



Aluminium

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Financial performance

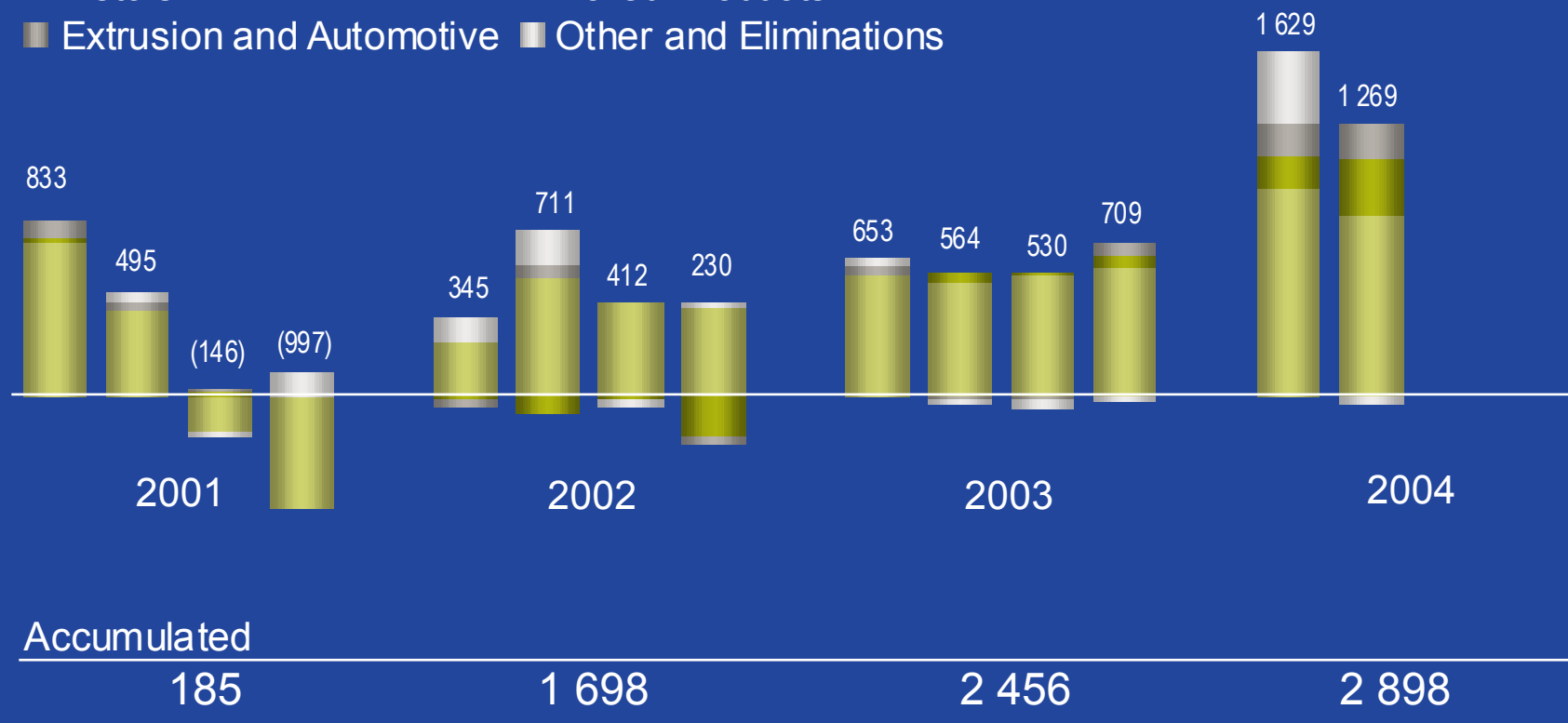
Presentation outline

- Financial performance key issues
 - Financial performance
 - Value chain
 - Progress on underperforming units
 - RoaCE development
 - Capital expenditures
- Effects in Aluminium from LME hedging and trading

Aluminium – operating income

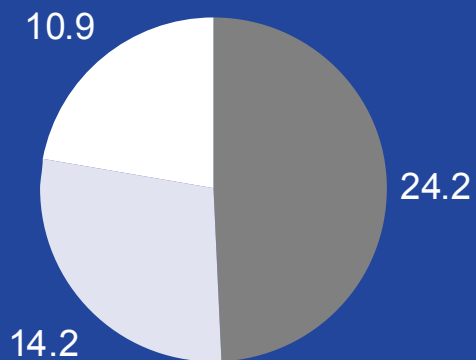
NOK million

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

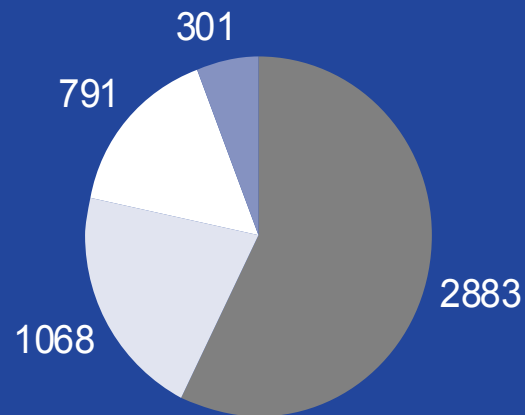


Segment split first half 2004

Revenues*
Total NOK 49.3 billion



EBITDA
Total NOK 5 043 million



- Metals (Primary Metals and Metal Products)
- Rolled Products
- Extrusion and Automotive
- Eliminations

