

Rating: Buy  
S&P 500: 1314

## Norsk Hydro Earnings Blowout

<i>Symbol</i>	NHY	<i>Ebitda Next Twelve Months ending 3/31/07 (US\$m)</i>	8,980
<i>Rating</i>	Buy	<i>North American Natural Gas/Ebitda (%)</i>	0
<i>Price (\$/sh)</i>	153.50	<i>Natural Gas and Oil Production/Ebitda (%)</i>	57
<i>Pricing Date</i>	4/27/06	<i>Adjusted Reserves/Production NTM</i>	7.8
<i>Shares (mm)</i>	250	<i>EV/Ebitda</i>	5.0
<i>Market Capitalization (\$mm)</i>	38,400	<i>PV/Ebitda</i>	4.3
<i>Debt (\$mm)</i>	6,300	<i>Undeveloped Reserves (%)</i>	27
<i>Enterprise Value (EV) (\$mm)</i>	44,700	<i>Natural Gas and Oil Ebitda (\$/boe)</i>	23.30
<i>Present Value (PV) (\$mm)</i>	38,800	<i>Present Value Proven Reserves(\$/boe)</i>	11.20
<i>Net Present Value (\$/share)</i>	130	<i>Present Value Proven Reserves(\$/mcf)</i>	1.90
<i>Debt/Present Value</i>	0.16	<i>Earnings Next Twelve Months (US\$/sh)</i>	13.77
<i>McDep Ratio - EV/PV</i>	1.15	<i>Price/Earnings Next Twelve Months</i>	11
<i>Dividend Yield (%/year)</i>	2.3	<i>Indicated Annual Dividend (US\$/sh)</i>	3.54

Note: Estimated cash flow and earnings tied to one-year futures prices for oil.

Reported results may vary widely from estimates. Estimated present value per share revised only infrequently.

The Norwegian government owns 44% of the shares in Norsk Hydro.

### Summary and Recommendation

Buy-recommended **Norsk Hydro (NHY)** reported record results in oil, natural gas and aluminum in the first quarter of 2006 released on April 27. Cold weather in Europe helped natural gas price in contrast to North America. As aluminum commodity price took off for new heights, NHY gratified investors with respectable profits from the aluminum business following several difficult quarters. A McDep Ratio of 1.17 indicates that the stock price exceeds estimated net present value of \$130 a share. Yet the estimate presumes a long-term oil price of \$50 a barrel compared to a futures price of \$71 for oil delivered over the next six years. The aluminum portion of the present value estimate may also be low as it implies a multiple of 3.4 time cash flow for the third largest global competitor in a business with expected volume growth of 6% a year. Meanwhile, investors eagerly await word from buy-recommended **Gazprom (OGZPY)** in the next few weeks whether it will take Norsk Hydro as a partner in the development of Shtokman, a 100 trillion cubic feet Arctic natural gas field.

