



Hydro Aluminium

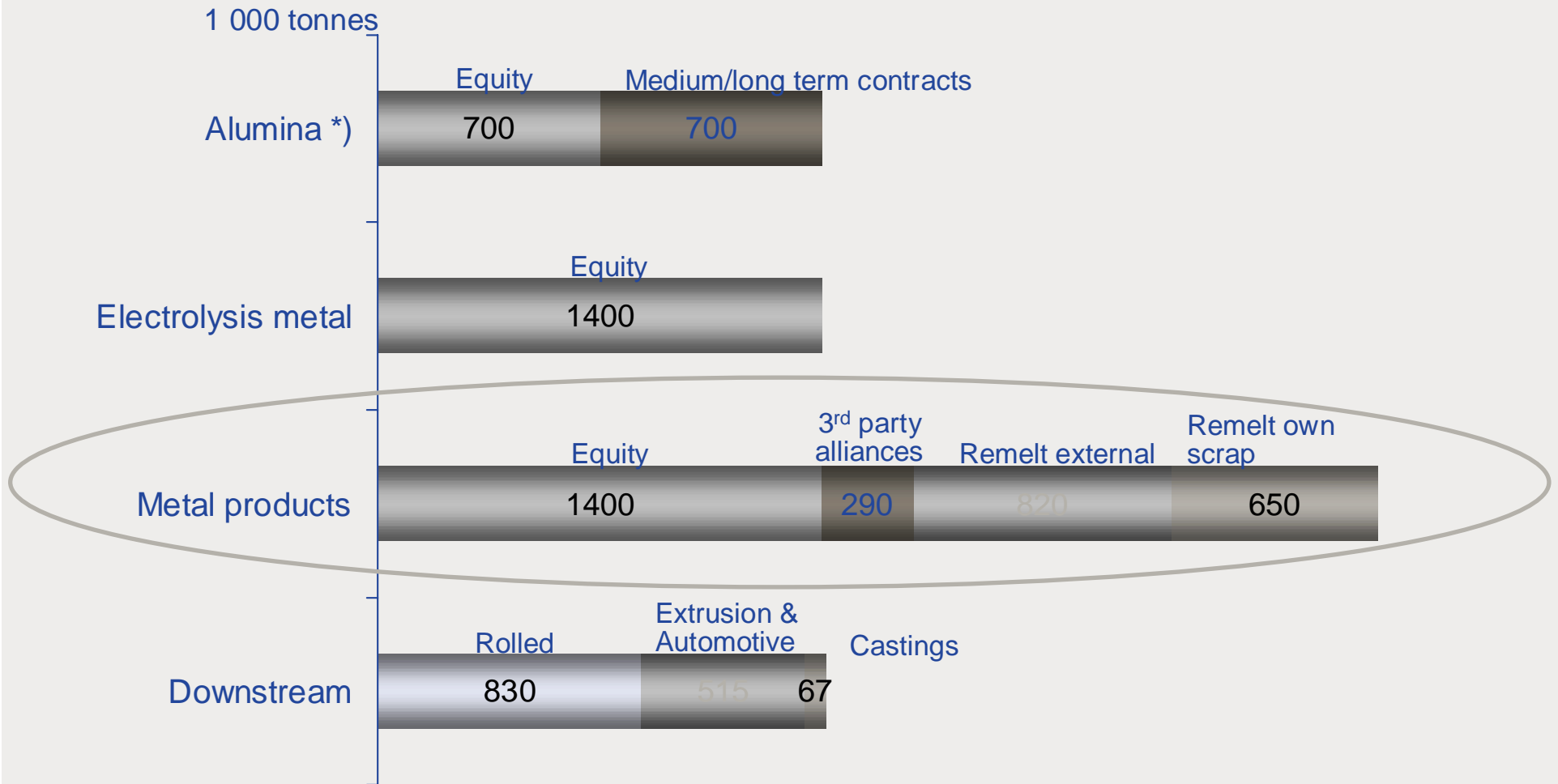
Kjetil Ebbesberg
CFO Metal Products Sector



