



Eivind Reiten
CEO & President

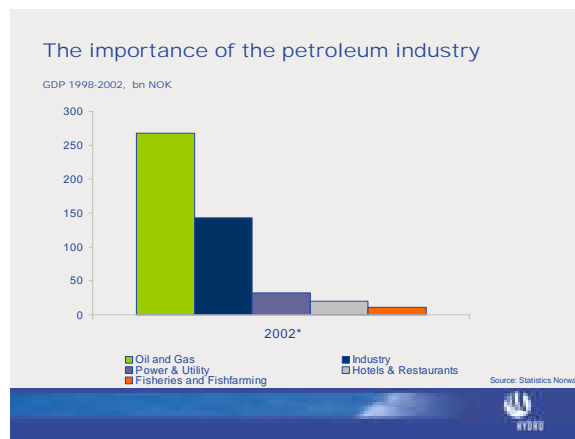
First Securities' Nordic Energy Summit 2004
Oslo, 17 August

Norway's role in the international energy market

Ladies and Gentlemen,

First let me express how grateful I am to be here again at the First Securities' Nordic Energy Summit to address such an important audience and to be part of this distinguished group of speakers.

I have been invited to talk about Norway's role in the international energy markets. There are many ways of approaching this issue. I could talk about Norway's unique energy assets. About how Norway now produces nearly 3% of total world oil output. That gas exports grow steadily, making Norway the second-largest gas exporter to Europe and the third-largest exporter in the world. How Norway is a leader in hydropower and is also well positioned to grow in wind power generation and in further developing hydrogen technology. Energy is therefore of great importance to Norway and it plays a unique role in the Norwegian economy.



I could also talk about internationally competitive competence and skills developed in the Norwegian energy cluster, or I could talk about our way of doing business: key words are sound governance structures, environmental awareness and sensitivity to local communities. Consequently,

However, today I will concentrate on Europe's gas challenge and our role in meeting Europe's demand for energy. The cost effective delivery of natural gas to Europe will be Norway's single most important role for the next several decades. And let me quickly add: This is not a minor task. To secure the supply of safe and environmentally acceptable energy is vital to Europe.

For Norway, this creates challenges and opportunities. Norway's future role in the larger and growing international energy market will depend on its ability to leverage this gas position. This is my main point today. However, I'd like to reflect on two other relevant topics. Norway's future role as a leading energy supplier depends on the ability to develop the Norwegian Continental Shelf and the willingness and ability to grow within renewables and new energy.

Having said that, after a summer with record high-energy prices, I cannot avoid commenting on recent developments in the international energy market.

1 Strong prices in the international energy market

The international oil and energy markets are indeed back in the news. This summer we have witnessed strong prices, despite a considerable increase in world total output of oil. Demand has been stronger than expected, not least due to the developments in

China. China alone represented nearly a third of the increase in world demand. Most experts, however, tend to agree that the current level cannot be explained by the demand and supply balance alone. Both the weakness of the dollar and not least speculation over the stability in the Middle East are clearly driving prices to record high levels. Security of supply is getting increased attention.

2 The rising role of gas - not least in Europe

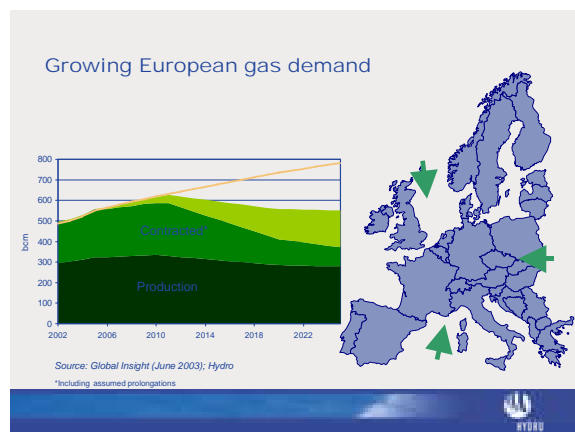
The world's demand for energy is growing and the role of natural gas will surely rise in order to meet the demand in a secure and sustainable way. The main driver of this expansion is the economic and environmental attractiveness of gas for power generation.

