Hydro Oil & Energy

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Executive Vice President

Progress Review and Forward Strategy

Capital Markets Day
December 11, 2003

Main messages

- We deliver on our operational targets for 2003
- We take corrective actions within exploration
- We extend the 8% growth rate to 2007
- We pursue growth opportunities based on our competence in core areas
- We build a downstream presence in European gas markets
- We have ambitious targets for 2004

Good afternoon, ladies and gentlemen, this is what I am going to present today

· We deliver on our operational targets for 2003

· We take corrective action within exploration

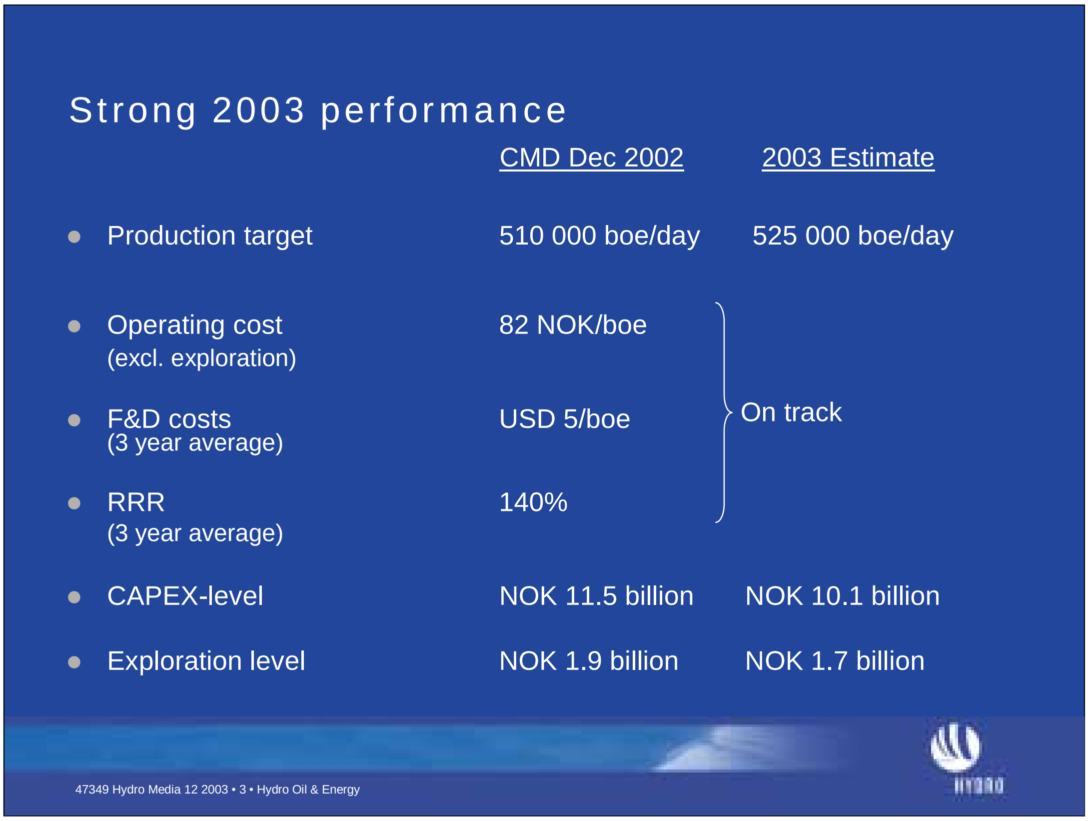
· We extend the 8 % growth rate to 2007

· We pursue production growth opportunities based on our competence in core areas

· We build a downstream presence in European gas markets

· We have ambitious targets for 2004

I would like to start where we left last year, with a review of our performance.

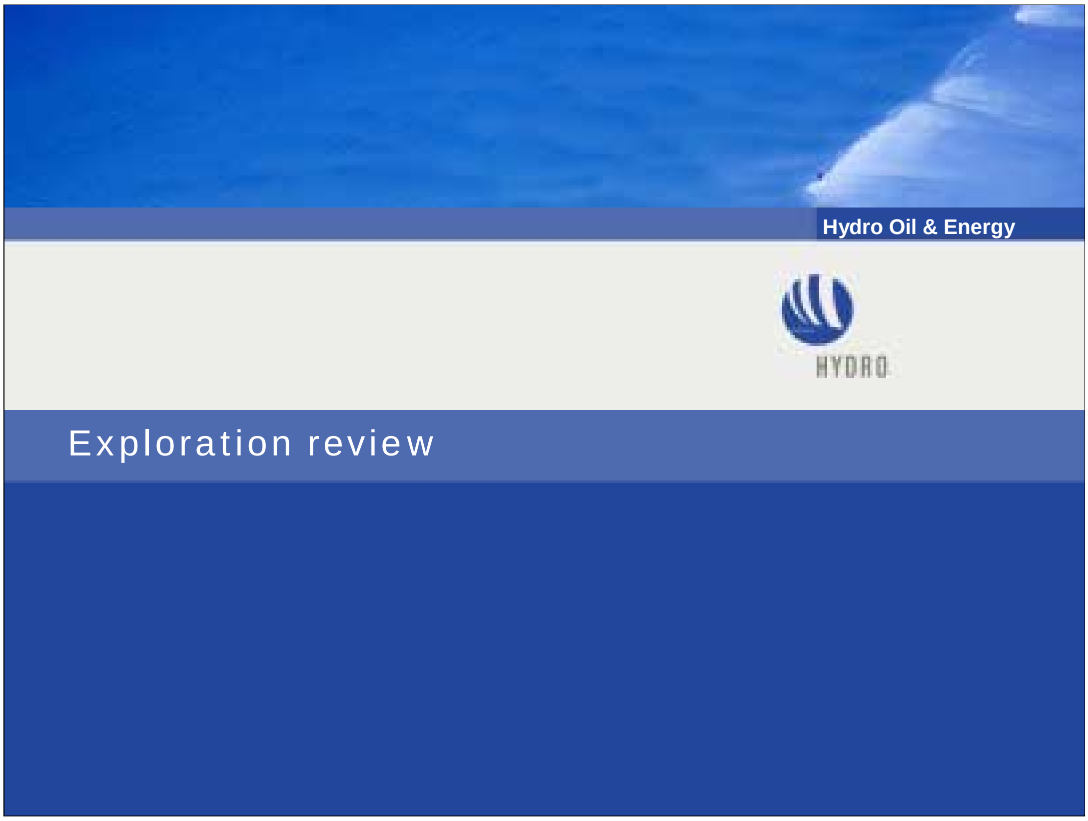


We have ambitious targets for 2003 regarding production, operating cost and reserve replacement, and we expect to deliver on those targets.

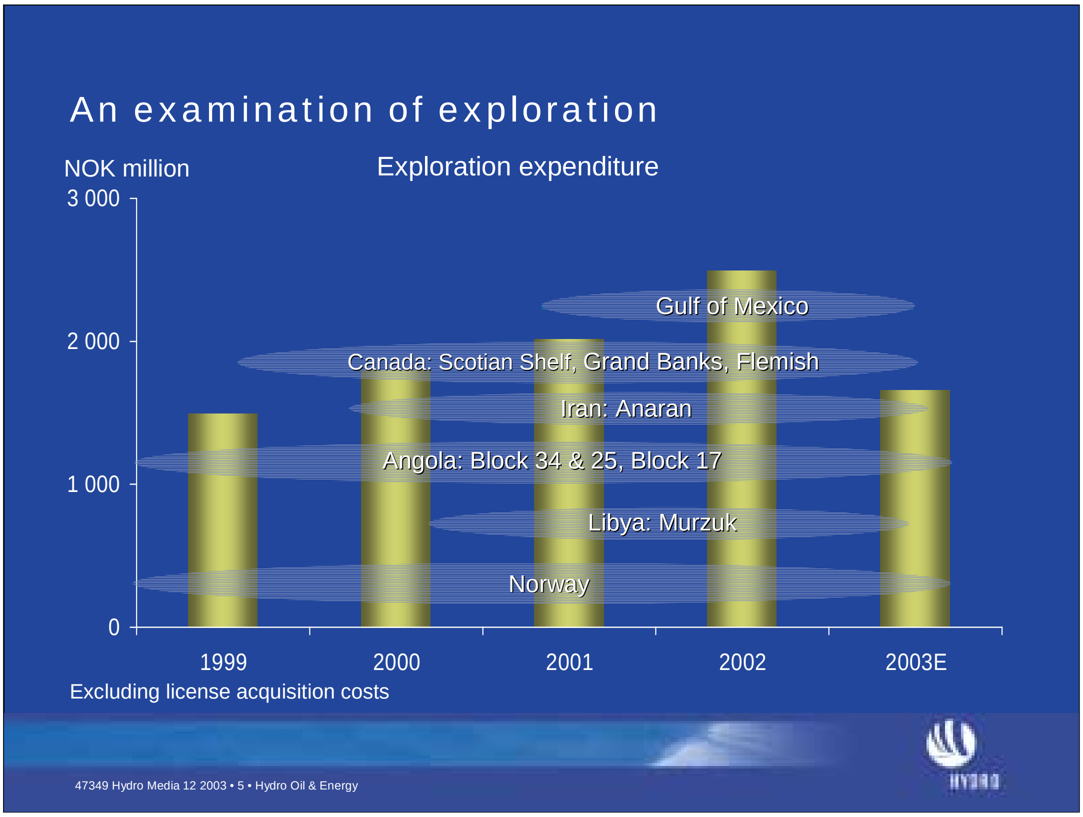
After 2nd quarter we increased our production estimate. Continued good production performance allow us to increase it further, to approx. 525 000 bpd.