Metal Supplier Concept

Capital Markets Day
December 12, 2003

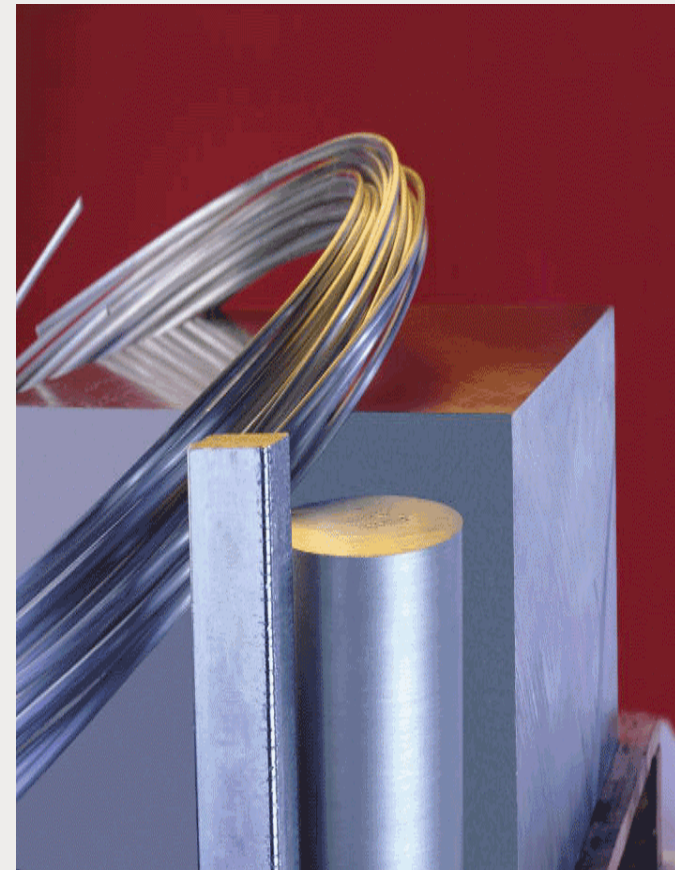
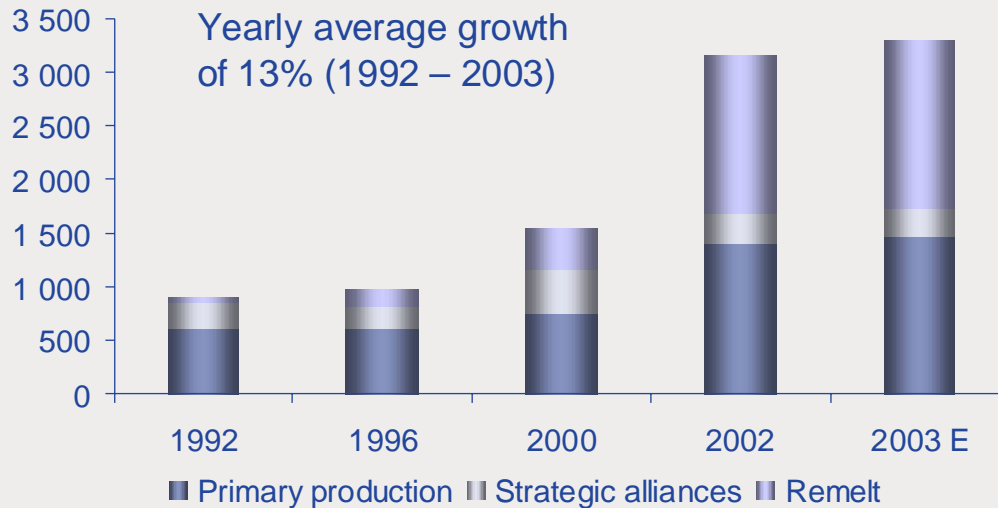
The focus of this presentation



Key figures YTD September 2003 Metal Products Sector

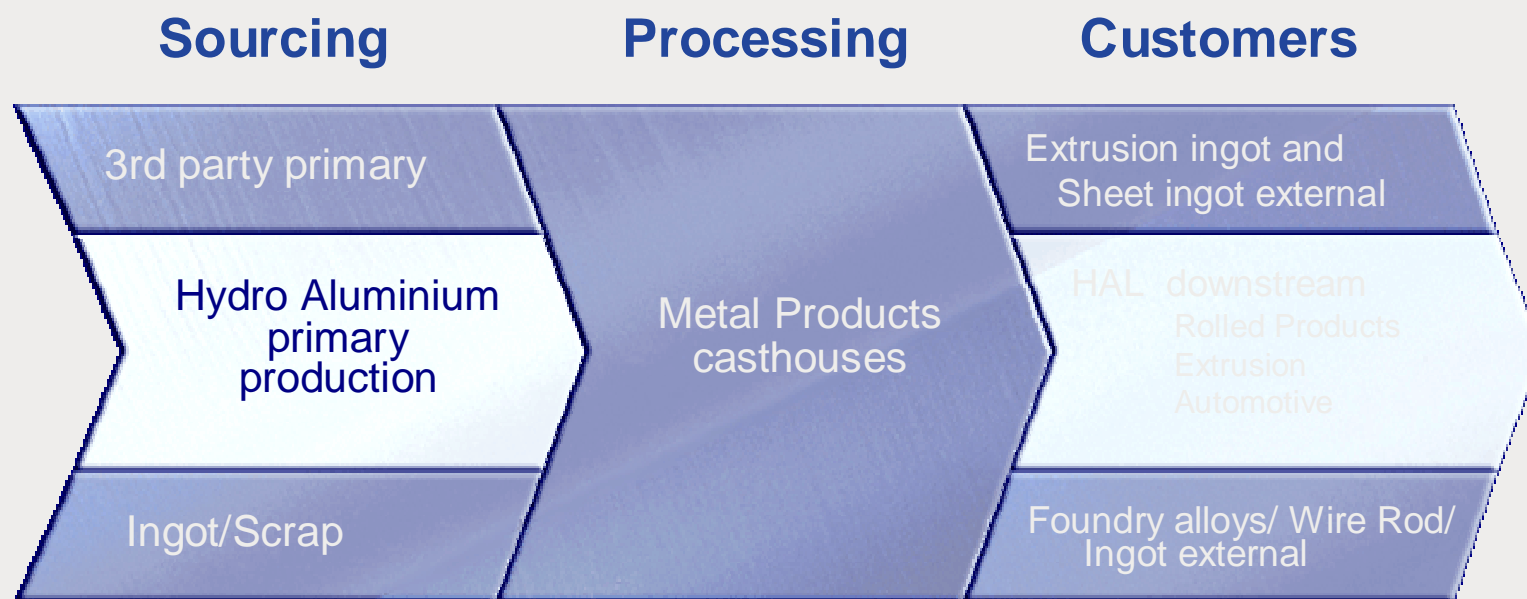
Revenues: NOK 31 billion
 EBITDA: NOK 1.4 billion
 Employees: 2 000