Gas reserves are still quite abundant in the world. Proven world gas reserves are not as concentrated as oil reserves but are still fairly consolidated. Russia, including the Caspian Sea Region, accounts for a third, and Iran and Qatar together for another third of the world's total proven gas reserves. Consumers around the world increasingly desire gas – due to its availability, environmental qualities and security of supply. Technological advances, in particular with LNG, have made the gas market increasingly a fully global one. Consequently, we expect a strong increase in the scale and scope of international gas trade, offering challenges and opportunities for both governments and companies. More gas will have to be delivered across borders, covering longer distances.

Both the US and Western Europe are becoming increasingly dependent on imports as indigenous resources are depleted. China and India are adding to a strong Asian LNG demand. For us, the European gas challenge is of particular importance. Key drivers in European market developments are:

- ⌘ Falling indigenous production.
- ⌘ Increasing demand.
- ⌘ Need to replace power generation capacity to comply with Kyoto requirements/ EET over the next years.

The supply of gas into Europe is currently sufficient to meet demand, but not in the longer run. Some suggest that European gas demand will increase from around 500 bcm now to 735 bcm in 2020. This challenge has been a key driver in transforming the European energy market during the past several years.



- €# We see Europe becoming more concerned about supply of energy and diversification of energy sources.
- €# We see Europe more concerned about increasing the efficiency of the energy markets.
- €# We see Europe involving itself more heavily engaged in overall global energy policy, in particular, the future role of Russia.

Europe's imports will have to come from Norway, Russia, North Africa and/or global LNG production. It is a common view that in Northern Europe, pipelines will remain the most competitive source for at least another decade. LNG will be primarily routed to other areas, e.g., the US and Asia. Indeed, in a global perspective, Europe has a unique competitive position with its diverse piped gas opportunities. With a Europe striving to increase its competitiveness in the global economy, as demonstrated in its Lisbon strategy, Europe must care for the competitive edge the availability of piped gas offers.

3 Reaping the benefits of the European gas market

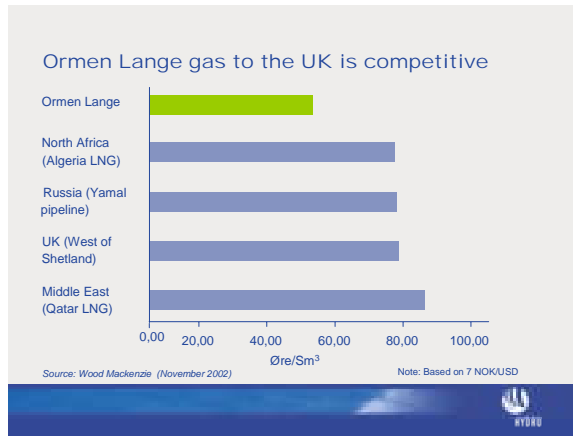
Norway – and Hydro as a Norwegian based company - has important roles to play in this picture. Norwegian gas has a competitive position. We have assets. Norway holds:

- €# 52% of proven oil reserves in Western Europe (EU/EEA area).
- €# 27% of proven gas reserves in Western Europe.
- €# 30% of all hydropower production in Western Europe.
- €# 1% of the EU population.

We have the *geographical proximity* and *infrastructure* close to the market. Moreover, we are reckoned to be a *reliable supplier with political stability*.

Norwegian gas production has grown over the years - to 73 billion cubic metres in 2003 - and its total potential capacity could be about 110 bcm in 2010, or even more. The export value of such volumes at today's gas prices of around 1 NOK per 1 m³ is above 100 bn NOK a year, or nearly 40 bn NOK yearly higher than today's level. If we manage to reach this level - Norway will likely be the second-largest gas exporter in the world. The Ormen Lange, Snøhvit, Kristin and Kvitebjørn developments will drive this production growth.

The border price of gas in Europe is expected to remain healthy in order to attract increasingly costly incremental supply. Many are thus striving to meet the increasing gas import demands in Europe. A key success factor for Norwegian gas will be to continue to deliver gas with a competitive price, flexibility and reliability. Irrespective of the different import projects, Ormen Lange gas, produced and delivered to the UK market, will be a very competitive source of supply.

