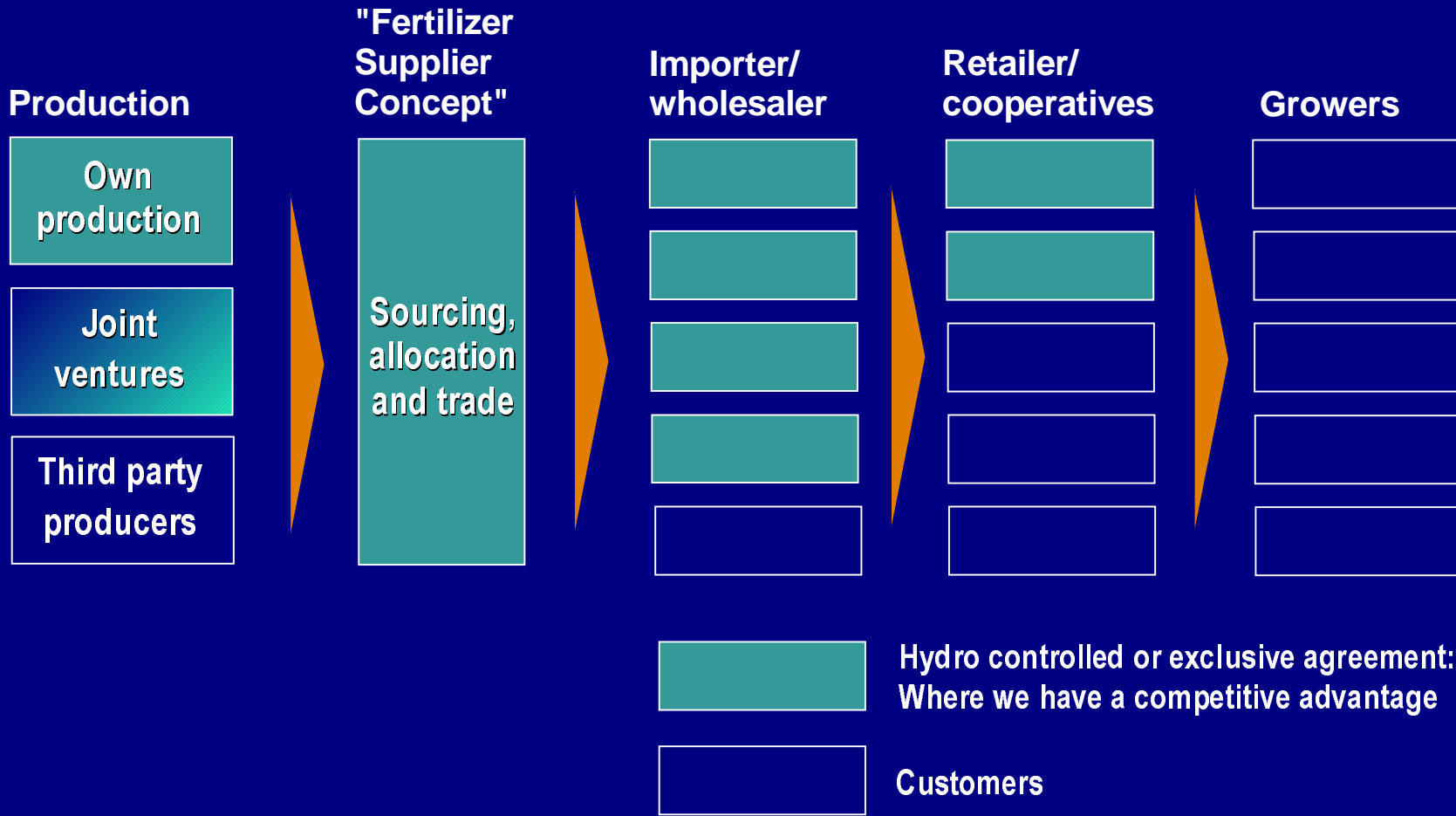
Third party sourcing increasing



Hydro Plant Nutrition - uniquely positioned from producer to grower

Global sourcing and trade

Domestic sourcing and marketing



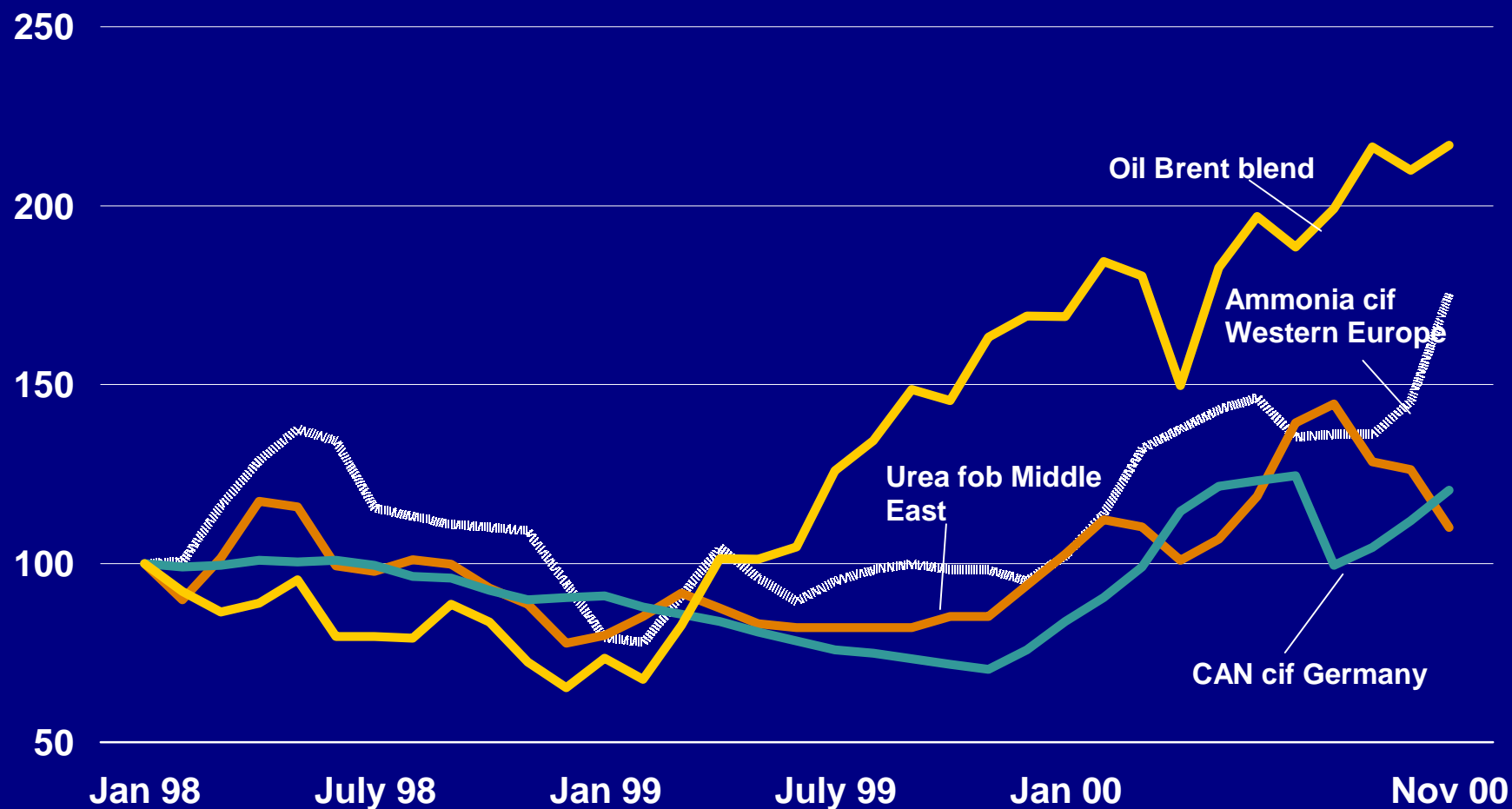
External fundamentals improving

- ✓ Increased global fertilizer consumption
- ✓ Improved supply/demand balance, actions in European nitrate and NPK markets
- ✓ CIS nitrogen industry capacity utilization believed to be high
- ✓ Anti-dumping measures in the US and EU
- ✓ Impact of WTO on China
- ✓ But: Energy prices at record high levels



