



Hydro Aluminium

Jon-Harald Nilsen
Executive Vice President



Performance and strategic progress

Capital Markets Day
December 11, 2003

Presentation outline

- Market
- Performance
- Strategy - portfolio
- Special update
 - Primary Metal cost position
 - Rolled products segment
 - Extrusion and Automotive segment

What we said and what we have done

<i>What we said</i>	<i>What we have done</i>
<ul style="list-style-type: none">• Deliver improvement programs and value capturing as planned	<ul style="list-style-type: none">• Ahead of plan
<ul style="list-style-type: none">• Further enhance value of HAL-VAW	<ul style="list-style-type: none">• Alouette expansion, litho expansion, best practise sharing
<ul style="list-style-type: none">• Win market share based on strengths	<ul style="list-style-type: none">• On track – ahead in selected segments
<ul style="list-style-type: none">• Improve relative cost position for smelter system	<ul style="list-style-type: none">• Controllable cost elements and projects on track.
<ul style="list-style-type: none">• Continue active portfolio management	<ul style="list-style-type: none">• Out: Flexpack, VAW-IMCO JV, Søderberg In: Alunorte II, Comalco, Talum, Sayansk
<ul style="list-style-type: none">• Meet 10% CROGI target 2004 (normalized prices)	<ul style="list-style-type: none">• Continued improvements in 2003

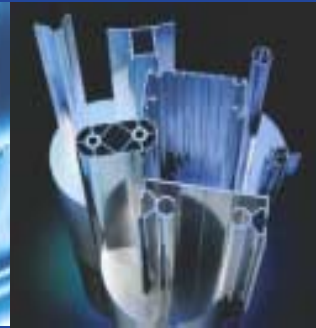
Hydro Aluminium's value chain

Bauxite/
alumina



Electrolysis
metal

Casthouse
products



Rolling Extrusion

Fabrication
& Systems



Automotive

Solid growth expected

Saving weight
in cars



Construction
material



Packaging



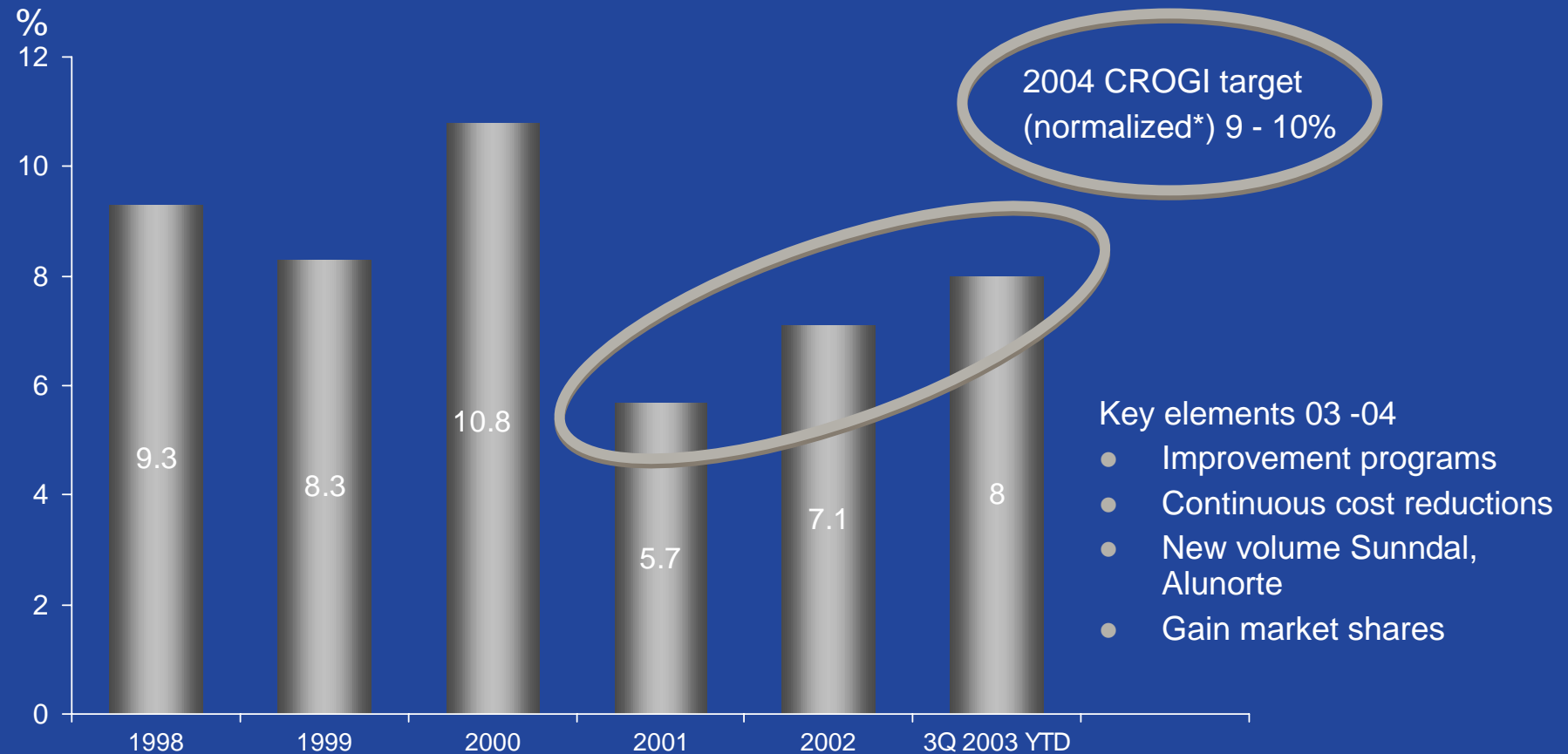
Recyclability up to 90%
Only 5% energy use in recycling



4 – 4.5%
**global
growth
going
forward**

Continuous CROGI improvement

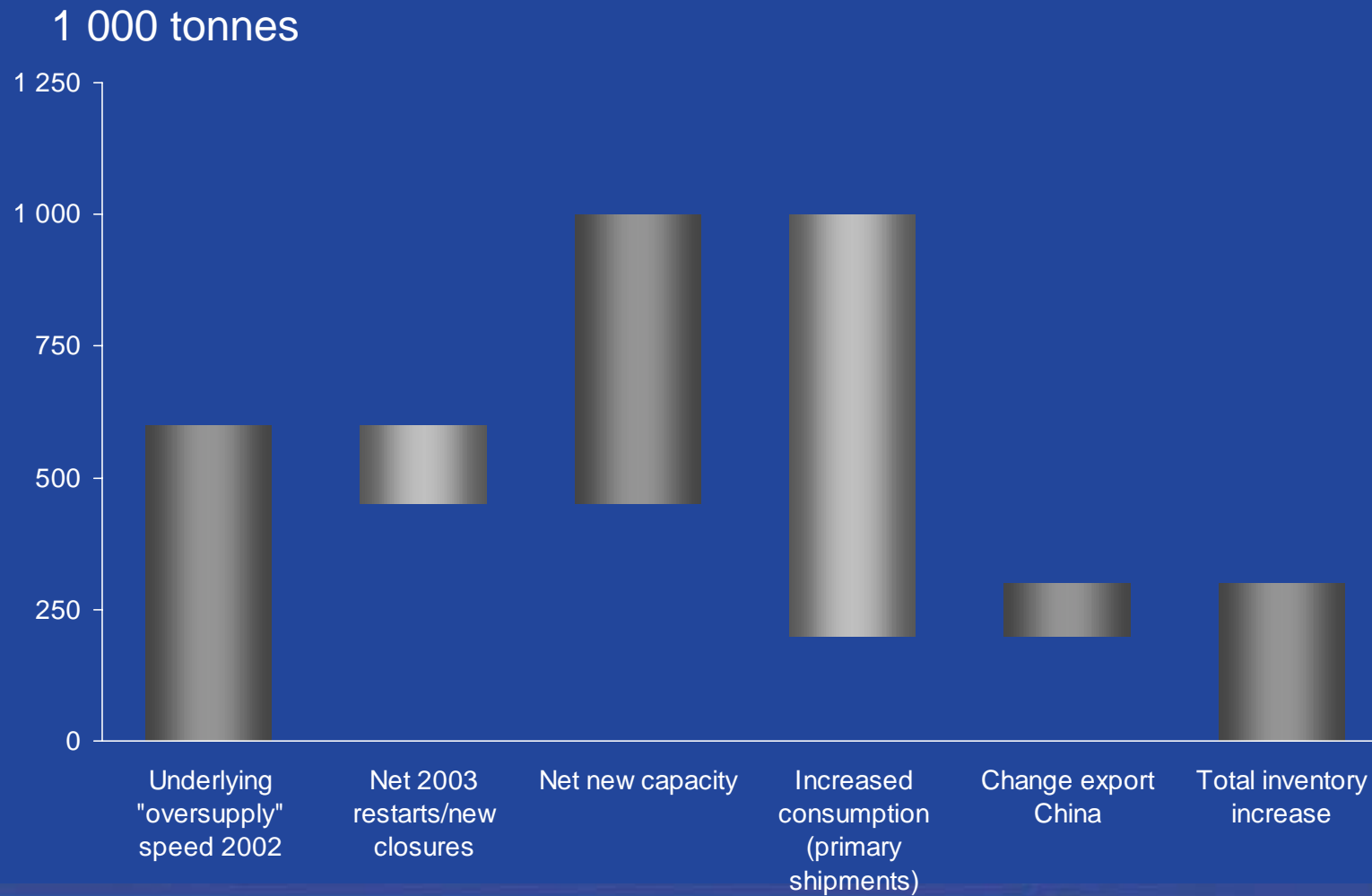
CROGI 1998 – 2003: Actual prices



* With normalized LME price (USD 1 500/tonne) and 8 NOK/USD

Metal products margins and downstream margins are not normalized, neither metal part nor currency