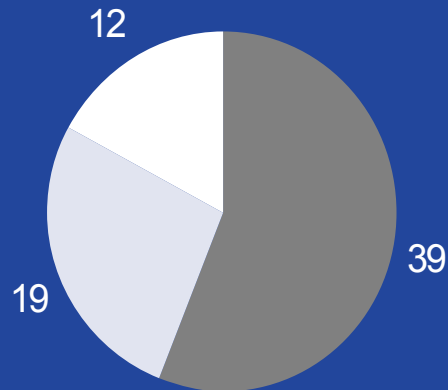
* Including internal sales



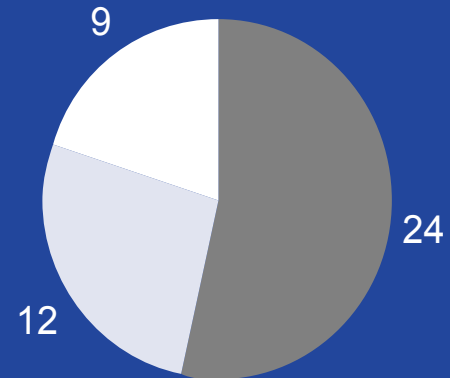
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Segment split

Gross Investment*
Total NOK 70 billion



Capital employed*
Total NOK 45 billion

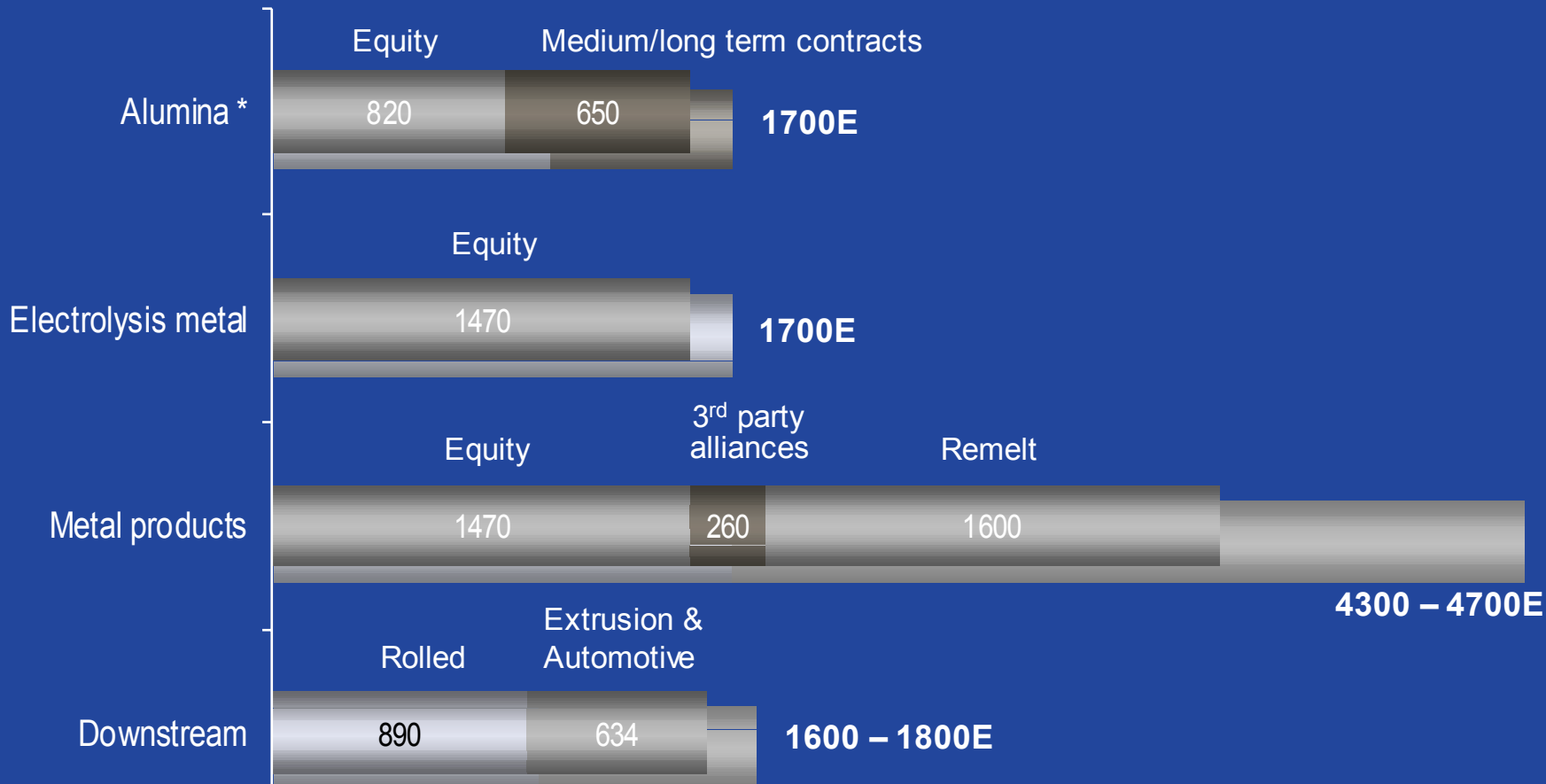


- Metals (Primary Metal and Metal Products)
- Rolled Products
- Extrusion and Automotive