Global tonnage (1 000 tonnes)
 incl. North America*



Hydro Aluminium North America (HALNA) responsible for North American markets

Metal Products Business Model



 Scope of Metal Products

Metal Supplier concept

What is it?

- Focus on market and customers' needs
- Source metal from own smelters, own remelters and alliance partners
- Offer customers commercial and technical services – create win/win
- Reduce cost through optimizing of ingoing and outgoing logistics, and optimized production

Why did we start it?

- Growth opportunities in European market
 - Restructuring of supply and demand (increased metal deficit)
 - However, no need for new primary capacity – increased sourcing from Russia
 - Hydro Aluminium's strong market position

Value added over LME in metal products

- Metal Bulletin figures 2001-2003
 - Extrusion ingot 230-265 USD/t
- Product without official “market price”:
 - Sheet ingot - primary foundry alloys – wire rod: 180 – 310 USD/t



*) Source: Metal Bulletin figures

Value Creation Logic – Metal Products

Achieve superior returns on capital through...

Front-end

- Offering additional value for the customers
 - Product quality
 - Commercial and technical service (Customer Portal, hedging services)
 - Competitive prices

Sourcing

- Optimize metal flow (own primary, external primary, scrap, recycling)
- Supply downstream production with high quality metal

Casthouse operations

- Create value through operational excellence
- Optimise total casthouse system
- Delivering high-end quality

Trading

- Operational hedging to lock in margins to avoid LME & currency risk on specific transactions

The value of Hydro Billet Plus



Front-end

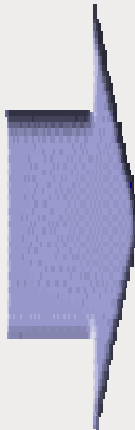
Sourcing

Casthouse operations

Trading

Value for our customers

- Service concept
- Optimization of production system
- Improve understanding of commercial risk, incl. assistance regarding LME
- Better utilize opportunities when buying billets
- Web-enabled



