



Capital Markets Day 2004

Financial perspective

John Ottestad, Executive Vice President and CFO

2004-12-15

Financial perspective

- Strong operational performance
- Strong financial position
- Robust and profitable investment portfolio
- Competitive shareholder returns

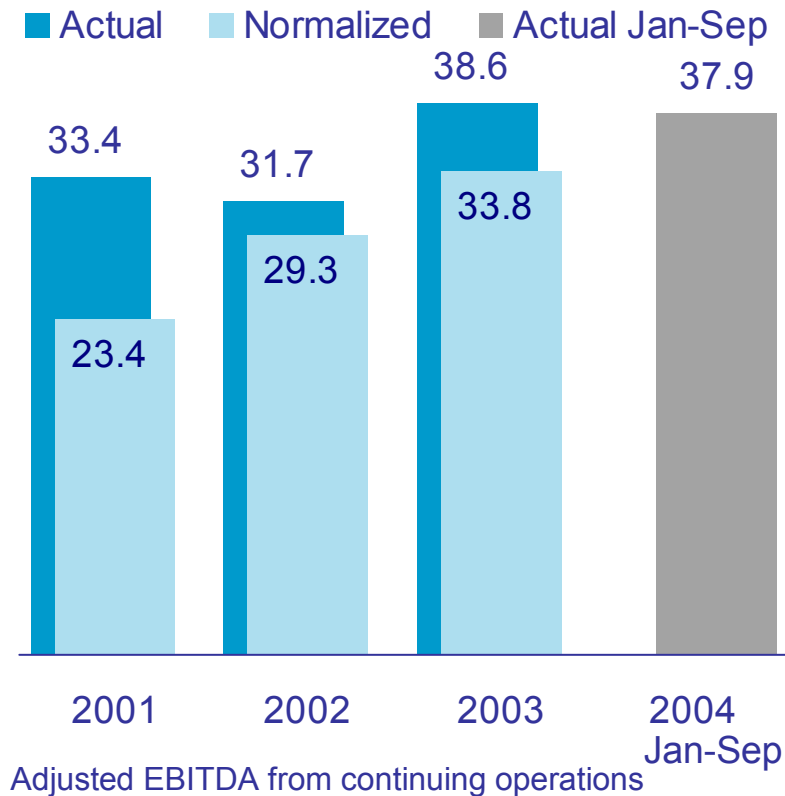
Positive development in earnings

EBITDA – NOK billion



Improvement driven by internal factors

EBITDA – NOK billion

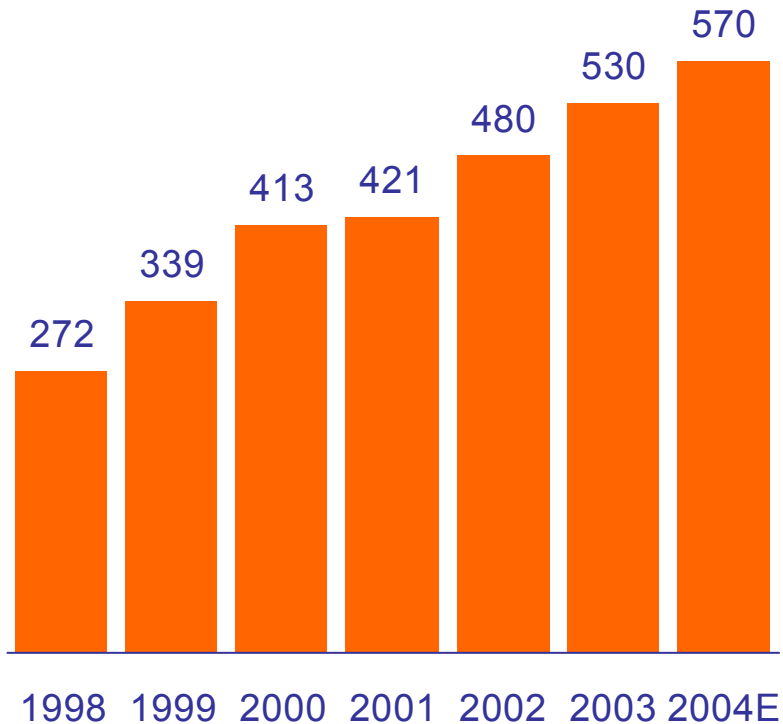


- Normalization assumptions
 - Oil price \$25
 - Aluminium price \$1500
 - USD/NOK 7
 - EUR/NOK 8
- Restructuring charges and gain/loss on divestments are eliminated from normalized figures
- Volumes and margins are not normalized