Increasing energy costs and fertilizer prices

Indexed to Jan 1998



Source: Average of international publications (Fertecon, Fertilizer Week, FMB, The Market)

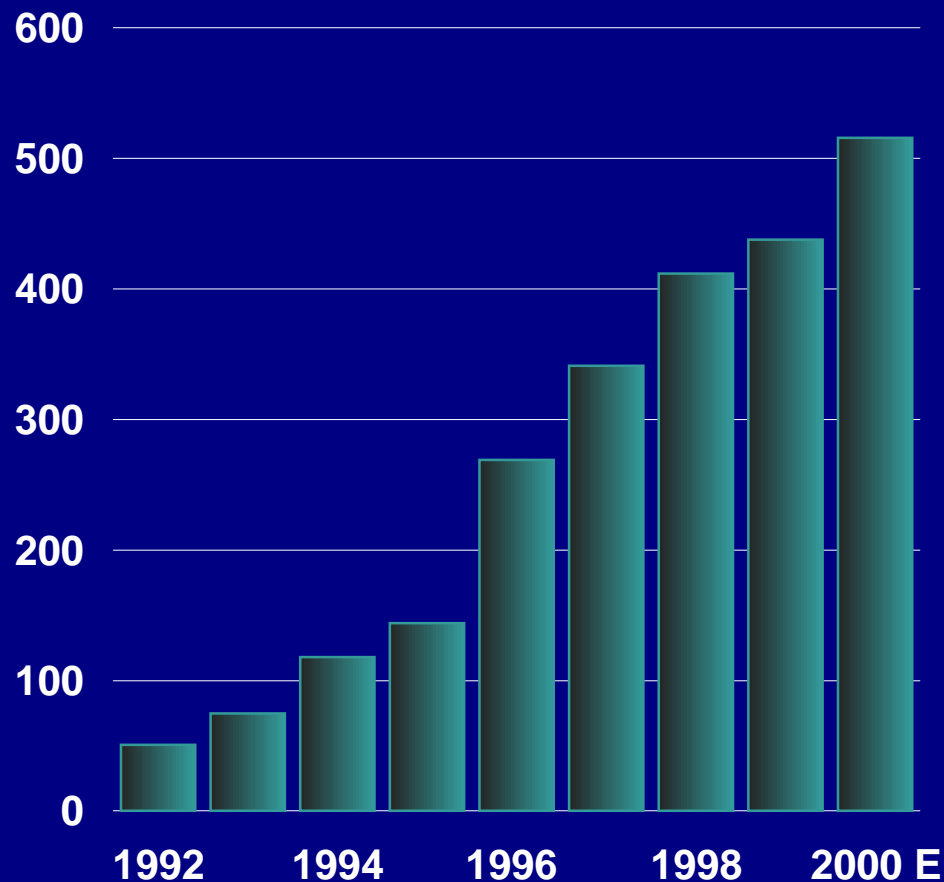
Strong position in selected niches for Gas and Chemicals

- ✓ A market leader in industrial gases in Norway and Denmark
- ✓ A market leader and lowest cost producer of liquid CO₂ in Europe
- ✓ Leading position in Europe for nitrogen chemicals for environmental process applications
- ✓ Strong position in technical nitrates



Gas and Chemicals: Profitable growth in environmental products

Revenues in MNOK



Product concepts:
Nutriox: Prevention and removal of septicity from wastewater and sludge