Value for Hydro

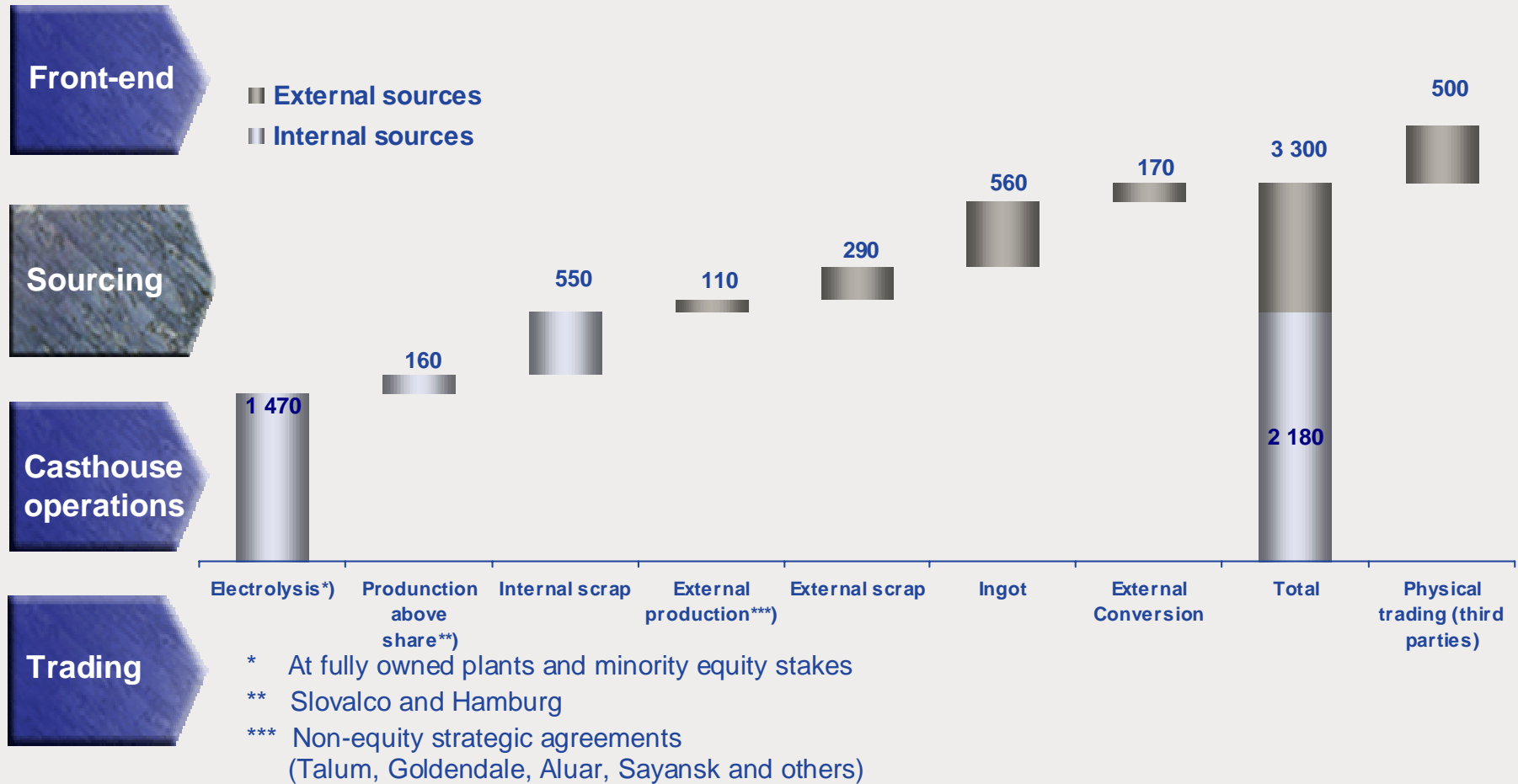
- Increased customer loyalty
- Higher sales volumes
- Improved net margins

Hydro Aluminium Portal provides an extensive range of services



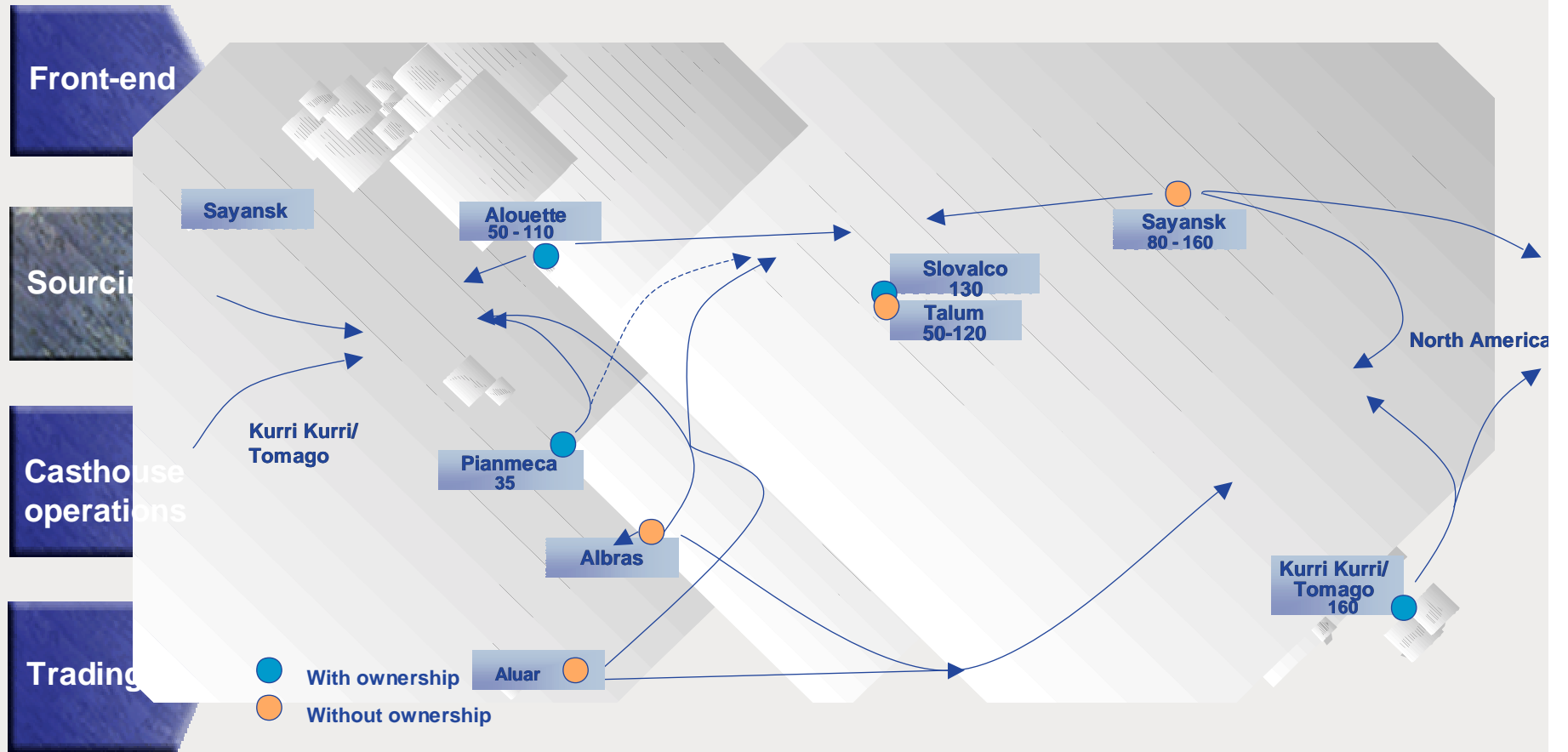
Metal products manages a multi-source system