Delivering volume growth

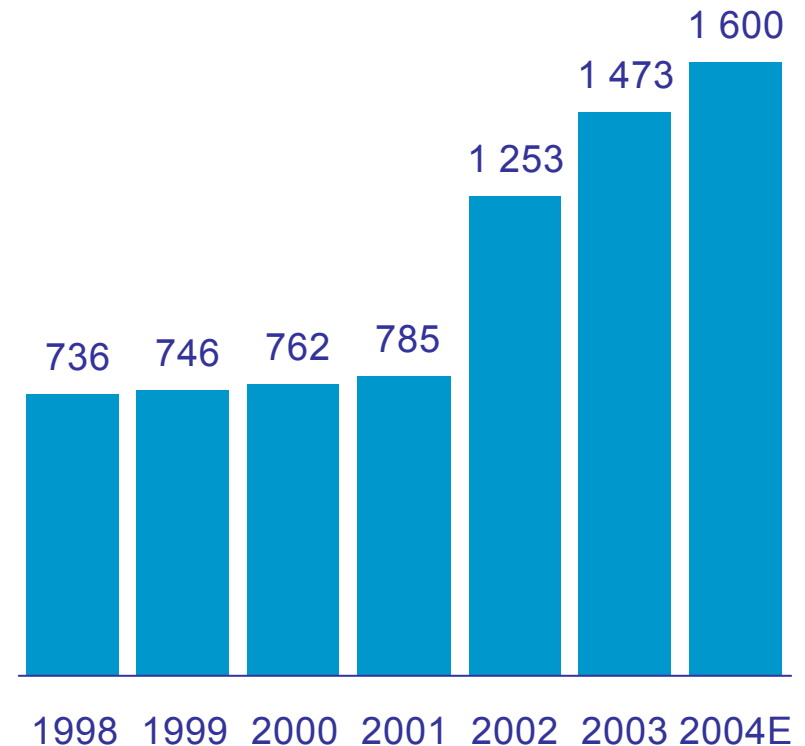
Petroleum production

1000 boe/day



Primary aluminium production

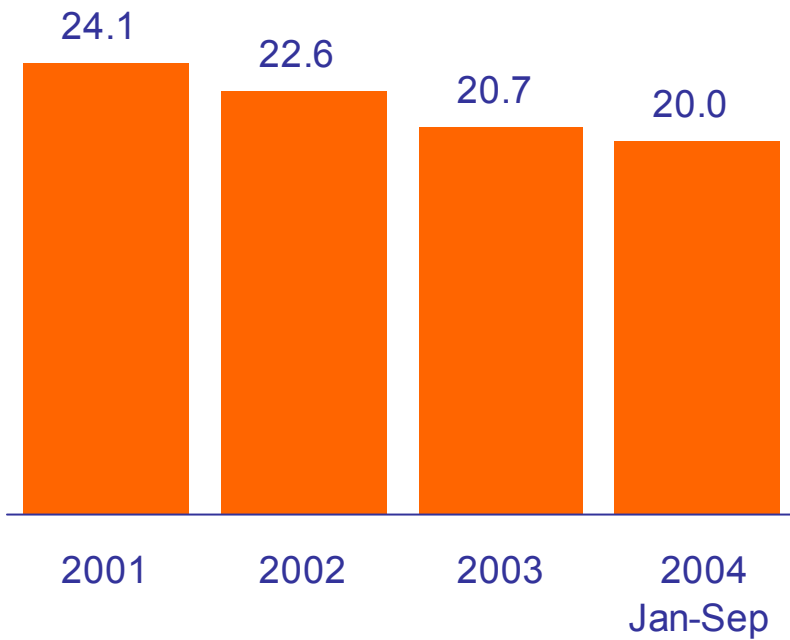
1000 tonnes



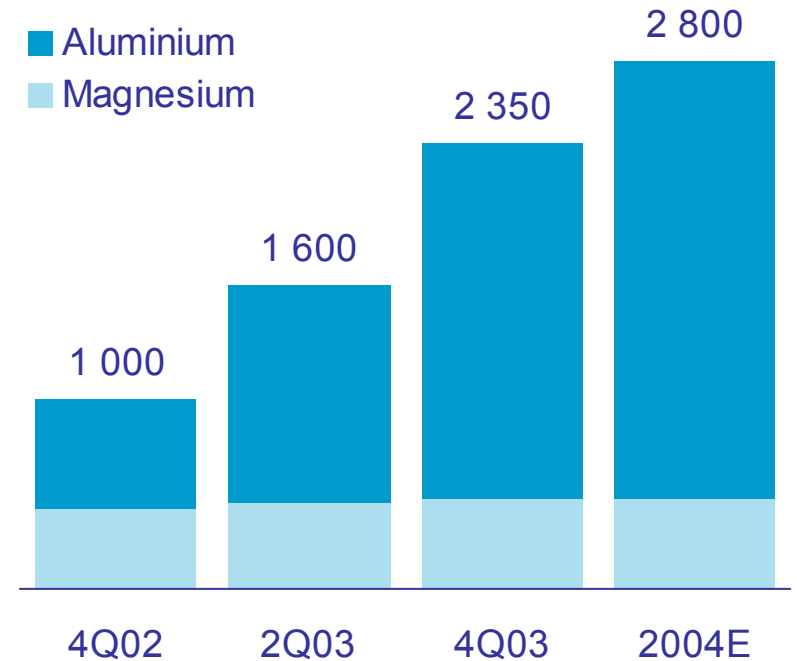
Slovalco consolidated from 2004

Delivering cost reductions

Petroleum production cost
NOK/boe



Aluminium improvements
NOK million

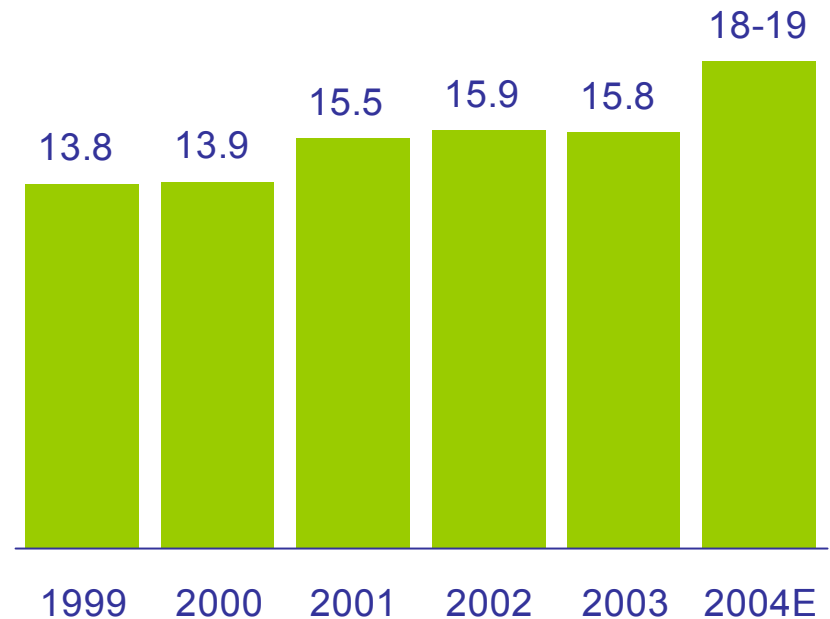


Delivering profitable projects

- Attractive project portfolio
 - Meeting high return requirements
- Excellent project execution
 - A key value driver
 - Basis for future profitability
 - Important for access to new opportunities
- Strong track record
 - All recent projects completed within time and capex frames

Capital expenditure

NOK billion

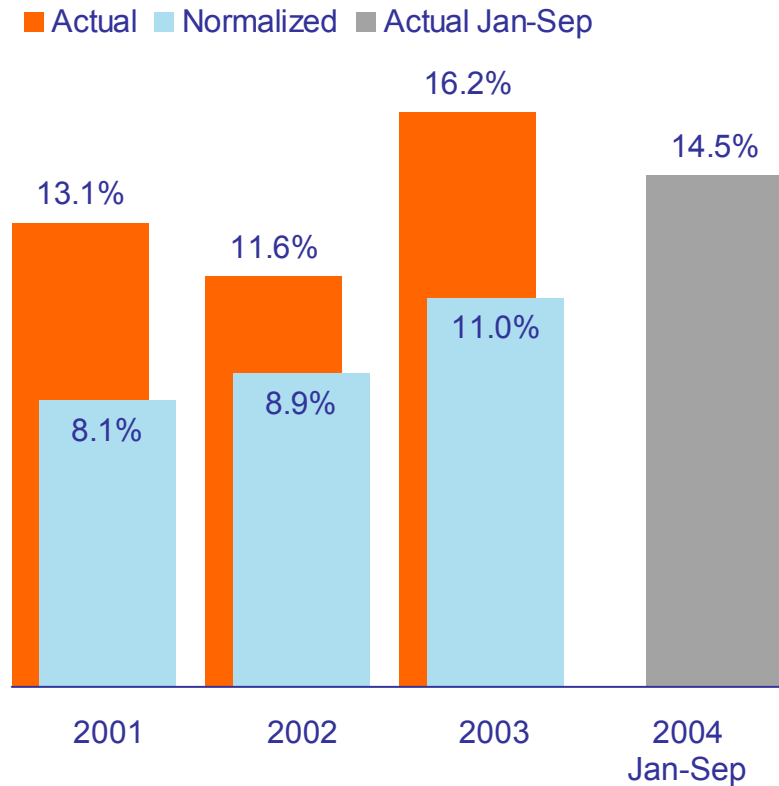


Investments for continuing operations, excluding major acquisitions and effects of changes in accounting principles.

