

John O. Ottestad
Executive Vice President and CFO



Financial status and policies

Capital Markets Day

December 11, 2003

Presentation outline

- Agri listing
- Update on financial policies
 - Rating
 - Debt / Equity
 - Shareholder policy
- Capital expenditures and operational improvements
 - 2004 capital expenditures
 - High quality investment projects
 - Divestment status
 - Cost saving initiatives
 - Operating capital reductions
- Financial priorities

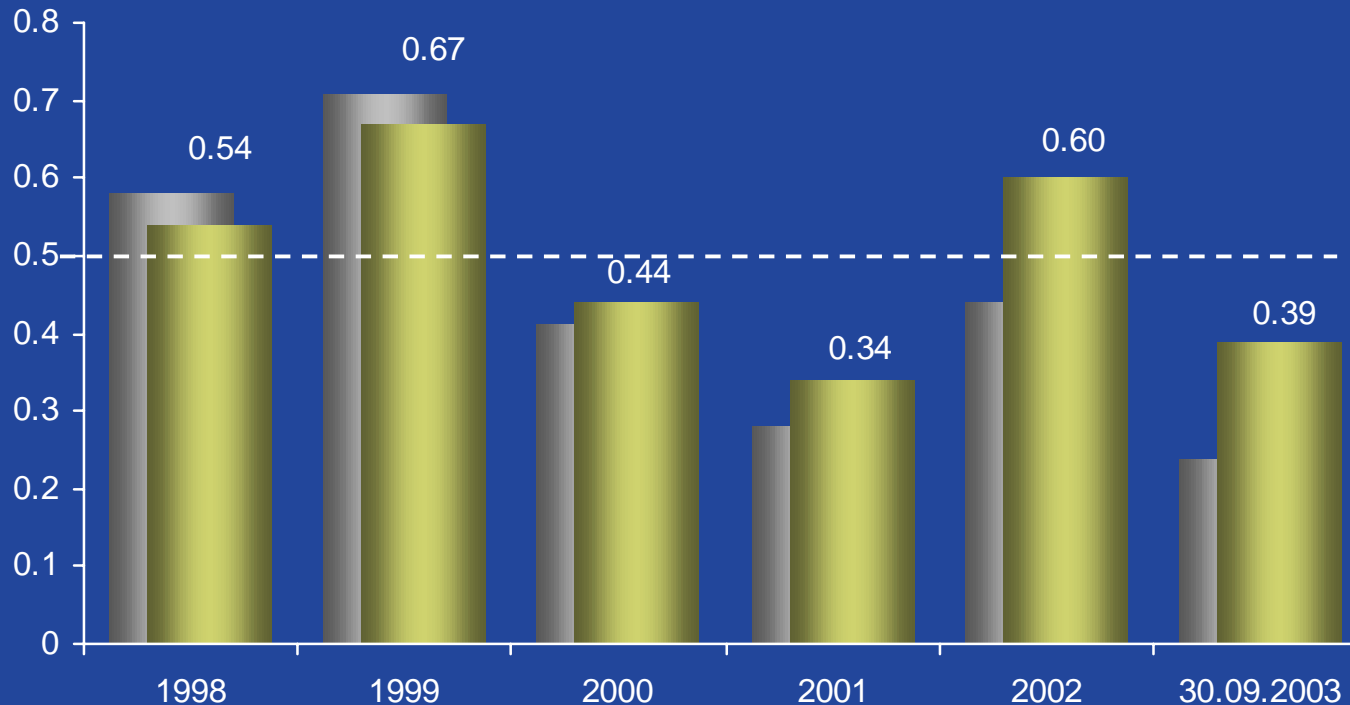
Agri listing

- Transaction
 - March 25, 2004
 - Demerger and 20% offering
- Share split
 - One Agri share for each Hydro share
- Agri capital structure October 1, 2003
 - Net interest-bearing debt NOK 8.5 billion
 - Equity at book value NOK 8 billion

Financial position

- Proceeds from Agri listing
 - Funding of ongoing investment projects
 - Debt reduction
 - Dividend and share buy-back
- Maintain “A”/”A2” rating
 - Risk mitigation
 - Financial preparedness to pursue strategic options