Estimated full year figures 2003 in 1 000 tonnes



Global Metal Flow

Flexible primary sources (regions, products) become more important to leverage changing market conditions/attractiveness in different regions.



Sourcing from partners: Long term agreement with RusAl

Hydro Aluminium contributions

- Melt treatment & casting technology

- Operational know-how

Hydro Aluminium benefit

- All extrusion ingot output marketed by Hydro (80 000 tonnes)

Schedule

- Production start up 4Q 2003
- Phase 2 2004/2005
- Additional potential (80 000 tonnes)



Sayansk



HYDRO

Operational philosophy

Front-end

- Primary casthouses
 - Maximize capacity utilisation
 - Long series

Sourcing

- Remelters close to market
 - Optimize logistic costs
 - Shorter series
 - More flexible on cost; higher utilisation flexibility

Casthouse operations

=> Substantial system-cost reduction and flexibility effects achieved

Trading

Better overall asset utilization

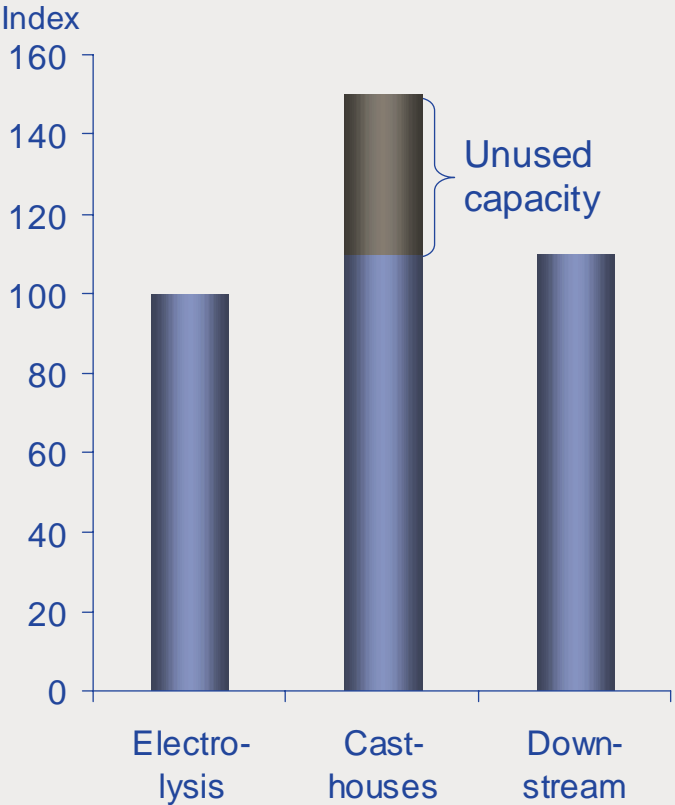
Front-end

Sourcing

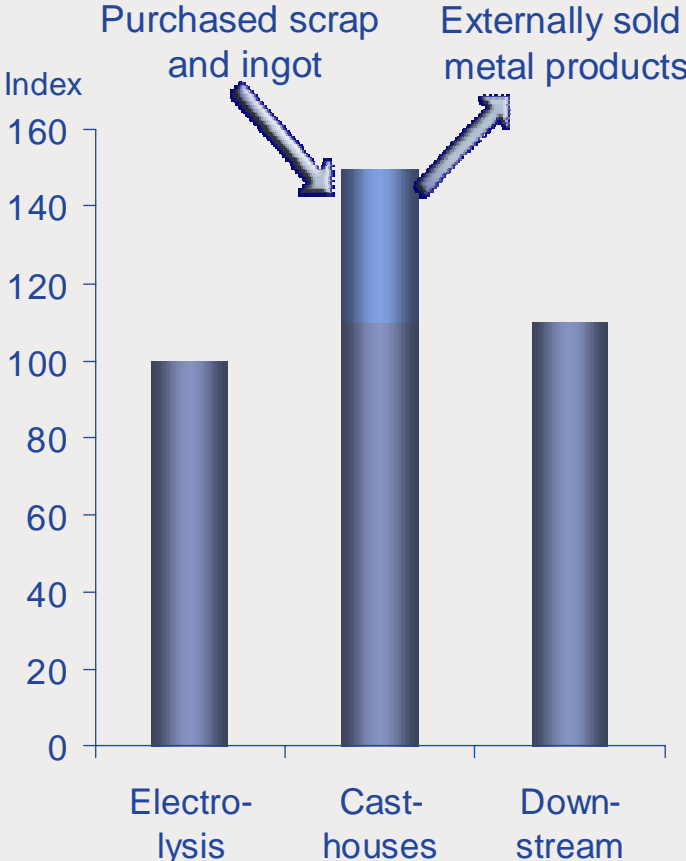
Casthouse operations

Trading

Asset utilization in traditional aluminium company



Target asset utilization in Hydro Aluminium



Remelting capacity close to customers

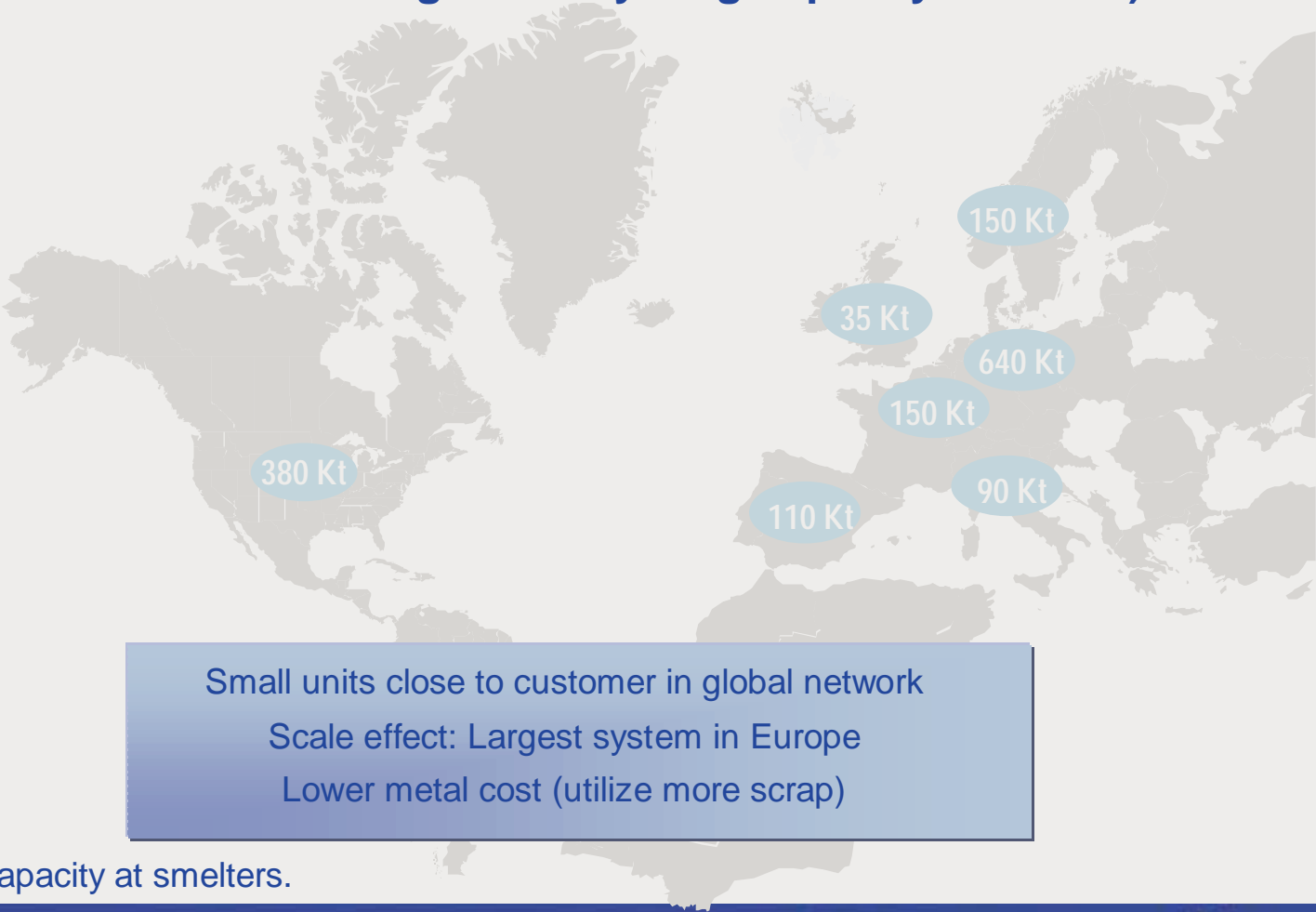
1.5 million tonnes total remelting and recycling capacity in 2003 *)

Front-end

Sourcing

Casthouse operations

Trading



Small units close to customer in global network
Scale effect: Largest system in Europe
Lower metal cost (utilize more scrap)

* Not including capacity at smelters.