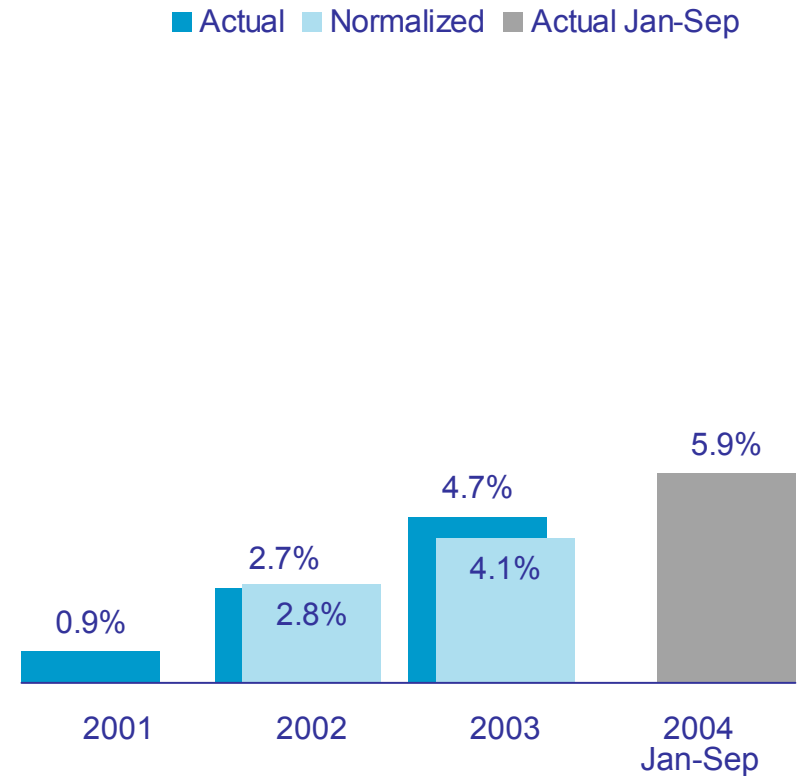
Improving capital efficiency

Return On Average Capital Employed – business areas

Oil & Energy

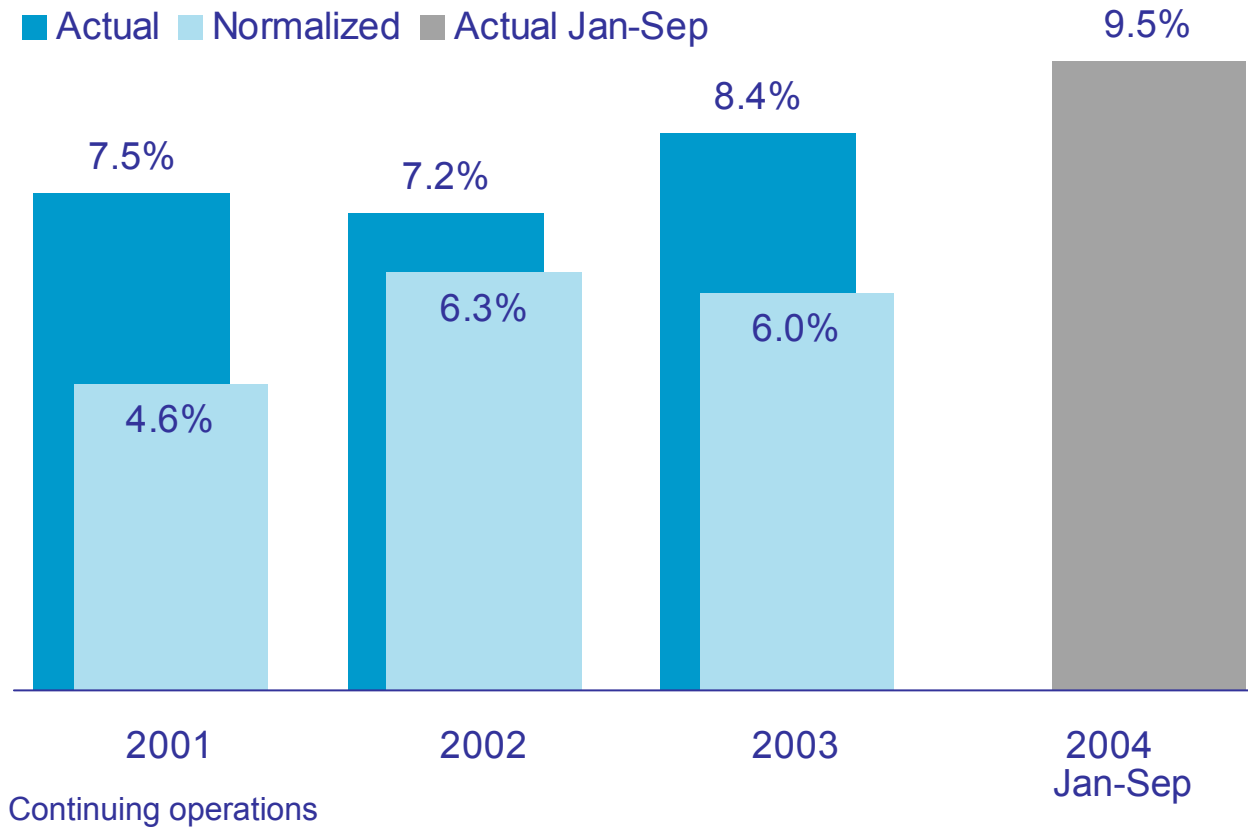


Aluminium



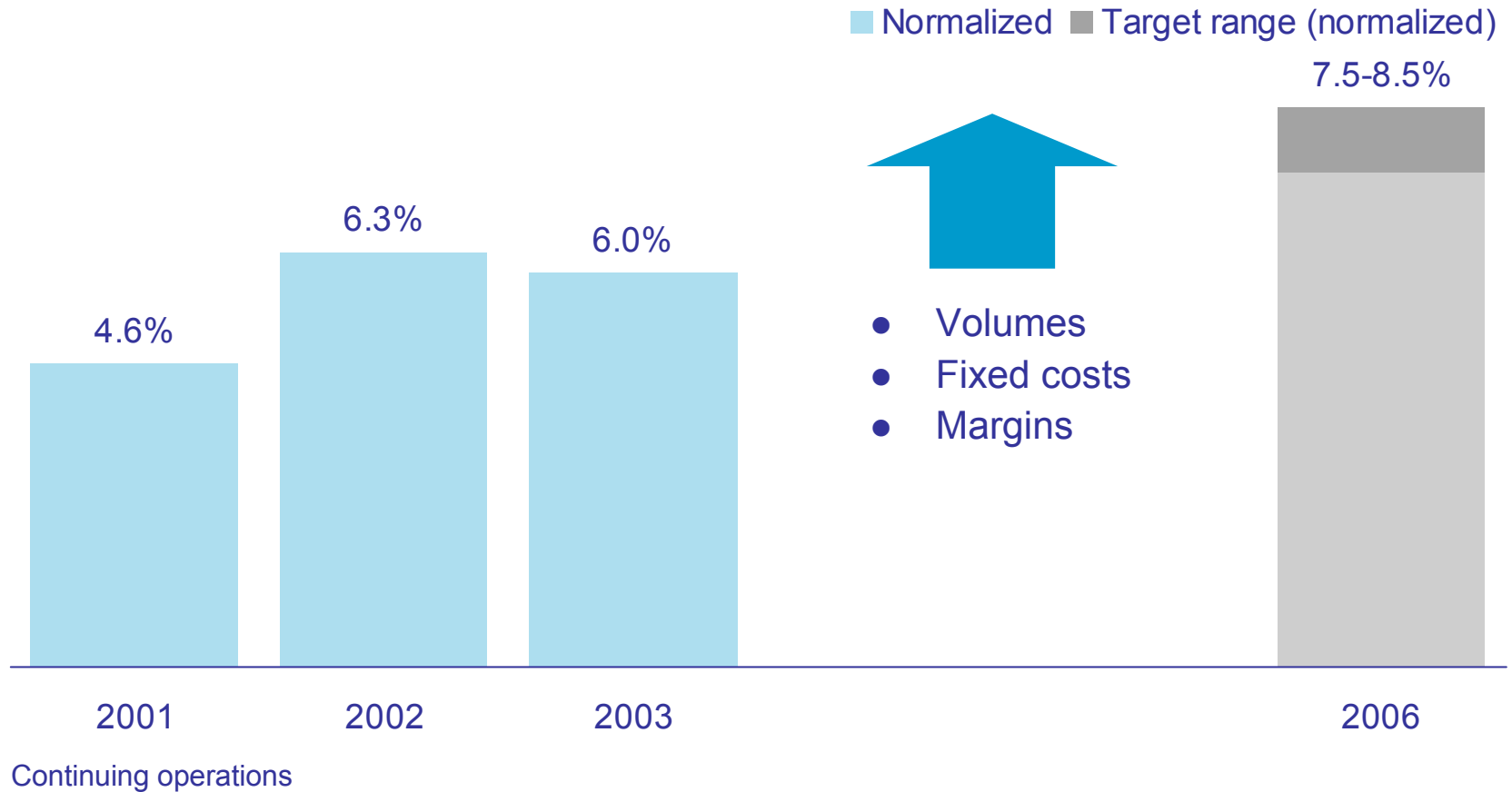
Improving capital efficiency

Return On Average Capital Employed – group level



Targeting improved returns

Normalized ROACE



Strong EUR and NOK a challenge

Weakened competitiveness of European operations

- Relative cost position impaired for European smelters
 - Main trigger for write-down of German smelters
- Negative margin impact for European downstream operations
- Not subject to normalization:
 - Downstream margins
 - Translation of USD based earnings