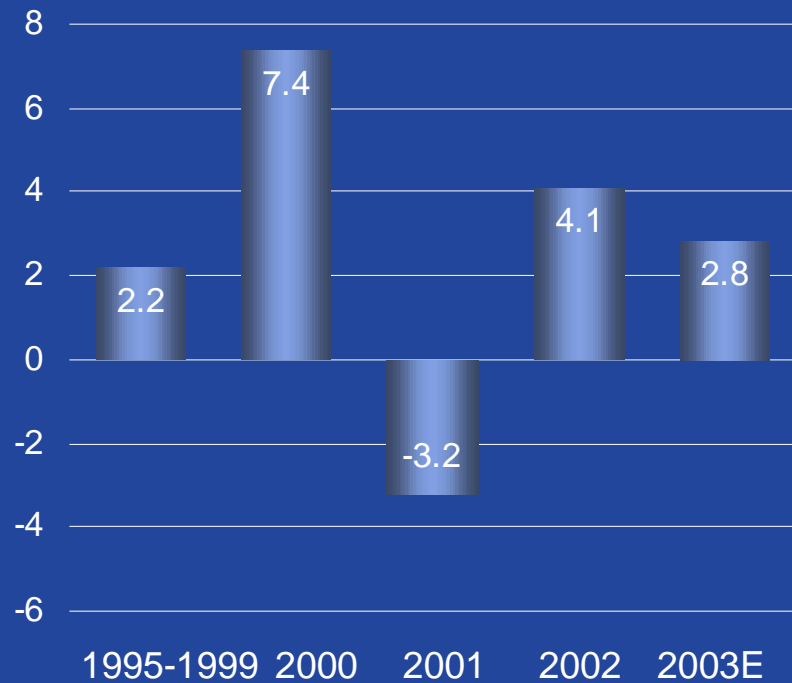
Metal balance 2003 better than expected



Europe: Weak markets

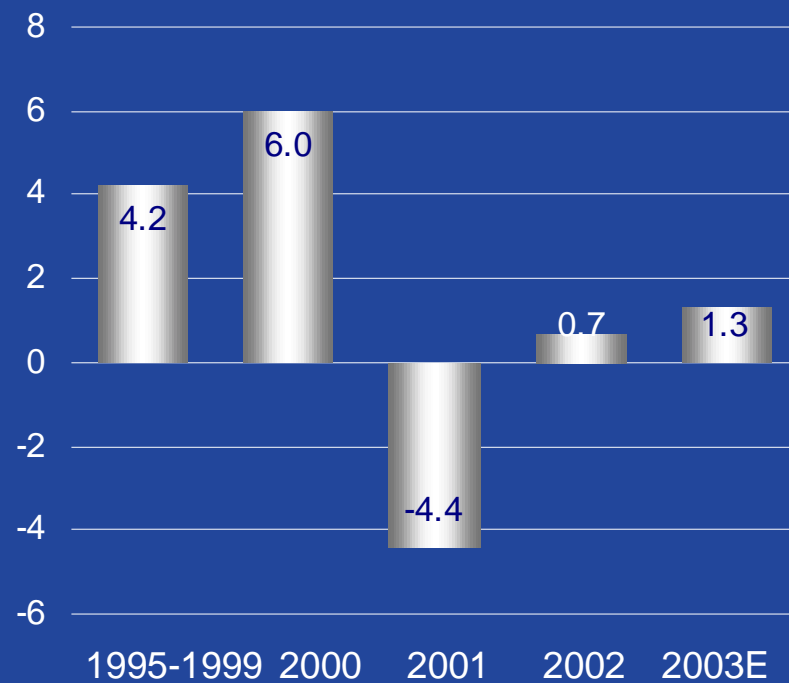
Rolled products shipments

Annual change in %



Extrusion shipments

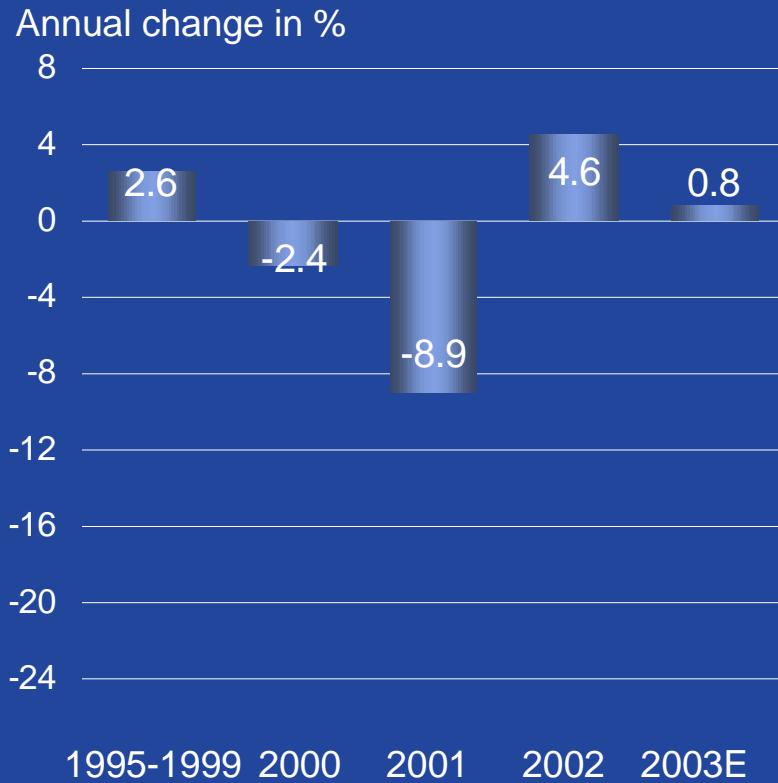
Annual change in %



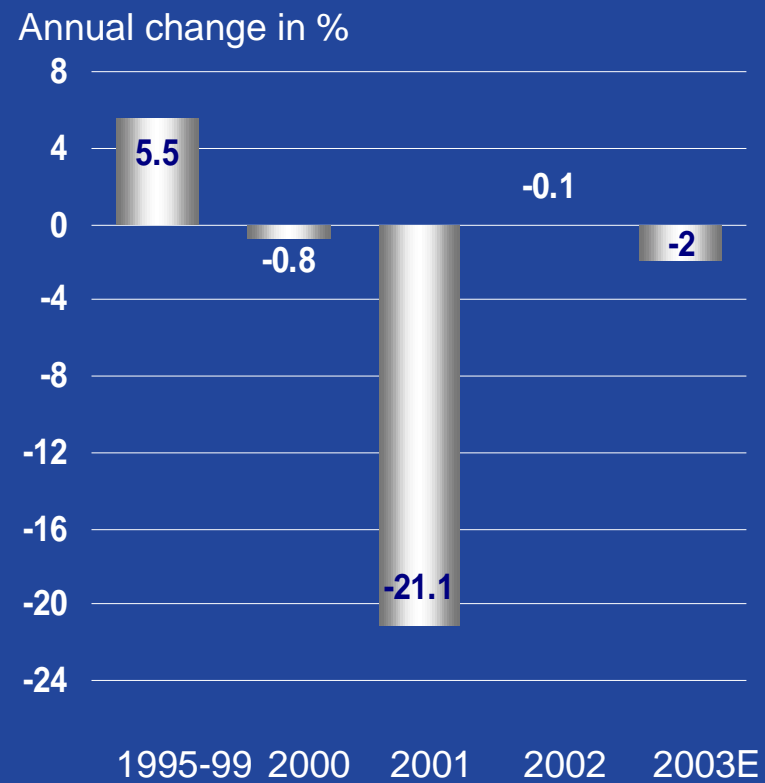
Source: EAA

US Markets still weak

Rolled products shipments

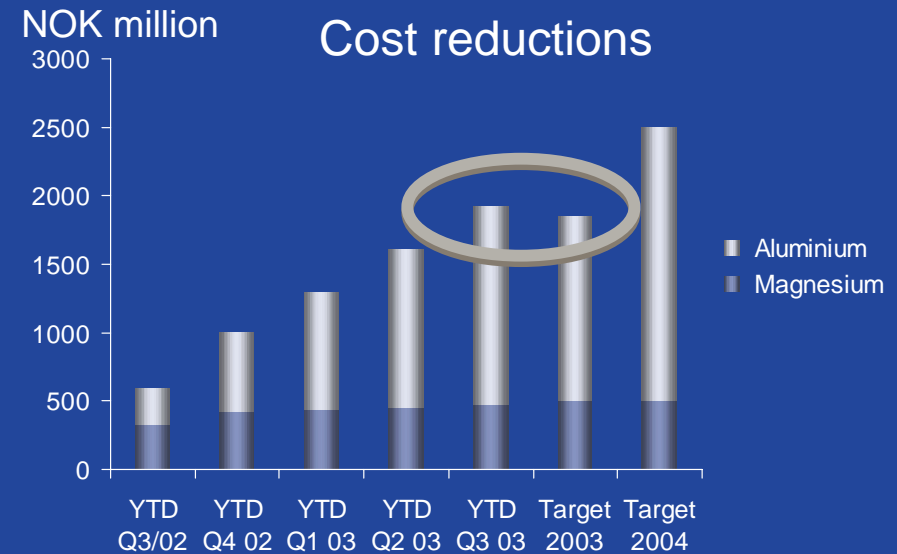
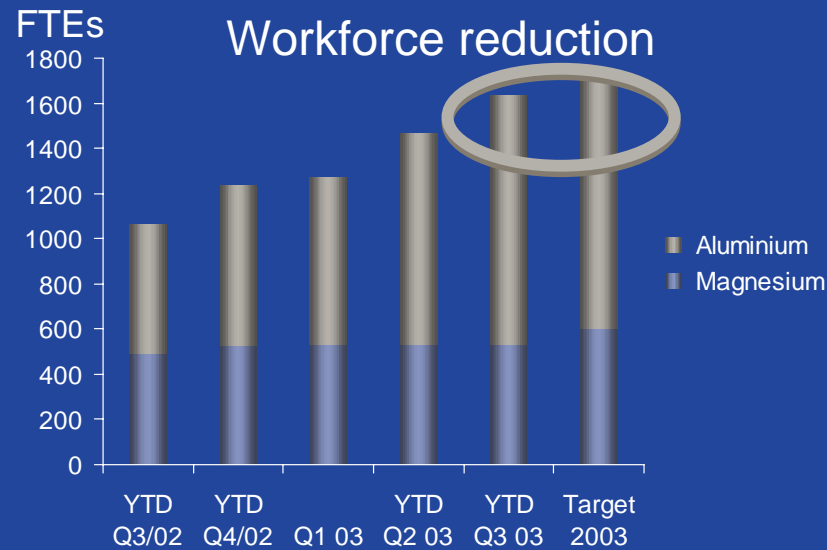


Extrusion shipments



Sources: CRU, AA

Announced improvement programs delivered



Restructuring and rationalization costs (NOK million)

	Realized			Remaining	Total
	2001	2002	2003	Estimate	
Magnesium	700	-10	0	24	714
Aluminium	-	300 *)	91 **)	109	500

