



Capital Markets Day 2004

Progress in Aluminium

Jon-Harald Nilsen, Executive Vice President

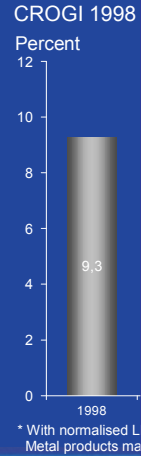
2004-12-15

Progress in Aluminium

- Improved financial and operational performance
- Strong strategic progress upstream and improved cost positions
- Building competitive strengths downstream

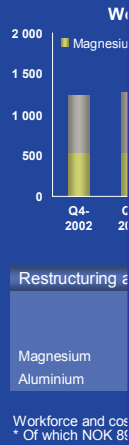
We have delivered on our commitments

Return on Capital target achieved one year ahead of plan



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Improvement programs delivered



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All projects as planned



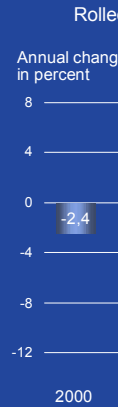
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Active portfolio development

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- New c
- Specia
- Restru

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Strengthened market positions



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Delivering on strategic priorities



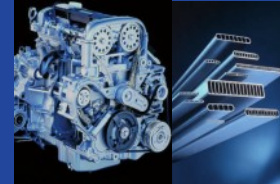
1. Improve global cost position upstream



2. Strengthen leadership in Europe, midstream and downstream



3. Performance focus and selective growth outside Europe midstream and downstream



4. Performance focus and selective growth in global automotive

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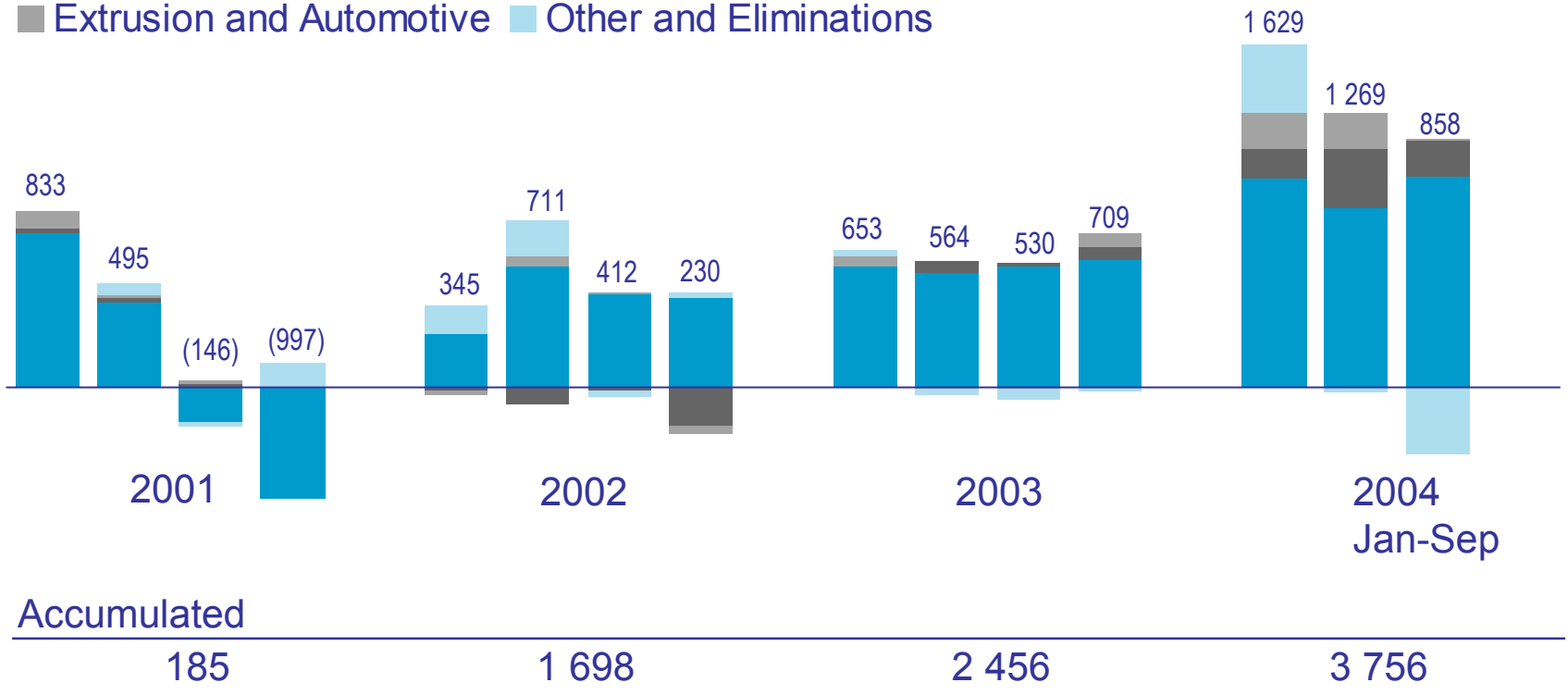