* As per 31.12.2003

A unique portfolio composition 2003 and development to 2007E

1 000 tonnes



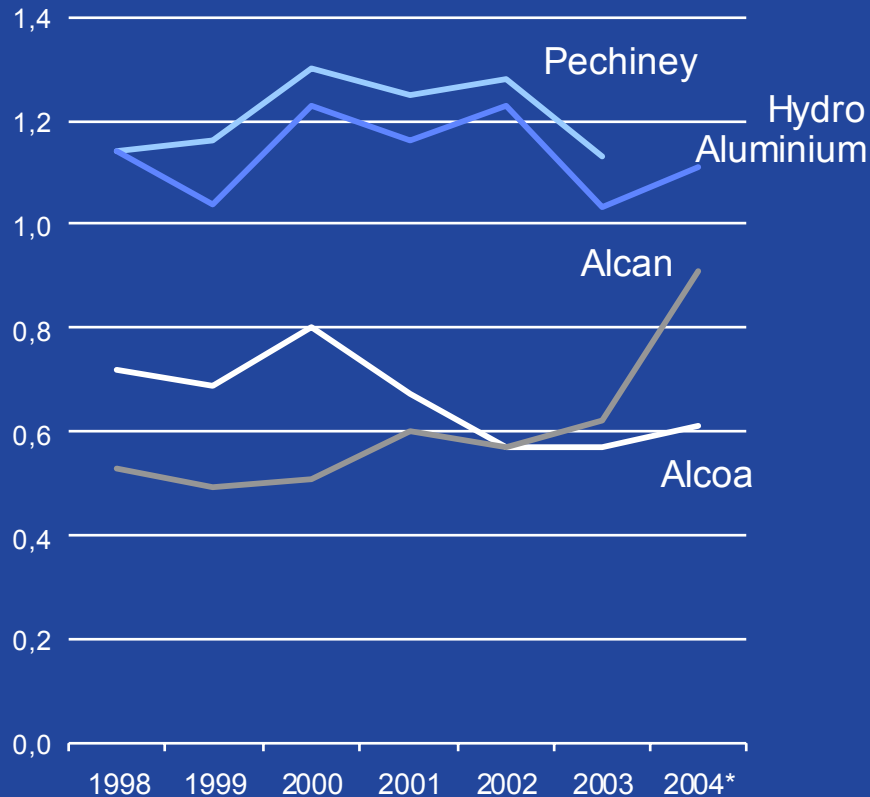
* Aluminium equivalents (2 tonnes alumina per tonne aluminium)



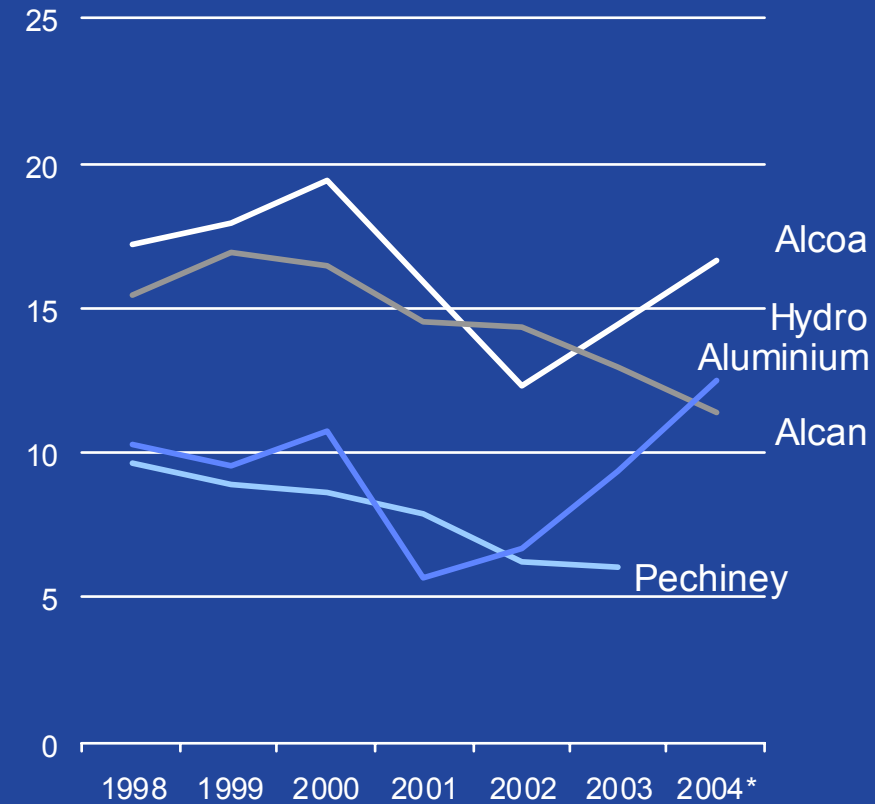
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A unique portfolio: Higher capital turnover