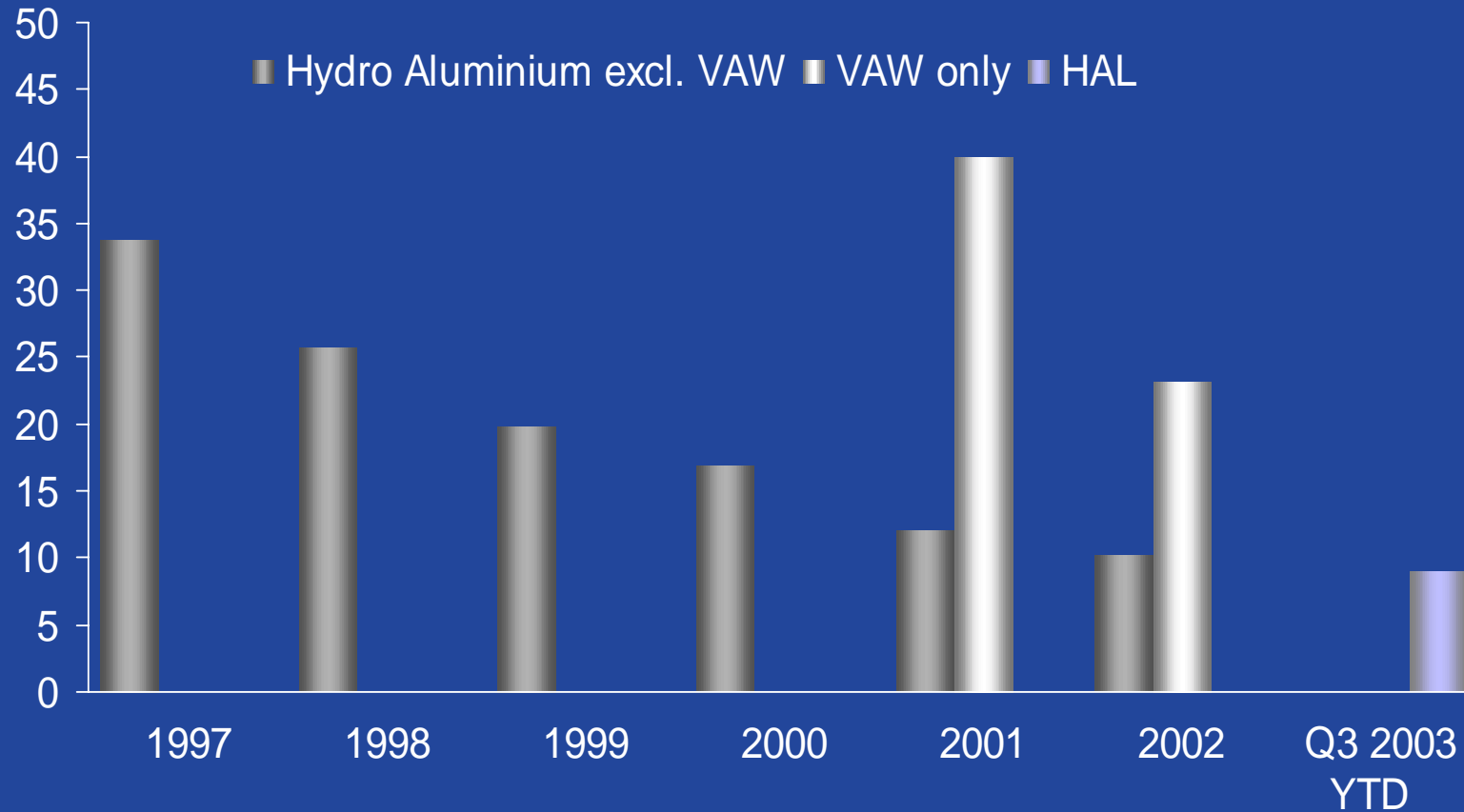
Workforce and cost reductions relative to 2001

*of which NOK 89 million charged to VAW opening balance

**of which NOK 14 million is infrequent

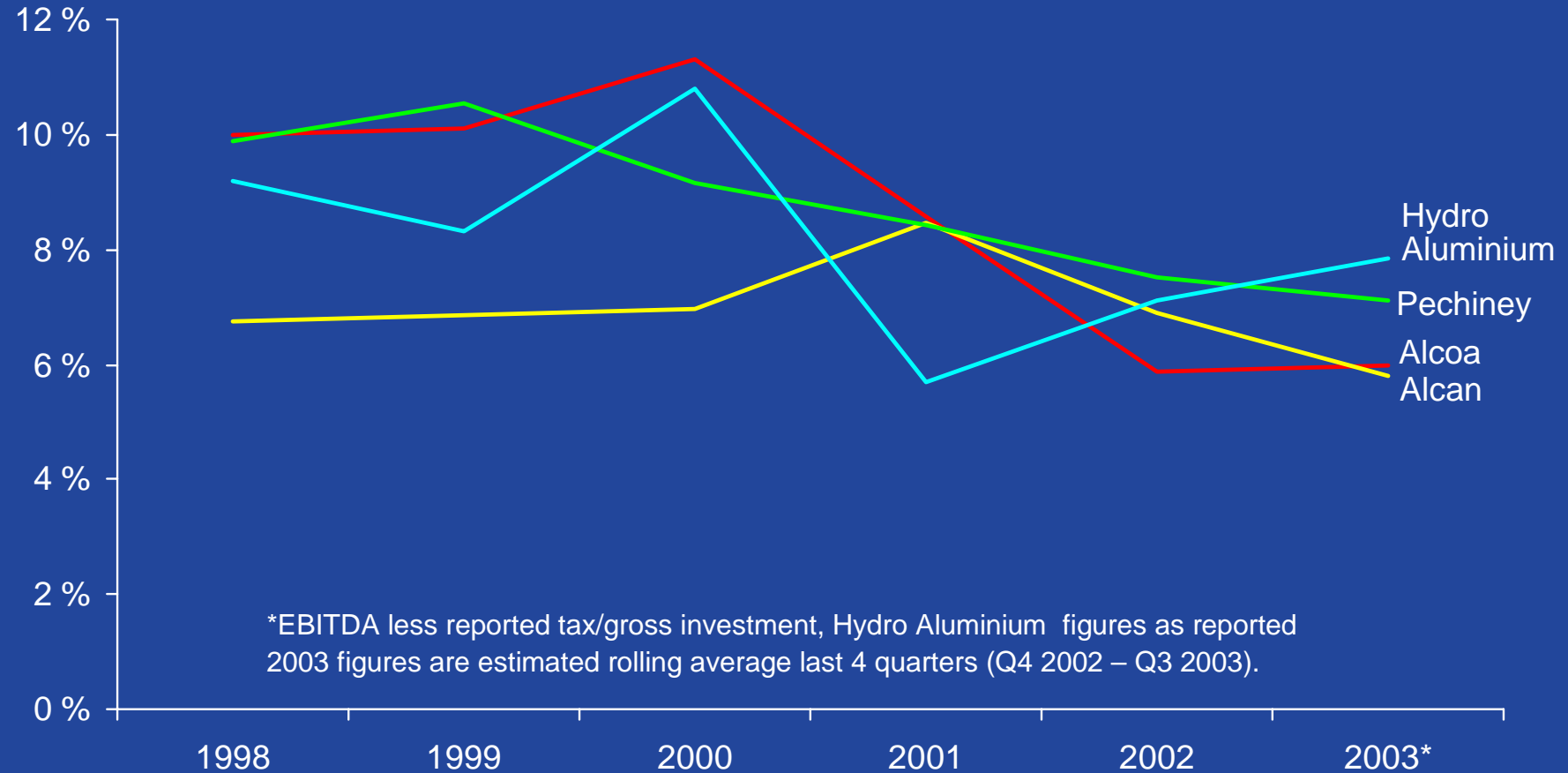
Strong safety improvement

Total recordable injuries
per million worked hours



Profit level for the industry still a challenge

CROGI proxy



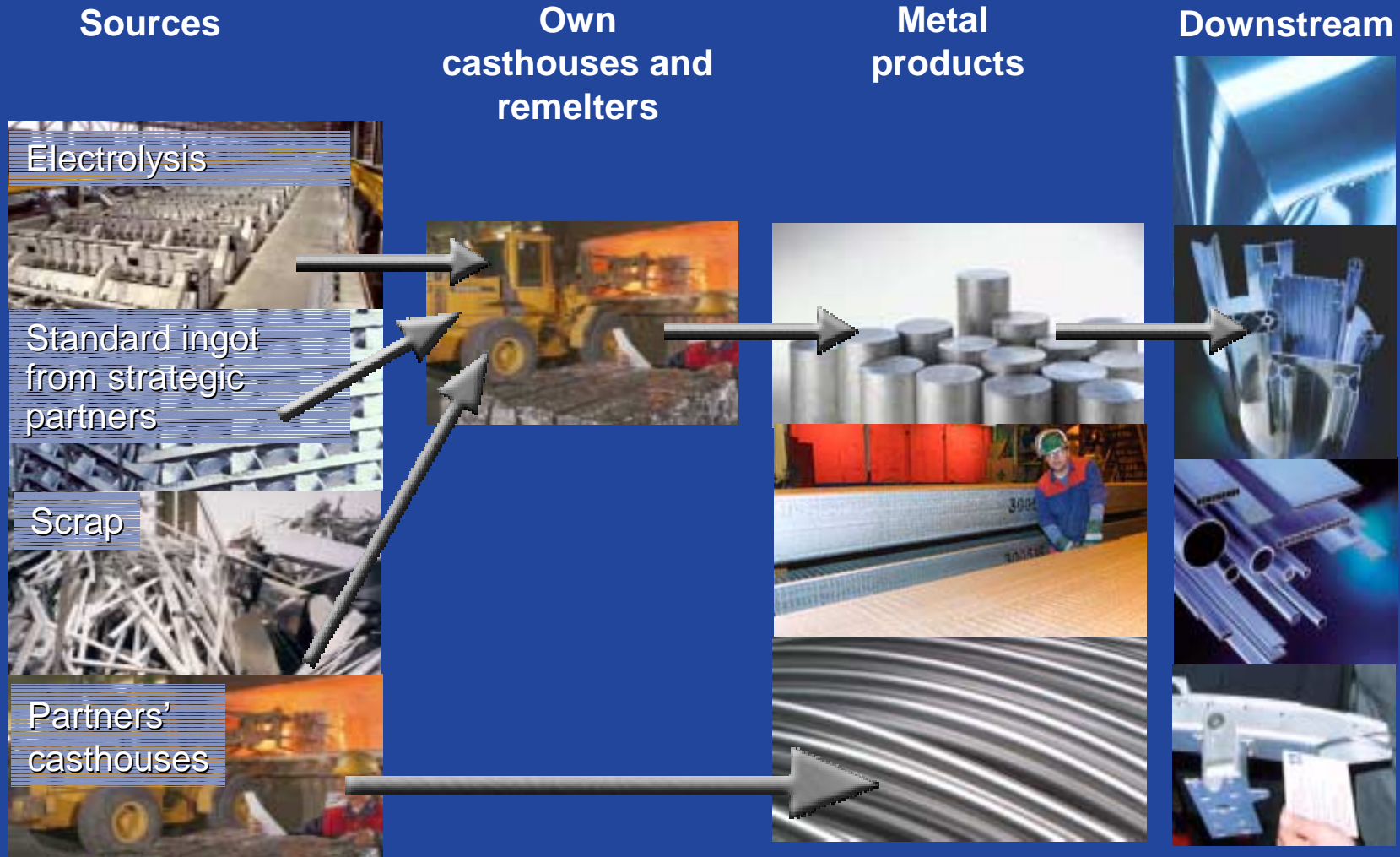
*EBITDA less reported tax/gross investment, Hydro Aluminium figures as reported
2003 figures are estimated rolling average last 4 quarters (Q4 2002 – Q3 2003).