This implies an average in the 4th quarter of 580 000 b/d, which is in line with our production figures for October and November.

We spend less investment funds than envisaged, due to the reduced final cost of several major developments. And we spent less on exploration too.



As I promised you last year, a full review of our exploration performance would be made before any new major exploration commitments were undertaken.



Our international activity was set up as a separate unit in 1997. Since then, an extensive portfolio has been put together; a portfolio, which has been explored mainly over the last three years. This portfolio consisted of high profile exploration opportunities in Canada, in Angola, in the Gulf Mexico and in Iran.

In addition we got very prospective acreage in the 16th round in the Norwegian Sea.

All this has led to a high exploration budget over the latest three years, and we spent close to 2 billion in 2001.

In 2002, the exploration budget reached an all-time high of NOK 2.5 billion before coming down to 1.7 this year.

Main exploration wells 1999 - 2003

Area	Number of exploration wells	Number of technical discoveries
Norway	76	39
Angola	25	16*
Canada	13	7
Libya	14	8*
Gulf of Mexico	5	1
Iran	1	In progress*

* Drilling ongoing

Although we have drilled some 140 wells between 1999-2003, and made discoveries in half of them, the overall performance has not been as I expected.

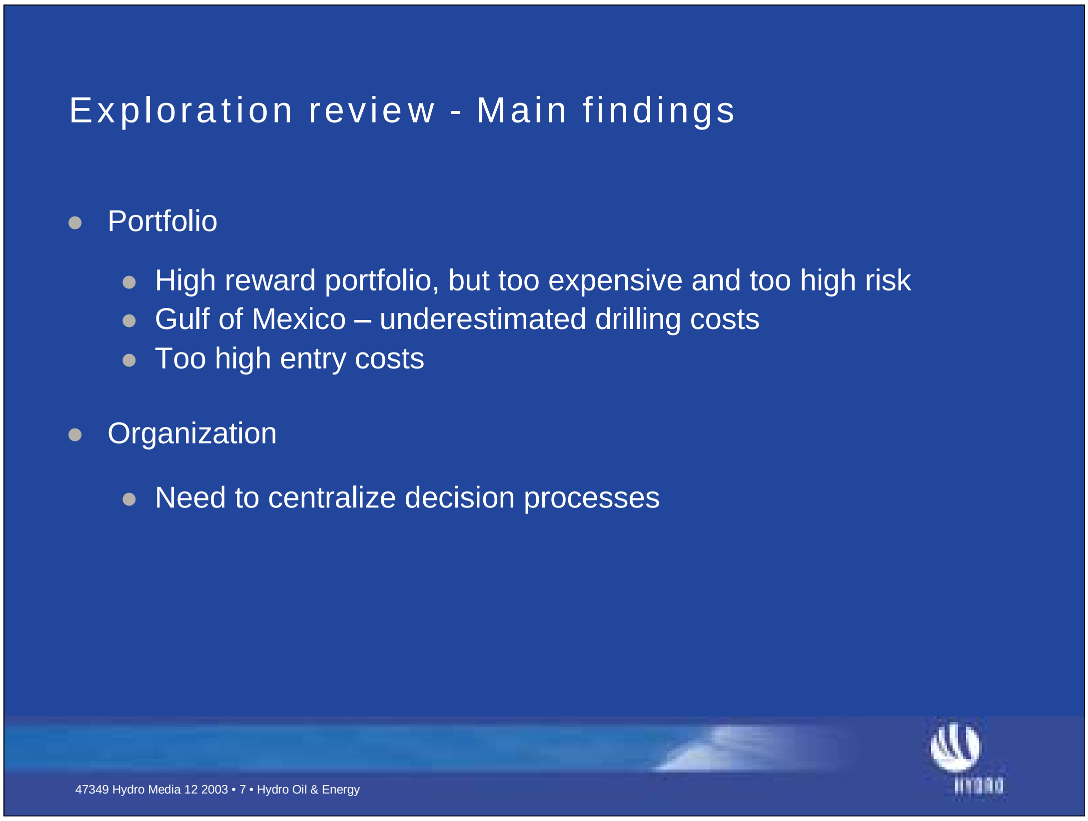
Of particular disappointment was the dry well in block 34, Angola.

This prospect was located only 60 km from the Girassol find in block 17 and with similar seismic amplitude, the basis for all finds in block 17.

The portfolio we have with Conoco in Gulf of Mexico has not met our expectations so far.

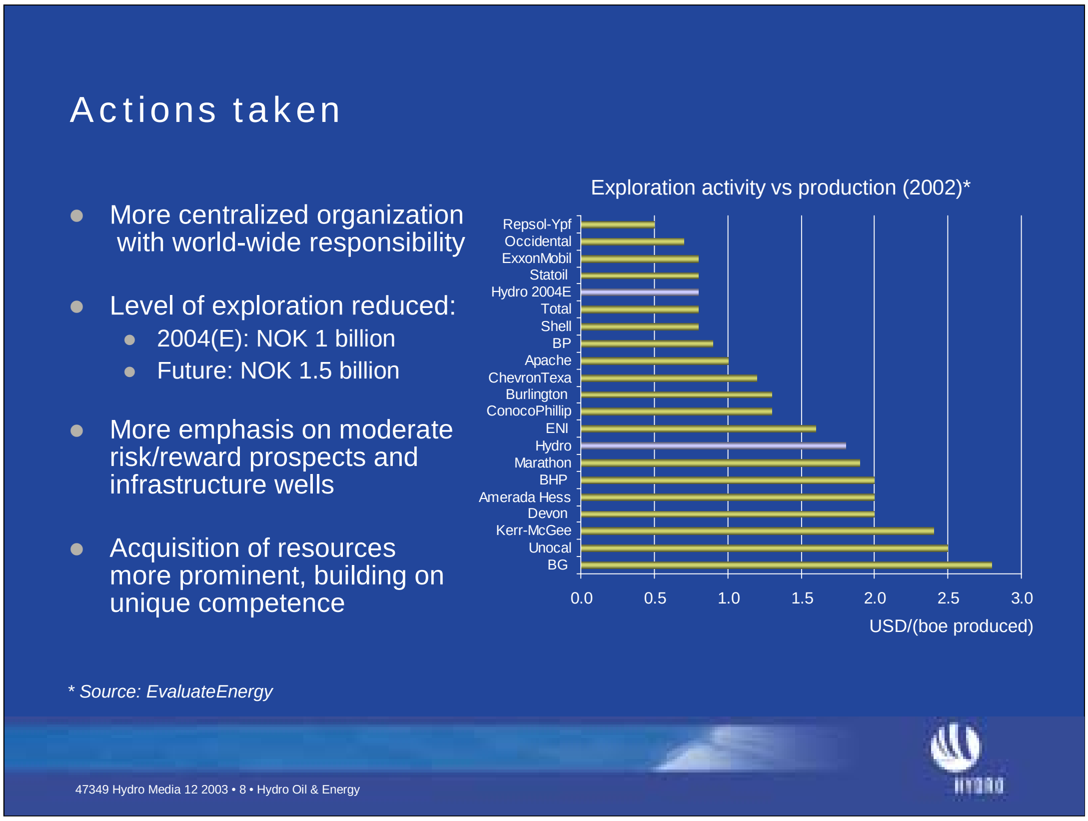
We have made one small commercial find and further options still remain, though these are in the category “high risk/high reward prospects”.

The 16th round on the NCS did not meet ours, or other companies’ expectations.



A thorough examination has been performed and the overall conclusions are as follows:

- It was a potentially high reward portfolio, but too expensive and the risk was too high
- In the Gulf of Mexico drilling costs were underestimated
- And the signature bonuses in some competitive markets were too high
- Internally, we have seen a need to centralize the decision processes



So what actions have been taken?

We have changed our work processes and a more centralized exploration organization has been implemented.

The new organisation was put in place almost a year ago and includes all our best G&G people.

We are working hard to thoroughly review and examine our total exploration portfolio.

This new organisation has the full responsibility to rank all exploration prospects worldwide.