Revenues / gross investments
Factor



EBITDA / Revenues
Percent

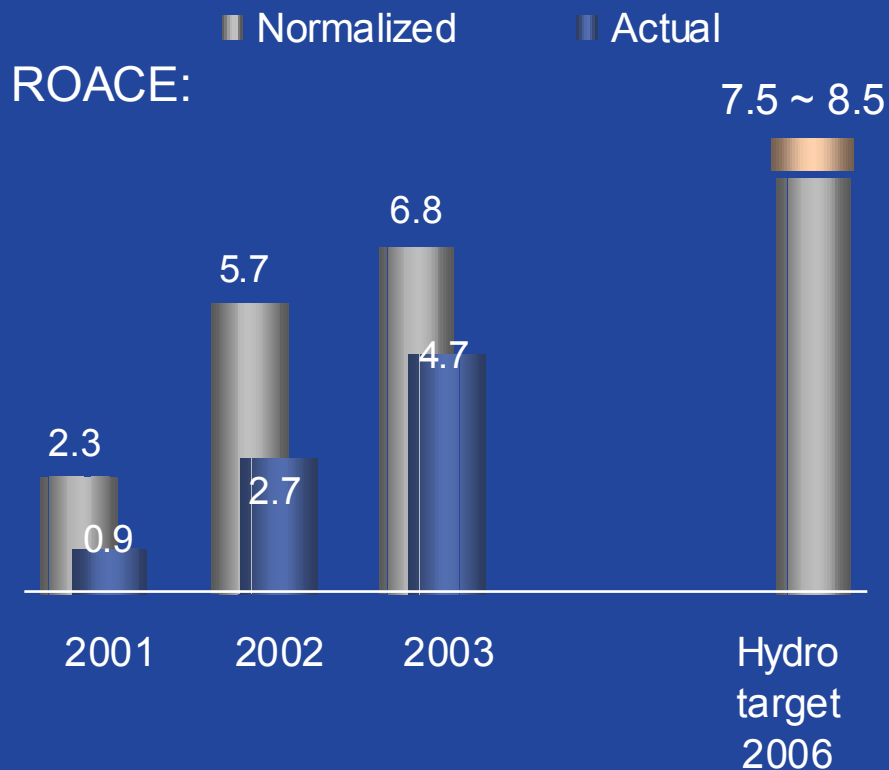


Source: Company reports. Hydro-estimates. Proxy figures where needed to get comparative figures. 2004* first half 2004 annualized



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CROGI target of 10% reached in 2003 – ROACE will measure future financial progress



- Volume increases
- Internal improvement initiatives
- Capital discipline

Normalised prices: LME \$ 1 500/tonne, NOK/USD 8

Sensitivities Hydro Aluminium

NOK million

Price sensitivity	Pre tax	Post tax	Change
LME price sensitivity	875	615	\$100 increase

USD sensitivity *)

USD sensitivity	2 100	1 475	1 NOK increase
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EUR sensitivity

EUR sensitivity	500	350	1 NOK increase
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All sensitivities are calculated using the normalized price assumptions as basis. This is LME at 1500\$, NOK/USD 8 and NOK/EUR 8

* USD sensitivity estimates assuming USD/NOK changes, all other currencies fixed against NOK



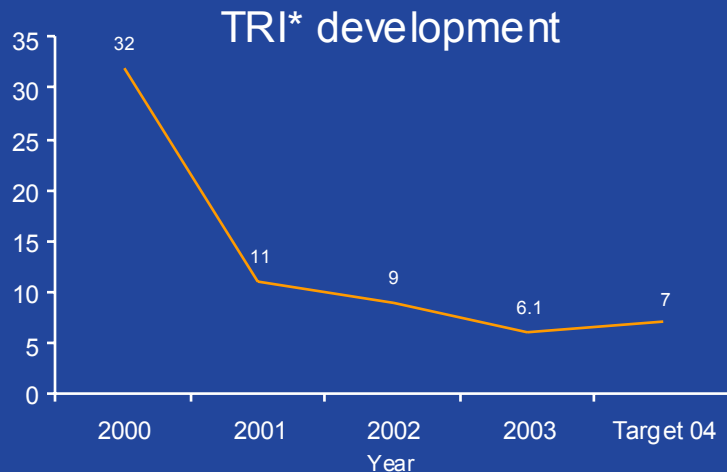
Focus on underperforming units

- Efforts towards underperforming units has yielded significant results
- Various groups of underperforming units
 - Production ramp-up
 - Investment phase
 - Temporary in difficulties
 - Longer term underperformance
- Release financial and management resources to boost performance