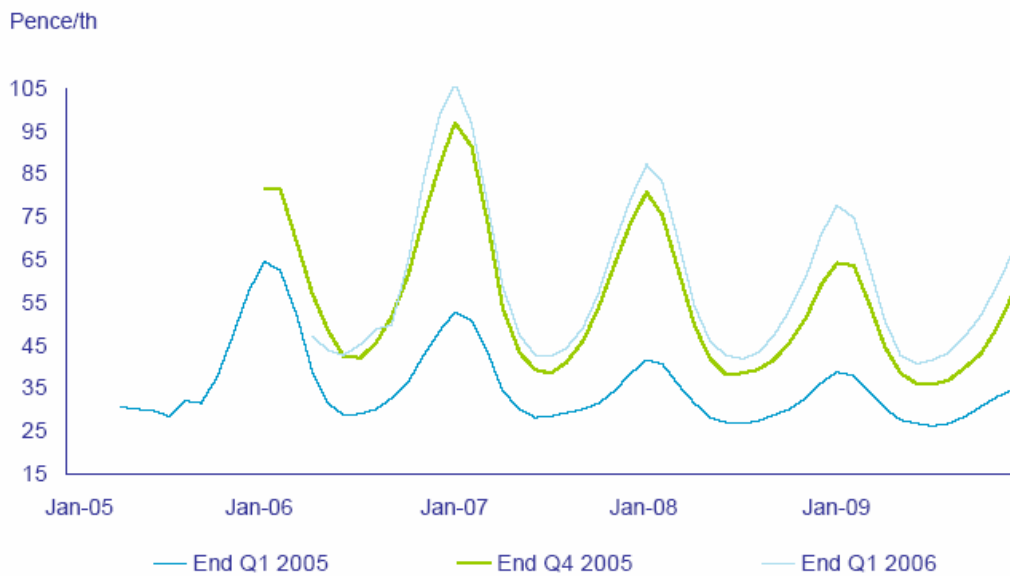
Kurt H. Wulff, CFA

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**Norsk Hydro**  
**Functional Cash Flow and Present Value**

	<i>NTM Ebitda</i> <i>(US\$mm)</i>	<i>Adjusted</i> <i>R/P</i>	<i>PV/</i> <i>Ebitda</i>	<i>Present</i> <i>Value</i> <i>(US\$mm)</i>	
Natural Gas	1,460	13.5	7.9	11,500	30%
Oil	3,650	5.1	3.9	14,300	37%
Aluminum	3,870	-	3.4	13,000	34%
	8,980	7.8	4.3	38,800	100%
Debt (US\$mm)					6,300
Net Present Value (US\$mm)					32,500
Shares (mm)					250
Net Present Value - Standard Estimate (US\$/sh)					130
Net Present Value - Approximation by Correlation (US\$/sh)					158