HYDRO

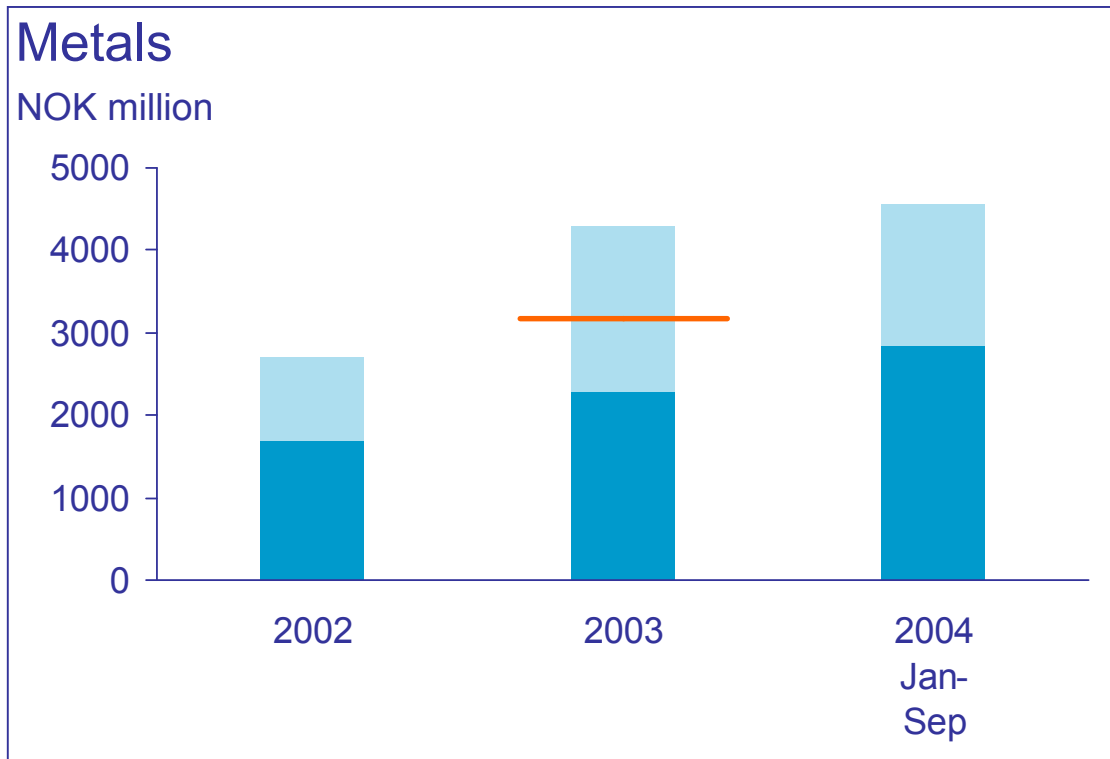
Operating income improving

NOK million

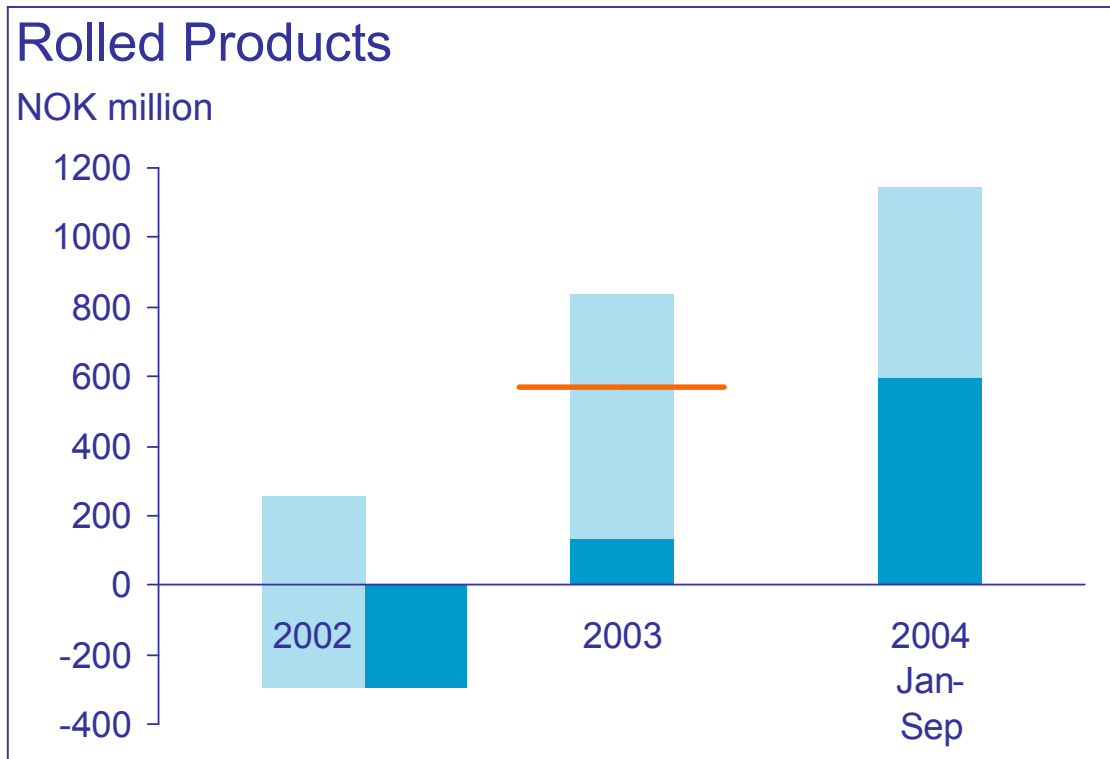
■ Metals
 ■ Rolled Products
 ■ Extrusion and Automotive
 ■ Other and Eliminations