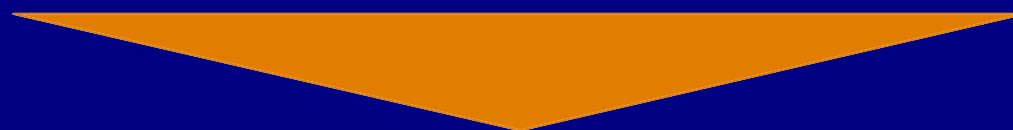
Reduktan: Reduction of NOx emissions from power plants and ships

Further growth expected due to increased environmental awareness



Turnaround initiated in KFK

- ✓ Unsatisfactory results in recent years
- ✓ Overcapacity in Danish feed and grain market



- ✓ Restructuring of KFK
- ✓ Reductions in fixed and variable cost
- ✓ Focus on performance



Medium term improvement targets for Plant Nutrition

✓ Medium term EBITDA target*	4,000 MNOK
✓ Normalized EBITDA 1999**	1,000 MNOK
✓ Agri Turnaround	3,000 MNOK
➤ Cost improvements business plan 2000	1,000
➤ Restructuring Europe (cost and price***)	1,200
➤ Overhead productivity project	300
➤ Identified additional cost savings	200
➤ Further cost improvements needed	300

* Increased from 3500 MNOK due to improved long-term market outlook

** Excluding non-recurring items; return to historical long-term average prices (nominal) for urea and oil

*** Return to historical long-term averages for European nitrate prices and margins



Long term improvement targets Agri

- ✓ **Have an average profitability across the cycle which is**
 - **higher than Hydro's general requirement and in line with the other two core areas**
 - **in the best quartile of chemical industry peers**
 - **leading among plant nutrient companies**



Additional information

Agri



Hydro Agri mission

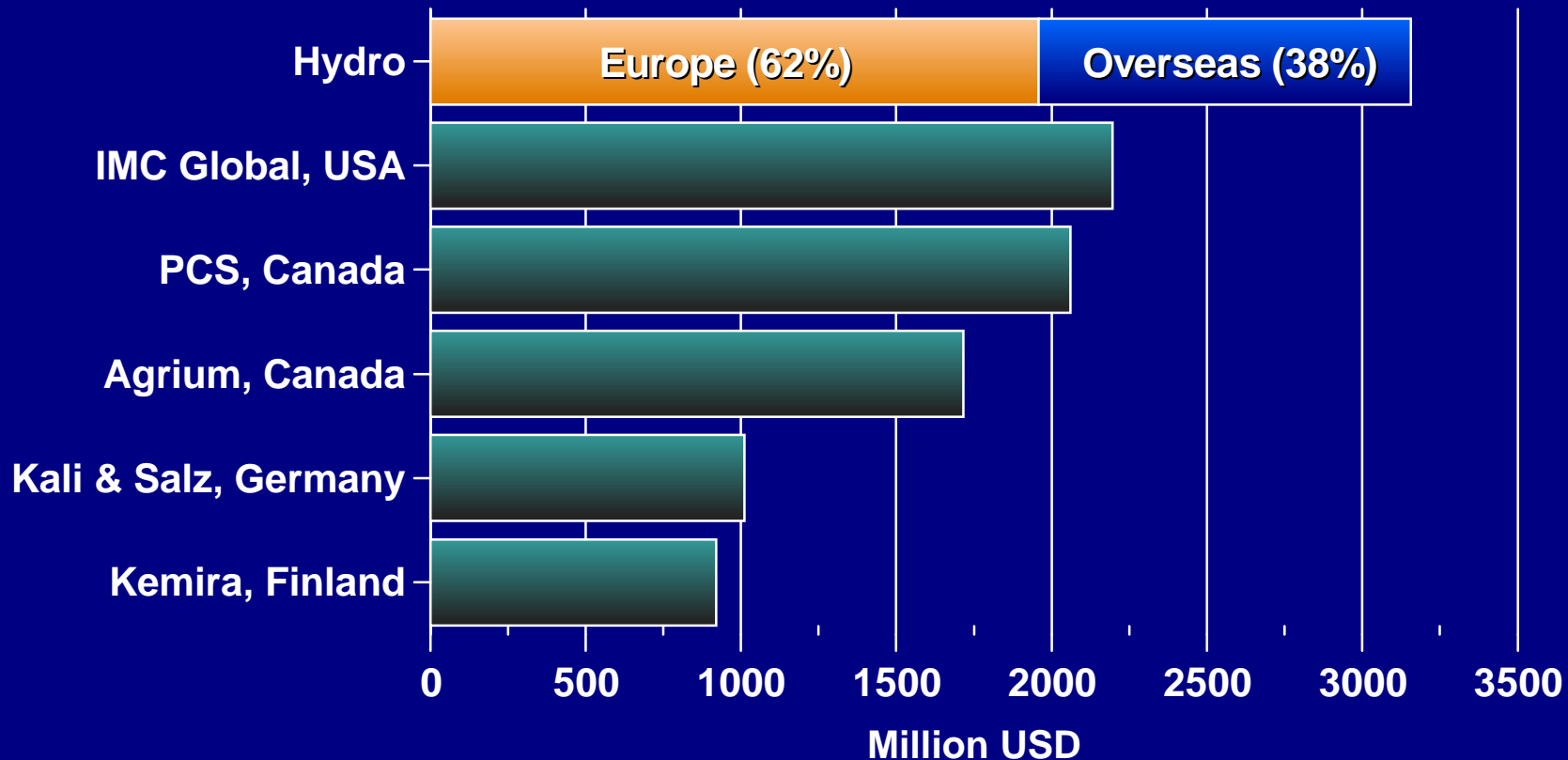
Be a global plant nutrition company supporting sustainable food production to the world