Financial solidity



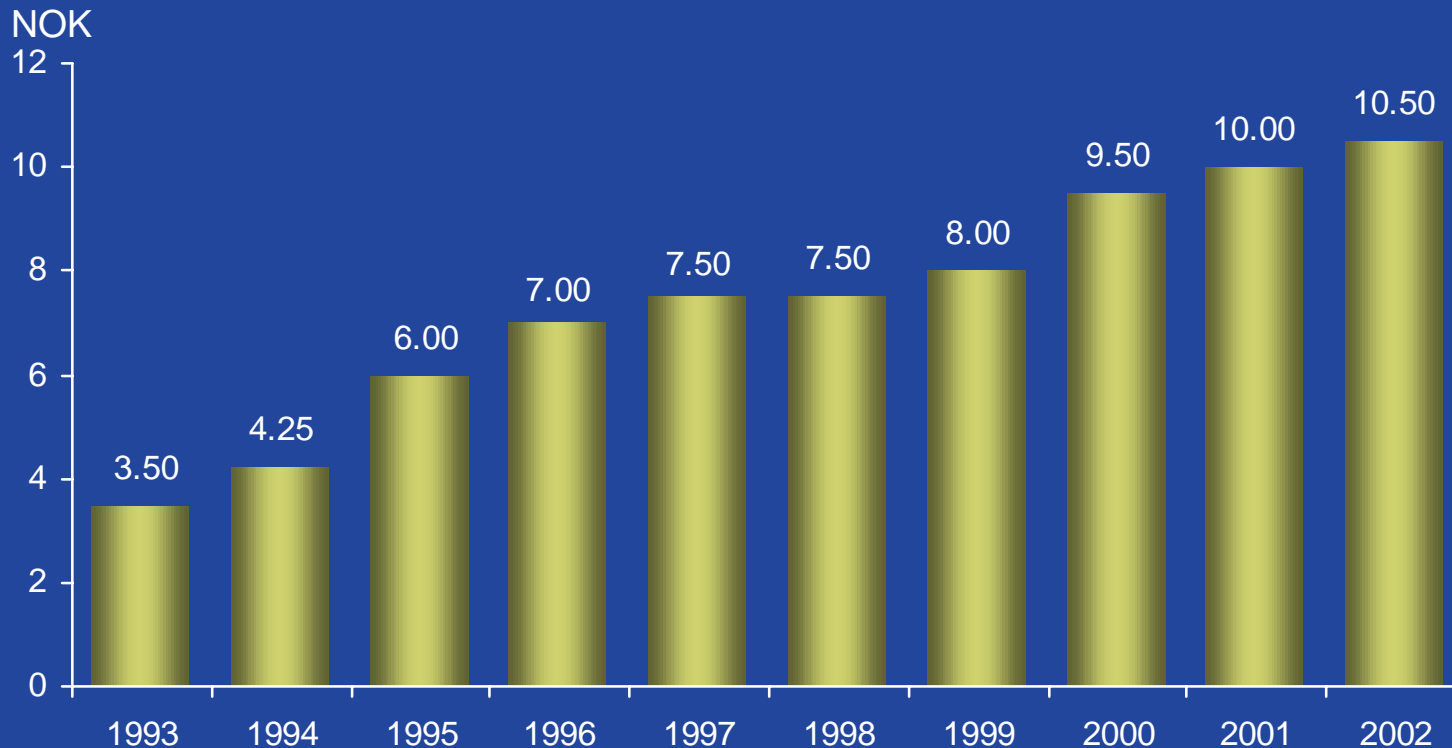
■ Net interest-bearing debt ■ Net interest-bearing debt incl. pension liabilities and operating lease commitments

Interest-bearing debt + Net pension liability (tax adjusted) + Operating lease commitments - cash and cash equivalents – Other liquid assets divided by Shareholders' Equity + Minority interest

Pension liabilities – 2003 development

- Pension cost in 2003 in line with the estimate
- Long-term interest rates have declined
 - Sensitivity guidance:
 - 0.5% reduction in long-term interest rate results in an approximately 10% increase in pension obligations
 - All pension assumptions to be revised at year-end
- Improvements in financial markets leading to increased returns on pension assets
- Agri to assume responsibility for approximately NOK 2 billion in net pension liabilities