Operational efficiency - system effects

Front-end

- High-level system effects
 - Roles of different sites & sources
 - Continuous learning across system from internal benchmarking
 - Flexibility in plants and between plants

Sourcing

- Lead to continuous improvement in operational results, such as
 - Increased uptime and tonnes/man
 - Improved recovery rates
 - Reduced lead-times and improved OTD
 - Lower stocks
 - Improved safety
 - Reduced cost/tonne

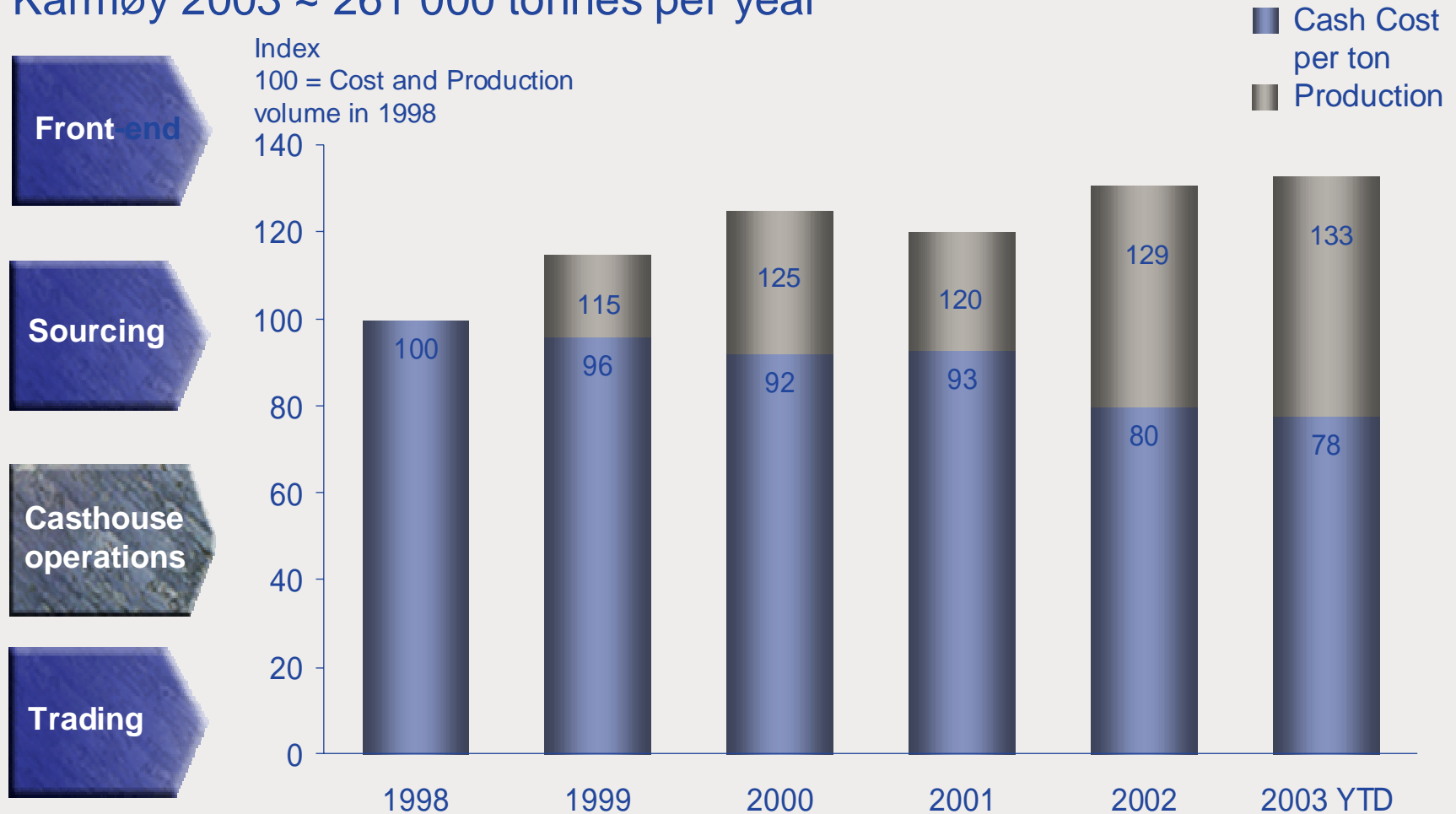
Casthouse operations

Trading

Optimizing casthouses

Increased volume and lower cost in operations

Karmøy 2003 ~ 261 000 tonnes per year



Optimizing casthouses

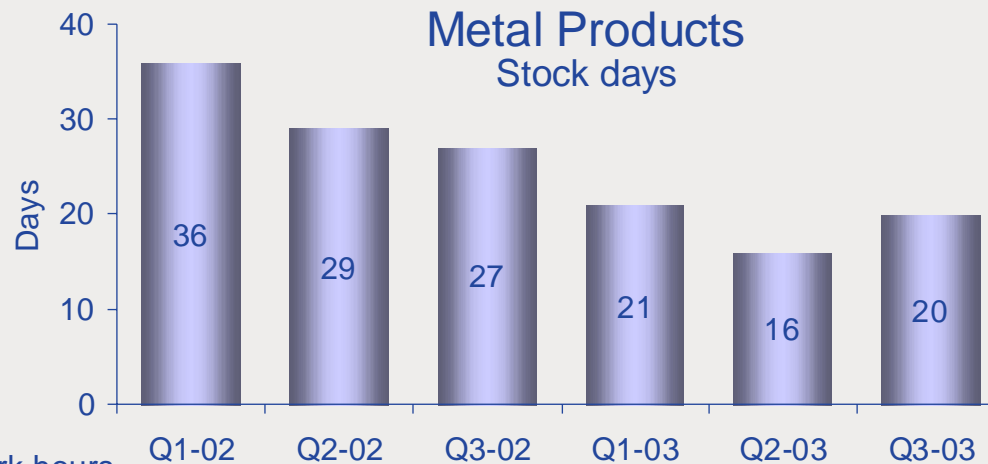
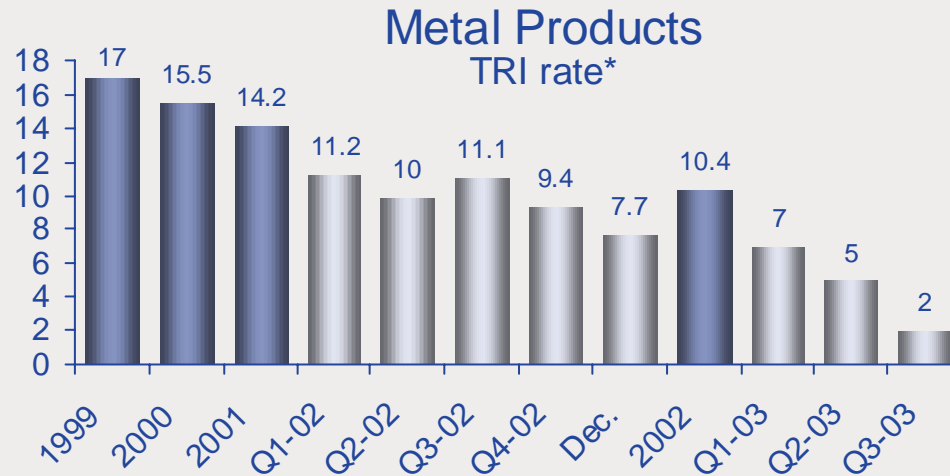
Improved safety performance and reduced stock days

Front-end

Sourcing

Casthouse operations

Trading



*Total recordable injuries per million work-hours



Trading

Front-end

- Physical metal trading (Approx. 500 kt)
 - What is it: Buying from and selling to third parties
 - How we make money:
 - Optimize global logistics, scale effects from internal market
 - Combined competence on sources, markets and risk mitigation tools

Sourcing

- Alumina-based trading
 - Starting point : Balanced alumina position for Hydro (equity and contracts)
 - What is it: Back-to-back for commercial concepts - sell to / toll with third parties (get metal back)
 - How we make money:
 - Optimize global supply and demand structure and logistics
 - Scale effects from internal market