Be a niche player in gas and chemicals where we have competitive advantages



Hydro - the only global fertilizer company

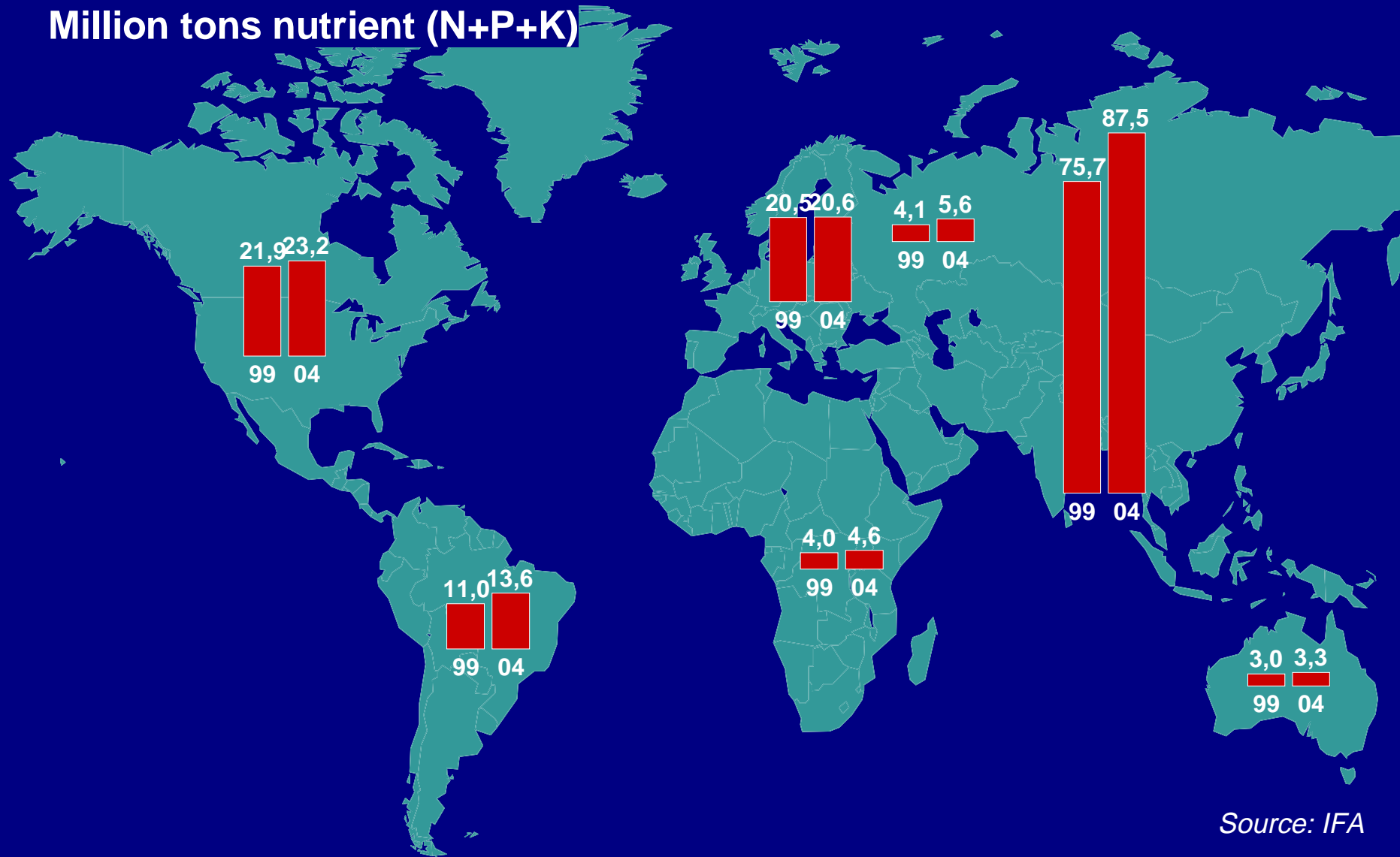
1999 fertilizer revenue



Source: www.sec.gov, annual reports
and www.kalisalz.de