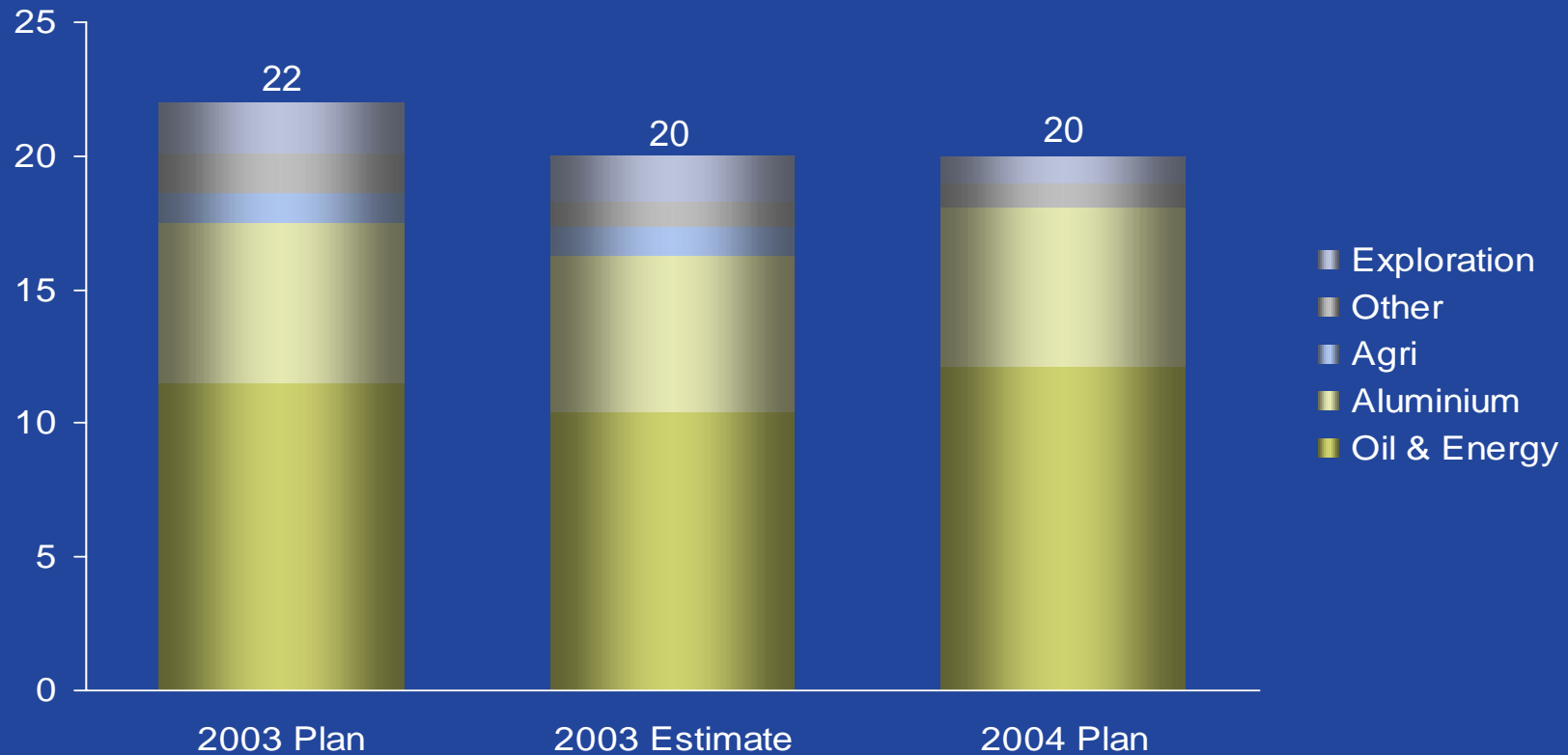
Dividend policy maintained



- 30% of Net Income as average over some years
- Supplemented by share buy-backs
- Increase in line with results