Improving financial performance



Improving financial performance

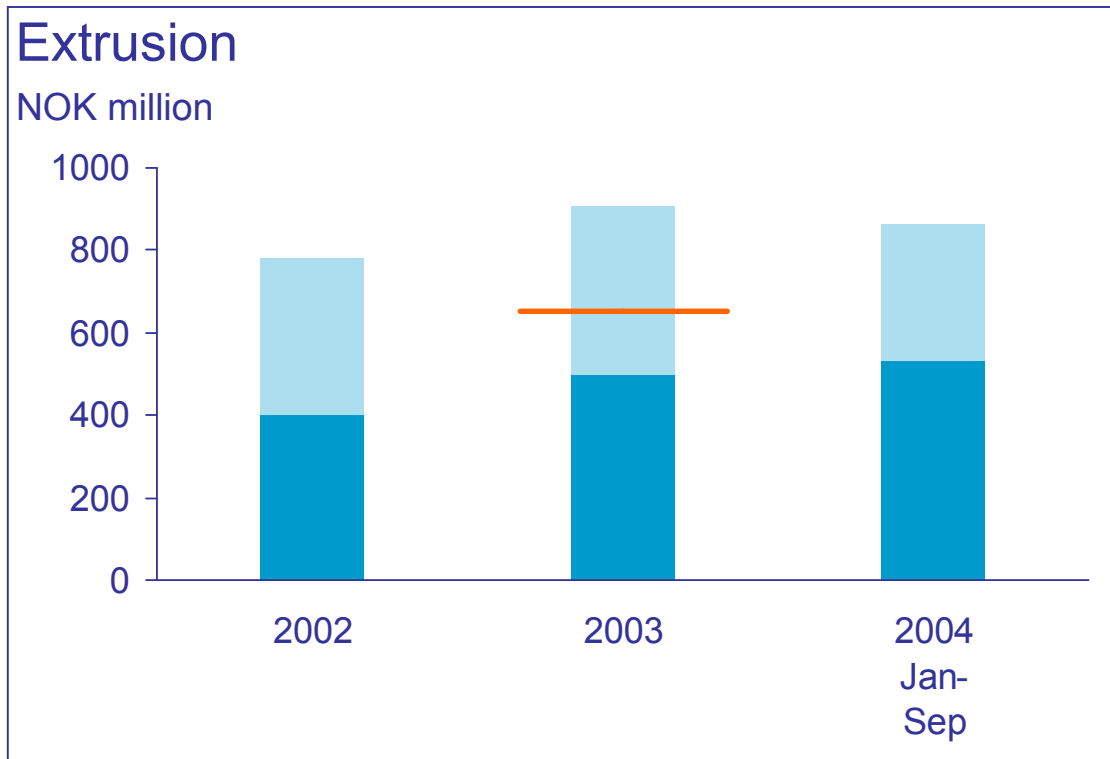


Non-consolidated investees and depreciation

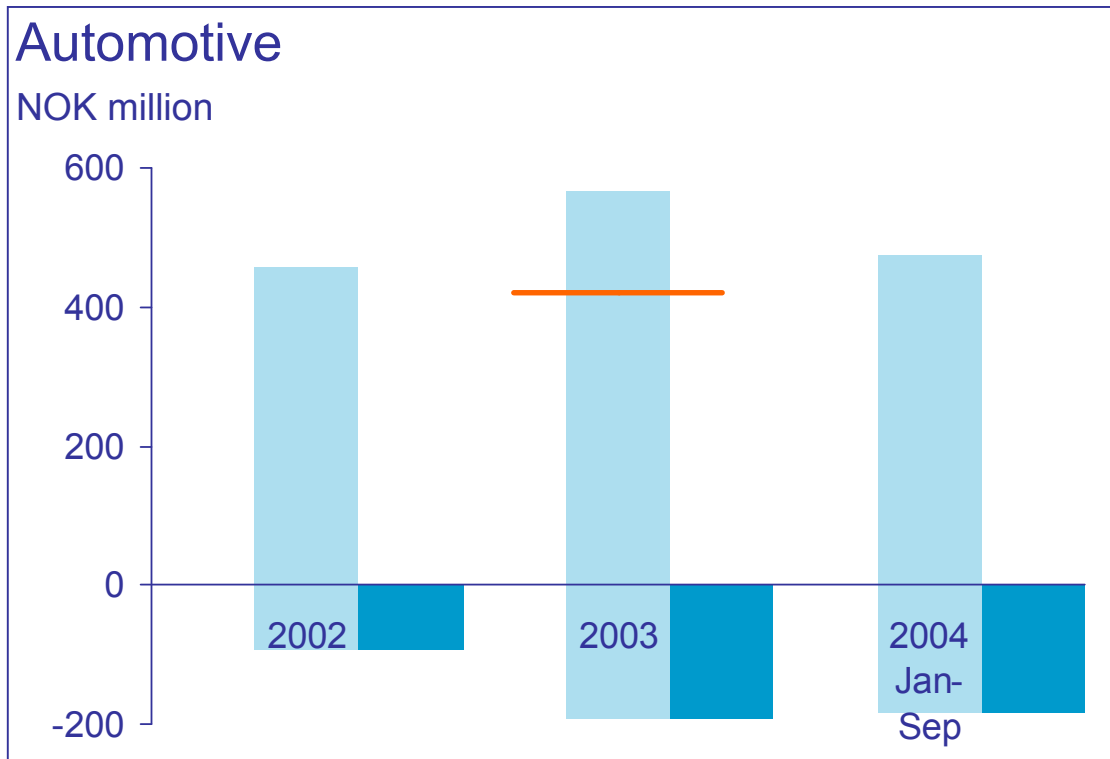
Operating income/loss

EBITDA Jan-Sep 2003

Improving financial performance



Improving financial performance

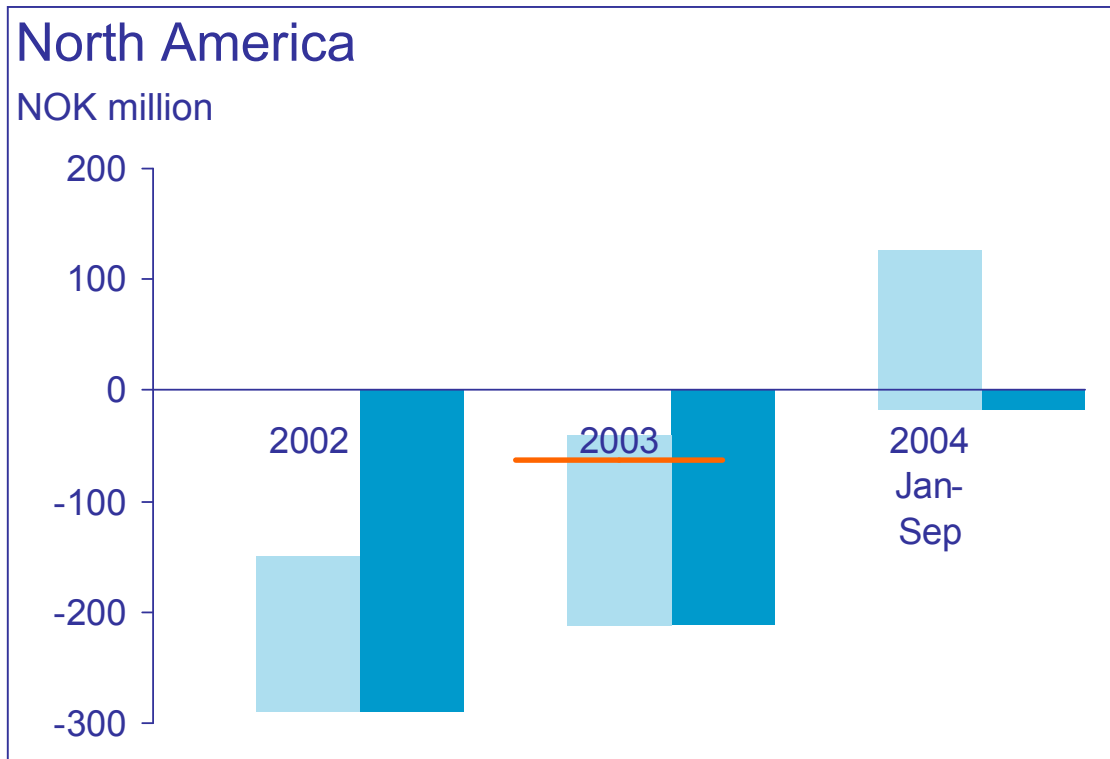


Non-consolidated investees and depreciation

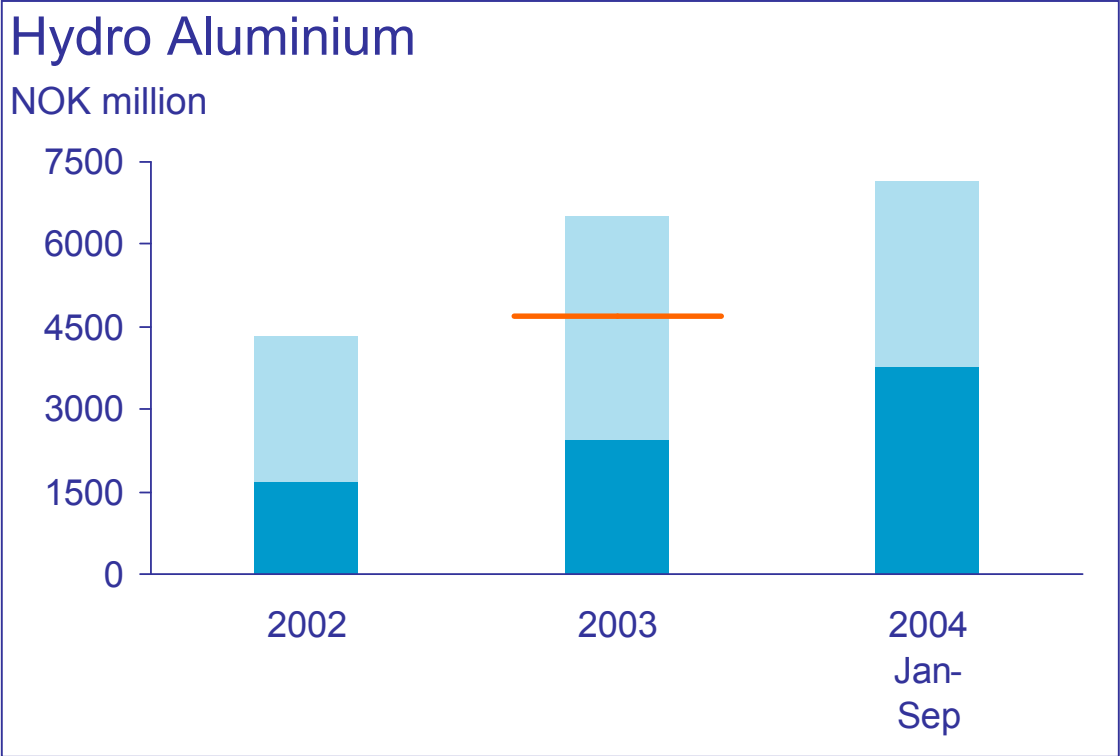
Operating income/loss

EBITDA Jan-Sep 2003

Improving financial performance



Improving financial performance



- Non-consolidated investees and depreciation
- Operating income
- EBITDA Jan-Sep 2003

Strengthening strategic positions



Improve alumina relative cost position



Improve aluminium relative cost position



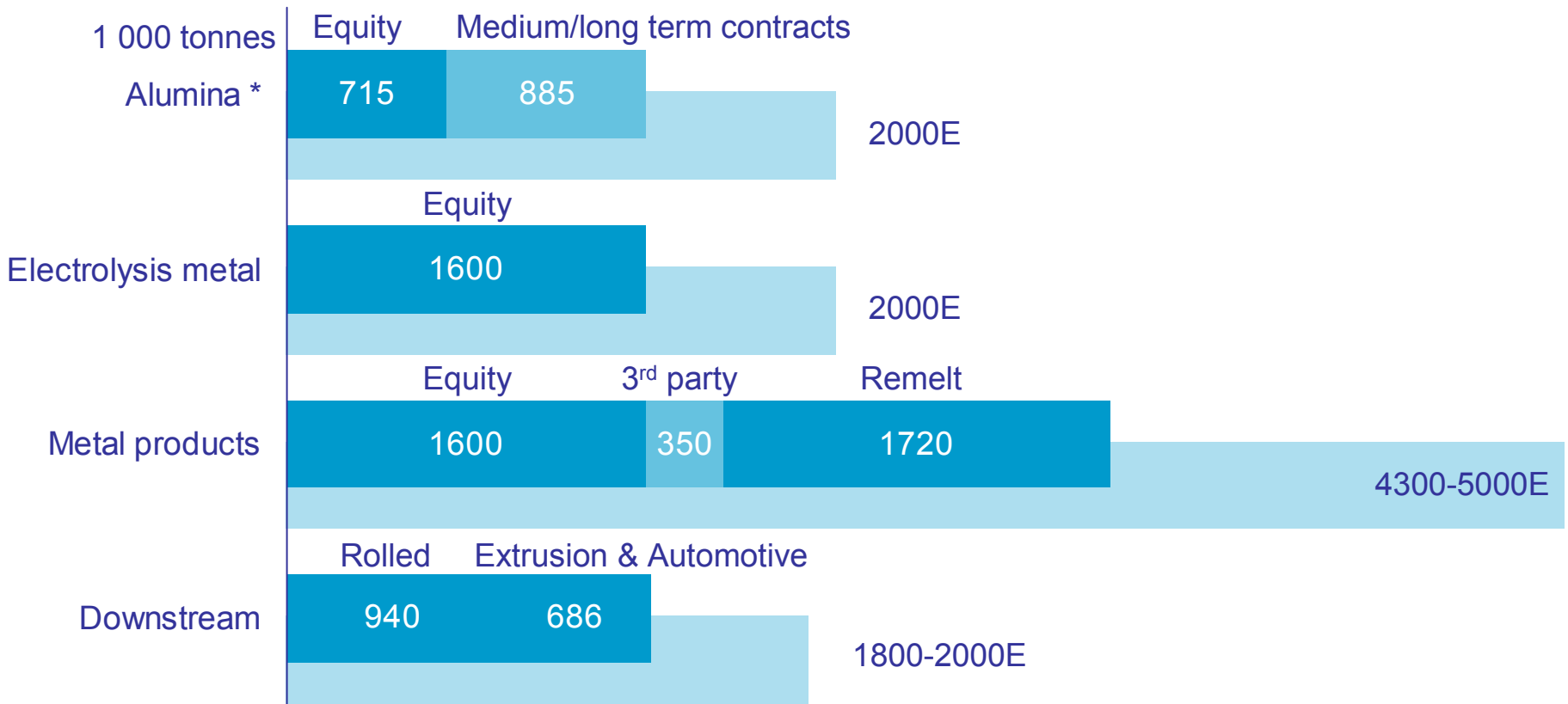
Strengthen leadership position in Europe: Metal Products, Extrusion, Rolled Products and Automotive