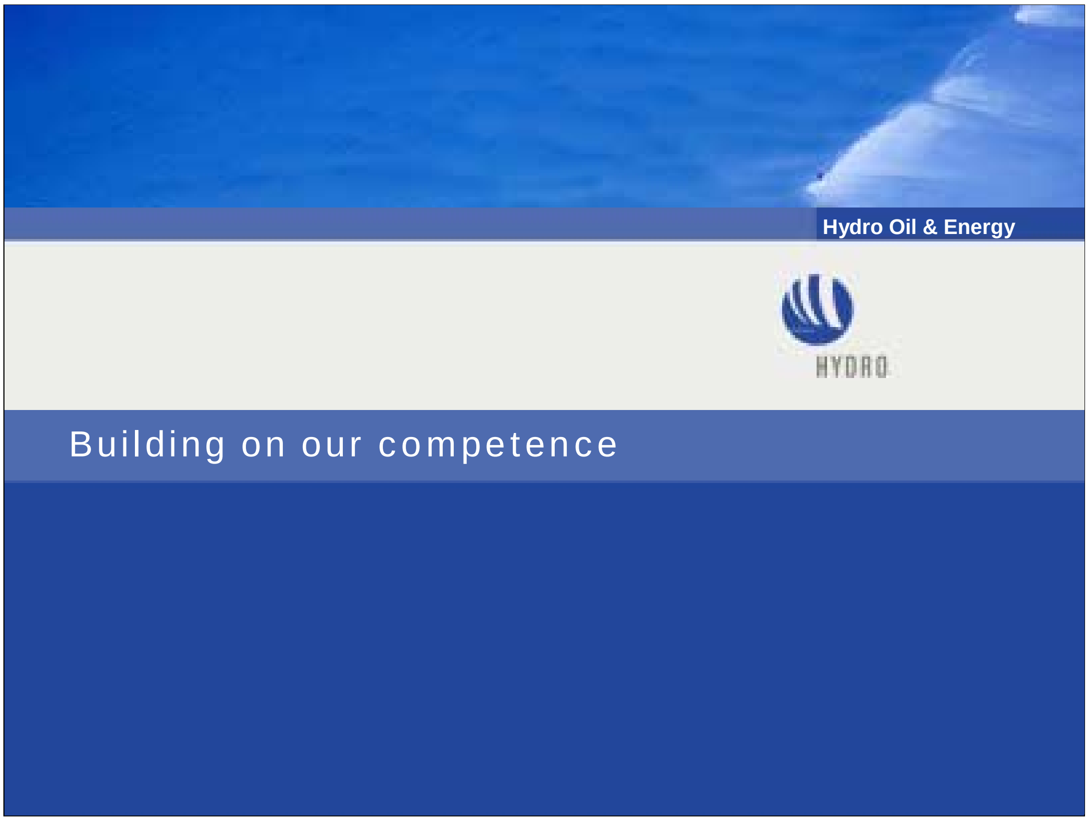
We will scale back our exploration activity next year and will spend around NOK 1 billion.

This is to give ourselves sufficient time and quality in our extensive review and with the aim to coming up with a high-graded portfolio.

Next year our main focus will be on lower risk exploration, exploration around infrastructure, but with a few high risk / high reward wells.

A total of 24 wells will be drilled compared to this year's number, which will end up at 16 wells.

In addition to pure exploration it is our intention to acquire resources in the areas in which we have an active presence. I will come back to that.



In addition to pure exploration it is our intention to acquire resources in the areas in which we have an active presence. I will come back to that.

Our competence has mainly been developed through our extensive role as an operator in many important and advanced projects on the NCS.

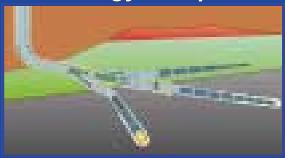
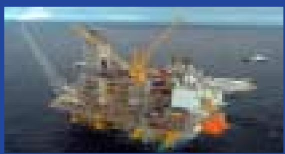
The system on the NCS is such that you normally get a low equity interest in a licence - typically between 10-25% - even if you are an operator.

Therefore, as an equity producer we are ranked as a medium sized company.

However, if we look to the size of our operations we are the 14th largest operator in the world. And, if we just look at offshore, Hydro holds the 5th place.

In terms of competence, Hydro has over the last 30 years developed skills that make it competitive with the major companies in the oil business.

Adding value by applying world class technological competence

Technology/Competence	Hydro position	Benefits
 Troll thin oil zone	• Global leader in multilateral wells • No 5 globally in number of subsea wells	• Increased oil production and recovery • Reduced drilling costs
 Troll Pilot	• First subsea separator in operation • Leader in flow assurance	• Increased oil production/water handling capacity • Environmentally beneficial • Exploitation of small deposits
 Grane	• Leader in large project developments and field operation	• Ability to develop and operate challenging projects in a cost - efficient manner

47349 Hydro Media 12 2003 • 11 • Hydro Oil & Energy

There are a few technologies, which in particular represent Hydro's competitive edge. These are multilateral wells, sub-sea developments, sub-sea separation, flow assurance and also the management of large projects.

In multilateral drilling we drill up to three horizontal branches out from one single vertical well. So far, half of all multilateral wells in the entire North Sea have been drilled by Hydro.
The application of this type of technology reduces the economic threshold for economic recovery down to 1-2 mill barrels recoverable. This sort of technology for increased recovery is just as relevant onshore as it is offshore.

Hydro is a major operator on sub-sea developments. On the Troll oil field all wells are sub-sea completed and we quite recently drilled sub-sea well no 100 - a triple branched well with a total reservoir section of almost 10 kilometres.

Hydro is a pioneer on sub-sea separation. In fact, Troll Pilot has been in successful operation for 2-3 years and is to our knowledge still the only sub-sea separator in operation worldwide.

Flow assurance is a major challenge within sub-sea development. Hydro has extensive experience of sub-sea transport of both unprocessed liquids (Fram) and gas (Togi) over long distances.

This knowledge has been fundamental for the selected development scheme for the development of Ormen Lange, which I will revert to.

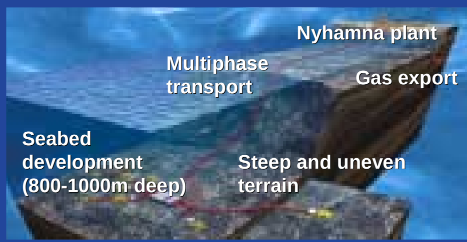
Over many years now Hydro has delivered large projects with the value of approximately NOK 20 billion annually.

These projects has been both onshore and offshore and include projects like Snorre B, Fram Vest, Sunndal IV, Tyin, and several projects in Qatar.

All these projects have been delivered on time and on budget. The platform on this picture is our most recent development, the Grane field, a NOK 17 billion investment, which came on stream late September - ahead of schedule and NOK 1.5 billion below budget.

Ormen Lange – one of the world's most technologically challenging gas projects

- Development plan delivered
  - Total investments (field + pipeline): NOK 66 billion
- Production start October 2007
- Hydro equity: 18%
- 10% real return after tax attained with gas prices below USD 1.7 / MMBtu



Recoverable Resources (100% field)

	Expected	Proven
Gas (bcm)	399	310
Liquids (milion bbl)	182	123

47349 Hydro Media 12 2003 • 12 • Hydro Oil & Energy

As I promised you last year the PDO for Ormen Lange was going to be submitted to Norwegian authorities in Q4 of 2003.

Last week therefore marked an important milestone not only for Hydro, but also for our partners Shell, ExxonMobil, BP, Statoil and Petoro.

The Ormen Lange PDO was submitted according to schedule and with all partners in full agreement to the proposed development scheme.

The Ormen Lange is the one most challenging offshore gas development in the world

· The development scheme is the first real deep-water development project on the NCS, 1000 m