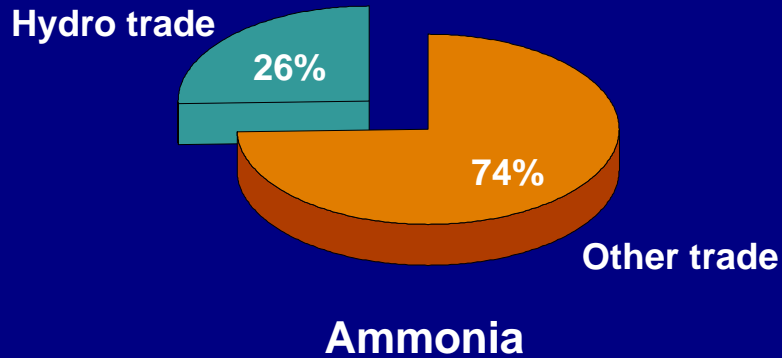
World fertilizer consumption expected to increase by 2.4% per year 1999 - 2004

Million tons nutrient (N+P+K)

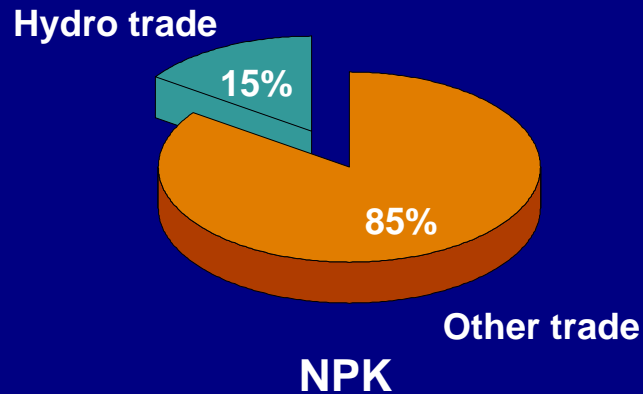
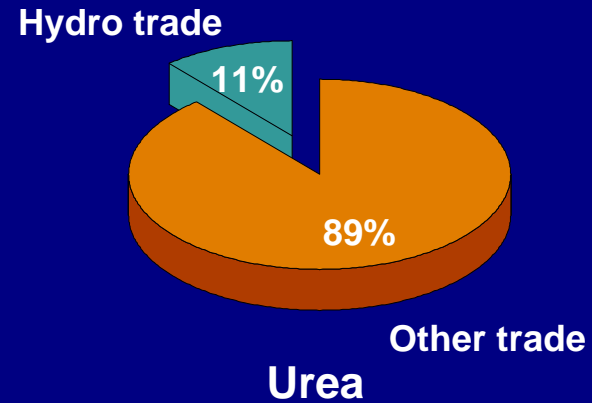