Selective growth outside Europe: Metal Products, Extrusion, Rolled Products and Automotive

A unique and differentiated portfolio

Estimates 2004 and 2009**

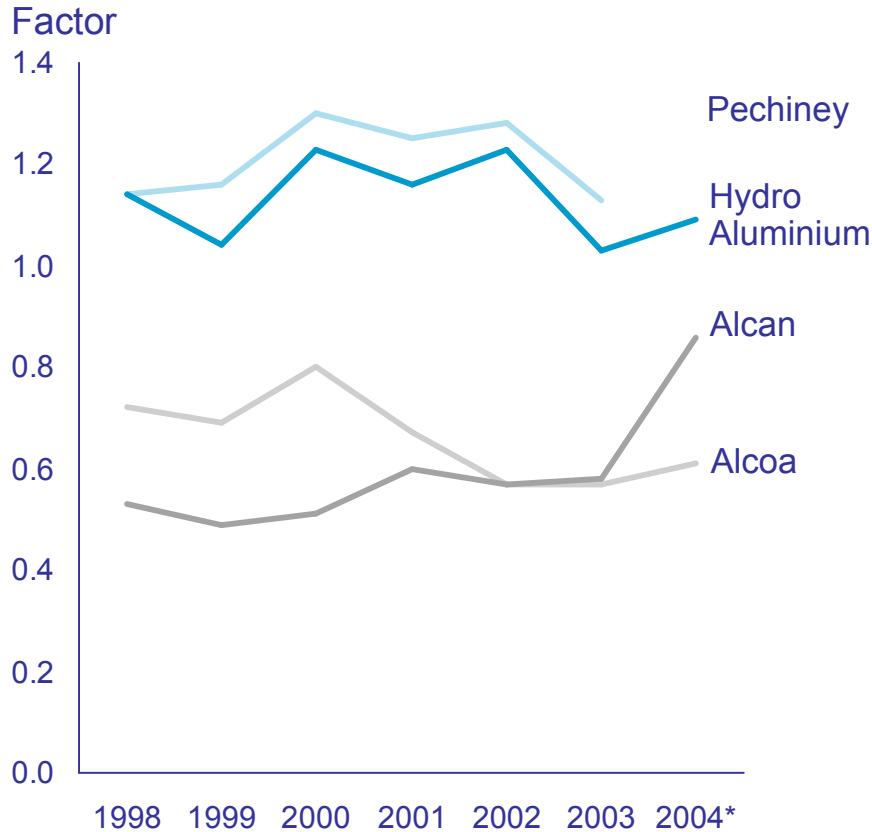


* Aluminium equivalents (2 tonnes alumina per tonne aluminium)

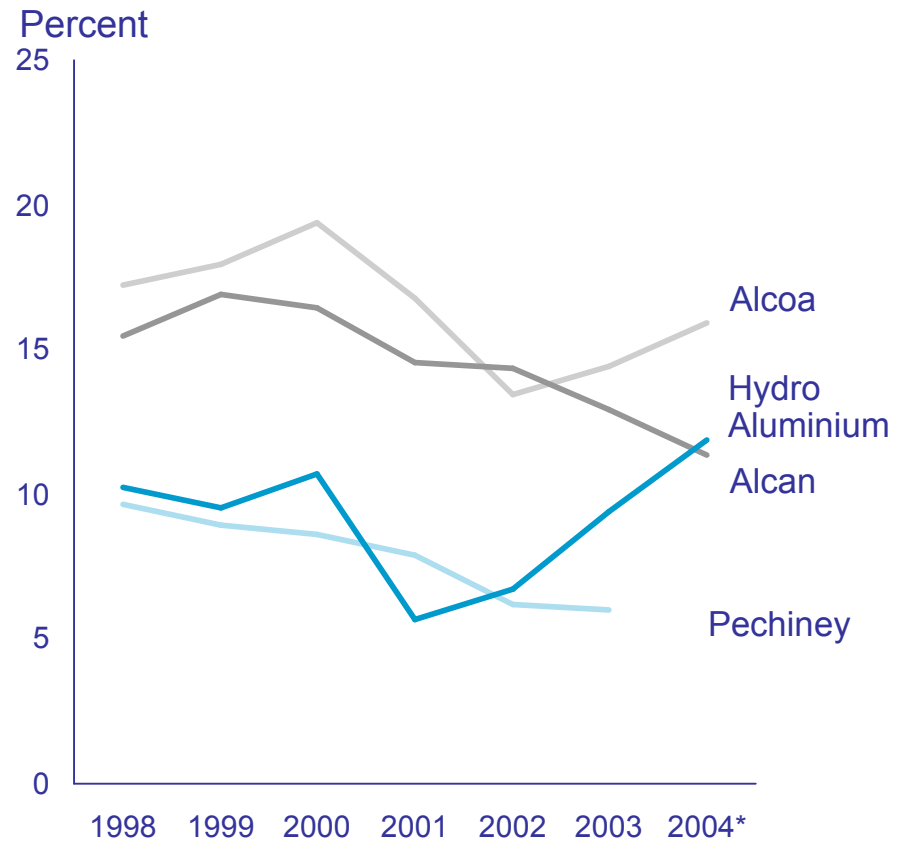
** Including Qatar

A unique portfolio: Higher capital turnover

Revenues / gross investments



EBITDA / Revenues



Source: Company reports. Hydro-estimates. Proxy figures where needed to get comparative figures.

* Jan-Sep 2004 annualized

Western World* demand expected to grow in the coming years



* World excluding Central and Eastern Europe, China, Russia, Ukraine, North Korea

Sources: BrookHunt; Hydro Aluminium

Energy drives primary restructuring

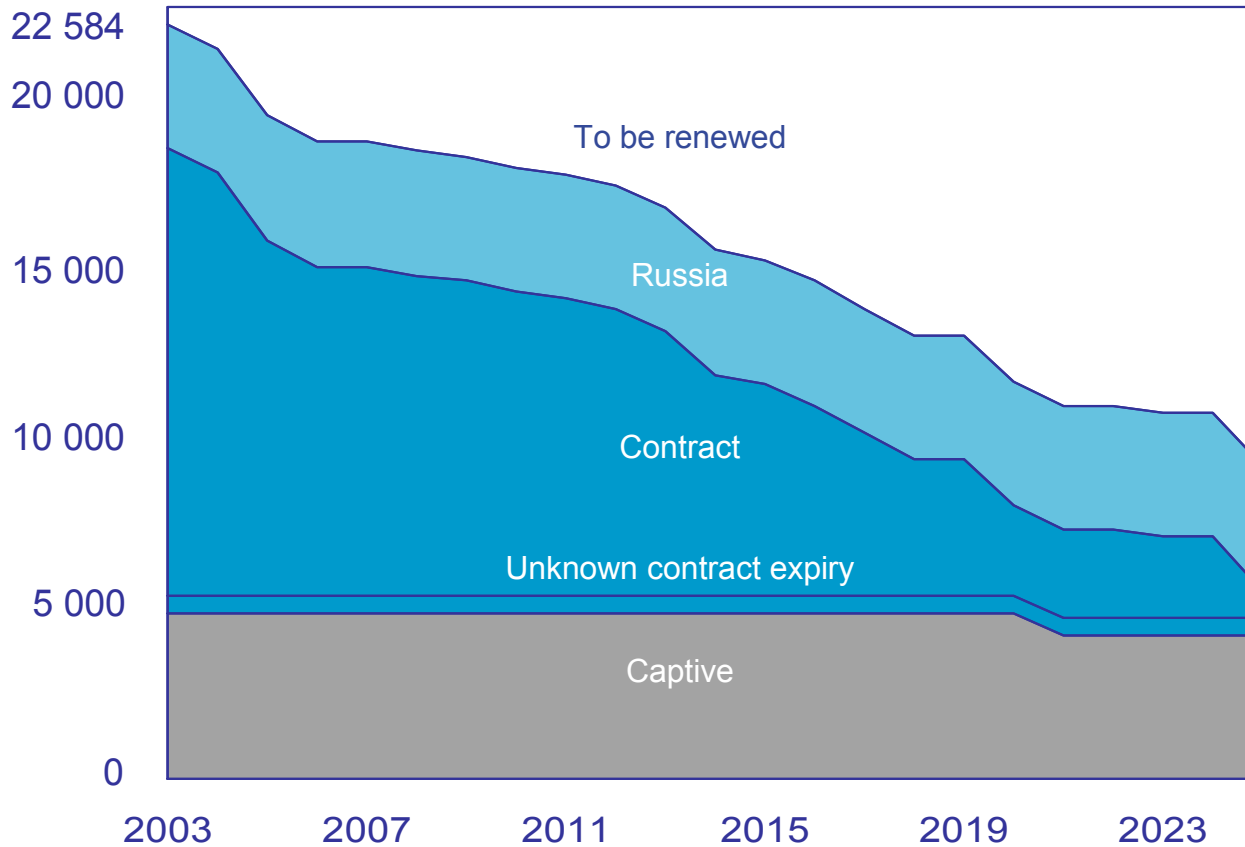
Net exports, 1 000 tonnes



* Excluding China ** Rest of the world, including the Middle East
 Source: CRU, Hydro Aluminium