Source: Annual and quarterly reports, Hydro estimates



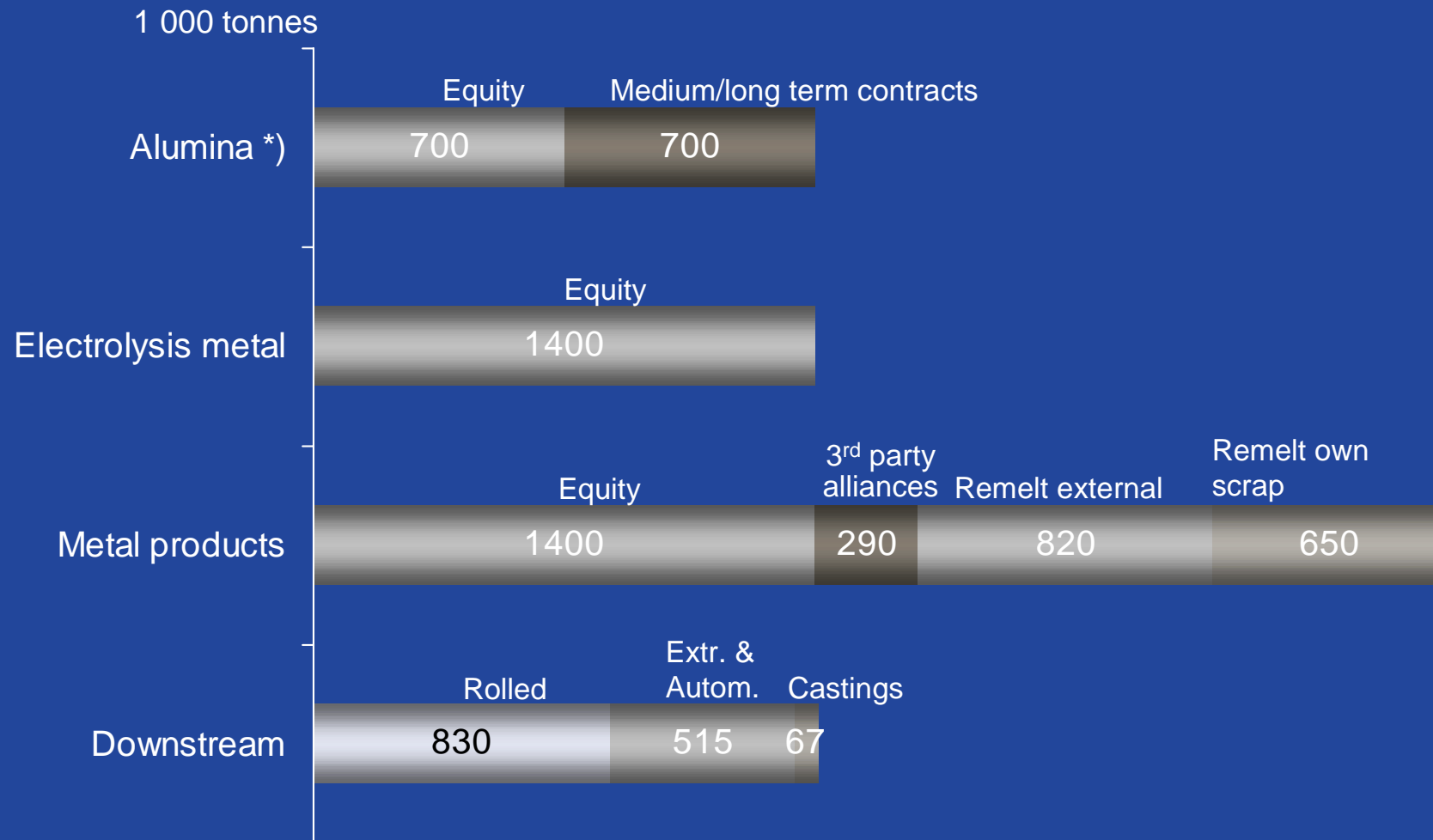
HYDRO

Hydro Aluminium metal flow - more margin business



A unique portfolio composition

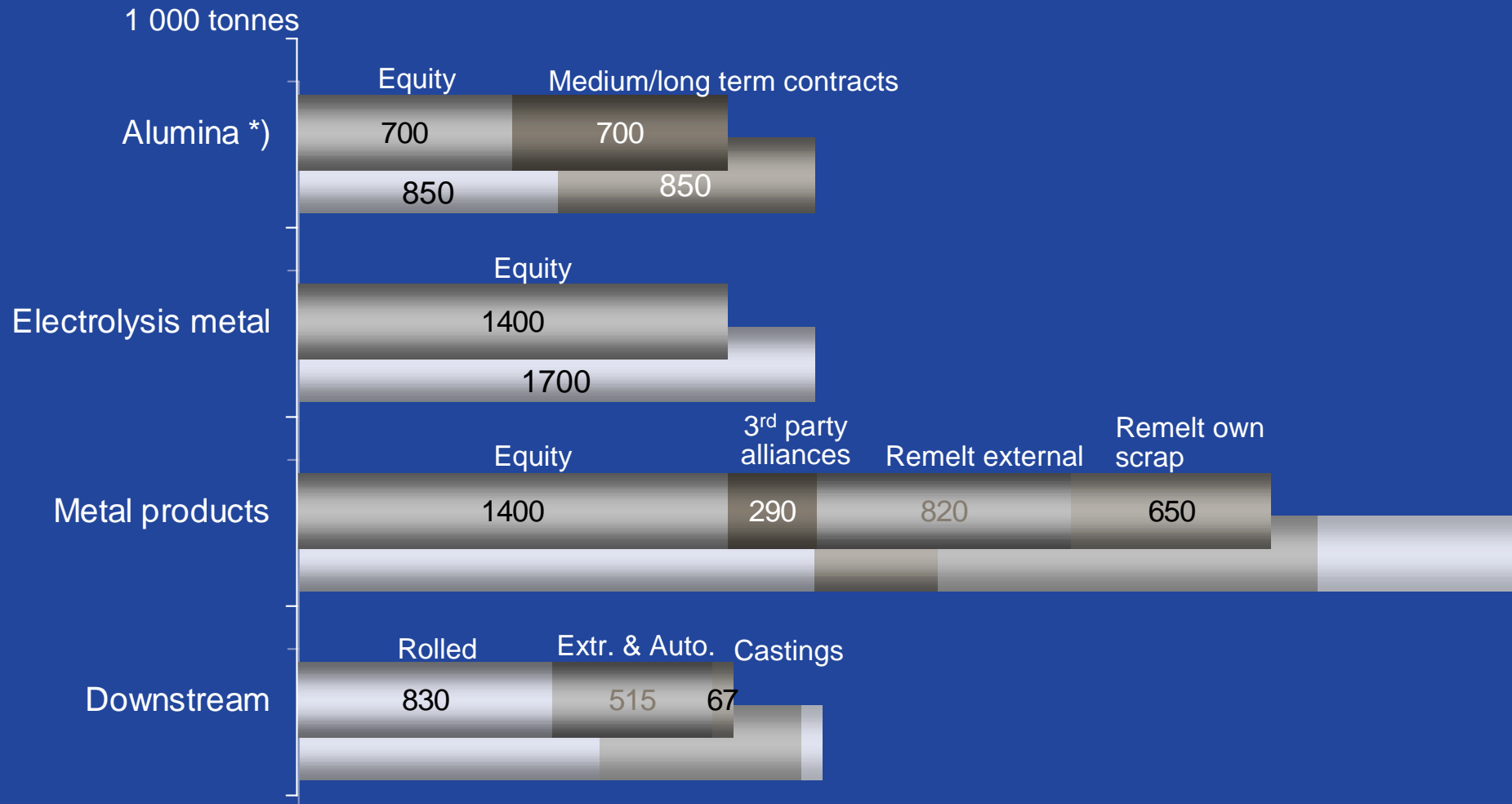
Proforma 2002 figures



* Aluminium equivalents (2 tonnes alumina per tonne aluminium)



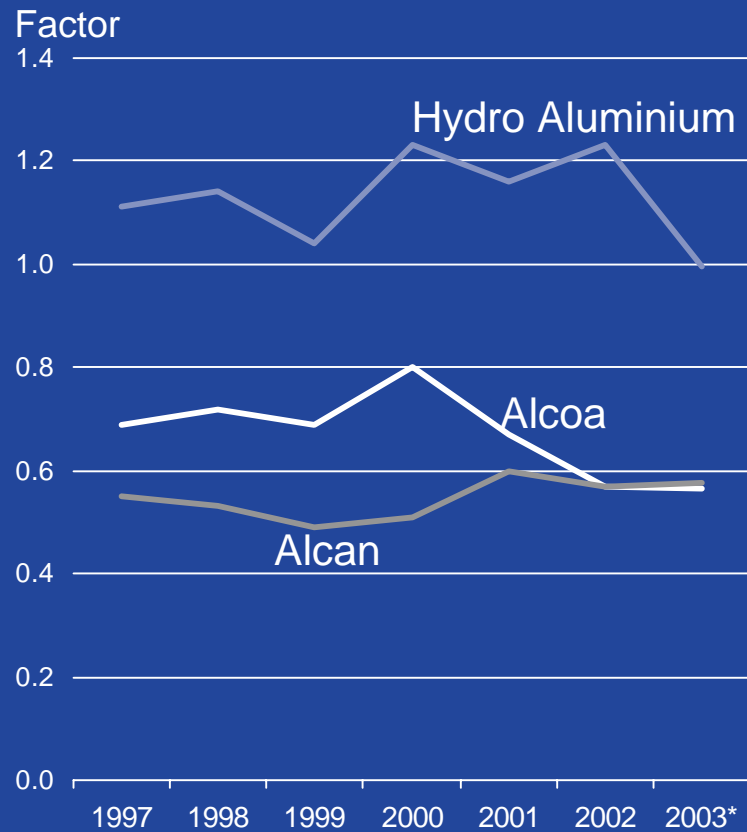
A unique portfolio composition 2002 versus 2005 estimate