EUR/USD since 1999



Indicative price and currency sensitivities 2005¹⁾

Based on 2004 prices and currency

NOK million	Before tax	After tax	Change
Oil price per barrel	1,150	310	1 USD
Aluminium price per tonne	800	560	100 USD
USD Oil & Energy	7,250	1,960	1 NOK
USD Aluminium	2,500	1,750	1 NOK
USD before financial items	9,750	3,710	1 NOK
USD financial items ²⁾	(3,100)	(1,705)	1 NOK
USD Net income	6,650	2,005	1 NOK

1) Based on average 2004 prices and expected business volumes for 2005: Oil 38 USD/bbl, Aluminium 1,700 USD/tonne and NOK/USD 6.5

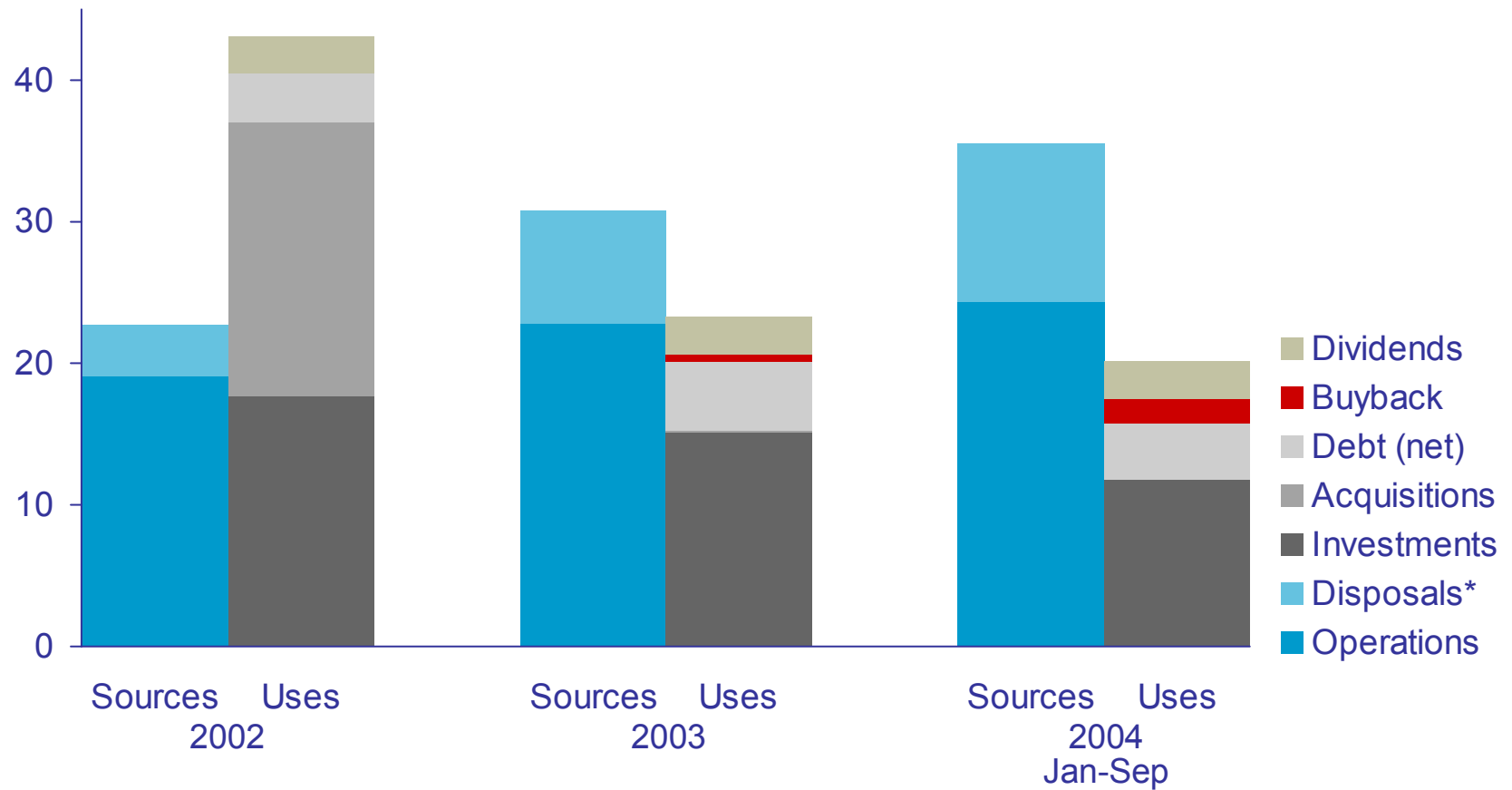
2) USD sensitivity calculated based on long-term debt denominated in USD and net USD amounts sold forward on long-term forward currency contracts. Cash positions denominated in USD, short-term debt denominated in USD and net USD amounts sold forward on short-term forward currency contracts are excluded.

Financial perspective

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- **Strong financial position**
- Robust and profitable investment portfolio
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Sources and uses of cash

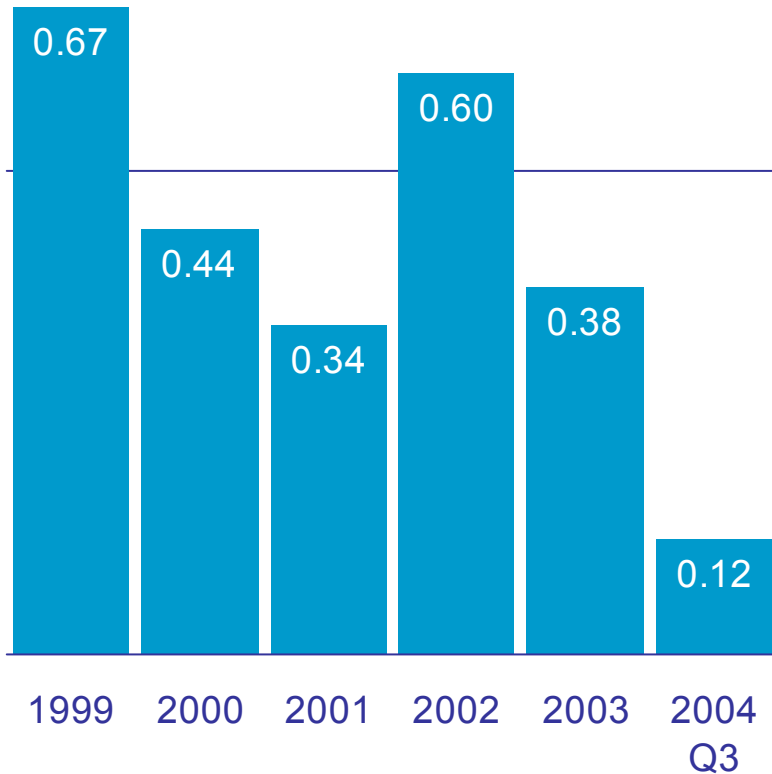
NOK billion



* Net cash from discontinued operations (Agri) included

Strong financial position

Debt/equity ratio



- Maintain current credit rating
 - S&P: A
 - Moodys: A2
 - Secure financial preparedness for potential strategic opportunities
 - Strong balance sheet allows for variance in earnings due to cyclicity
- Target debt/equity ratio 0.5