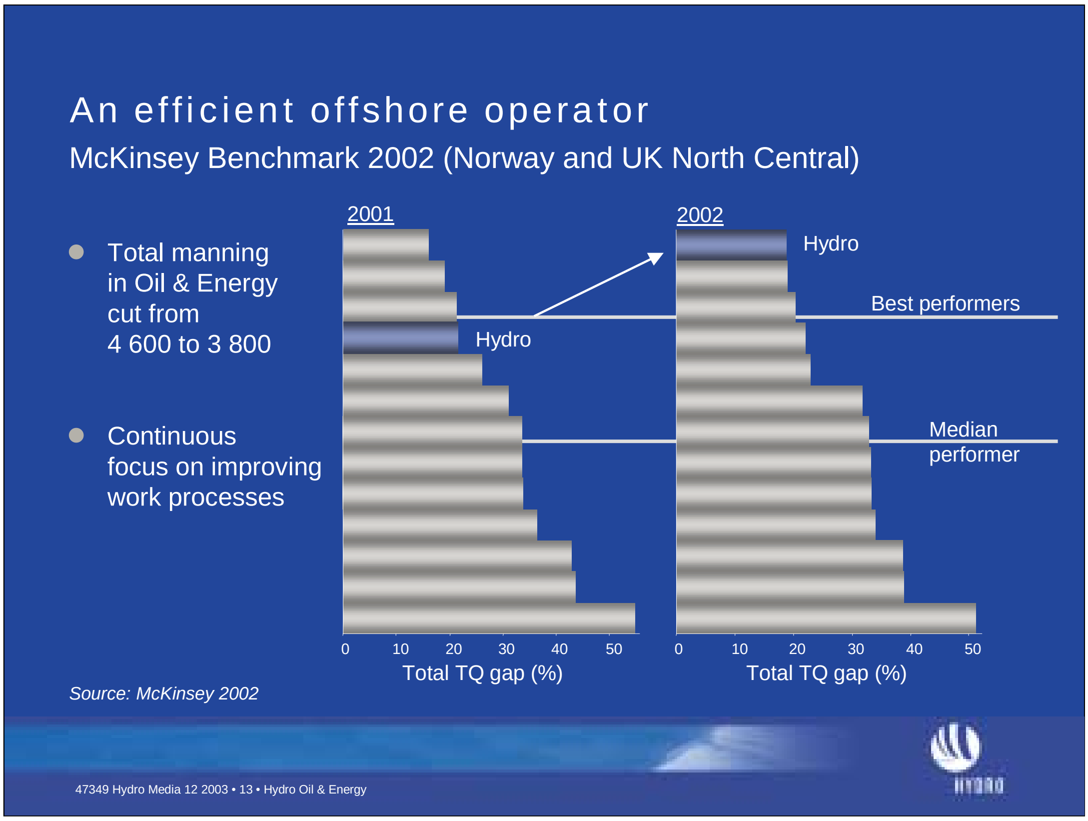
· Of particular challenge are sub-zero sea temperatures and the very uneven seabed caused by the Storegga slide

· Development consists of sub-sea facilities with gas processing onshore and the world longest sub-sea pipeline – 1200 km - from mid Norway to the UK

· The overall investment sum for the entire development is approx NOK 66 billion (US$ 10 billion)

· The project is robust. We expect 10 % real after tax rate of return – with gas prices as low as $1.70/MMBtu (equivalent to 50 øre/m3)

· We intend to deliver gas to the UK and the Continent from Q4 2007. At plateau production, the field will delivered more than 20 percent of the entire Norwegian gas export volume, which is equivalent to one-fifth of the total UK gas requirement.



Hydro has always been a cost effective producer in the North Sea.

When we started up our first platform, the Oseberg platform 15 years ago, all our employees were recruited from our land-based activities.

Hydro's values of courage, cooperation, respect, determination, and foresight were transferred to our North Sea operations.

As our portfolio matures, new cost reduction initiatives have been taken.

Examples of these initiatives are reduced manning on the Brage platform from 41 down to 27.

There has also been an overall demanning throughout the Oil & Energy organization, down 800 to the present level of 3,800.

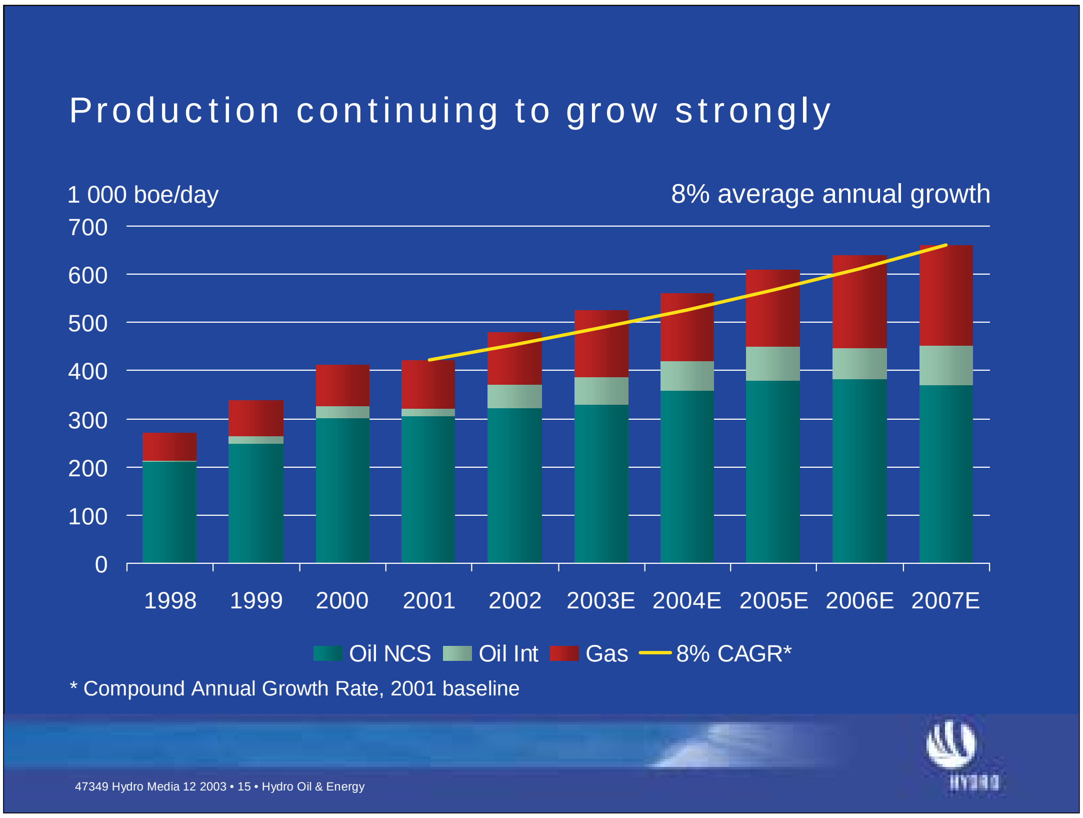
Excluding the effects of transfer of operatorships in the Tampen area, this is a reduction in manning of seven percent.

The annual benchmark from McKinsey includes about 80 percent of the production both in the UK and the Norwegian sector of the North Sea.

It concludes this year by ranking Hydro as the number one operator. I am glad to observe this, but further improvement will always be high on my agenda.

It is also very satisfactory to note that we have improved our safety records at the same time. This underlines the fact that has always been my view: A safe working environment is also a very efficient working environment.

Let me turn to production and how we intend to achieve further growth here.



Hydro has enjoyed very strong production growth for many years. Looking back to 1998 we produced 270 000 bpd while we in 2004 shall have more than doubled this production.

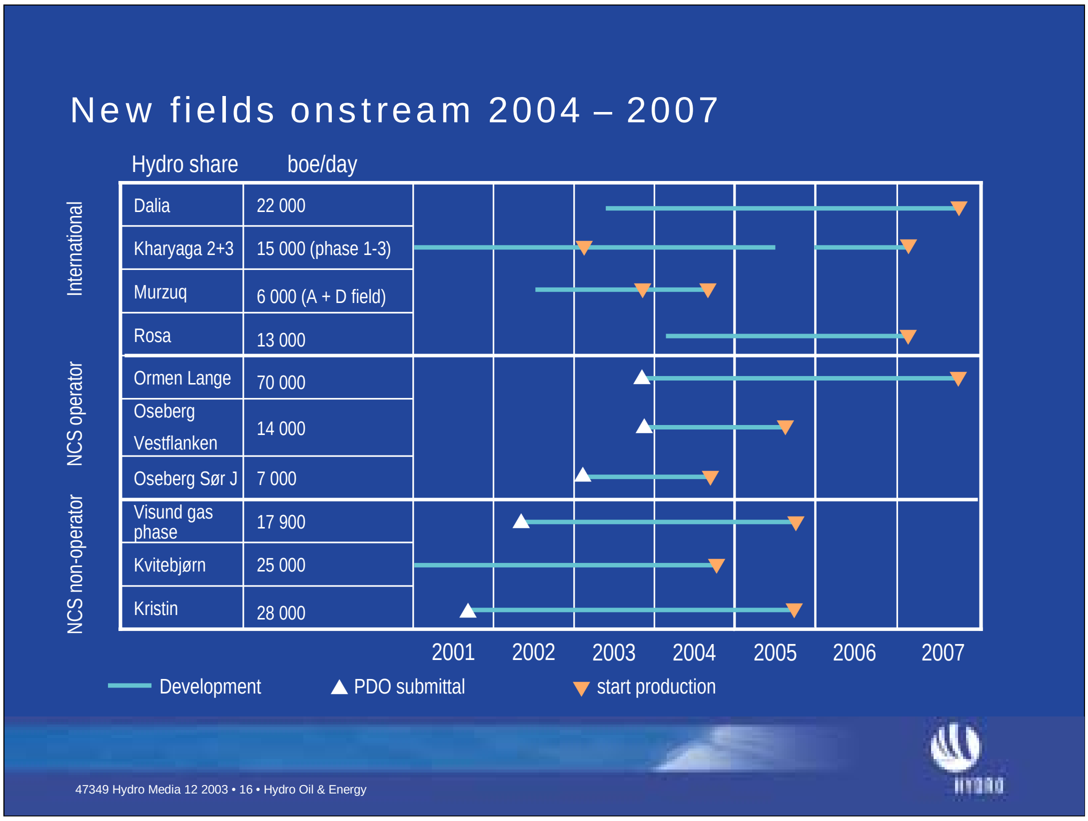
This increase in our production is partly due to organic growth, partly due to acquisitions. Most important acquisitions have been Saga in 1999 and SDFI in 2001.