Hydro has a critical share of the world's fertilizer trade* (1999)

Ammonia: Total trade 14.5 mill.tons



Urea: Total trade 22.4 mill.tons



NPK: Total trade 5.9 million tons

* Ammonia trade is all ammonia that has crossed a border. For fertilizers intra-European trade is excluded.

3 million tons of European nitrate closures



Company	Capacity (000 mt)	Time of closure
Fertiberia	300	Closed
BASF	400	Closed
Hydro	1000	Immingham closed Montoir (nitrate) closed Landskrona Dec 2000
Grande Paroisse	300	Closed
PCK Schwedt	400	2001
Kemira	600	Dec 2000
Total	3000	

Previously estimated European overcapacity 2.5-3.0 mill. tons



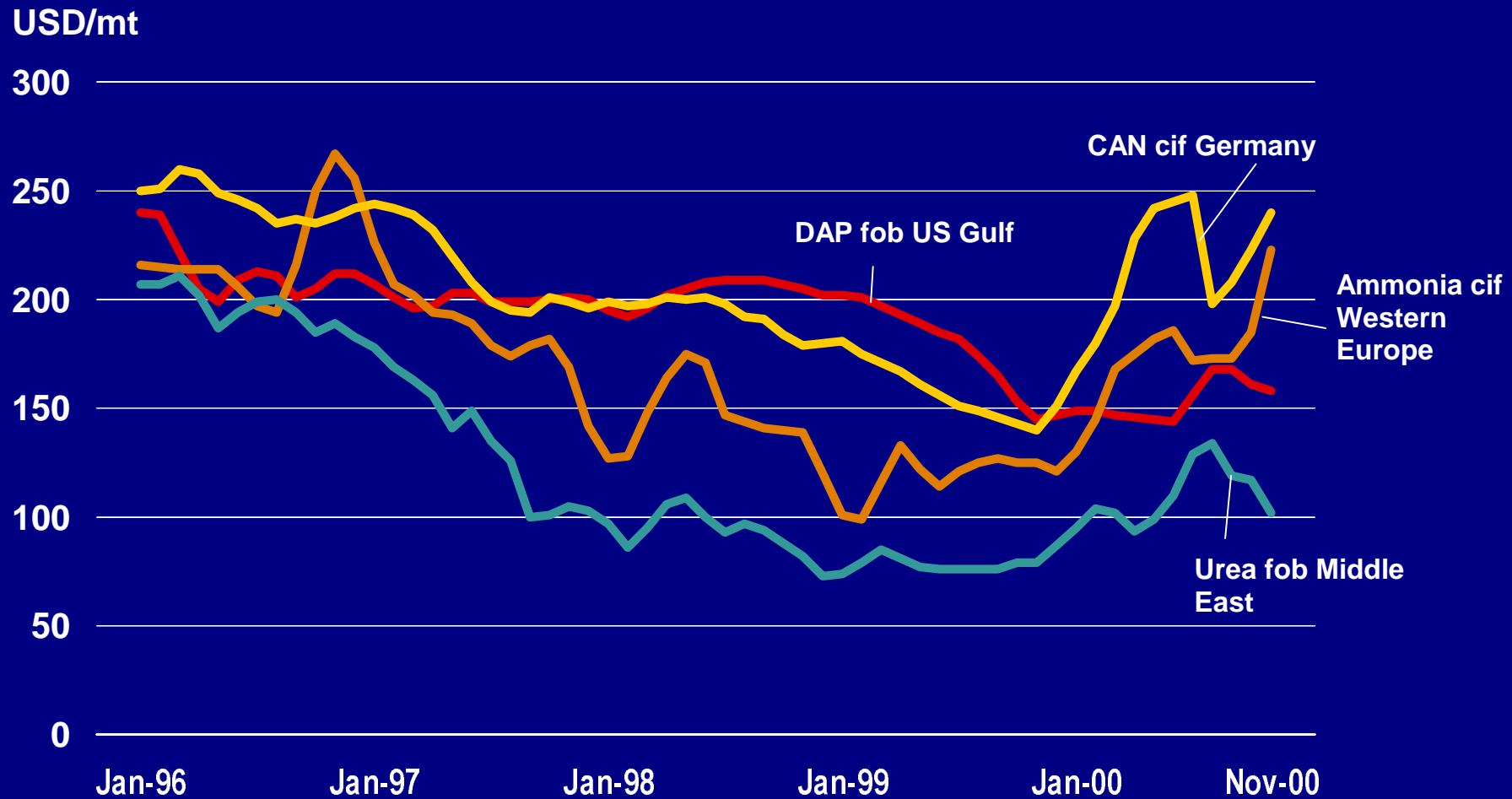
1 million tons of European NPK closures

Company	Capacity (000 mt)	Time of closure
Kemira, Pernis	300	Closed
Cedest	200	Closed
Hydro	500	Hurel Arc Aunay closed Socadour closed Socofer La Pallice closed
Total	1000	

Previously estimated European overcapacity 2.5-3.0 mill. tons



Fertilizer prices improving



Source: Average of international publications (Fertecon, Fertilizer Week, FMB, The Market)

What sort of business are we in?

- ✓ **Plant nutrition in the form of nitrogen and NPK (balanced fertilization) is our core business**
- ✓ **Mainstream products are supported by plant nutrition specialities**
- ✓ **Domestic marketing in key regions is supported by international trade**
- ✓ **Added value from industrial gases and chemicals from the shared production infrastructure**



Hydro Plant Nutrition is a nitrogen/NPK company

- ✓ **Production and trade of ammonia is the foundation for our competitive advantages in the production and marketing of nitrogen fertilizers like nitrates and urea**