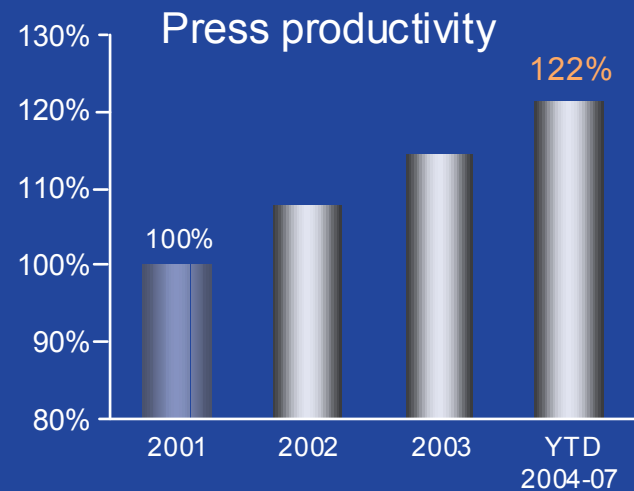
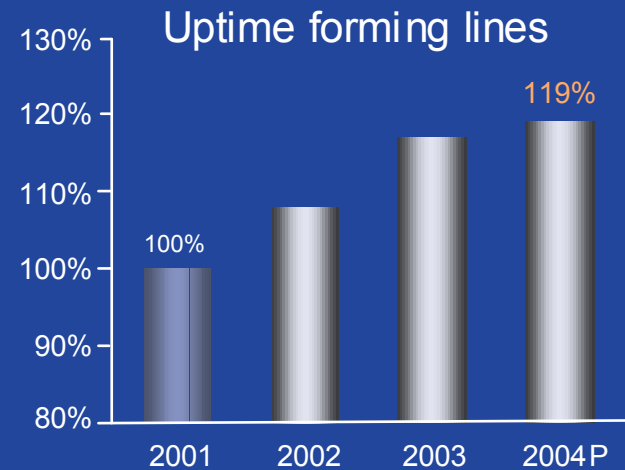
Automotive

The Raufoss turnaround

- Strong focus on health, environment and safety
- Continuous productivity improvement
- Better capacity utilization
- Cost focus



* TRI – total recordable injuries per million worked hours

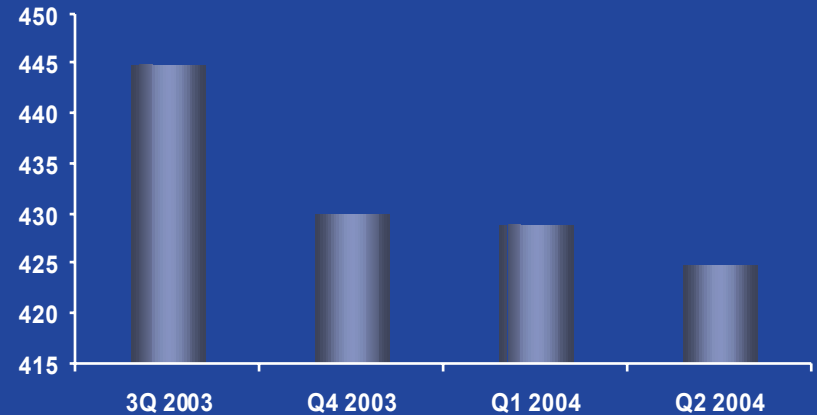


Rolled Products

The Holmestrand turnaround

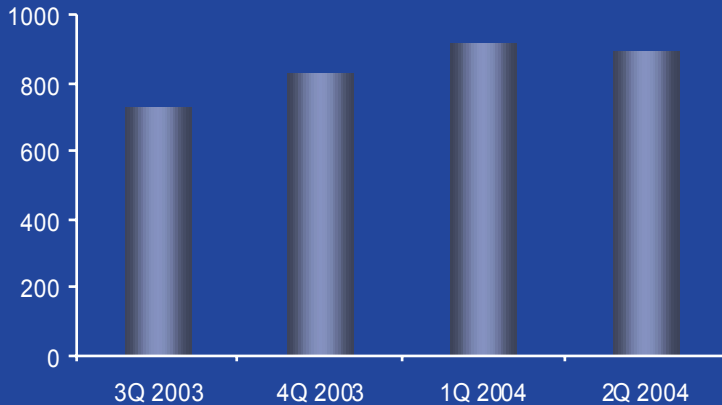
- Cost focus
- Competence sharing
- Product optimisation – higher margin segments