Increasing industry exposure to market power prices

Aluminum production – power sourcing
1 000 tonnes*

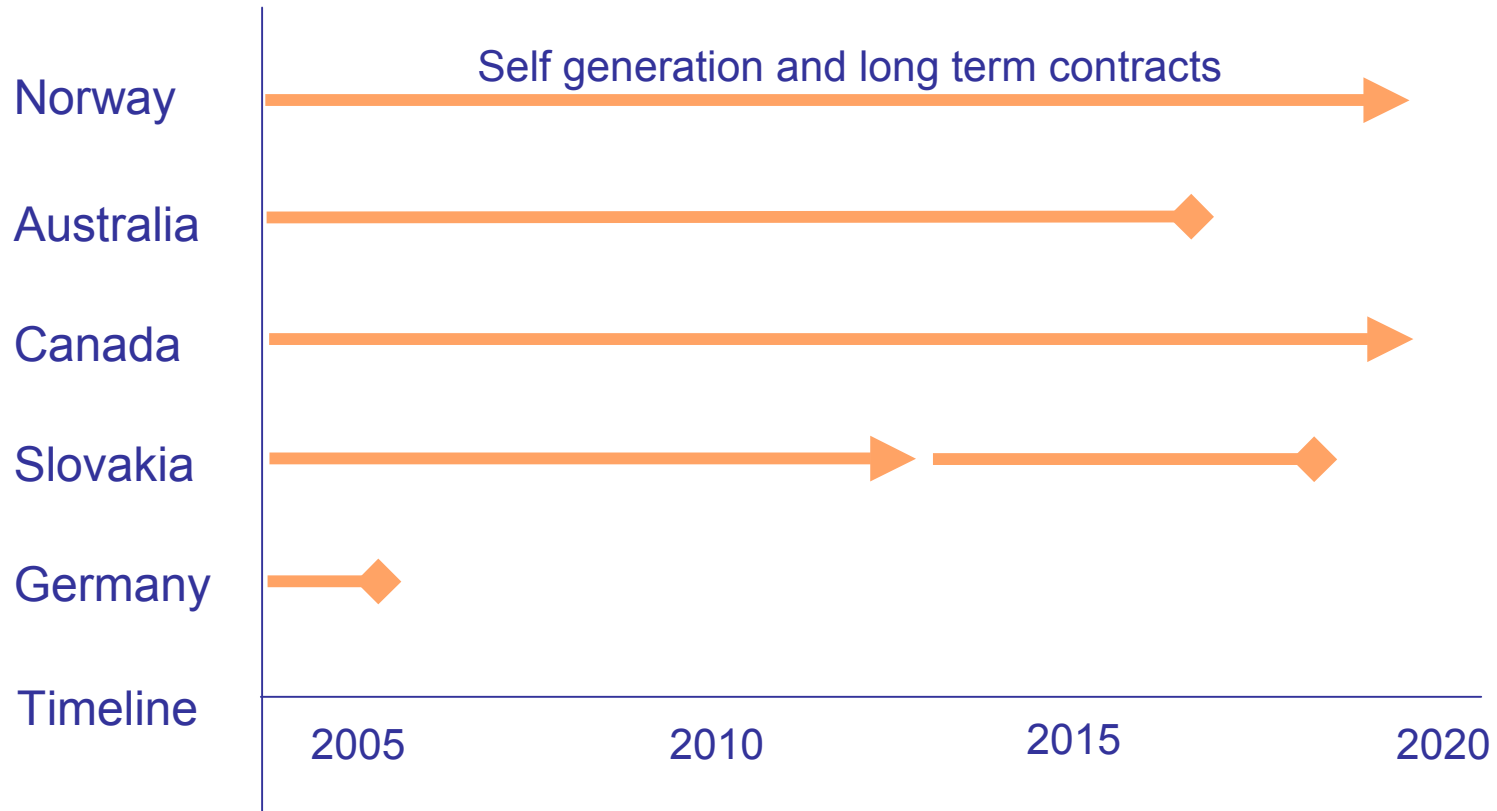


* Excluding China

Source: CRU, Hydro Aluminium

Attractive power contract portfolio for Hydro

Germany a challenge



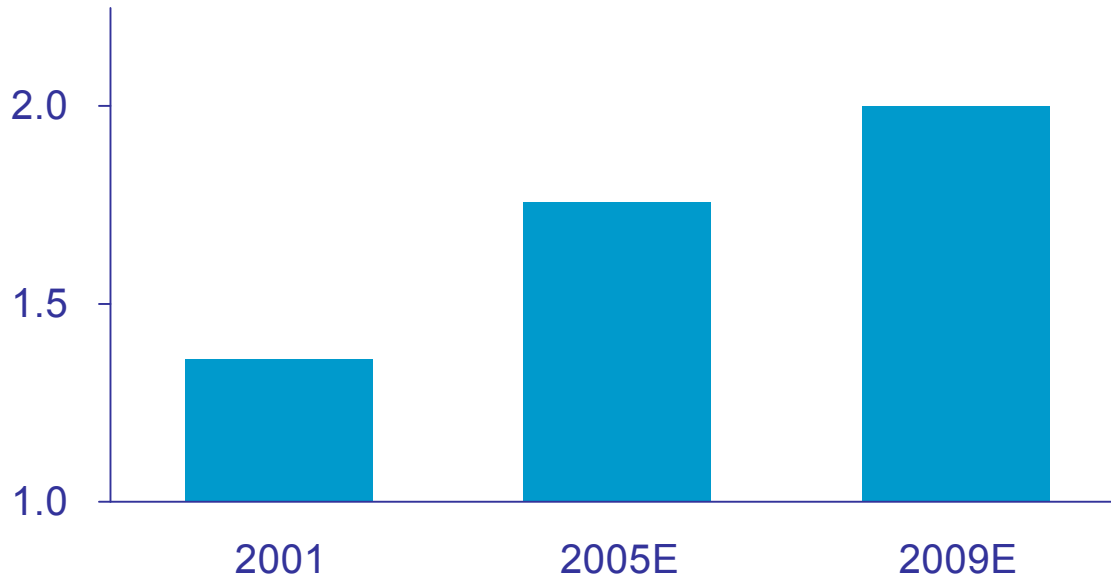
Qatar – the future pattern

- Heads of agreement signed
- Annual capacity
 - 570 000 tonnes
 - Expansion potential up to 1 200 000 tonnes
- Investments
 - Smelter and casthouse: USD 2 – 2.5 billion
 - Power plant: USD 0.7-0.8 billion
- Hydro ownership
 - 49 % in smelter and power station
 - 51 % in casthouse
 - Hydro to market total tonnage
- Production start-up end 2008
- Exceed 10% IRR after tax at USD 1400/tonne