- ✓ **NPK is a natural extension of the nitrogen business and a response to the world's demand for balanced fertilization**
- ✓ **P and K will be sourced in quantities sufficient to serve the needs of our NPK production and achieve critical mass in our marketing system**



International trade vs. domestic marketing



International trade

- ▶ Centralized
- ▶ Dollar business/hard currency
- ▶ Sold in bulk
- ▶ Mainstream products

- ▶ Sea transport
- ▶ Focus on suppliers and importers

Domestic marketing

- ▶ Decentralized
- ▶ Local business/currency risk
- ▶ Sold in bags (and bulk)
- ▶ Mainstream products and specialities

- ▶ Land transport
- ▶ Focus on retailers, coops, blenders, farmers



Hydro Agri's foundation is the joint production and market infrastructure

- ✓ Hydro Gas and Chemicals uses the infrastructure shared with Hydro Plant Nutrition in an optimal way
- ✓ Gas and Chemicals operates in selected niches based on unique skills and assets giving Hydro a competitive advantage
- ✓ Added value through sophisticated product applications at industrial customers



Actions going forward

- ✓ **Continued contribution to improve fertilizer market balance in Western Europe**
- ✓ **Further streamline the organization in order to reduce costs and increase productivity**
- ✓ **Improve profitability of existing marketing network by adding volumes from alliances and joint ventures**
- ✓ **Concentrate on core assets and reduce capital employed**
- ✓ **Selectively invest in emerging, high-growth markets**
- ✓ **Turnaround KFK**



Safe harbour statement

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