Employees

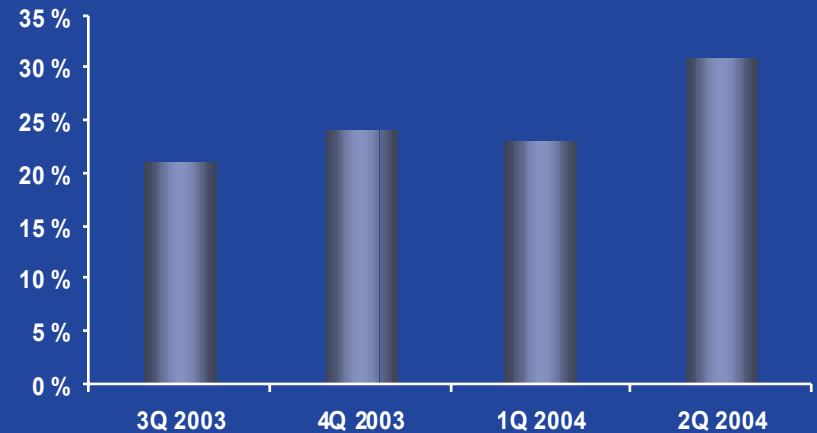


Thin gauge mill productivity

meters/minute

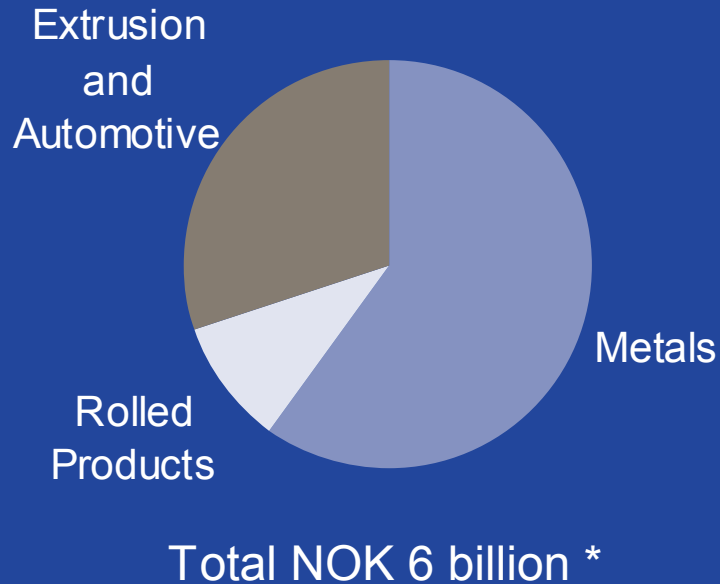


Heat exchanger & foil – share of production



Delivering high quality investment projects

Planned CAPEX 2004



- Capex level required to maintain current asset base is NOK 2-3 billion
- Level seen in 2003 and 2004 is reflecting high investments in major developments
- Major projects delivered and progressing according to plan
 - Sunndal (SU 4)
 - Alouette
 - Alunorte
- Return requirement for new investments is still an IRR of 10% after tax with a LME of \$ 1 400

* Excluding the effect from consolidation of Lovelock (NOK 1,4 billion)



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Information Sources

Consensus Forecasting – industrial production
Oxford Economic Forecasting – macro data, confidence indicators
DnB – Focus on important macro data (housing starts, industry order intake, confidence indicators) for major countries.

CRU
Brook Hunt
Metal Bulletin Forecasting Services
Macquarie
Prudential Bache

Analysis and forecasting
along the value chain.

IAI
EAA
AA

Aluminium organizations covering their
respective geographical areas

Antaika
China Non
ferrous Monthly

China

Competitors – various analysis

J.D. Power – Lmc
Ward's Auto
Automotive News
Euroconstruct

Examples of relevant
sector specific data



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Effects in Aluminium from LME hedging and trading