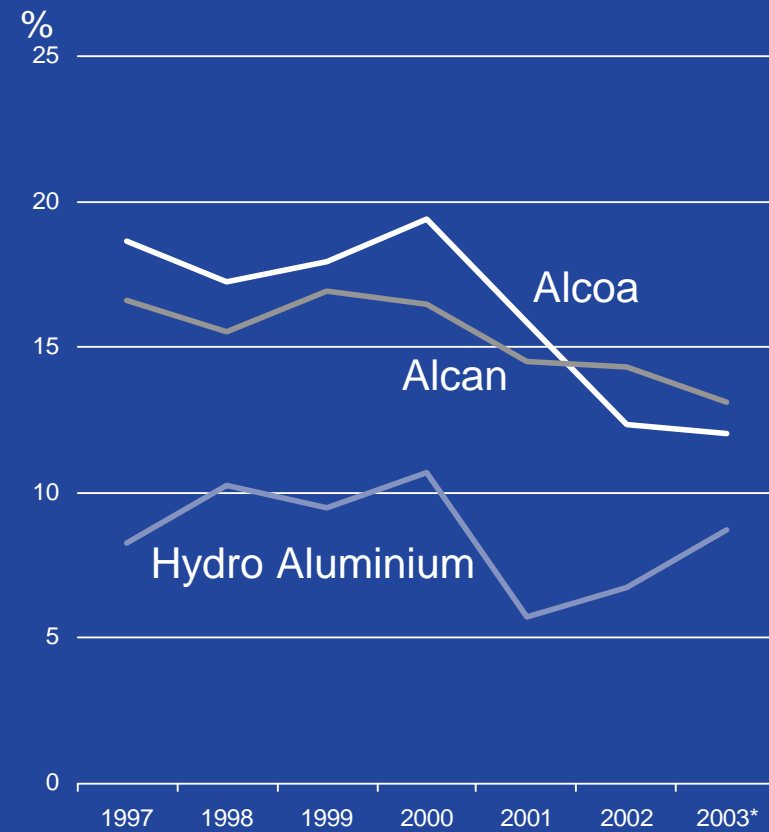
* Aluminium equivalents (2 tonnes alumina per tonne aluminium)

A unique portfolio: Higher capital turnover

Revenues / Gross Investments



EBITDA / Revenues



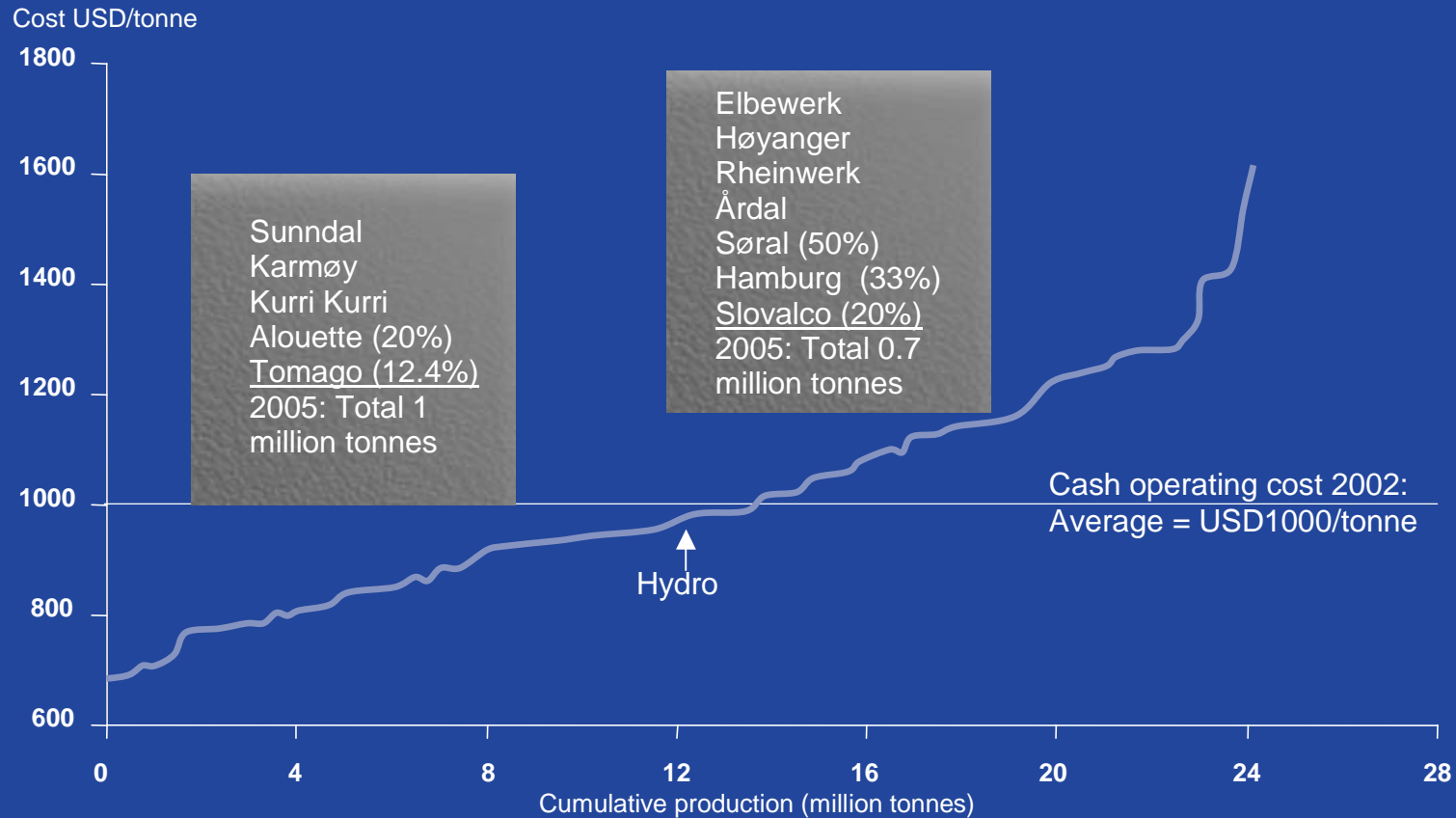
Source: Company reports, Hydro estimates. Proxy figures where needed to get comparative figures.
 *2003 estimated rolling average last four quarters (4Q 2002 – 3Q 2003.)

- Primary cost position
- Rolled products segment
- Extrusion and Automotive segment



Special update

Smelter cost curve 2002



Note: Cash operating cost calculated as the sum of liquid metal cost, casthouse cost, casting losses, site overhead cost, freight cost, interest on work in progress, margin cost and head office cost.

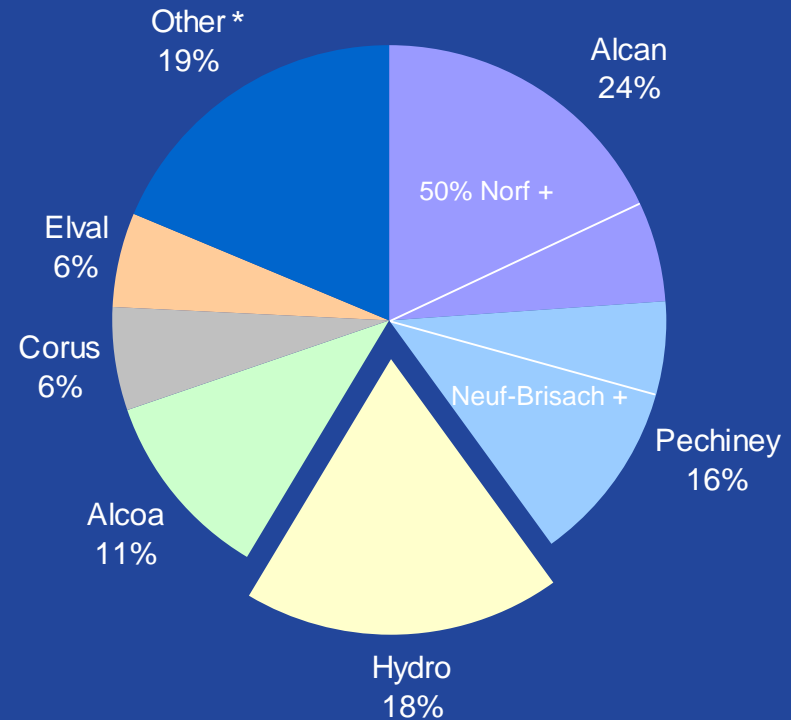
Source: CRU. Assumptions LME 2002: USD 1364. USD/NOK 2002: 7.98

Rolled Products: Further industry restructuring

- Industry returns in Europe has been low for many years
- Capacity utilization at < 80%
- Industry restructuring continues