**UK gas prices – NBP forward curves**

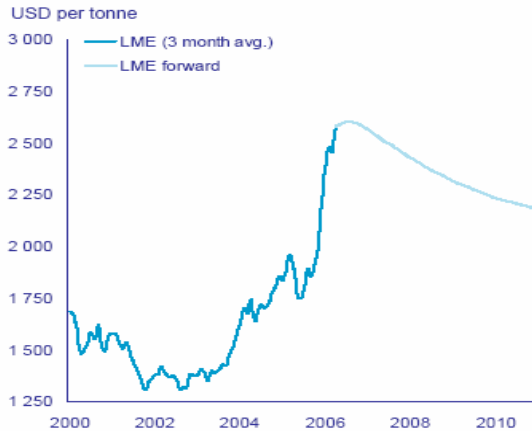


**Norsk Hydro**  
**Next Twelve Months Operating and Financial Estimates**

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Year</i>	<i>Next</i>
	<i>3/31/05</i>	<i>12/31/05</i>	<i>2005</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>2006E</i>	<i>Twelve</i>
									<i>Months</i>
									<i>3/31/07</i>
<b>Volume</b>									
Natural Gas (mmcf)	1,068	1,104	<b>987</b>	1,248	1,035	954	1,236	<b>1,118</b>	<b>1,155</b>
Oil (mbd)	406	405	<b>399</b>	402	402	402	402	<b>402</b>	<b>409</b>
Total gas & oil (mbd)	584	589	<b>563</b>	610	574	561	608	<b>588</b>	<b>602</b>
<b>Price</b>									
Natural gas (NOK/mcf)	42	52	<b>43</b>	61	61	61	61	<b>61</b>	<b>61</b>
Natural gas (NOK/Sm3)	1.47	1.85	<b>1.22</b>	2.17	2.17	2.17	2.17	<b>1.74</b>	<b>1.74</b>
<b>Oil</b>									
WTI Cushing US\$/bbl)	49.65	60.02	<b>56.31</b>	63.33	70.48	73.18	74.36	<b>70.34</b>	<b>73.16</b>
Kroner/\$	6.29	6.63	<b>6.45</b>	6.67	6.21	6.21	6.21	<b>6.33</b>	<b>6.21</b>
WTI Cushing (NOK/bbl)	312	398	<b>363</b>	422	438	455	462	<b>445</b>	<b>454</b>
NHY (NOK/bbl)	292	369	<b>343</b>	404	418	434	441	<b>424</b>	<b>434</b>
Total gas & oil (NOK/bb)	279	352	<b>318</b>	392	403	416	417	<b>407</b>	<b>413</b>
Aluminum (US\$/tonne)	1,793	2,078		2,423					
<b>Revenue (NOKmm)</b>									
Natural Gas	4,003	5,323	<b>15,500</b>	6,905	5,853	5,397	6,993	<b>25,147</b>	<b>25,976</b>
Oil	10,659	13,741	<b>49,998</b>	14,599	15,465	16,059	16,317	<b>62,439</b>	<b>65,011</b>
Other	31,493	31,577	<b>124,203</b>	40,817	40,817	40,817	40,817	<b>163,269</b>	<b>163,269</b>
Total	42,152	45,318	<b>174,201</b>	55,416	62,135	62,273	64,127	<b>243,951</b>	<b>254,256</b>
<b>Expense</b>									
Production	8,657	10,474	<b>38,562</b>	13,812	13,663	13,773	15,257	<b>56,505</b>	<b>59,225</b>
Other	26,773	26,094	<b>105,950</b>	34,275	34,817	34,817	34,817	<b>138,727</b>	<b>139,269</b>
Total	35,430	36,568	<b>144,512</b>	48,087	48,480	48,591	50,074	<b>195,232</b>	<b>198,495</b>
<b>Ebitda (NOKmm)</b>									
Exploration and Production	6,005	8,590	<b>26,936</b>	7,692	7,654	7,682	8,053	<b>31,081</b>	<b>31,761</b>
Other	4,720	5,483	<b>18,253</b>	6,542	6,000	6,000	6,000	<b>24,542</b>	<b>24,000</b>
Total Ebitda	10,725	14,073	<b>45,189</b>	14,234	13,654	13,682	14,053	<b>55,623</b>	<b>55,761</b>
Exploration	308	1,092	<b>1,839</b>	1,407	1,407	1,407	1,407	<b>5,628</b>	<b>5,628</b>
Deprec., Deplet., & Amort.	3,547	5,487	<b>16,119</b>	4,142	4,142	4,142	4,142	<b>16,568</b>	<b>16,568</b>
<b>Ebit</b>									
Ebit	6,870	7,494	<b>27,231</b>	8,685	8,105	8,133	8,504	<b>33,427</b>	<b>33,565</b>
Interest	245	303	<b>878</b>	172	172	172	172	<b>688</b>	<b>666</b>
Foreign Exchange	951	601	<b>2,159</b>	(529)				<b>(529)</b>	
<b>Ebt</b>									
Ebt	5,674	6,590	<b>24,194</b>	9,042	7,933	7,961	8,332	<b>33,268</b>	<b>32,899</b>
Income Tax	1,986	2,307	<b>8,468</b>	3,165	2,777	2,786	2,916	<b>11,644</b>	<b>11,515</b>
<b>Net Income (NOKmm)</b>									
Exploration and Production	9,842	11,537	<b>43,451</b>	14,126					
Other Operations	1,912	(1,086)	<b>2,982</b>	3,742					
Non operating deductions	(8,066)	(6,167)	<b>(30,707)</b>	(11,991)					
Total	3,688	4,284	<b>15,726</b>	5,877	5,157	5,175	5,416	<b>21,624</b>	<b>21,384</b>
<b>Shares (millions)</b>									
Shares (millions)	251	251	<b>251</b>	250	250	250	250	<b>250</b>	<b>250</b>
Per share (NOK)	14.70	17.10	<b>62.70</b>	23.50	20.62	20.69	21.65	<b>86.46</b>	<b>85.50</b>
Ebitda Margin (E&P)	41%	45%	<b>41%</b>	36%	36%	36%	35%	<b>35%</b>	<b>35%</b>
Tax Rate	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>	<b>35%</b>

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## Increasing aluminium price



Primary aluminium	USD/ tonne
Q1 2006 average	2 444
Q1 2006 end	2 471
Q4 2005 average	2 069
Q4 2005 end	2 277
Average 2005	1 900

Per 24. april 2006

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