Hydro’s production growth is among the highest of our peer group. We said last year that we would grow the production baseline at 8 % annually to 2006, using 2001 as reference year.

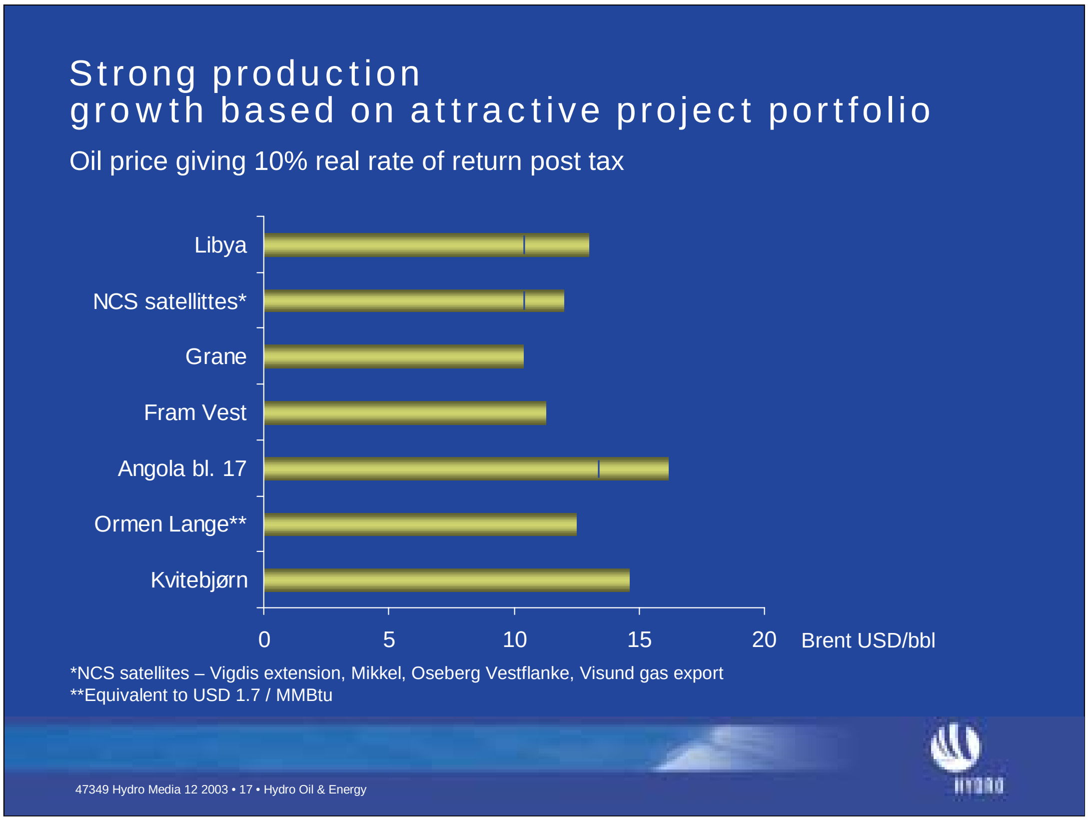
I am pleased now that we will extend this trend by one more year, to include also 2007.

We also see there is a slight increase in our international oil production which is assumed to reach 10 – 12 % over the period.

However, based upon net present value considerations, our international engagement today represent over 20 % of total upstream value.



Just to give you confidence on these estimates, 90 % of 2007 production forecast is based on sanctioned projects – all with attractive economics.



All our recent projects satisfy our 10 % real rate of return criteria based upon oil prices of USD 16/barrel, while the most important ones Grane and Ormen Lange have break-even prices below USD 13/boe.

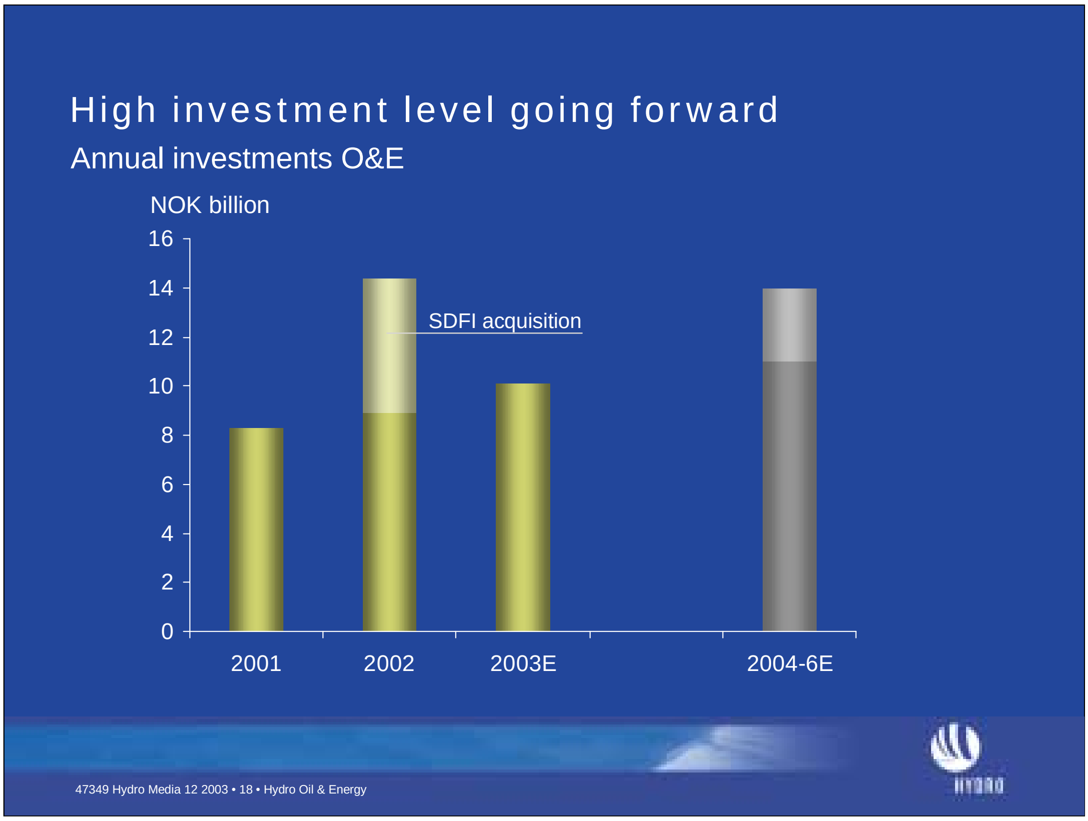
This shows that Hydro has still a very attractive investment portfolio with substantial robustness when faced with low oil prices.

With such a robust development portfolio, why is it difficult to reach our CROGI target of 10 percent?

This is due to the fact that many of our mature assets have low production while these assets still have their full investment in the denominator.

Mature fields like Brage and Njord are such examples. On the other hand will our new assets Fram and Grane generate very high CROGIs in the years to come when the oil production is on plateau level.

Having said all this, we will be close to 10 % in 2003 and we have a business plan for 2004 where we will exceed 10 %, based on normalized prices of 18 dollar per barrel.



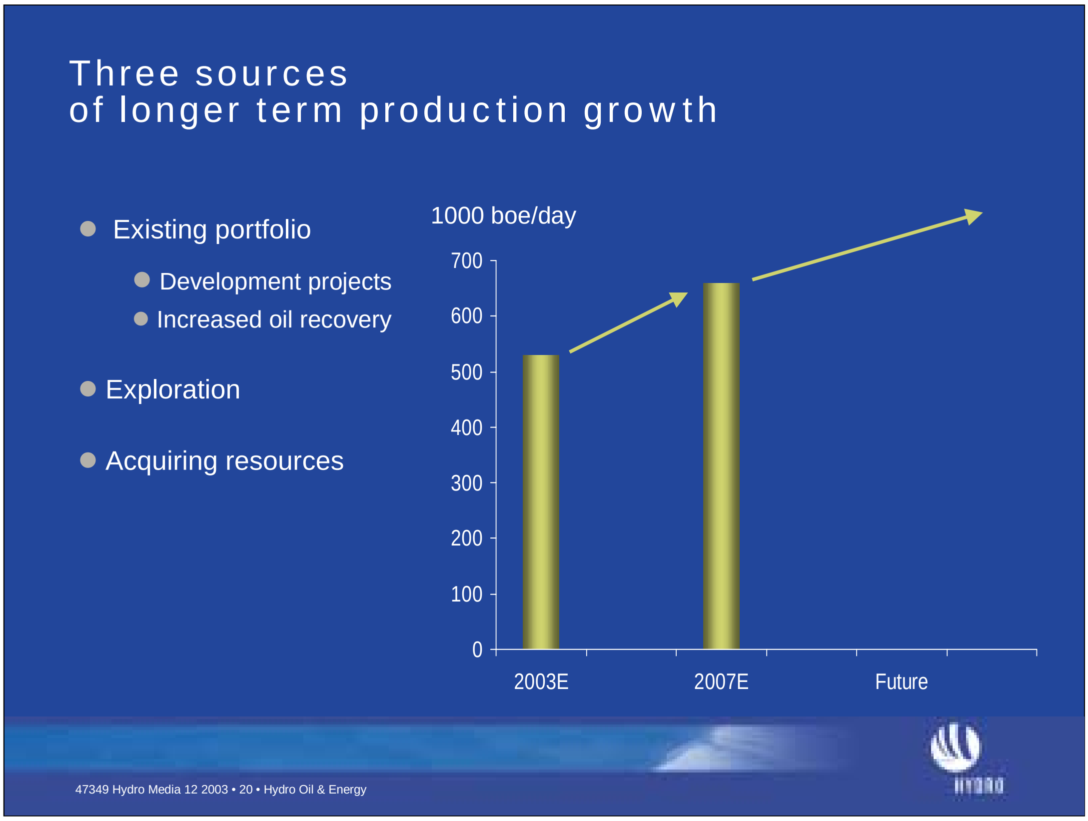
It requires capital to grow production at a rate of 8 % annually.