Market shares Europe 2002

Total sales 3,520 kt

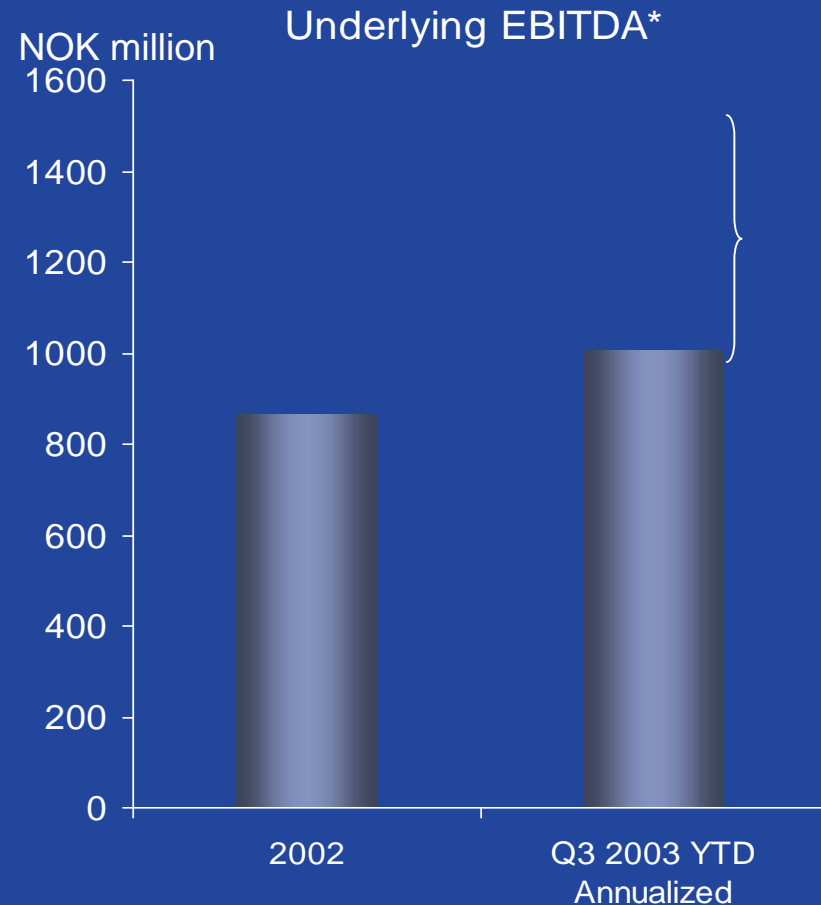


* Others include imports

Source: EAA, Hydro Aluminium estimates

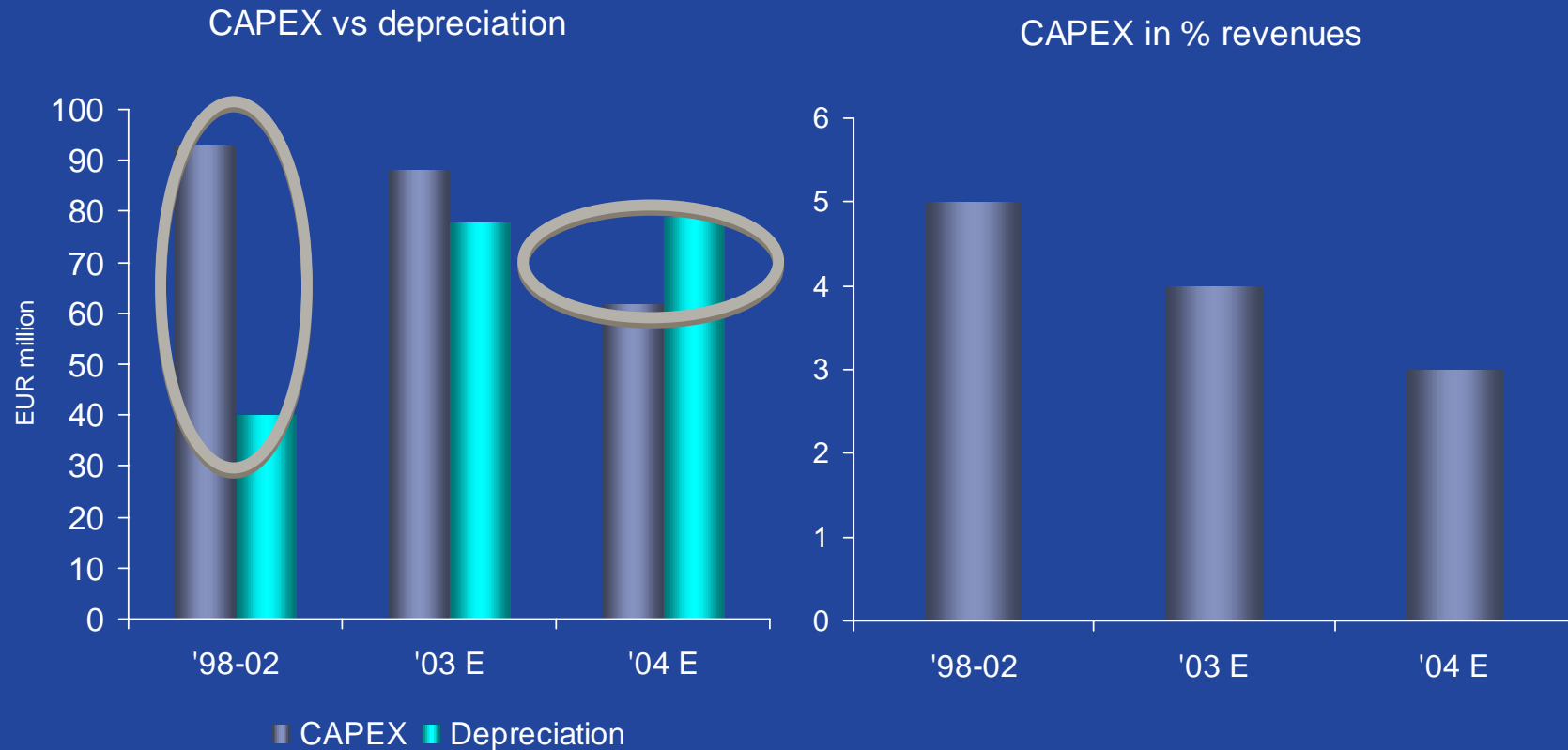
Rolled Products: Closing the performance gap

- Improve relative cost position
- Optimize production system
- Continue to grow in high-margin segments
- Expand product offerings – commercial and technical services
- Stronger focus on margins



*) For explanation of adjustments to underlying EBITDA see appendix

Rolled Products: Improved net cash flow ahead



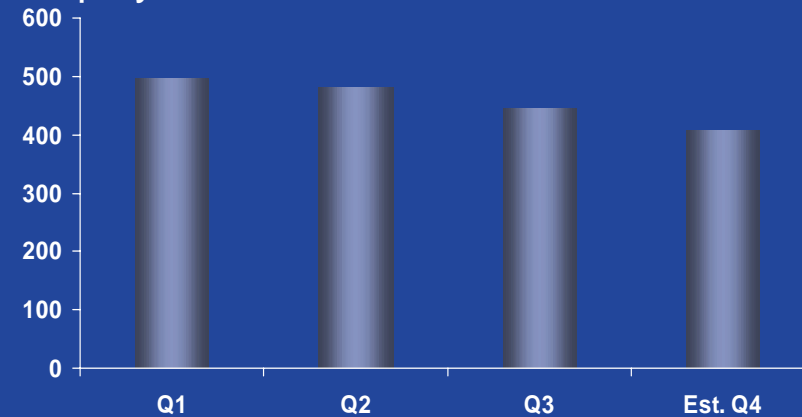
Historical figures: Hydro + VAW consolidated
CAPEX for VAW acquisition excluded



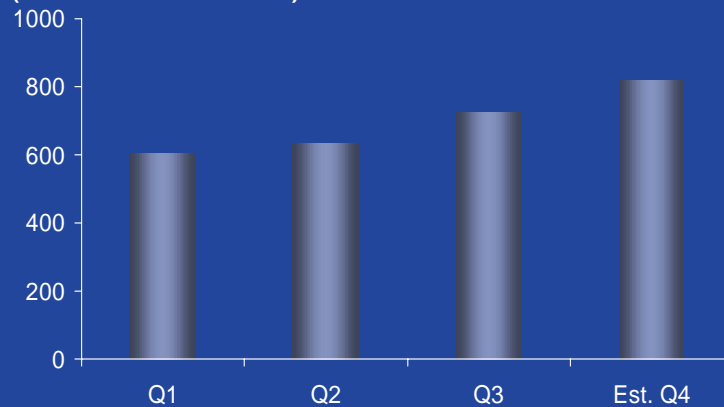
Rolled Products: The Holmestrand turnaround

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

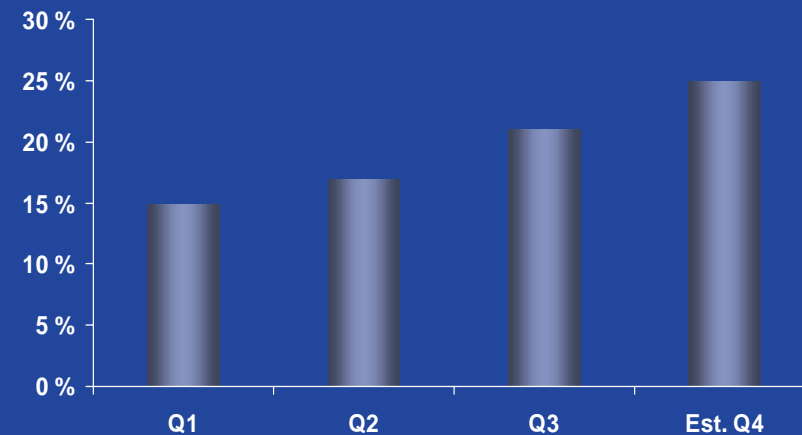
Employees



Thin gauge mill productivity
(meters/minute)



Heat exchanger & foil – share of production



Extrusion and Automotive segment

Extrusion



Revenue: NOK 12.5 bn

Above profit target

Selective growth

North America



Revenue: NOK 5 bn

Below profit-target

Gap to be closed through continued operational improvement, volume growth and improved product mix

Automotive



Revenue: NOK 7.5 bn

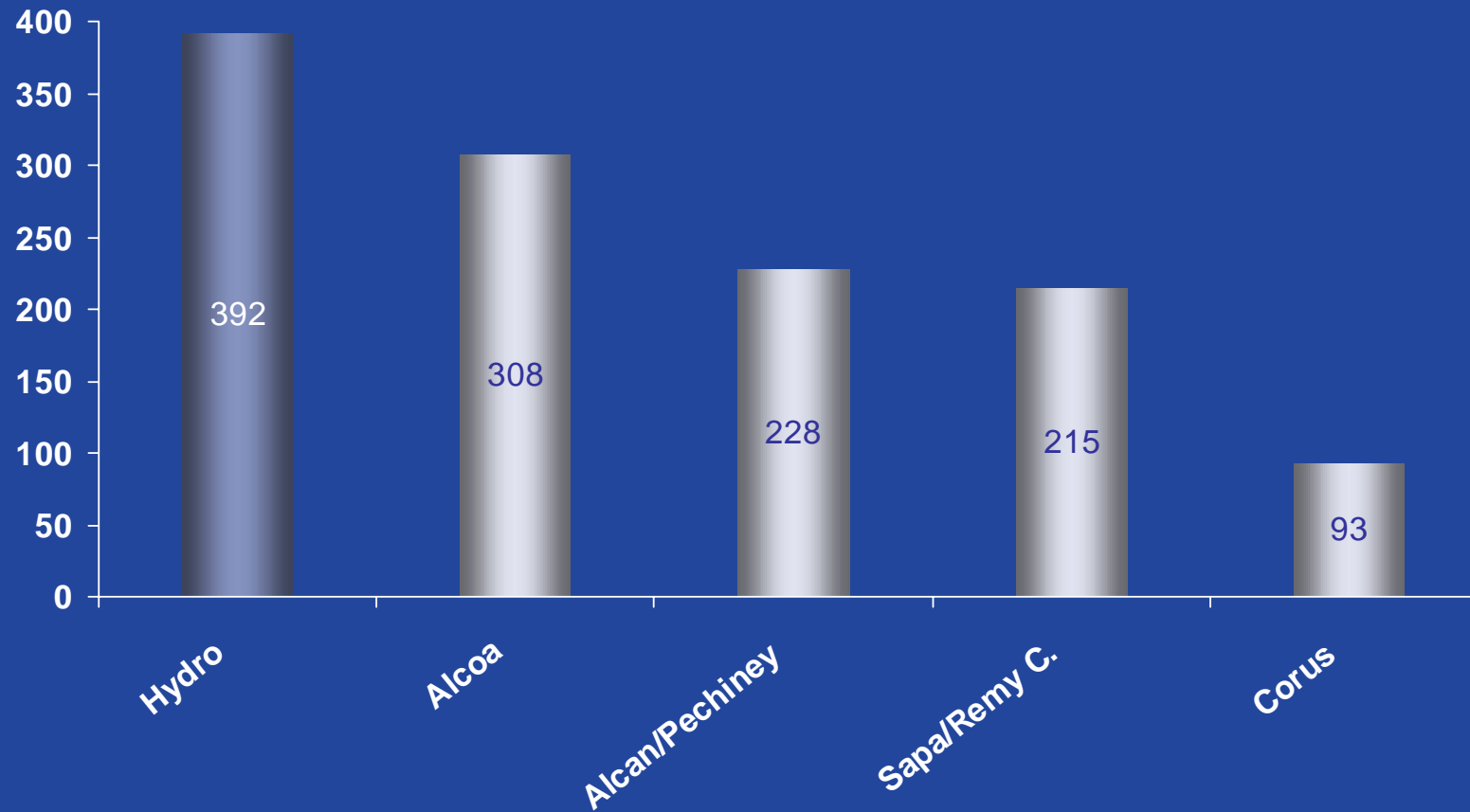
Below profit target

Improving: Gap to be closed through cost improvements, focused portfolio and selective growth