Aluminium metal flow

- more margin business – our exposure

Sources



Own casthouses and remelters



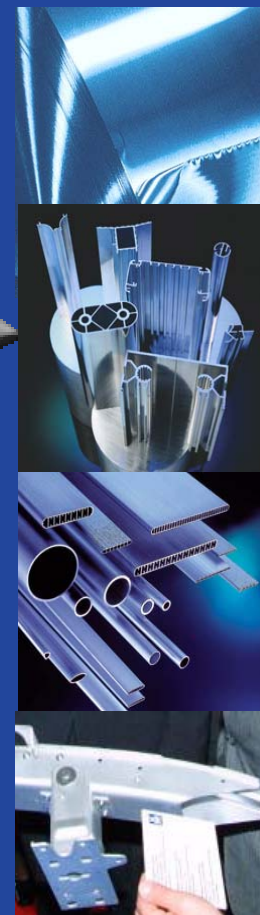
Partners' casthouses



Metal products



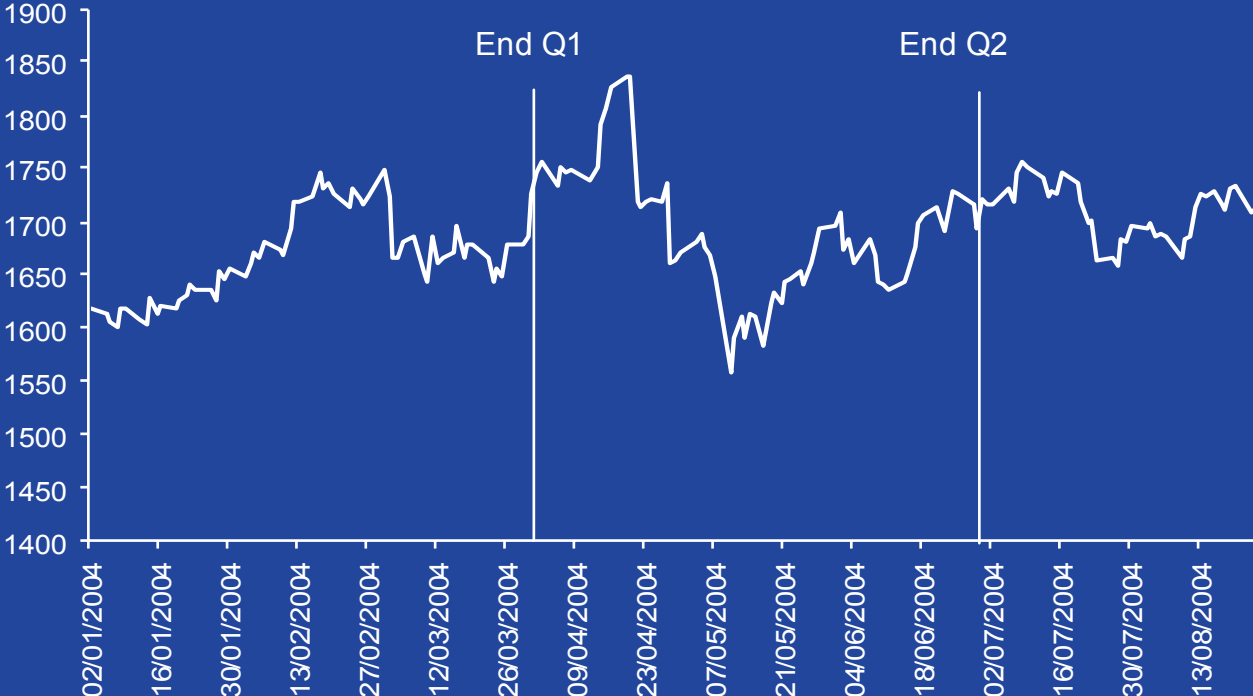
Downstream



LME price development

\$/tonne

Daily aluminum LME - 3 months



Aluminium LME exposure

- The electrolysis production is fully exposed to swings in LME prices
 - Strategy to achieve average LME prices over time for this part of the value chain
 - Natural hedges from input material with prices linked to LME
 - Alumina contracts
 - Energy contracts
- Other parts of the value chain (mid- and downstream) have a business which must be protected from adverse swings in LME and currency to secure margins above the LME
 - LME and currency contracts can be used for this purpose

Aluminium use of LME contracts

Operational hedging systems

(Mark to market)

Over time achieve average LME price for own electrolysis production by daily sales on the LME

Secure margins for mid and downstream sectors through buying and selling on LME to offset underlying price exposure in physical purchase and sales contracts

Strategic hedging

(Hedge accounting)

Long term hedges to lock in certain profitability
(Sunndal hedges)

LME Trading (Mark to market)

Limited LME trading activity regulated by strict limits (+/- 30.000mt)

Internal netting and optimisation of sector hedging systems

Accounting treatment effects of LME contracts

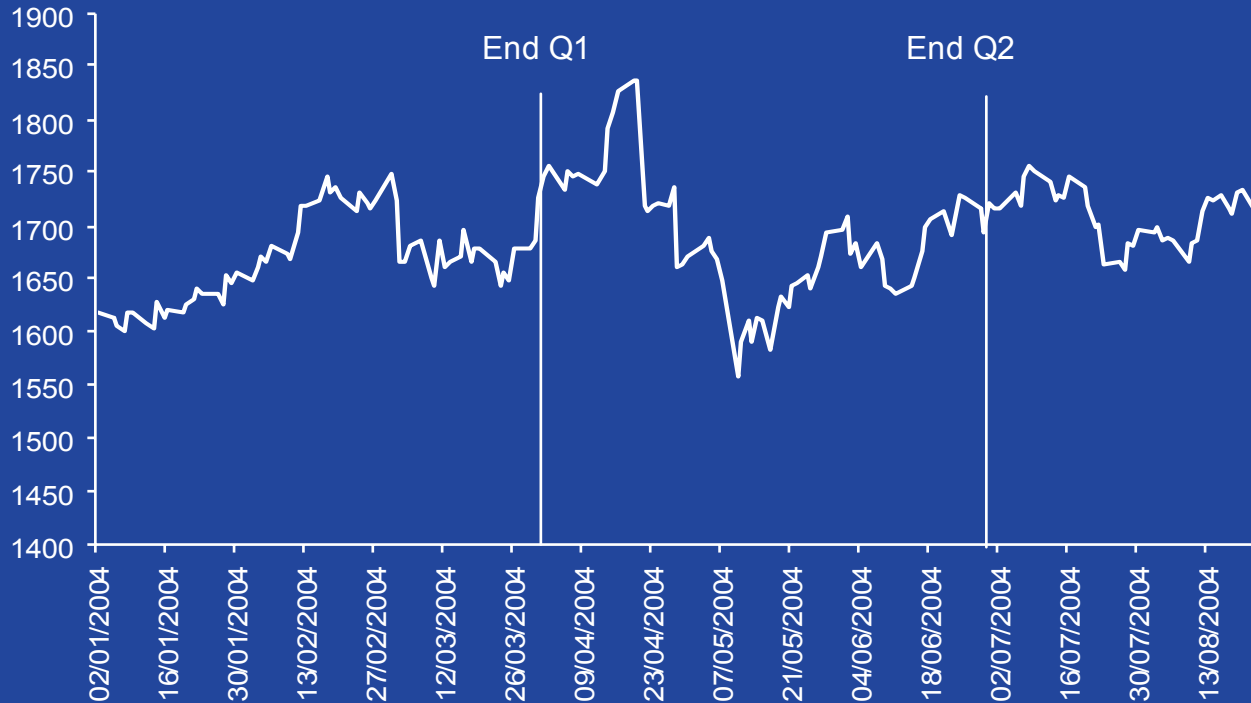
- Realised LME contracts are reported on sector level normally creating a match between physical contracts and LME contracts results for the sectors
- At period end the actual open LME contracts have to be valued and recorded at market value. This give rise to the unrealised gains and losses that are accounted for under Aluminium “Other and eliminations” (net effect +350 MNOK 1Q, +18 MNOK 2Q)
- The unrealised accounting effects included in “Other and eliminations” will be affected by
 - Realised contracts transferred to the reported sub- segments
 - Changes in value
 - Changes in actual open LME contracts
 - Changes in LME forward prices
- Strategic hedging will be recorded using hedge accounting