 - Combined competence on sources, markets and risk mitigation tools

Casthouse operations

Trading

- LME-trading
 - LME function needed to execute operational hedging programs
 - Limited day-to-day trading on LME as part of optimization within strict limits

Metal Supplier Concept – What have we achieved?

- A solid business with good profits – focus pays off
 - Value is created through optimised sourcing, casthouse operations and commercial marketing of metal products.
 - Value is added to the products through technical and commercial services.
- A leading position in scrap conversion business
- A very strong market position in Europe
- A concept that can be rolled out globally
- Flexibility in products, geography and timing
 - Allow flexibility in growth downstream
- Alliances created with potentials for further growth
 - Examples from recent years Albras/Alunorte, Talum, Slovalco, Rusal

Priorities Metal Products

- Operational:
 - Cost reductions and best practice sharing
 - Maximize throughput in Extrusion ingot, Foundry alloys and Sheet ingot
 - Expand and maintain leadership in remelting
 - Keep investments at a minimum
- Strategic:
 - Short-term improve and utilize European assets fully
 - Strengthen leading positions in Foundry alloys
 - Contribute to roll-out in North-America
 - Develop Asian markets and establish aluminium foothold in China
 - Continue to establish strategic partnerships

Forward-Looking Statements/ Use of Non-GAAP Financial Measures

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