The capital need of this portfolio, Ormen Lange included, is an investment level of NOK 11-14 bill/ year in the coming three years.

We are currently in the process of finalizing the sale of our Snøhvit stake. The transaction would – if approved - reduce our investment commitments for the coming three years.

As we have told you previously, the reason for the divestment of Snøhvit is that LNG is not part of our strategy.

So, what about our production growth beyond 2007?



Beyond 2007, production growth will come from our existing portfolio of development projects. We still have an interesting portfolio which will be brought forward for development decision.

Our producing assets still hold considerable hydrocarbons which have not yet been commercialised. We are making organizational changes to strengthen the cooperation between our research and operational people with the aim of further improving our ability to increase the recovery in existing fields.

As already mentioned, we are presently reviewing all our exploration acreage to high-grade our exploration portfolio.

This might increase the exploration funding for 2005 and onwards. Our plan is to aim at an exploration level of NOK 1.5 billion/yr.

In the review of our strategy, we have concluded that we will be more active in acquiring resources where we can apply our unique competence in development and operation of upstream business.

I will now briefly give an update on our business in the different regions.

Angola – Development portfolio and exploration

- Block 17 value creation
  - Jasmin production start
  - Dalia development
  - Satellite tie-ins to Dalia and Girassol
- Clarify exploration potential Block 34
  - Well 34-2 drilling
- Pursue business development opportunities

Let me start with Angola.

Block 17 is key asset where two new discoveries have been announced this year, making a total of 15 finds in all.

The second well is spudded on block 34. Although the block doesn't have the same potential as originally estimated we have identified several smaller structures.

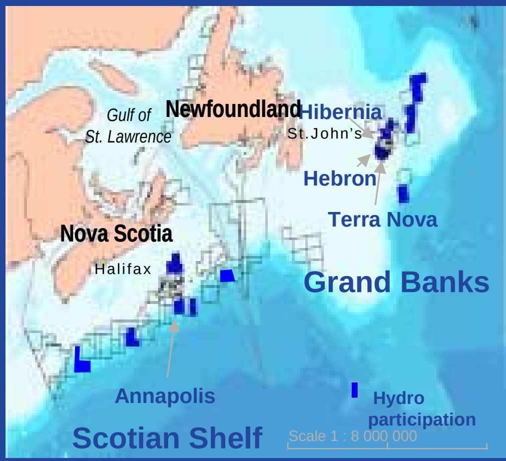
Commercial developments might be possible if oil is discovered.

Through block 34 we have developed good coperation with Sonangol.

This might give cause for new business opportunities.

Canada – Development portfolio

- Hibernia and Terra Nova value creation
- Develop Hebron Ben Nevis
  - Recoverable resources ~ 600 million bbls
- Evaluate the Annapolis gas discovery
- Exploration scaled back



In Canada, we will concentrate on maximizing the value of the Hibernia and Terra Nova fields. Both fields have shown very good performance this year and provide important contributions to our international production.

We have been working together with Chevron-Texaco to improve the development scheme for Hebron Ben Nevis, where the expected reserves are 600 million barrels.

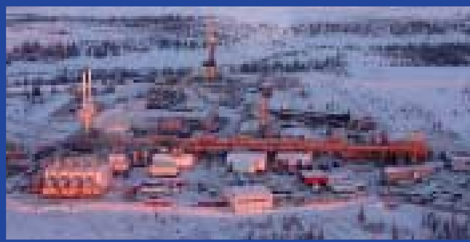
The development scenarios are very much identical to a typical NCS development. That means our NCS experience fully can be applied in this context. The field is expected to generate 10% real return after tax based on our decision criteria.

The gas find Annapolis on Scotian shelf will be further evaluated.

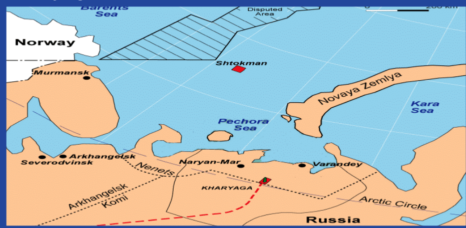
No further frontier exploration is planned in the near term.

Russia – Development portfolio and business opportunities

- Further development of the Kharyaga field
- Technology co-operation agreement with Rosneft for the Shtokman field
- Pursue business development opportunities



Kharyaga



Hydro has been present in Russia for 15 years. In 1999, the production started from the Kharyaga field in the Timan Pechora basin.

Phase two of the Kharyaga development came on stream this autumn and we intend to expand capacity even further.

We have for the last 12 years been in discussions with Gazprom concerning the huge Shtokman gas field in the Barents Sea.

We recently signed a technical cooperation agreement with Rosneft regarding development scenarios for Shtokman. Rosneft has a joint venture with Gazprom with the responsibility to develop the Shtokman field.

The development concept for Ormen Lange with a sub-sea to land concept has been introduced to be studied further for the this field. If this concept is achievable for Shtokman it will considerably reduce the cost.

The concept would be beneficial with regard to arctic climatic challenges. Our extensive knowledge on flow assurance has therefore created a lot of interest in Russia.

In addition other business opportunities are being pursued.

Iran – Exploration portfolio

- Anaran exploration contract
  - Seismic acquisition completed
  - Drilling campaign ongoing
  - Prepare for a field development contract
- Pursue new business opportunities

Anaran drilling rig

On Anaran, we have successfully completed the seismic acquisition programme and are currently drilling our first exploration well in this area.

The drilling operation has proved to be somewhat more difficult than originally planned.

However, we are now confident that these challenges will be solved and the well will be finalized during Q1 2004.

We plan to drill two or three more wells on this exploration acreage during the course of 2004.

Our prime objective in Iran is to focus on development of the Anaran area which we believe can holds high potential and may take many years to develop fully.

A successful completion of our activity in this country will help positioning Hydro for new opportunities in Iran. We therefore mainly concentrate on this issue for the moment while at the same time positioning ourselves further.

Development opportunities

- **Gulf of Mexico**
  - Lorien development
  - Exploration scaled back
- **Libya**
  - Marbruk/Murzuq developments
  - Pursuing new opportunities