Ambitious primary production growth

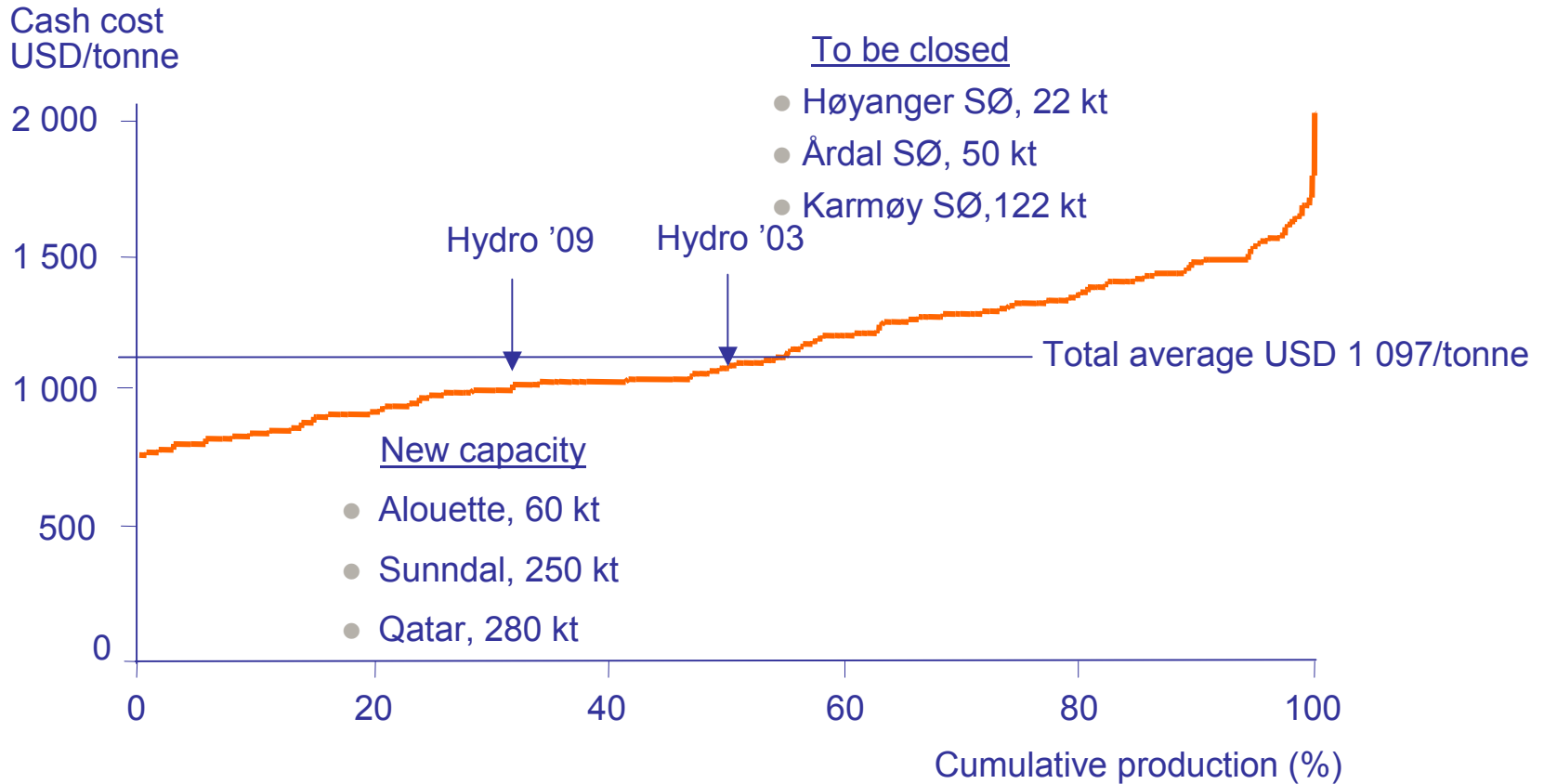
Million tonnes



Production growth, %	1999-2004	2005-2009*
Hydro	36%	27%
Total world	24%	20%

Source: Hydro Aluminium, Brook Hunt long -term outlook 2004. * incl. Qatar for Hydro

Improving relative cost position 2003-2009

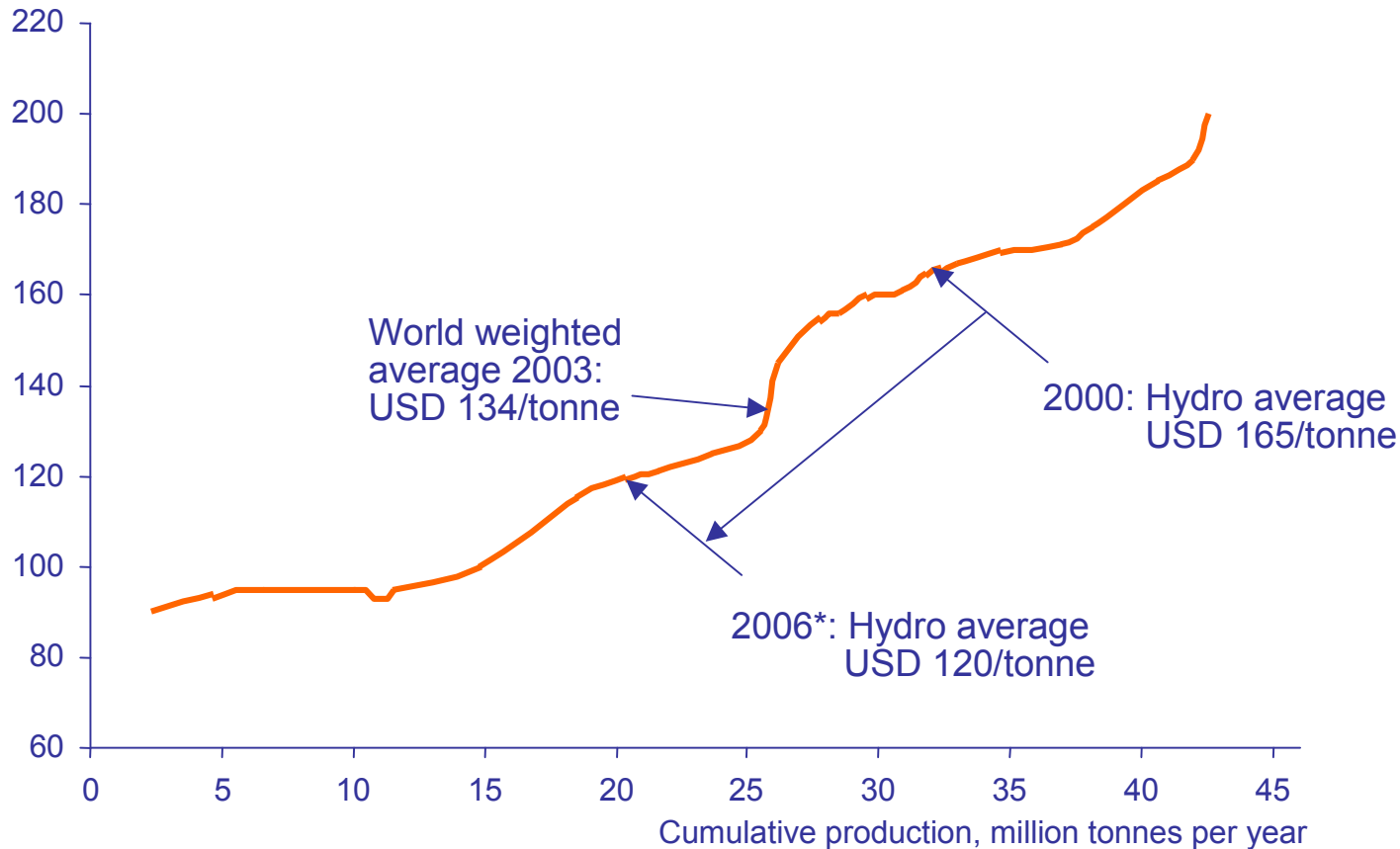


Assumptions: Aluminium price USD 1 500, USD/NOK 7.0, Cumulative production 27.8 million tonnes