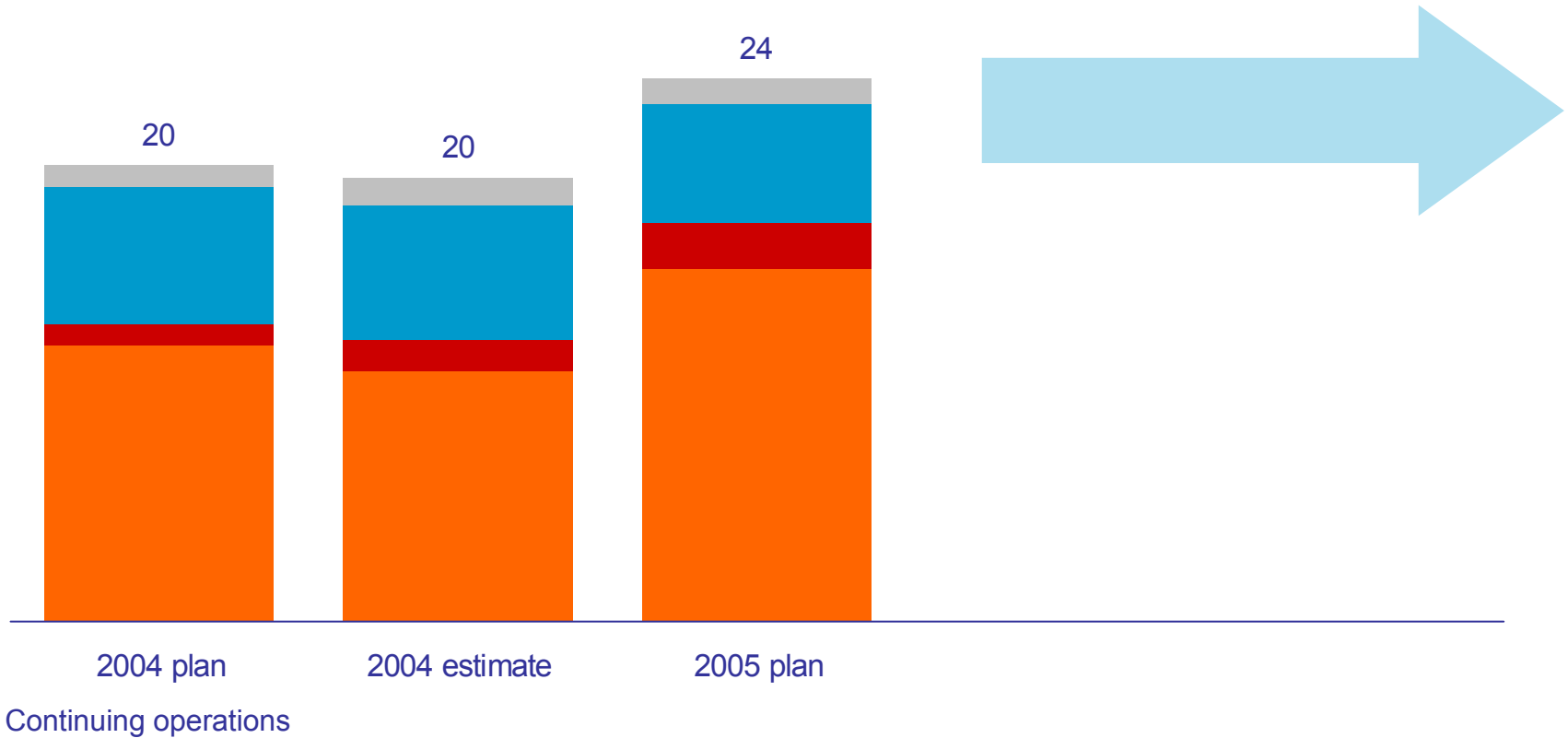
Financial perspective

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Capital and exploration expenditure

NOK billion

Oil & Energy Exploration Aluminium Other





Oil & Energy growth from attractive projects

- Generating above 10% IRR after tax at USD 16/bbl
 - Grane
 - Kvitebjørn
 - Kristin
 - Dalia
- All Hydro-operated projects on time and cost
- Ormen Lange – the next step



Aluminium growth from attractive projects

- Generating above 10% IRR after tax at USD 1400/tonne
 - Sunndal
 - Alouette
 - Alunorte
- All projects on time and cost
- Qatar – the next step

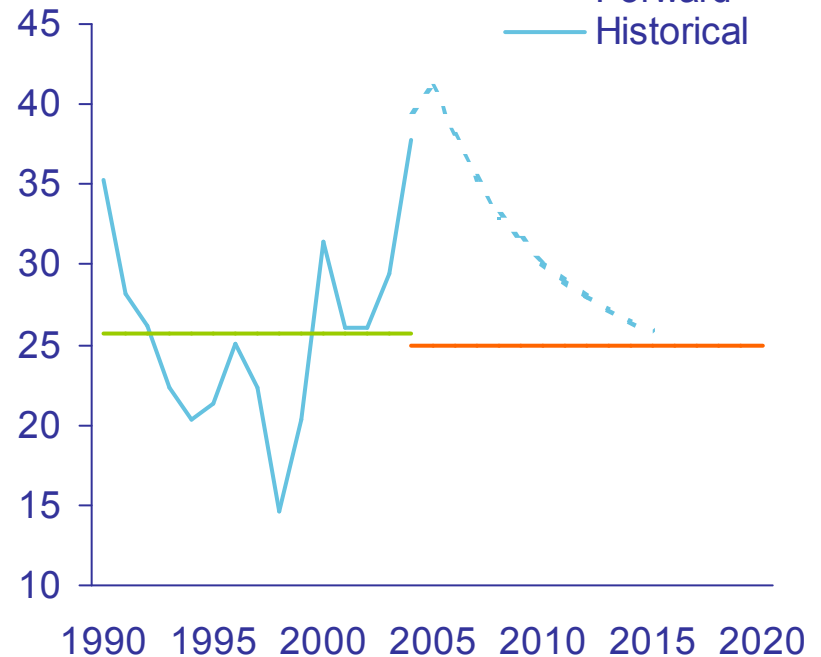
Investment criteria

Capital discipline – basis for future profits

- Strategic fit
- Hurdle rate 10% real IRR after tax
- Mid-cycle price assumptions
 - Oil \$25 per barrel
 - Aluminium \$1500 per tonne
 - USD/NOK 7
 - Aligned with business planning assumptions
- Testing robustness at \$20 / \$1400