Capital expenditures*

NOK billion



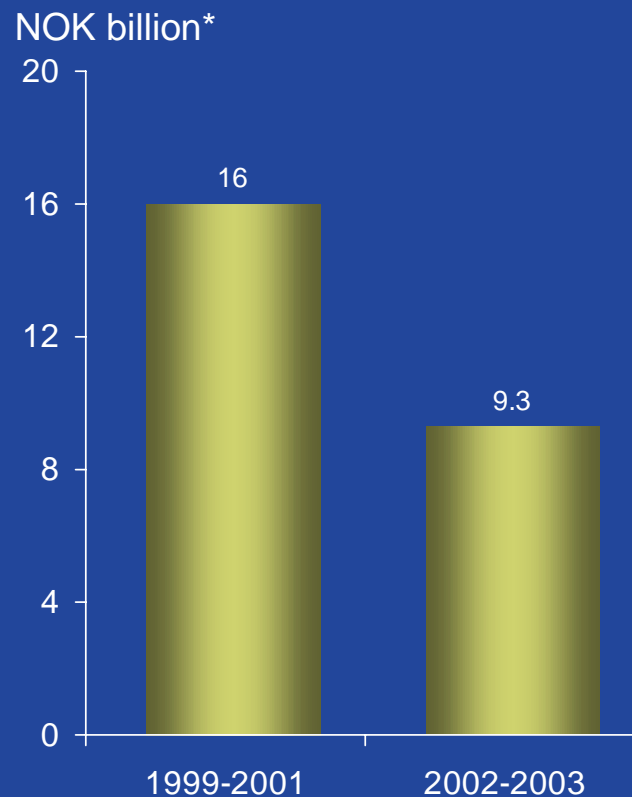
* Excluding implementation effect in 2003 of new accounting standard on asset retirement obligations (SFAS 143), totalling NOK 1.9 billion, Agri is not included in the 2004 allocation

High quality investment projects

- Ormen Lange, Norway
 - Strengthens Hydro's equity gas position
- Block 17, Angola
 - Increases Hydro's oil production internationally
- Sunndal, Norway
 - Expansion of Europe's largest aluminium smelter completed
- Alouette, Canada
 - Among the world's 10% lowest cost aluminium smelters
- Alunorte, Brazil
 - One of the lowest alumina conversion costs in the world
 - Improves Hydro's captive alumina coverage

Strong divestment record

- Deals signed in 2003
 - Scanraff
 - Gjøa
 - Carmeda
 - VAW IMCO
 - Other
- Total divestments for the period 1999 – 2003: NOK 25.3 billion



* All numbers are based on enterprise value

RoaCE – new return metric

- Most commonly used metric for oil companies
 - Facilitates peer benchmarking
- Still focus on cash margins and asset productivity
- 10% IRR after tax for investment projects

Strong cost saving record

Initiatives to increase efficiency continue in all parts of the organization

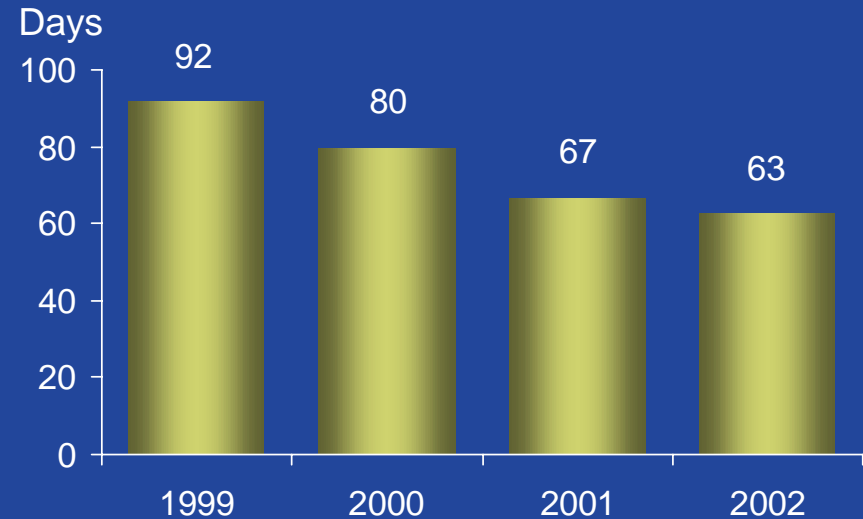
	Reduced manning	Annual cost saving (NOK million)	Compared to year
Saga Petroleum acquisition	800	1,000 ²⁾	1999
Oil & Energy improvements	800 ¹⁾	900 ²⁾	2002
Agri Turnaround	3,750	2,900	1998
Aluminium improvements	1,600	2,500	2001
Hydro Business Partner improvements	1,400 ¹⁾	1,500	2000