Source: CRU, Hydro Aluminium

Increasing equity alumina at lower cost

Cash cost USD/tonne

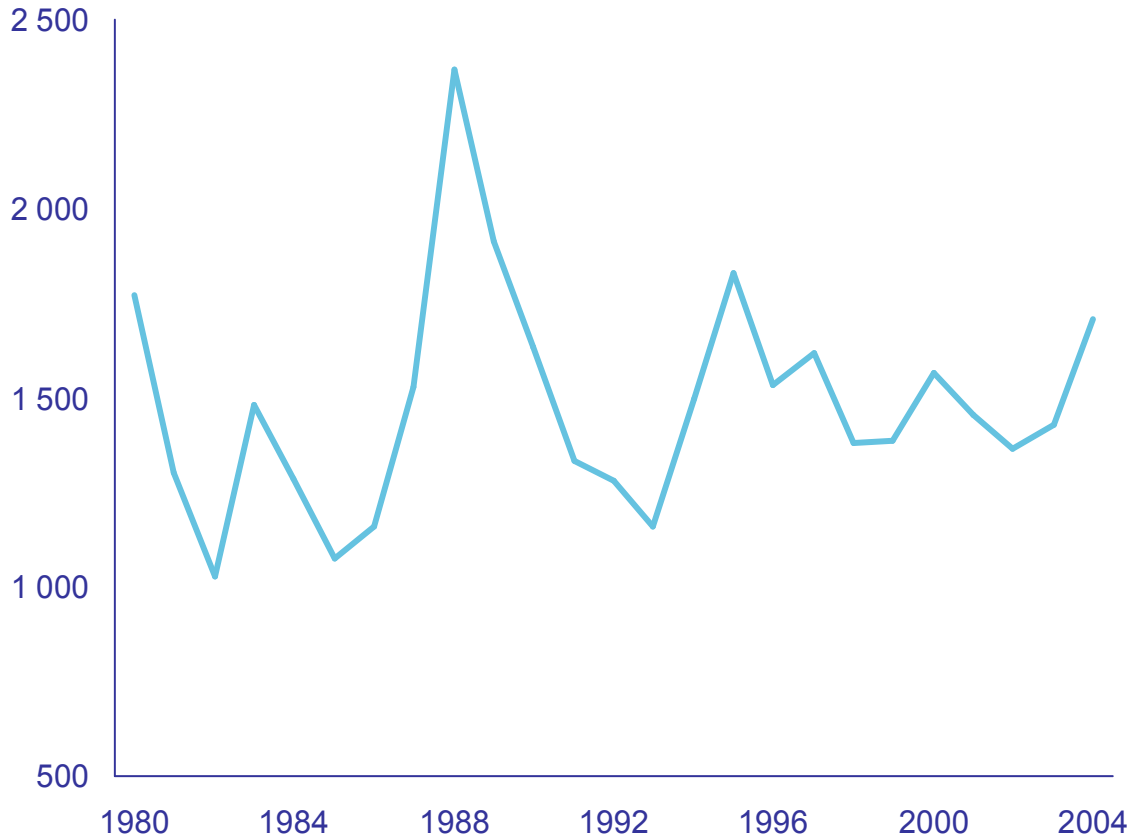


* After sale of alumina plant in Germany. Bauxite to Alunorte at cost.

Source: CRU 2003 : Major Western World Refineries (43 mill tons, i.e 80% of world production)
Hydro Aluminium estimates

Medium term price outlook favourable

USD/tonne



- Strong market fundamentals
- Increased production costs
 - Energy
 - Alumina
 - Carbon raw materials
 - Freight
- Weakening USD

Nominal prices

Downstream activities

Rolled Products



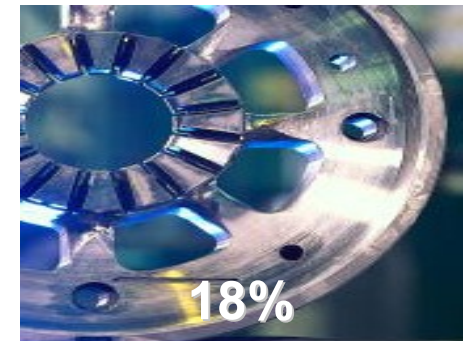
Extrusion



Total revenue*: NOK 35 bn

- Europe 80%
- North America 12%
- Others 8%

Automotive



* Jan-Sep 2004, split on sectors based on revenue

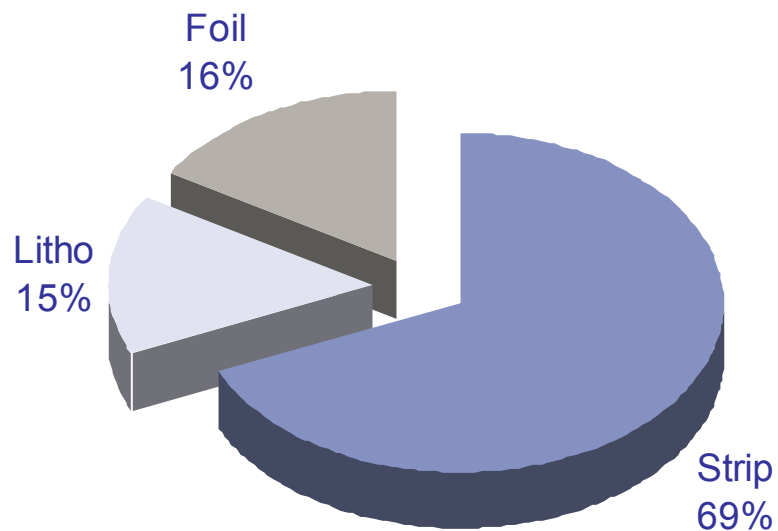
Rolled Products: Building a stronger business

- Growth in high margin segments
 - New litho line in 2005
 - Foil mills upgraded
 - Increased heat exchanger volume
- Delivered on improvement programs
 - Cost reduction and demanning
 - Turnaround of underperforming units
 - Modernization of Slim plant (Italy)
- Optimize plants' product mix
- High capacity utilization through strong market position



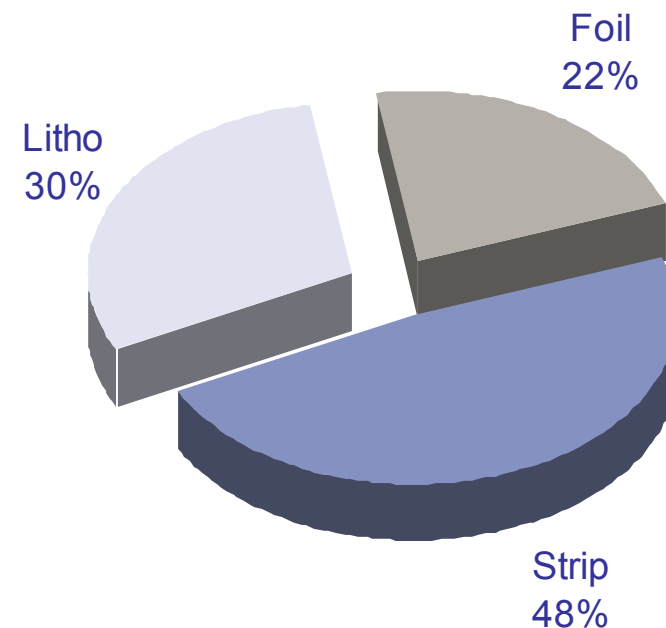
Rolled Products: Increasing focus on higher margin segments

Annualized shipments*
950 000 tonnes



*Jan-Sep 2004: 710 000 tonnes

Operating income Jan-Sep 2004:
NOK 593 million



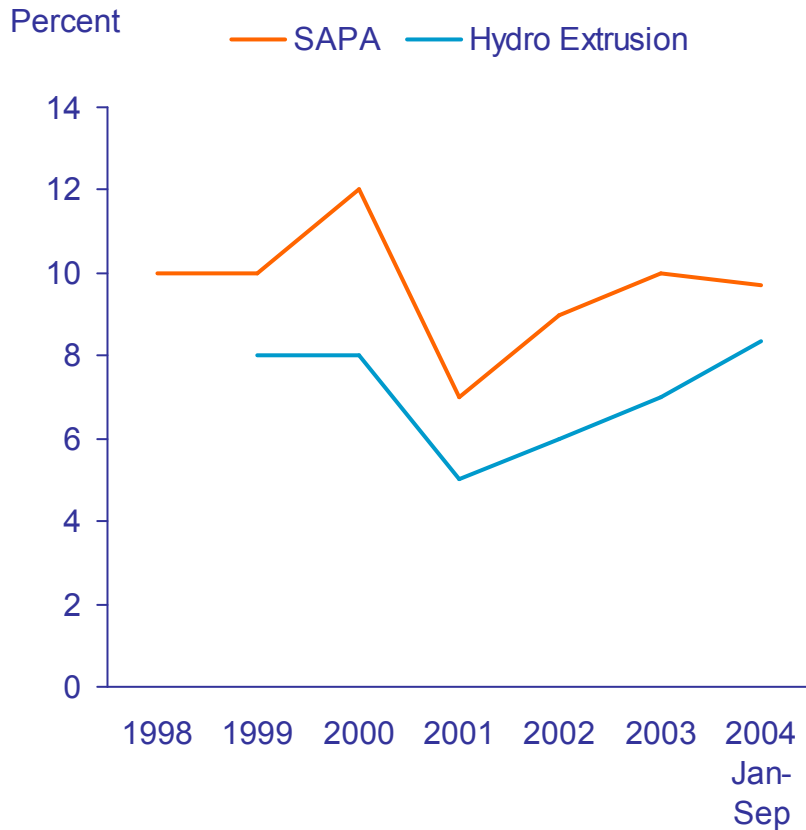
Extrusion: Global growth from leading position in Europe