Turnover is Q1 – Q3 2003 annualized

Extrusion: Leading in Europe

Sales, 1 000 tonnes



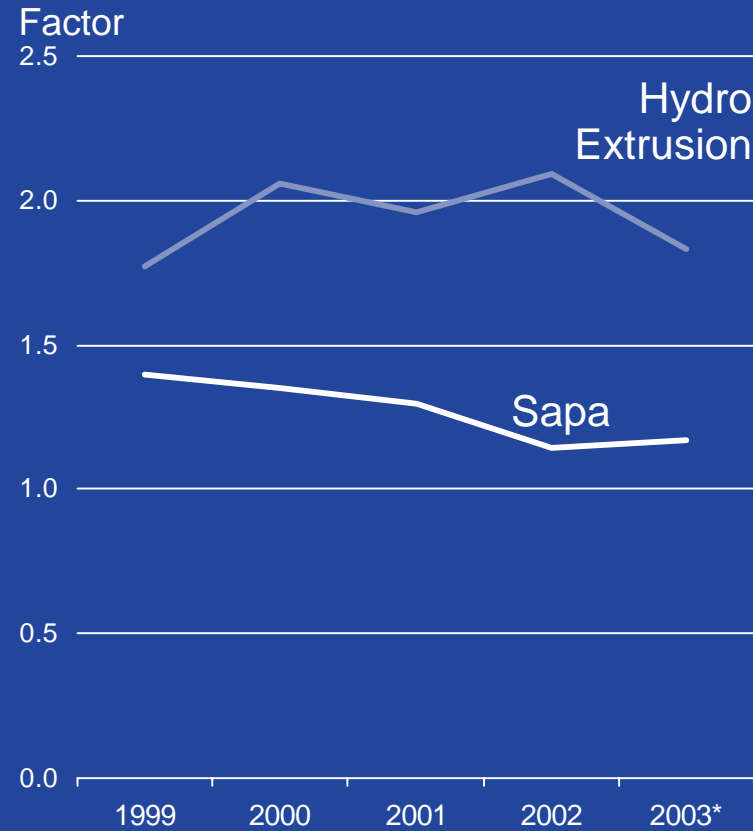
Estimated for Western Europe based on figures from 2002.

Proforma figures for Sapa/Remy C. and Alcan/Pechiney. Includes extrusions in Automotive

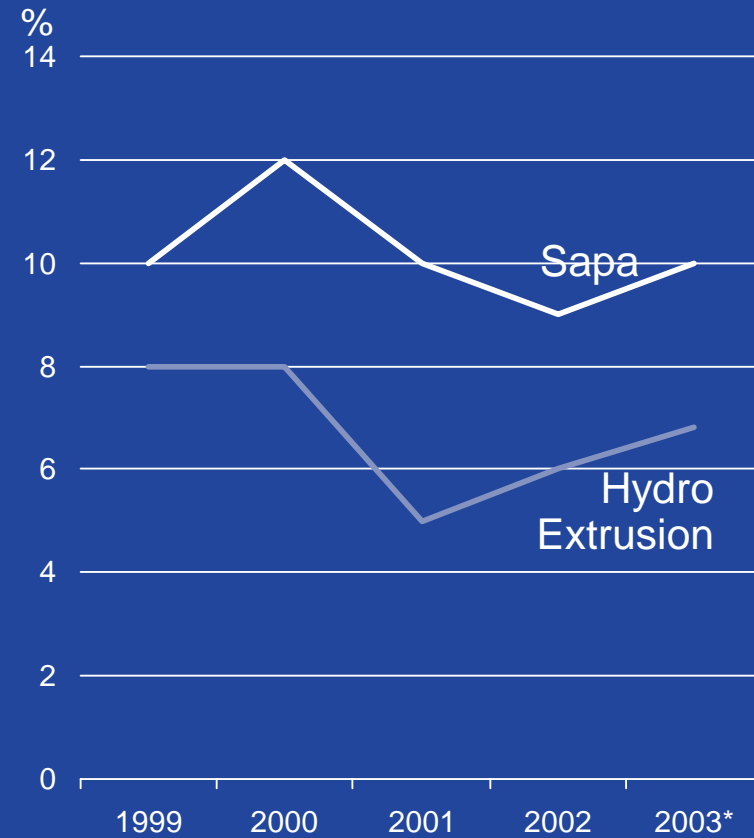
Source: Annual reports, Hydro estimates, CRU, Alken

Extrusion Sector: High capital turnover – attractive profit

Revenues / Gross Investments



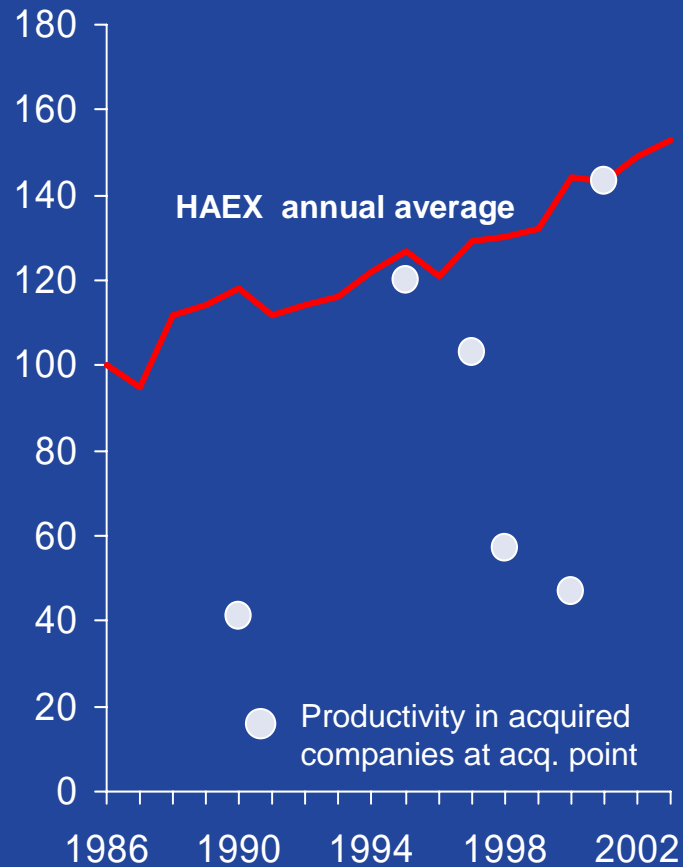
EBITDA / Revenues



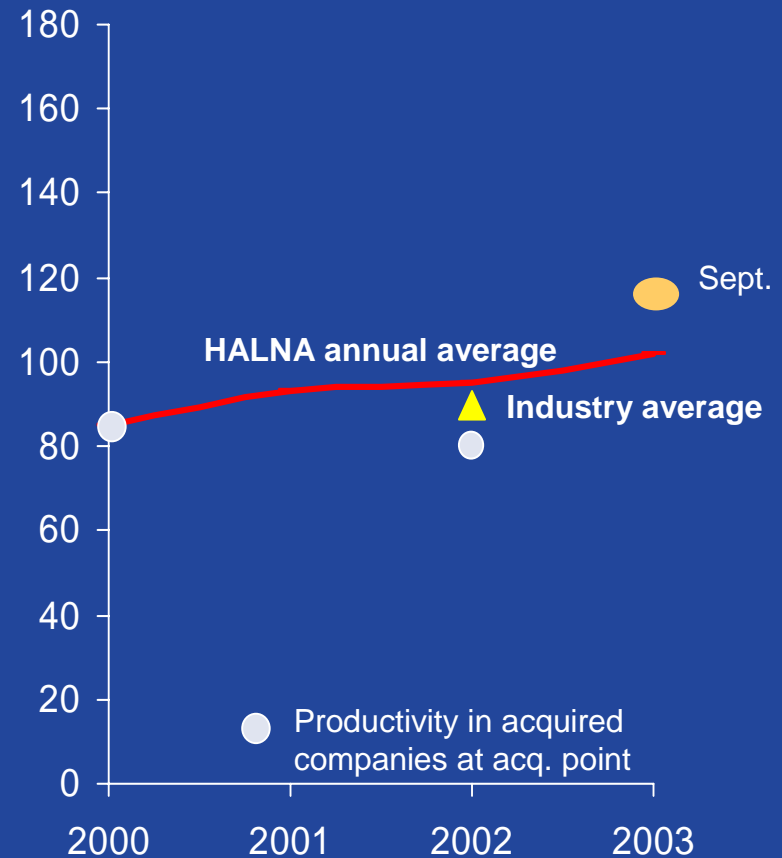
Source: Company reports. Hydro estimates. Proxy figures where needed to get comparative figures.
*2003 3Q YTD figures

Operational excellence – best practice deployment

Extrusion Europe & South America
Kg/presshour (index, 1986=100)

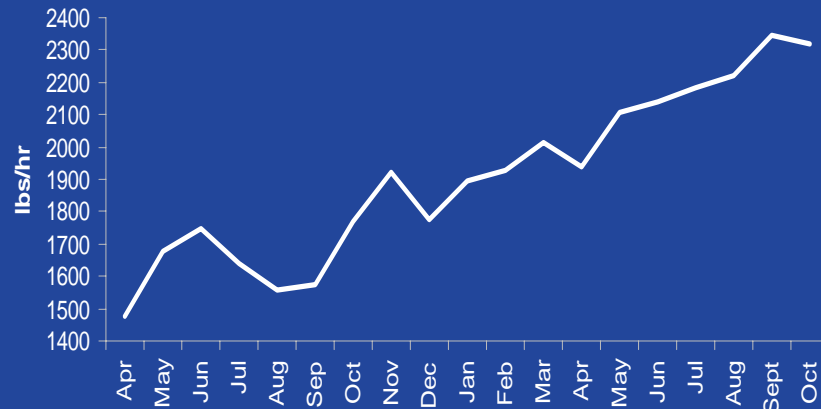


Extrusion North America
Kg/presshour (index, European 1986=100)