Oil price

USD-04/bbl



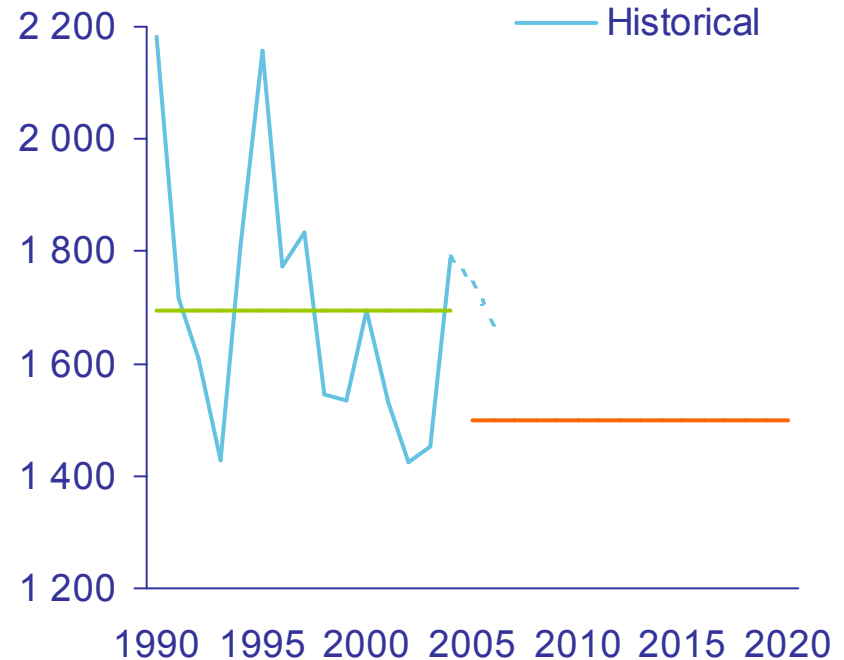
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Aluminium price

USD-04/tonne

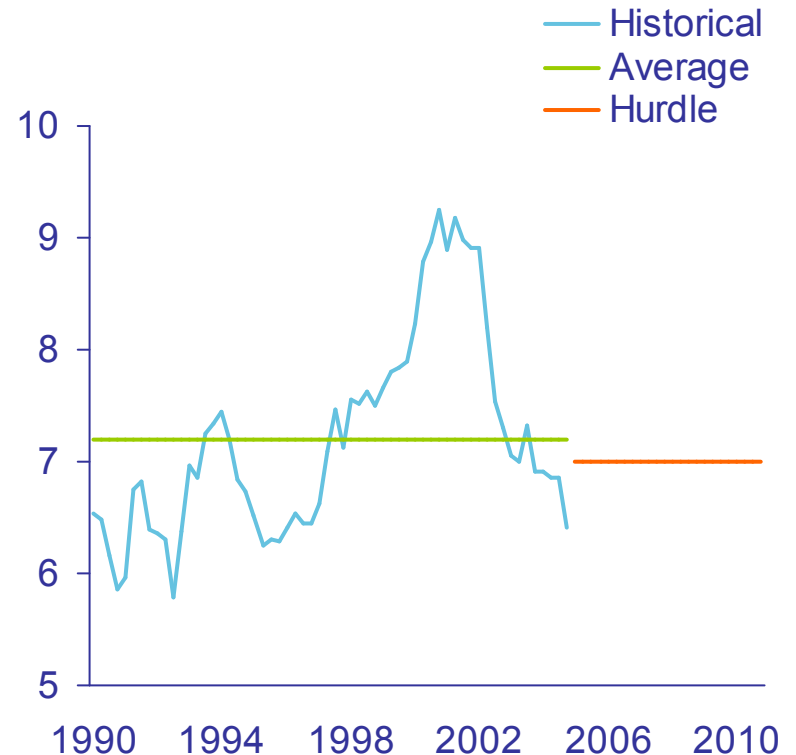


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USD/NOK



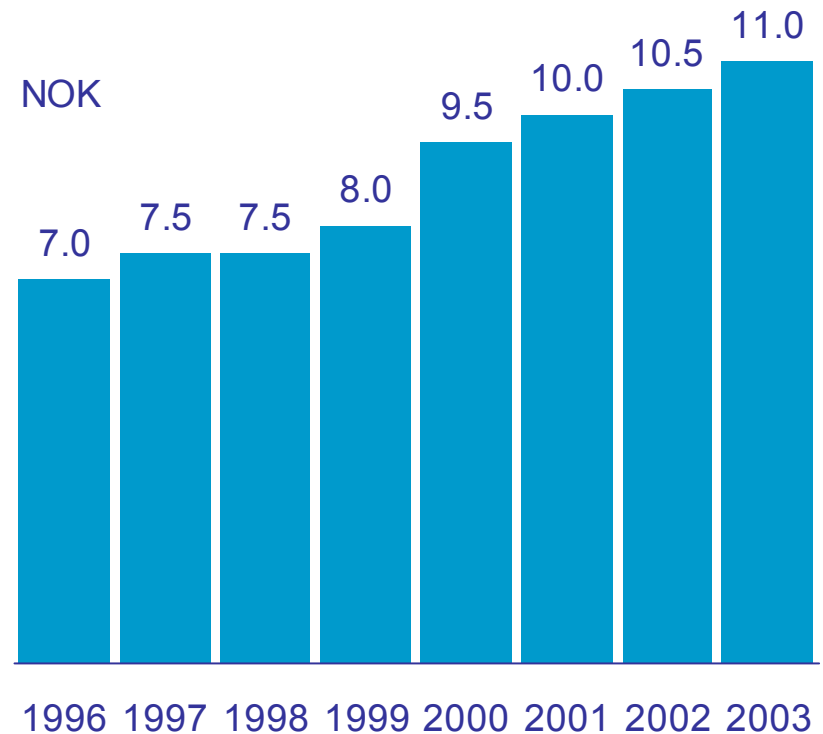
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Dividend policy

- A steady development in line with the growth in the company's results

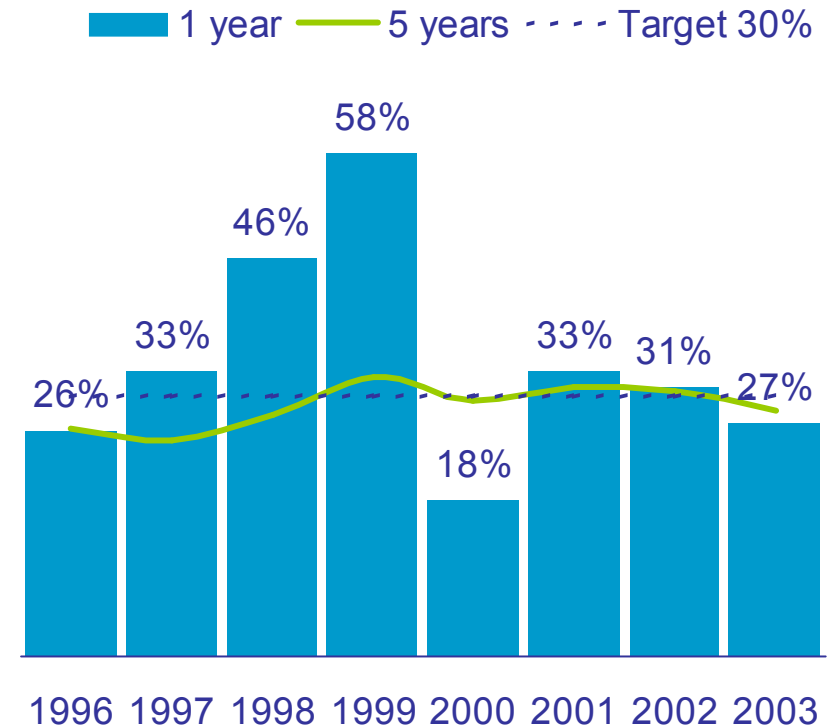
Dividend per share



Dividend policy

- A steady development in line with the growth in the company's results
- 30% payout ratio over time