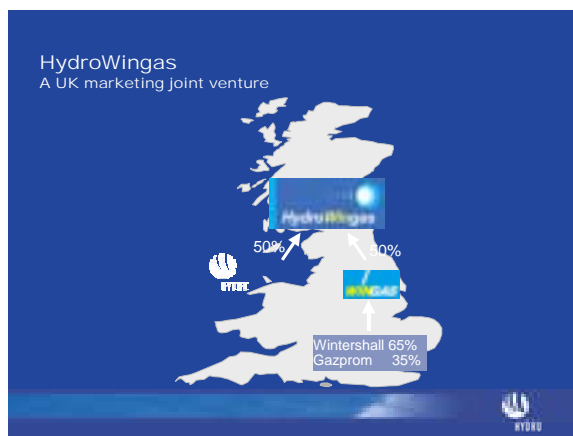


4 Hydro - leveraging a strong European gas position

During the next five years, Hydro alone expects to increase its production of natural gas by 50%. Our gas production in Norway will go from around 8 bcm to 12 bcm in 2007. In addition to our own current 8 bcm, we already handle third party assets for about 4-5 bcm. Hydro is thus already a major producer and trading company in the European gas market. As a large European industrial company Hydro is also a large electricity consumer. Over the coming years, we will leverage this position with European mid-stream activities as well as new upstream gas opportunities.

The Ormen Lange project is the real mover. The field will have the capacity to deliver 70 million cubic metres of gas to market daily when it reaches plateau production in late 2007– sufficient to cover 20 per cent of Britain's gas needs. Hydro is operator for the development. The more than 60 billion NOK investment project, operated by Hydro, is now under construction and on schedule.

Although market liberalization has been continuing for some time, Ormen Lange is the first major field where we made an investment decision without the gas having been sold in advance. Nevertheless, we need to prepare ourselves thoroughly when introducing such large volumes of gas to the market, in order to obtain the right prices.



While many of our competitors sell their gas in advance, Hydro is taking an innovative route. We're building up a strong list of customers, and we're focused on establishing a good market share. Important steps in this strategy have been the formation of HydroWingas and the purchase of Duke Energy's gas activities in the Netherlands. *HydroWingas* is a 50/50 cooperation between Hydro on the one hand and Wintershall and Gazprom through their joint company, *Wingas*. HydroWingas, backed by the asset base of these companies, will have a very strong security of supply position, and we believe, a competitive advantage in the marketplace.

We also see interesting opportunities upstream. In this respect, the cooperation with Gazprom on the Shtokman field is of great importance. Shtokman is an enormous gas field, possibly three times more than the Troll field and six times more than Ormen Lange. In June, we agreed with Gazprom that Hydro should be a preferred partner in the development. After many years of work on the field, this agreement was a new step and an important recognition of our technological project expertise, in particular from Ormen Lange. Subsea technology developed for Troll and later Ormen Lange is very competitive and we are now jointly working to expand this technology and apply it to the development of Shtokman together with Gazprom. This could reduce the cost estimate for the development by 30 percent.

In addition, we continue to strengthen our Norwegian asset base. We were the biggest applicant in the Award in Predefined Areas and were awarded new interesting licenses in the 18th round. Moreover, we continue to make the most of what we have and are continuously evaluating our portfolio and work on technological solutions to new potential developments. For example, earlier this summer we decided to start preparing for the development of the small gas discoveries Camilla Belinda in the North Sea.

In summary, Norwegian gas will become increasingly important to European supply. How we leverage this both in our mid-stream activities and in our upstream business will shape Norway's future role, as well as that of Hydro. But we will not be alone; it's an industry with fierce competition.

5 Mastering maturity

The second issue, which will be of immense importance for development, is our ability to master a maturing Norwegian Continental Shelf.



NCS is maturing - still significant opportunities remain

- Still many possibilities
 - Small discoveries
 - Low exploration activity
 - Few new projects, declining investments
- Hydro will aggressively pursue these opportunities

The Norwegian Continental Shelf has an impressive history. We have seen great discoveries, high production levels, and good governance structure, and in hindsight, an impressive ability among decision makers to look around corners. Notwithstanding this development, it's what the future will bring that concerns me today. For me, the difference between a problem and an opportunity is how quickly you realize the challenge. If we realize the challenges ahead now, we may be able to find constructive solutions in time.