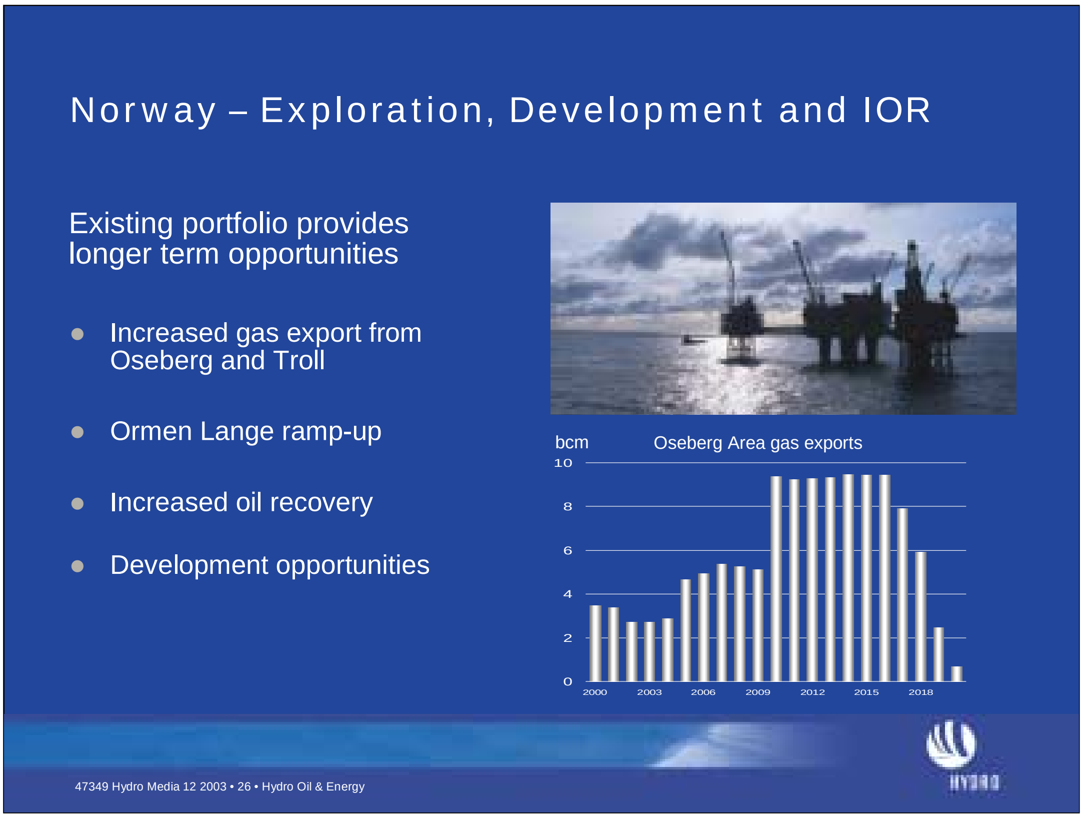
Gulf of Mexico

Libya

In the Gulf of Mexico the Lorien find can be developed as a tie-back to existing infrastructure.

We will evaluate the remaining potential in the Conoco-Phillips portfolio, which may contain some exciting prospects in deep-water areas. However, funds for these prospects have not been allocated for next year.

In Libya, we are pleased with the development of Mabruk and Murzuq. Libya has a very interesting resource base and as the general political situation improves we will continue to pursue new opportunities in the country.



I shall now turn my attention to the NCS – and let there be no doubt that the NCS still is in the centre of our map, also in a long term perspective!

There are opportunities to increase longer term production at low cost from our existing portfolio: Gas exports are currently being restricted for reservoir reasons from both Oseberg and Troll and can be increased in the future at little or no cost.

For example, 3 bcm has been produced from Oseberg this year something which might increase to 10 bcm in 2010 without new investments

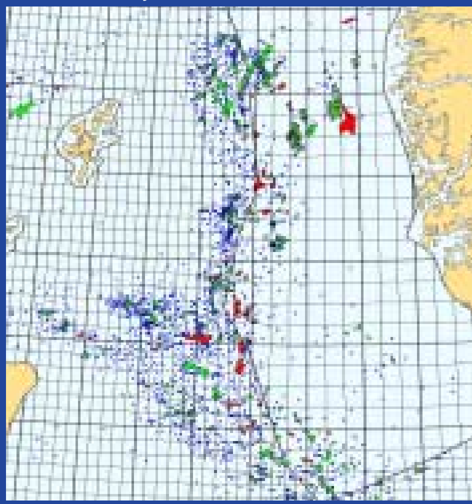
Gas production from Ormen Lange will start in October 2007. Full capacity will be reached in 2010 amounting to 4 bcm for Hydro’s share.

I already have mentioned that most of our fields have still improved oil recovery potential and we strengthen our efforts to realize these resources. Our portfolio still contains satellites, which will be developed in connection to existing platforms.

Still potential on the NCS given the right incentives

- Proposals from “Kon-kraft”:
  - Reduce special tax level on new developments
  - Volume allowance on existing fields for increased recovery

Exploration wells
UK and Norway drilled 1965-2003



Source: Norsk Hydro, Petrobank

Just looking at the number of wells drilled in the Norwegian sector of the north Sea compared to the UK one, it would appear that there should be scope for more exploration and thus value creation– given the right incentives!

There is no geological reason why there is such a huge difference between the two sectors.

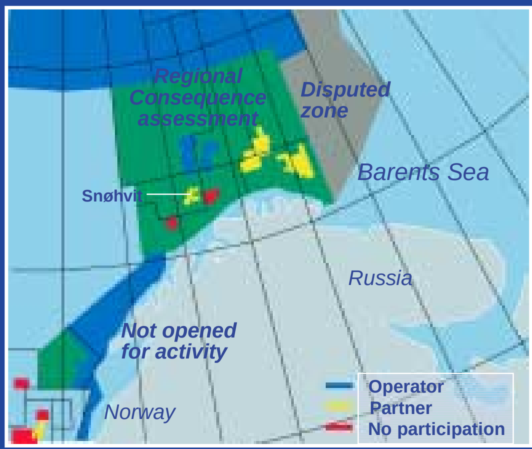
A joint industry study which I have had the privilege to chair – has presented a comprehensive report on the potential for increasing the competitiveness of the NCS.

The proposal include a reduction of special tax level, currently 50%, on new developments, volume allowance on existing fields to encourage investments in increased recovery.

We hope for positive reaction from government and Storting during the Spring session.

New areas have to be opened for exploration

- Still potential for large oil and gas finds, but high risk
- Risk/reward balance made more favourable by improving frame conditions
- Industry commitment to explore with minimal environmental impact
- Hydro well positioned



47349 Hydro Media 12 2003 • 28 • Hydro Oil & Energy

We still see a potential for large oil and gas discoveries on the NCS, especially in northern areas although there is high risk.

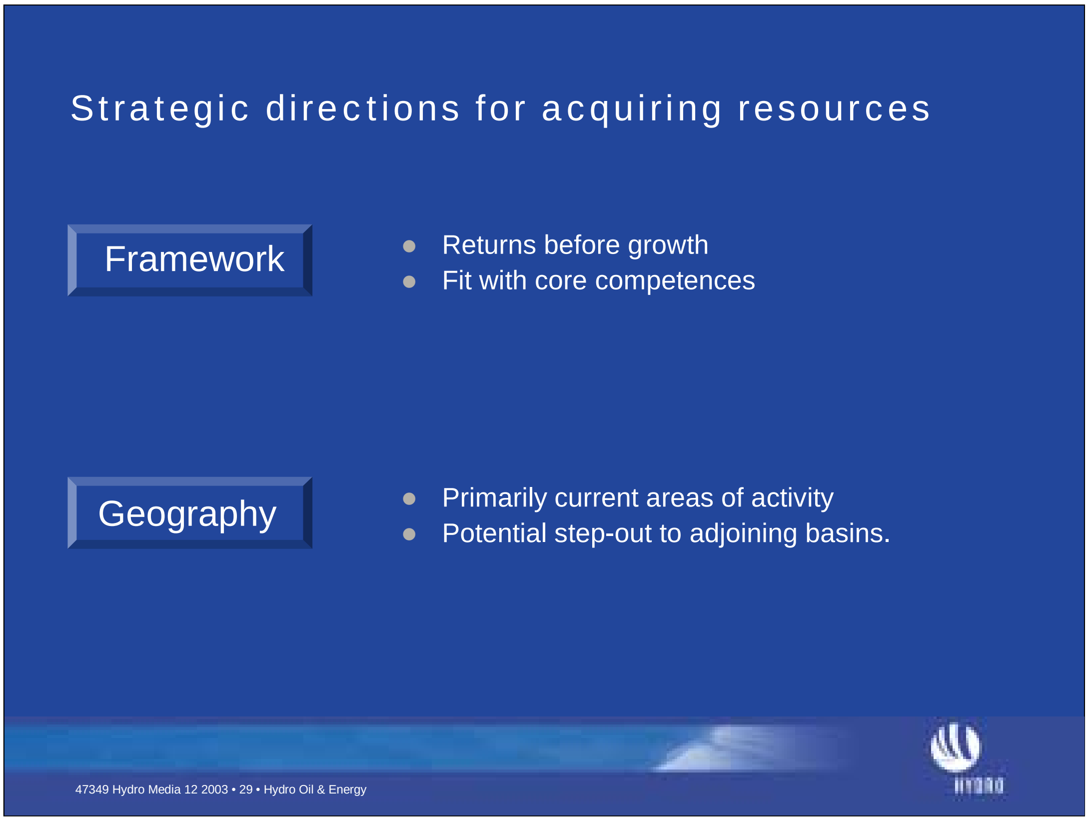
We believe improved frame conditions will enhance a better risk /reward balance.

Hydro has already been awarded licences in the areas Nordland VI and in the Barents Sea.

The Norwegian government are currently re-evaluating its policy regarding these regions and we hope for positive clarification in near future.

Hydro is committed to carrying out our activities with a minimum of environmental impact.

We have many examples of how environmental awareness has been put into practice in our operations.



As already mentioned, we will put more emphasis into acquiring resources.