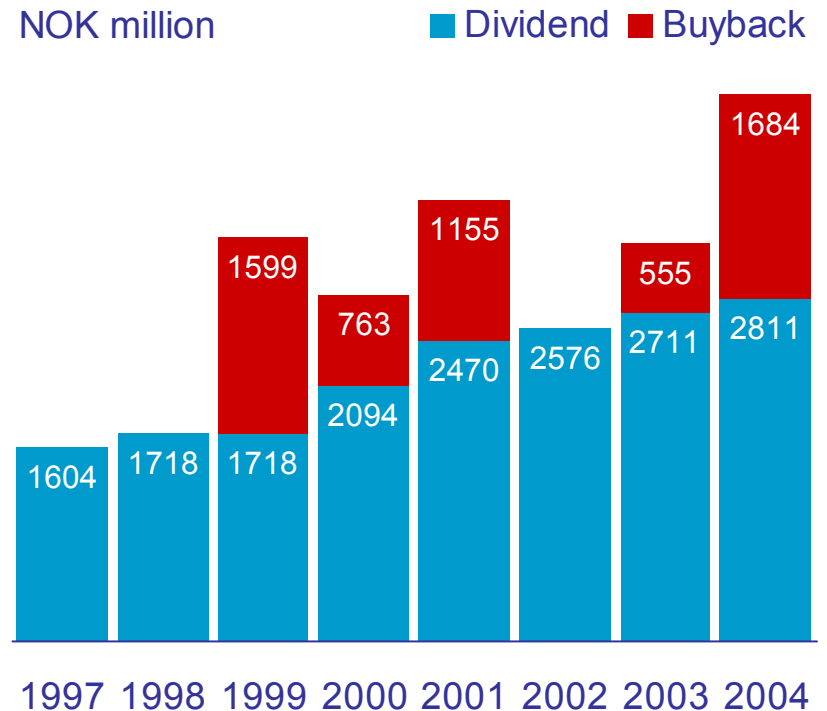
Payout ratio



Dividend policy

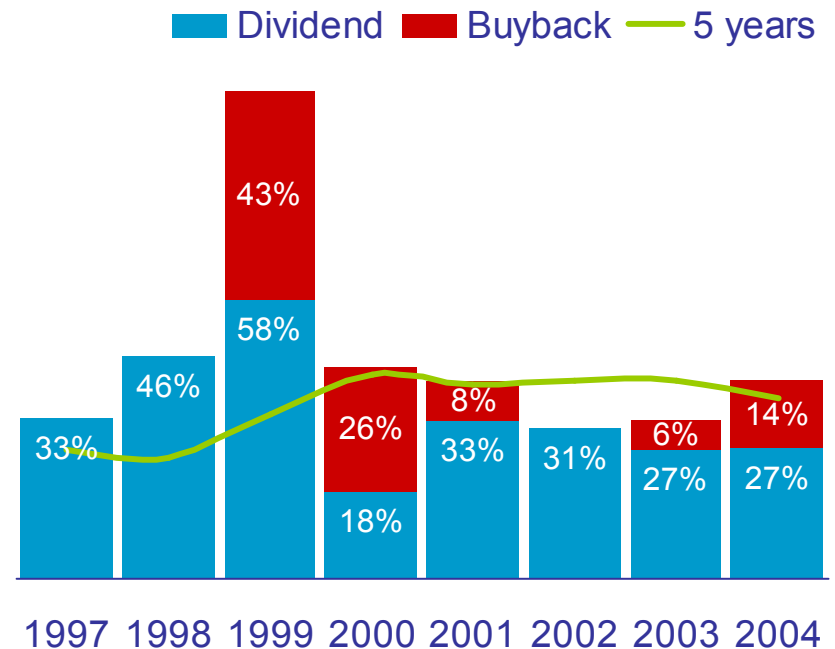
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- Buyback of shares – a supplement when high earnings
 - New authorization of 10 million shares approved 1 December

Buyback and dividend



Dividend policy

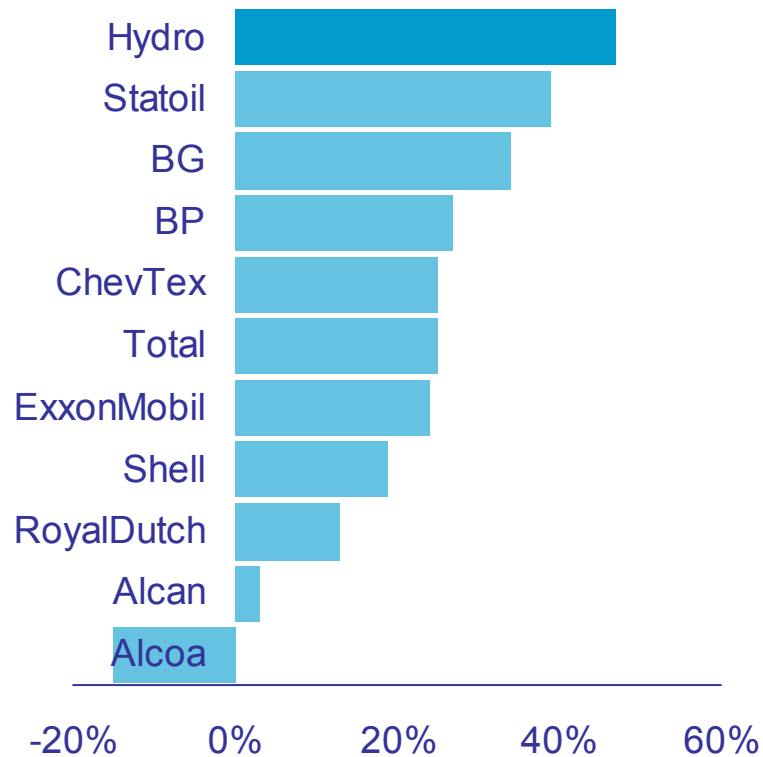
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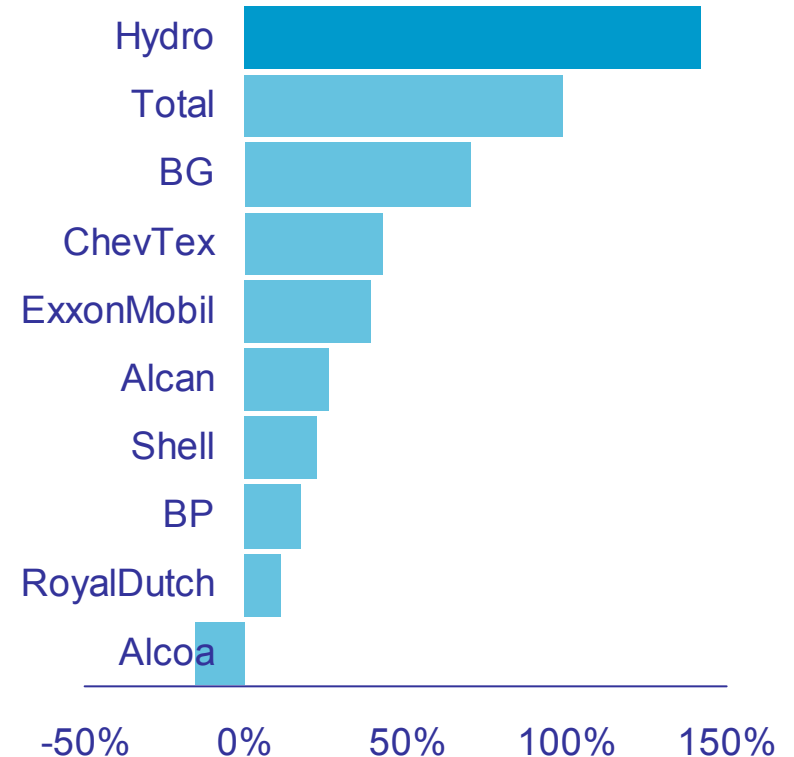
Competitive shareholder returns

New York Stock Exchange, USD

TSR since December 31, 2003



TSR since December 31, 1999



Source: Datastream 8 Dec 2004

Financial priorities

Continue delivering shareholder value

- Relentless focus on performance
- Profitable growth
- Continued capital discipline
- Competitive shareholder returns