If we do not allow ourselves to be blinded by current oil prices and cash flow from current existing production, the situation in this single most important industry is actually quite thought-provoking. The situation described in the Kon-Kraft reports last year is still relevant today:

- €# We have a historically low exploration activity. And we have been running low for a while now. The last major oil discovery was Grane in 1991 and gas discovery Ormen Lange in 1997.

- €# Discoveries over the past few years have been disappointing. Smaller finds dominate – as they have done for quite a few years. Since 1997, no major commercial discovery has been made. Consequently, the replacement ratio for the Shelf as a whole has been falling dramatically, running in the red for some years.

- €# Few new projects are underway; actually, perhaps for the first time, there are no large discoveries awaiting development after Snøhvit and Ormen Lange have been completed. Overall investments will drop after 2006-2007.

Although both industry and government seem to agree on most elements of the diagnosis, there is significant disagreement on what medicine is needed.

For exploration, the risk-reward balance has simply become less favourable for Norway, explaining the low exploration level. There was, however, agreement on the need for more exploration acreage and the areas made available in the 18th Round were well received. Some interesting prospects stemming from the 18th Round will be drilled in the next years and in the Barents Sea, already this winter. But in order to avoid a sharp decline in Norwegian oil production during the coming years, more prospects should be considered economically viable. The government has also improved the economic conditions for new companies starting exploration in Norway – basically putting them at par with existing producers. But the proof of the pudding is in the eating – or rather the drilling – so we will have to wait for the results.

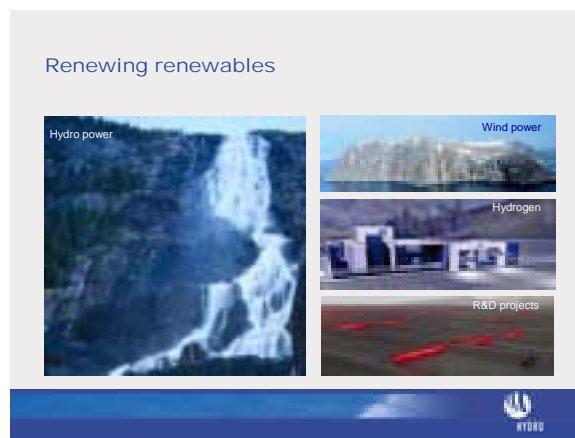
Many of the larger fields have entered a mature phase and the ability to 'redevelop' and succeed with the Oseberg 2020, Statfjord late-life and Ekofisk Area Growth is important. Most of the future potential outlined by the government is in fact increased recovery from the major existing fields, a description we agree with. Having the right incentives will be crucial. It was therefore clearly a disappointment that the government did not introduce any measures to improve incentives for increased recovery or other methods for increasing field life. I would not hesitate to call this an opportunity lost.

For now we must take note of the government's decision not to suggest tax changes. Going forward, I think the government would benefit from working more closely with oil companies to bring mutual benefit. On our side, we are continuously seeking to make the most of what we have and explore the opportunities offered, in Norway and

internationally. Until now, the tale of the Norwegian oil era has been about excellent engineering and good governance. The future will demand an even stronger need for as brave and foresighted politicians and industry who are able to nurture and actively garden Norway's maturing waters.

6 Renewing Renewables

The third issue that will influence Norway's role in the energy market will be our ability to renew renewables.



Europe is set to grow within renewable energy. Wind power in particular will gain prominence. In Europe, the growth is driven primarily by strong EU ambitions for renewables. On the global level, the wind industry is growing nearly 20% annually.

Despite the fact that Norway offers many of the best locations for wind power generation in Europe, we have not recently seen many new projects. Due to wind conditions, Norwegian wind power plants might be the most competitive in Europe. Our Havøygavlen plant in northern Norway, for instance, ranks favourably on competitive benchmarks.

The main reason for this absence of investments is the lack of a well-functioning support scheme. Even though the cost of wind power generation is going down, it remains more costly than power from conventional sources. To be economically sound, a new wind power facility will therefore require a combination of electricity price and some kind of support, preferably through a system of tradable certificates. Since the implementation of such programmes in the UK and Germany, investments have flourished. Norway is becoming a laggard. Indeed, it is a paradox that Dutch green certificates were instrumental to developing the Havøygavlen wind park in Finnmark.