- Consolidating leadership in Europe
- Closing performance gap in USA
- Expanding in emerging and low cost markets
- Growing value added business
- Realizing system benefits

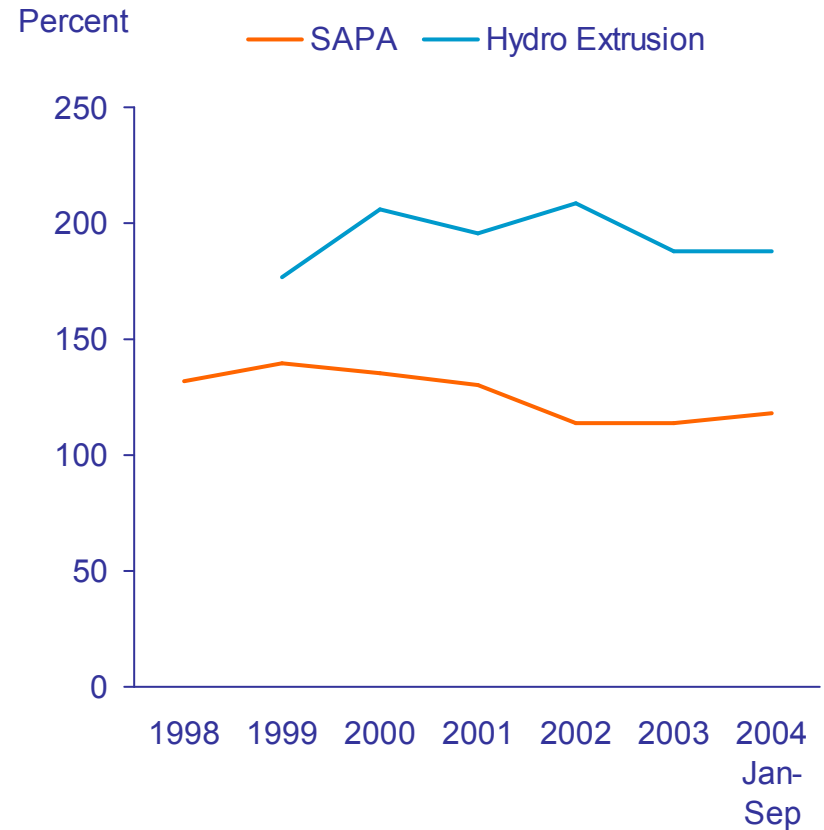


Extrusion: Strong financial performance

EBITDA / Sales



Capital Turnover *

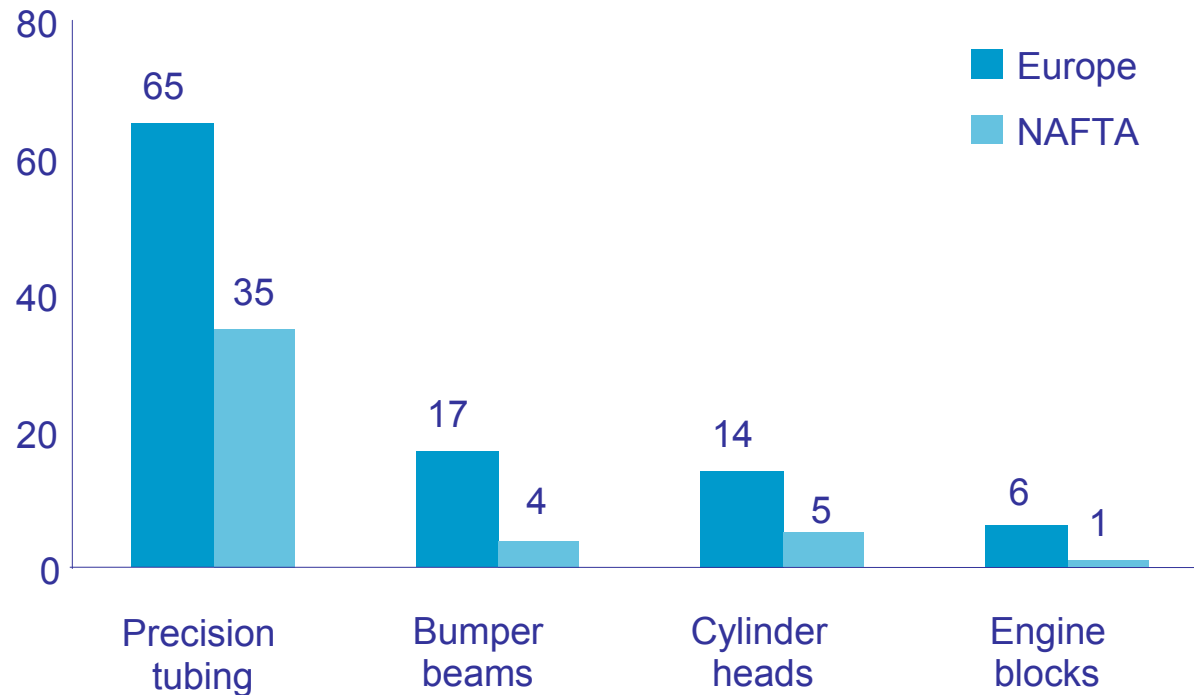


* Sales / Gross investment

Automotive: Leading market positions in focus areas

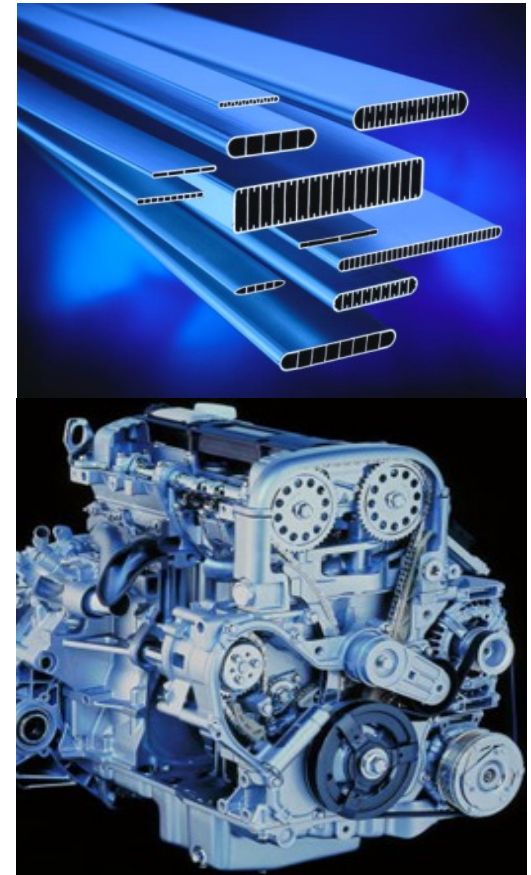
Market positions 2003

% of total market incl. steel/cast iron solutions



Automotive: Building on strengths and fixing underperformance

- Precision Tubing
 - Strong financial performance
 - New plants in China and Mexico 2005
- Structures
 - Improving financial performance from low level
 - Focusing product portfolio
 - Restructuring ongoing
- Castings
 - Improved financial performance
 - New diesel engine line in Dillingen
 - Production shifting towards low cost countries
 - Leeds closure to be finalized in 2005



Continued strong focus on bottom line growth

- Continue to strengthen European leadership and build global presence in selected segments and geographical areas
- Capitalize on a unique and differentiated portfolio profile and value chain integration in an environment of structural change
- Improve relative cost position upstream
 - Energy in Germany a particular challenge
- Sharing of best practice throughout the value chain
- Active portfolio development

Forward-looking statements/ use of non-GAAP financial measures

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 their 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 2003 Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission.

With respect to each non-GAAP financial measure Hydro uses in connection with its financial reporting and other public communications, Hydro provides a presentation of what Hydro believes to be the most directly comparable GAAP financial measure and a reconciliation between the non-GAAP and GAAP measures. This information can be found in Hydro's earnings press releases, quarterly reports and other written communications, all of which have been posted to Hydro's website (www.hydro.com).

Hydro is a Fortune 500 energy and aluminium supplier founded in 1905, with 36,000 employees in nearly 40 countries. We are a leading offshore producer of oil and gas, the world's third-largest integrated aluminium supplier and a pioneer in renewable energy and energy-efficient solutions. As we look forward to our next 100 years, we celebrate a century of creating value by strengthening the viability of the customers and communities we serve

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Progress of a different nature