Additional information



HYDRO

Indicative price and currency sensitivities 2005¹⁾

Based on normalized prices and currency

NOK million	Before tax	After tax	Change
Oil price per barrel	1,400	380	1 USD
Aluminium price per tonne ²⁾	950	665	100 USD
USD Oil & Energy	4,750	1,285	1 NOK
USD Aluminium ²⁾	2,350	1,645	1 NOK
USD before financial items	7,100	2,930	1 NOK
USD financial items ³⁾	(3,100)	(1,705)	1 NOK
USD net income	4,000	1,225	1 NOK

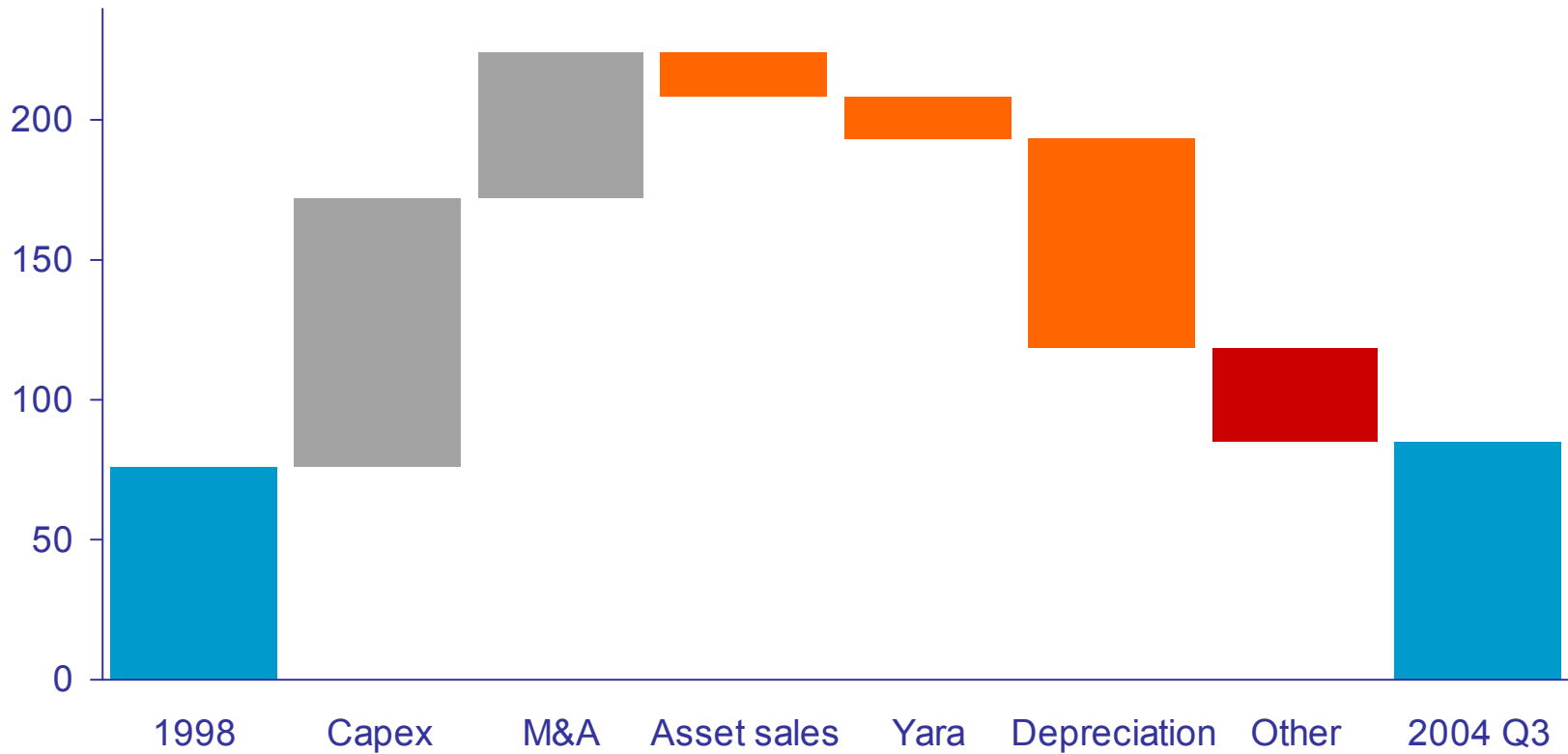
1) Based on normalized prices and expected business volumes for 2005: Oil 25 USD/bbl, Aluminium 1,500 USD/tonne and NOK/USD 7.0

2) Does not include effects of Aluminium's strategic hedging program. For 2005 Aluminium has sold forward approx. 109,000 tonnes of aluminium at an average LME price of approx. 1,510 USD/tonne. Additionally Aluminium has sold forward approx. USD 165,000 million at an average NOK/USD exchange rate of approx. 9.3

3) USD sensitivity calculated based on long-term debt denominated in USD and net USD amounts sold forward on long-term forward currency contracts. Cash positions denominated in USD, short-term debt denominated in USD and net USD amounts sold forward on short-term forward currency contracts are excluded.

Portfolio dramatically changed last 5 years

Development of Capital Employed



Financial solidity – calculation

Amounts in NOK million		31 December 1999	31 December 2000	31 December 2001	31 December 2002	31 December 2003	30 September 2004
[A]	Cash and cash equivalents	7 435	21 766	27 148	5 965	15 249	30 246
[B]	Other liquid assets	2 535	2 490	2 421	2 647	1 581	1 632
[C]	Bank loans and other interest-bearing short-term debt	(7 361)	(9 088)	(8 458)	(7 306)	(5 569)	(3 326)
[D]	Current portion of long-term debt	(907)	(2 209)	(1 966)	(1 958)	(1 242)	(549)
[E]	Long-term debt	(42 228)	(40 174)	(37 853)	(30 902)	(28 568)	(26 718)
[F]=[A]+[B] +[C]+[D]+[E]	Net interest-bearing debt	(40 526)	(27 215)	(18 708)	(31 554)	(18 549)	1 286
[G]	Net pension liabilities at fair value	4 772	2 561	(2 133)	(10 107)	(11 973)	(10 907)
[H]	Expected income tax benefit 30%	(1 432)	(768)	640	3 032	3 592	3 272
[I]=[G]+[H]	Net pension liabilities tax adjusted	3 341	1 793	(1 493)	(7 075)	(8 381)	(7 635)
[J]	Operating lease commitments discounted at 10%	(4 728)	(6 469)	(5 072)	(4 924)	(4 916)	(3 617)
[K]=[F]+[I] +[J]	Adjusted net interest-bearing debt	(41 914)	(31 891)	(25 272)	(43 552)	(31 846)	(9 966)
[L]	Net pension liabilities not recognized without equity effect	2 736	610	(2 767)	(6 994)	(7 862)	(6 940)
[M]	Expected income tax benefit 30%	(821)	(183)	830	2 098	2 358	2 082
[N]=[L]+[M]	Equity adjustment off-balance sheet pension liabilities	1 915	427	(1 937)	(4 896)	(5 504)	(4 858)
[O]	Minority interest	1 323	1 419	1 051	1 143	660	1 792
[P]	Shareholders' equity	59 497	71 226	74 793	75 867	88 080	84 800
[Q]=[N]+ [O]+[P]	Adjusted shareholders' equity and minority	62 735	73 072	73 907	72 114	83 236	81 734
[R]=[K]/[Q]	Adjusted debt / equity ratio	0.67	0.44	0.34	0.60	0.38	0.12

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

www.hydro.com



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Progress of a different nature