1) Including temporary hires

2) Gross cost savings

Reductions in net operating capital

- Substantial reductions in operating capital days achieved through
 - Efficient invoicing processes and optimal credit limits
 - Optimizing inventory levels
- Cash released



Financial priorities

- Earnings improvement
 - Meet profitability targets
 - Growth in Earnings per Share (EPS)
- Efficiency and capital discipline
- Successful Agri listing
- Financial preparedness



HYDRO

Financial status and policies - Additional information

Indicative price and currency sensitivities 2004

NOK million

Price sensitivity ¹⁾	Pre tax	After tax	
Oil price (bbl)	1,450	390	USD 1 increase
Aluminium price (tonne)	875	615	USD 100 increase
USD sensitivity ^{1) 2)}	Pre tax	After tax	
USD Oil & Energy	2,900	785	1 NOK increase
USD Aluminium	2,100	1,475	1 NOK increase
USD before financial items	5,000	2,260	1 NOK increase
USD Financial items ³⁾	(2,500)	(1,400)	1 NOK increase
USD Net income	2,500	860	1 NOK increase

1) Reference prices: Oil 18 USD/bbl, Aluminium 1,500 USD/tonne and NOK/USD exchange rate 8.0

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

3) Excluding cash flow and equity hedge total exposure USD 1,100 million and USD 350 million debt in USD-based subsidiaries



Financial solidity - calculation

Amounts in NOK Million		31 December 1998	31 December 1999	31 December 2000	31 December 2001	31 December 2002	30 September 2003 ⁵⁾
[A]	Cash and cash equivalents	1,936	7,435	21,766	27,148	5,965	16,461
[B]	Other liquid assets	2,493	2,535	2,490	2,421	2,647	1,743
[C]	Bank loans and other interest-bearing short-term debt	(5,150)	(7,361)	(9,088)	(8,458)	(7,306)	(5,994)
[D]	Current portion of long-term debt	(1,587)	(907)	(2,209)	(1,966)	(1,958)	(1,192)
[E]	Long-term debt	(24,105)	(42,228)	(40,174)	(37,853)	(30,902)	(29,423)
[F]=[A]+[B] +[C]+[D]+[E]	Net interest-bearing debt	(26,413)	(40,526)	(27,215)	(18,708)	(31,554)	(18,406)
[G]	Net pension liabilities at fair value ¹⁾	3,196	4,772	2,561	(2,133)	(10,107)	(11,399)
[H]	Expected income tax benefit, 30% ²⁾	(959)	(1,432)	(768)	640	3,032	3,420
[I]=[G]+[H]	Net pension liabilities tax adjusted	2,238	3,341	1,793	(1,493)	(7,075)	(7,979)
[J]	Operating lease commitments discounted at 10% ³⁾	(2,792)	(4,728)	(6,469)	(5,072)	(4,924)	(4,924)
[K]=[F]+[I] +[J]	Adjusted Net interest-bearing debt	(26,967)	(41,914)	(31,891)	(25,272)	(43,552)	(31,309)
[L]	Net pension liabilities not recognized with equity effect ⁴⁾	733	2,736	610	(2,767)	(6,994)	(7,011)
[M]	Expected income tax benefit, 30% ²⁾	(220)	(821)	(183)	830	2,098	2,103
[N]=[L]+[M]	Equity adjustment off-balance sheet pension liabilities	513	1,915	427	(1,937)	(4,896)	(4,908)
[O]	Minority interest	1,266	1,323	1,419	1,051	1,143	669
[P]	Shareholders' equity	48,245	59,497	71,226	74,793	75,867	84,650
[Q]=[N]+ [O]+[P]	Adjusted Shareholders' equity and minority	50,024	62,735	73,072	73,907	72,114	80,411
[R]=[K]/[Q]	Adjusted debt / equity ratio	0.54	0.67	0.44	0.34	0.60	0.39

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 2002 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).