We will follow these criteria:

· Returns will have a clear priority over volume growth – we will not compromise our overall targets on capital discipline

· We will acquire resources where we can use our core competencies in reservoir management, flow assurance and management of large projects

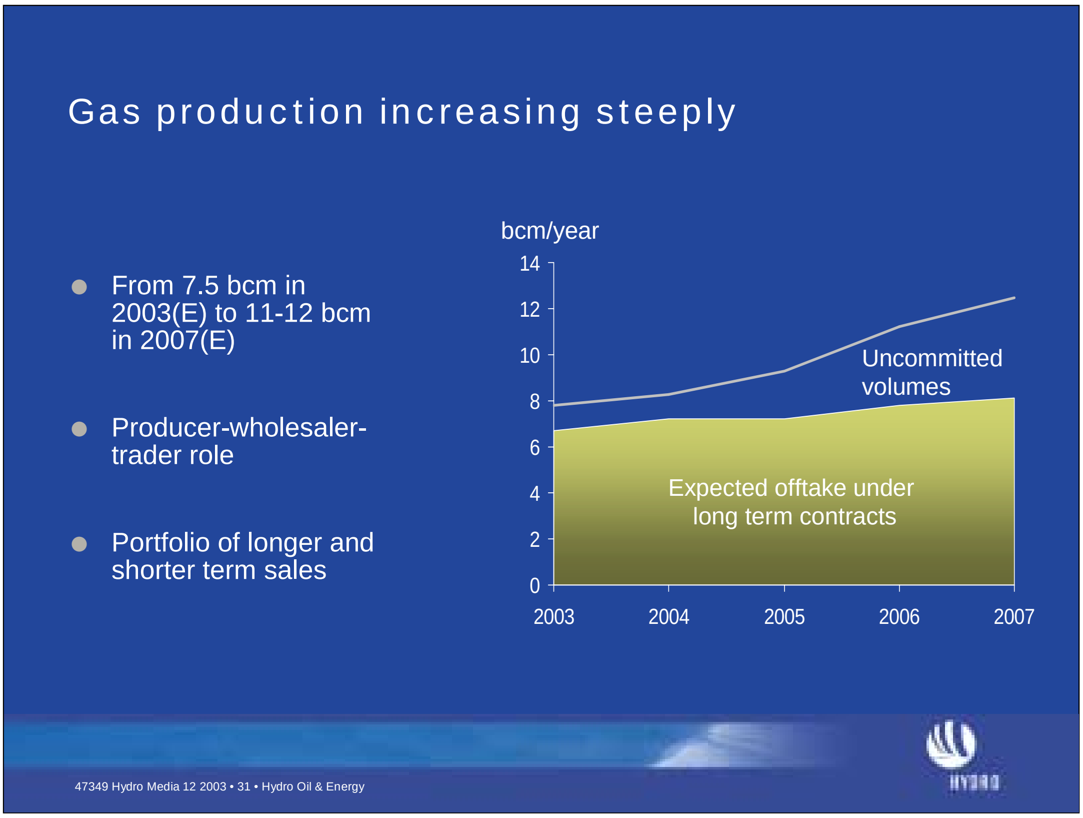
· We will primarily concentrate on the geographical areas where we are established – and also evaluated adjoining areas.

Last year we talked about the two strategic directions for Hydro’s Oil & Energy.

The first one which we now have been through, is how to develop our upstream position world wide.

The second direction is how to position for business opportunities in the gas markets in Europe. We still believe that interesting business opportunities exist.

So far, our European gas business – mainly in the Netherlands - has created interesting margins with limited capital investment.



Hydro's main competitive advantage in the European gas market lies in its very strong NCS resource position.

This gas can be supplied to the European market very competitively as I showed you when talking about Ormen Lange earlier.

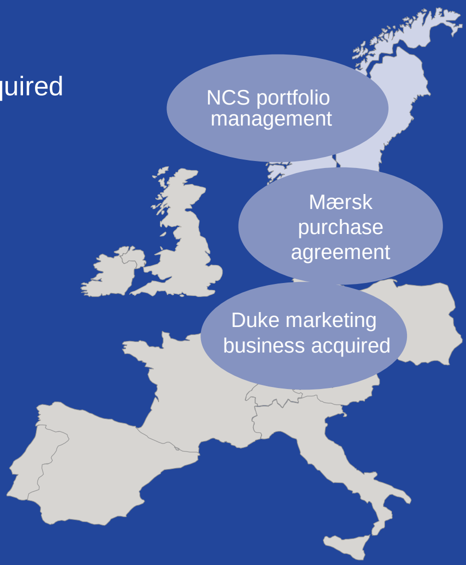
Our gas production has started a steep increase. This year we expect to export more than 7.5 bcm, a significant increase from 6.4 bcm last year. By 2007 we expect our production to be between 11-12 bcm.

We are currently committed to a future sales volume of some 7 bcm/y under existing long-term contracts.This gives a substantial volume of uncommitted gas. We think this uncommitted gas will create business opportunities.

In many places in the European markets good margins exist at the wholesale level. Hydro has developed a producer/wholesaler/trader business model allowing it to optimise our total portfolio and add extra margins where possible.

Total gas sales of 12-13 bcm planned for 2004(E)

- Duke's Dutch marketing business acquired
- Contract with Mærsk for new supplies from 2004/5
- Sourcing from:
  - Equity production: 8 bcm
  - 3rd parties and hubs: 4-5 bcm
- Further value added by:
  - Optimizing logistics
    - Example: East-west swaps
  - Managing 3rd party portfolios
  - Trading



Next year we plan to sell 12-13 bcm to direct customers and under our existing long-term contracts.

The portfolio was recently enhanced further by the contract entered into with Mærsk for delivery of 0.6 bcm/yr into the Netherlands from next year.

The acquisition of Duke's activities in the Netherlands, which includes both customers and sourcing arrangements, underlines our step-by-step approach into the European energy market.

Further value is added to our gas portfolio by optimising logistics across Europe. Several swap arrangements with other parties has been concluded and created win-win situations.

HydroWingas – New UK marketing joint venture

- Jointly owned company to market and sell gas in UK
  - Primarily to wholesalers, large end-users and power plants
- Combines Wingas and Hydro’s gas and marketing skills
- Builds market presence and expands arbitrage possibilities
- Scale and diversity of sourcing improves competitive strength

To further increase our position in the downstream market, Hydro has entered into an agreement with the German company Wingas, owned 65 % by BASF and 35 % of Gazprom.

The jointly owned company is formed to market gas in the UK – combining the two companies’ marketing skills.

The company will target wholesalers and large end-users including power plants.

We source from NCS, UK and the Continent – provides operational flexibility.

And this ends my long term strategy outline.

Let me now turn to the near term financial targets

Targets for 2004

• Production target	560 000 boe/day
• Production costs	NOK 24/boe
• F&D costs (3 years average)	USD 6/boe
• RRR (3 years average)	120%
• CAPEX-level	NOK 11 billion
• Exploration level	NOK 1 billion

- Investments in new development projects to meet USD 16/bbl* hurdle rate for 10% real, after tax return

* Previous hurdle rate of USD 14/bbl had been fixed since 1999

47349 Hydro Media 12 2003 • 34 • Hydro Oil & Energy

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Our targets 2004 are as follows:

Production growth is to continue – the target is 560,000 boe /day – which is an increase of 7 % compared with this years estimate.

Last year our cost target was set to 82 NOK / barrel excluding exploration, but including depreciation. We will also meet this target next year.

We have decided to change the metric that we will report to you as our target, to production cost per barrel as defined in our accounts.

This is also more in line with the way that we manage our daily operations where we have full focus on controlling cash costs.

The target for production cost will be NOK 24/boe which places Hydro at the top quartile in this metric. There is an increase from this year to cater for purchase of injection gas to the Grane field.

Reserve replacement on a three year average is set to 120 % and the F&D cost for the same time interval will be USD 6 /boe.

Investment frame for next year NOK 11 billion.

Exploration cost next year will be NOK 1 billion.

24 wells to be drilled, 8 more than this year when exploration cost was NOK 1.7 billion.

Our investment decision criterion has been revised: 10 % real rate of return after tax based on $16/bbl oil price.
The previous target set in 1999 was $ 14/bbl.

We have decided to change this because we have adjusted for inflation, and a better capital budgeting and investment decision making processes have improved Hydro’s ability to deliver large project on time and budget.

Investment estimates have a 70% chance of being met, rather that using the expected value term.

Also reduction in exploration activities going forward and manning reduction contributes to overall lower costs.

Summary

- We have delivered on our operational targets for 2003
- We haven taken corrective actions within exploration
- We extend the 8% growth rate to 2007
- We pursue growth opportunities based on competence in core areas
- We build a downstream presence in European gas markets
- We have ambitious targets for 2004

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To summarize

- We have delivered on our operational targets for 2003
- We have taken corrective actions within exploration
- We extend our 8 % growth rate to 2007
- We pursue growth opportunities based on our unique competence
- We build a downstream presence in European gas markets
- We have ambitious targets for 2004

I started out by making reference to what I said one year ago and how we delivered on that. Now I would like end by welcoming you back next year to review what I have put forward today.

Thank you for your attention.