Several years ago, the industry encouraged the government to present a plan for green certificates. At the beginning of August this year, the government finally presented its plans for the formation of a joint Swedish-Norwegian market to start in January 2006. We welcome this initiative and appreciate that the government propose to include both wind and hydropower projects in a predictable Nordic scheme. In order to now be able to develop new projects, however, a well-functioning transition scheme should be made operative soon.

Hydropower, however, will remain the cornerstone of the renewable energy mix in Norway. Clearly there is interesting potential for additional capacity in many existing power plants, as illustrated by our Nye Tyin project, which will be completed this year. I believe that with the right incentive structure, we can further develop this without any significant negative environmental effects. The so called "hjemfall", i.e. the right of the state to take over hydropower assets owned by private sector companies at the end of the concession period, is a regulatory element that discourages investments in this sector. Ongoing work to reconsider the 'hjemfall' institution is of great importance to the industry and in particular for projects designed to increase capacity and improve efficiency of existing facilities. We believe that to encourage investments in power generation, the present regulations which exempt public sector companies from this regulation should be harmonized – private and public companies being treated equally.

The recent government White Paper on innovation for environmentally friendly gas-fired power technology calls for increased research in gas technology and carbon capturing technology. We are pleased that the government is now stepping up its support for research and has decided to pursue the idea of an innovation centre in Grenland. This is important and it will clearly encourage research on CO₂ handling and further research on hydrogen.

7 Summing up

In conclusion, let me again revert to the title: Norway's role in the international energy market. Clearly, Norway has come to play an important role in the international energy market due to its impressive oil, gas and electricity assets and production. However, we ourselves will be largely able to influence how important a role Norway plays in the future. Obviously, delivering cost-effective, reliable and secure natural gas to Europe will be Norway's single most important role for the next several years. But looking ahead, the role we play in the larger picture will depend among other things on our ability to leverage this gas position. I am also concerned about our willingness and ability to bring new life to a maturing continental shelf. Finally, the ability to develop renewables - the third issue that will shape the future role of Norway.

Hydro has played a key role of the development in Norway, with its role in hydropower, oil and renewables and a strong industrial tradition. Now, Hydro, with our unique and strong position in oil, gas and electricity production (and you might include renewables and hydrogen), has an equally unique opportunity before it. These are opportunities I will be more than happy to elaborate on at another occasion.

Thank you for your attention.



Eivind Reiten is President and Chief Executive Officer of Hydro, a position he has held since 2001.

As CEO he has the overall responsibility for Hydro's operations in more than 40 countries with nearly 36 000 employees. Hydro is a leading producer of oil and gas, the world's third-largest aluminium supplier and a leader in the development of renewable energy sources.

Prior to joining Hydro in September 1986, he was State Secretary in the Ministry of Finance and later served as Minister of Fisheries in the Norwegian government for several years.

He began his Hydro career as a Manager in Hydro's Agri division (now Yara International), and became President in Hydro's Energy division in 1988.

In the period 1989-1990 he returned to politics and joined the Norwegian Cabinet, where he served as Minister for Petroleum and Energy and spearheaded the liberalization of the Norwegian energy market.

He returned to Hydro in 1991, first as Director for Special projects and later as President for the Refining & Marketing Division. Four years later he became President of Hydro Aluminium, Metal Products. In 1999 he was appointed Executive Vice-President with an overall responsibility for Hydro's aluminium business and a member of The Corporate Management Board.

He has been a Member of the Board of the Central Bank of Norway, Chairman of the Board of the Norwegian Postal Service, Telenor and the International Primary Aluminium Institute; he is also a member of the European Roundtable for Industrialists.

Born in a coastal city in Norway in 1953, Reiten holds an economics degree from the University of Oslo. He is married and has two children.

Hydro is a Fortune 500 energy and aluminium supplier operating in more than 40 countries. We are a leading offshore producer of oil and gas, the world's third-largest aluminium supplier and a leader in the development of renewable energy sources. Our 36,000 employees create value by strengthening the viability of the customers and communities we serve

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

In order to utilize the "safe harbour" 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).