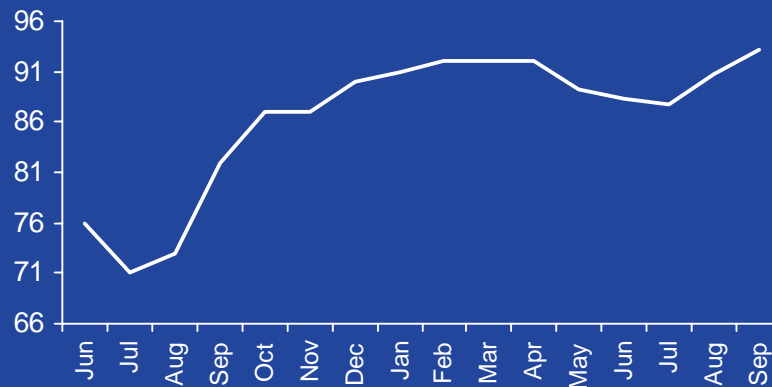
North America: Closing the performance gap

Press productivity

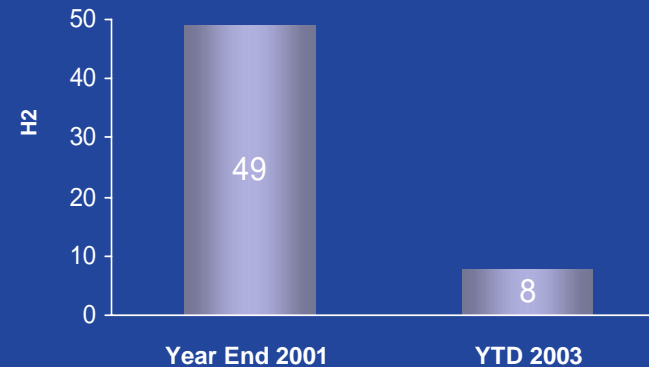


- Closed plant
- Closed presses
- Fewer shifts
- Operational improvement

On time delivery, %



Safety – TRI rate



Automotive: Closing the performance gap

Precision tubing (NOK 2 billion revenues)

- Continue to grow – small niches with strong positions
- China – new plant to be built in 2004

Casting (NOK 2.8 billionn revenues)

- Completion of new production line in Dillingen (G) for diesel engine (2004)
- Restructuring
 - Low cost Mexico and Hungary
 - Restructuring Leeds

Structures (NOK 2.7 billion revenues)

- Ramp up ongoing – still high cost
 - Strong improvement from 2002, ambition to close gap by 2005
- High quality asset base and leading competence
- Focus portfolio to niches with strong positions
 - Strong volume growth ahead based on existing contracts

Priorities for Hydro Aluminium

- Continue to improve our competitive position in a market with strong growth expected
- Relentless focus on cost reductions throughout the value chain
- Improve relative cost position primary - execute on large projects
- Strengthen European leadership - exploit the global platform
 - Differentiation – selected segments
- Strengthen our unique portfolio profile
 - Metal products, extrusion value chain, selected rolled segments
- Active portfolio management



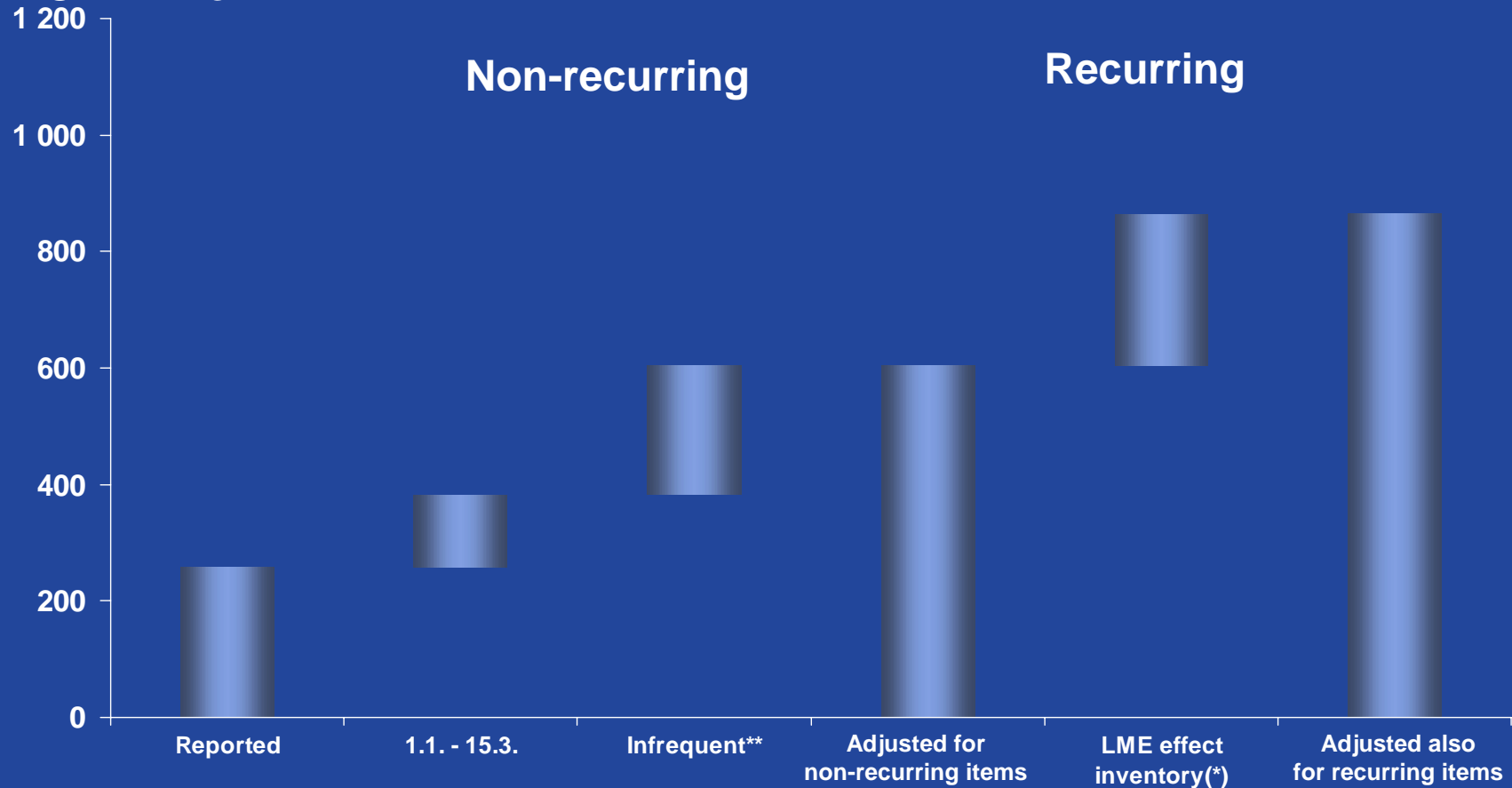
Hydro Aluminium



Appendix

Rolled Products underlying EBITDA 2002

NOK million



*) Inventory losses from falling metal prices

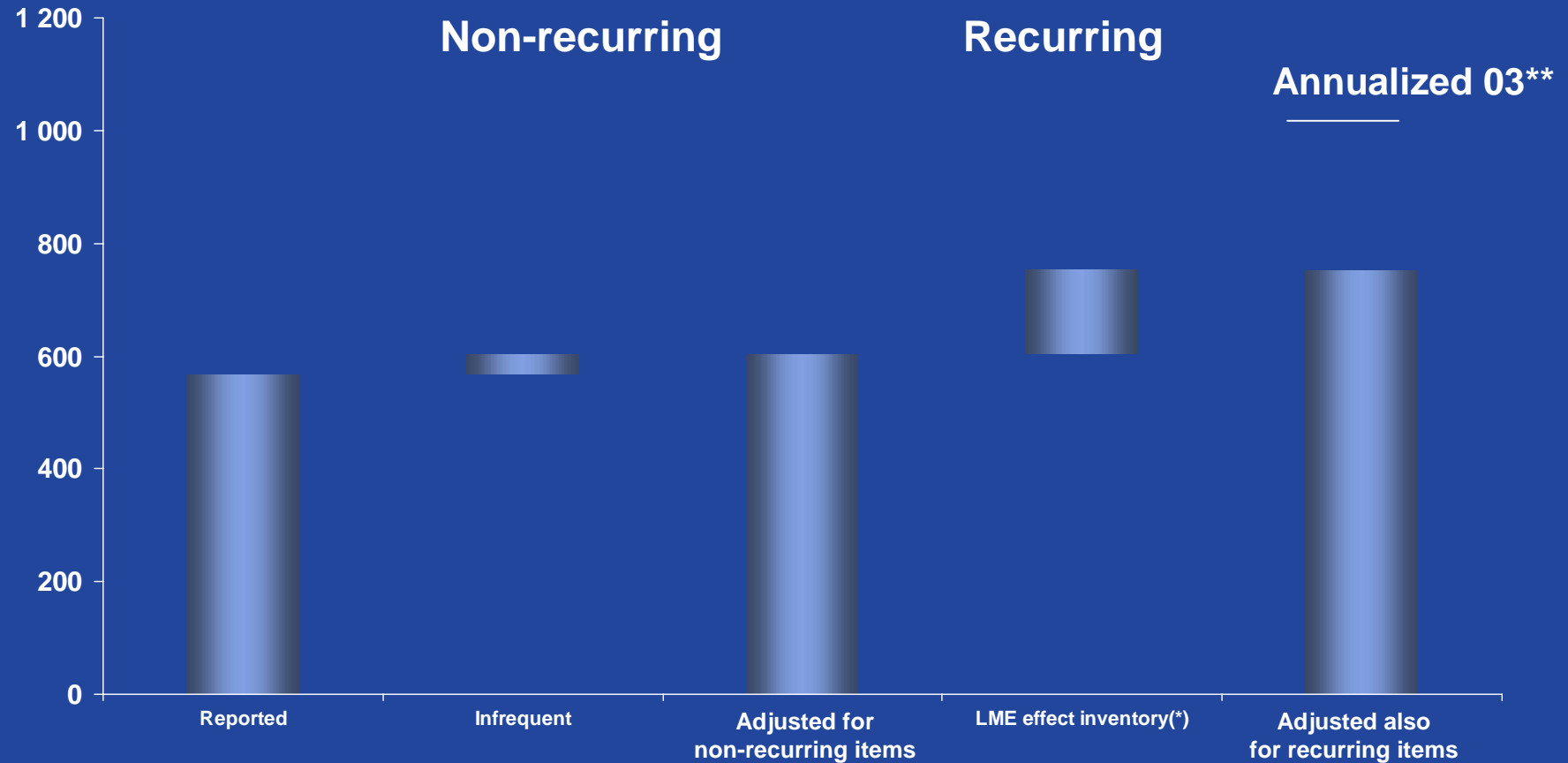
***) Infrequent items mainly include items related to VAW integration (inventory adjustment to fair value, integration cost and rationalization)



HYDRO

Rolled Products Underlying EBITDA 2003 YTD

NOK million



^(*) Inventory losses from falling metal prices

^(**) YTD Q3 * (4/3)



HYDRO

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).