LME price development

Daily aluminum LME - 3 months

\$/tonne



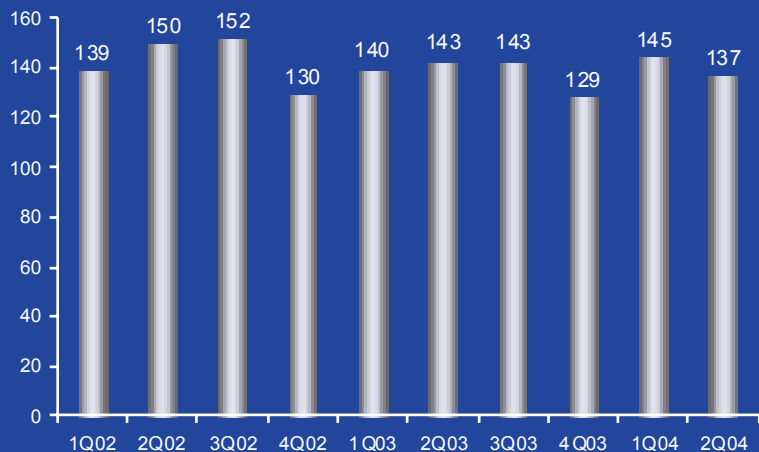
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Inventory Effect Rolled Products

Accumulated inventory effect, LME price and inventories since 15 March '02

INVENTORY LEVEL ¹⁾

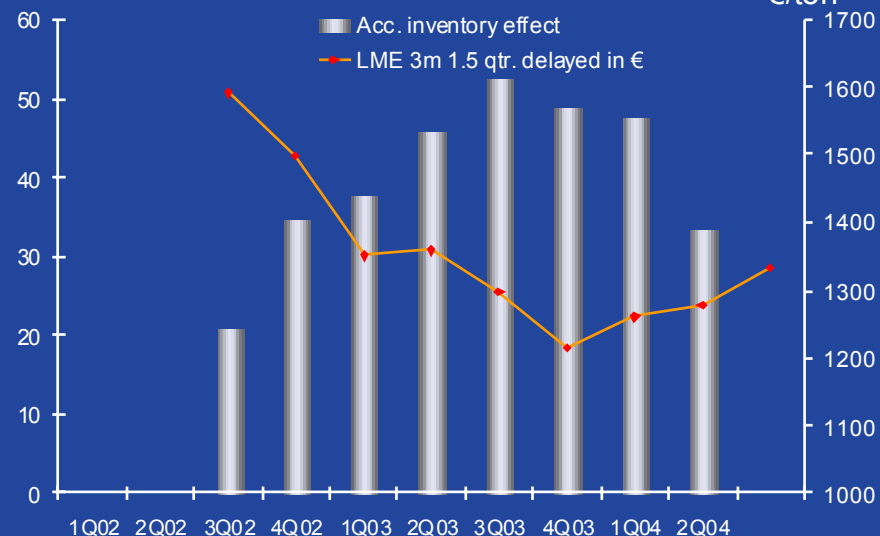
1 000 tonnes



ACCUMULATED INVENTORY EFFECT & LME

Million €

Qtr. avg.
€/ton



Annual effect:

34,4 Mio€

14,6 Mio€

-15,7 Mio€

1) Inventory level 1q'02 are profoma. All inventory levels exclude Holmestrand, Karmøy, Malaysia and Wire Rod



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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).



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Appendix

LME effects – Example to illustrate - midstream

Date	Transaction	Amount	Level
Aug 20	Daily sale of electrolysis production on LME (3 000 mt) Sold LME-futures at a price of \$ 1,700		
Aug 31	Mark-to-market valuation LME – price \$ 1,750 Unrealised loss	- \$ 150 000	Other and eliminations
Sept 10	Sold 3 000 mt to customer – LME 1,760. Delivery November 2004		
Sept 10	Purchase LME-futures at \$ 1,760 Settlement November 2004		
Sep 30	Unrealised loss	- \$ 30 000	Other and eliminations
Oct 30	Unrealised loss (no change)		
Nov 20	Delivered to customer Realised gain physical: \$1,760 – cost of production	+ \$ 180 000	Metals
	Realised loss LME \$60* 3000	- \$ 180 000	Metals
Nov 30	Reversal unrealised loss on LME	+\$ 180 000	Other and eliminations



Estimation of inventory effect in Rolled Products by simplified calculation

- Rolled Products's inventory has the following pricing structure
 - 45% is priced LME m-2
 - 45% is priced LME m-3
 - 10% is priced LME m-4
- Applying the following formula allows to predict the likely metal effect
For any given month (n), the metal effect / tonne can be calculated:

$$= 0,45*[(mn-2)-(mn-1-2)] + 0,45*[(mn-3)-(mn-1-3)] + 0,1*[(mn-3)-(mn-1-3)]$$