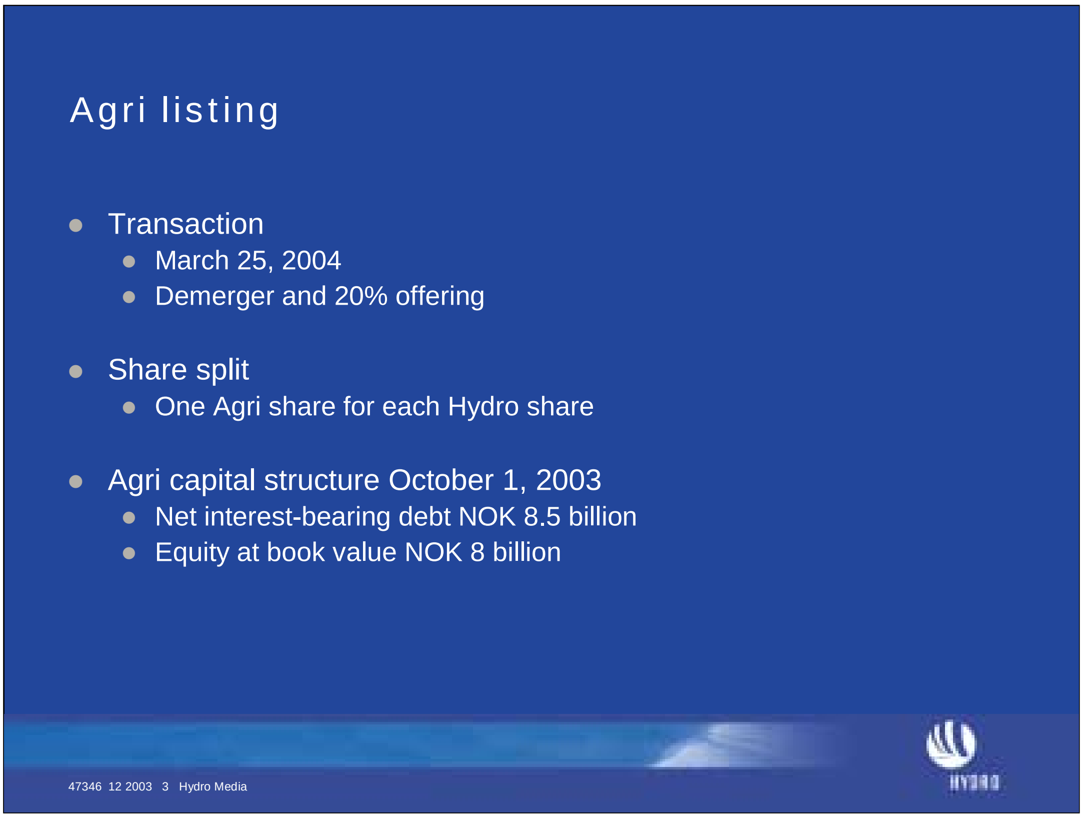
John O. Ottestad
Executive Vice President and CFO

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



- Hydro‘s Board of Directors have recently decided to recommend to Hydro’s shareholders that Hydro demerge its Agri business. The Demerger Information Memorandum was published on 1st December 2003. An Extraordinary General Meeting will be held on 15th January 2004, where Hydro’s shareholders will vote on the proposed demerger of Agri.
- Agri is planned to be listed as a separate company on the Oslo Stock Exchange (OSE) on 25th March, 2004. On this date Hydro’s shareholders will receive 80 percent of Agri in the form of one share in Agri for each share they hold in Hydro. Hydro will hold the remaining 20 percent of the shares, which Hydro plans to sell at the time of the demerger, subject to market conditions. The chosen structure of a demerger allows for a transfer of most of Agri’s value directly to Hydro’s shareholders. Hydro’s offering of the remaining 20 percent of Agri’s shares will contribute to effectively position the new company in the capital markets.
- Agri will start out with a capital structure of NOK 8.5 billion in net interest-bearing debt and approximately NOK 8.0 billion in equity at book value. This capital structure combined with Agri’s cash generating abilities and the suggested authorisation to issue 15 million shares, is regarded to give Agri sufficient financial strength to pursue Agri’s strategic plans. Hydro will not participate in funding of Agri.
- Further details about the proposed transaction structure and Agri can be found in the Demerger Information Memorandum.

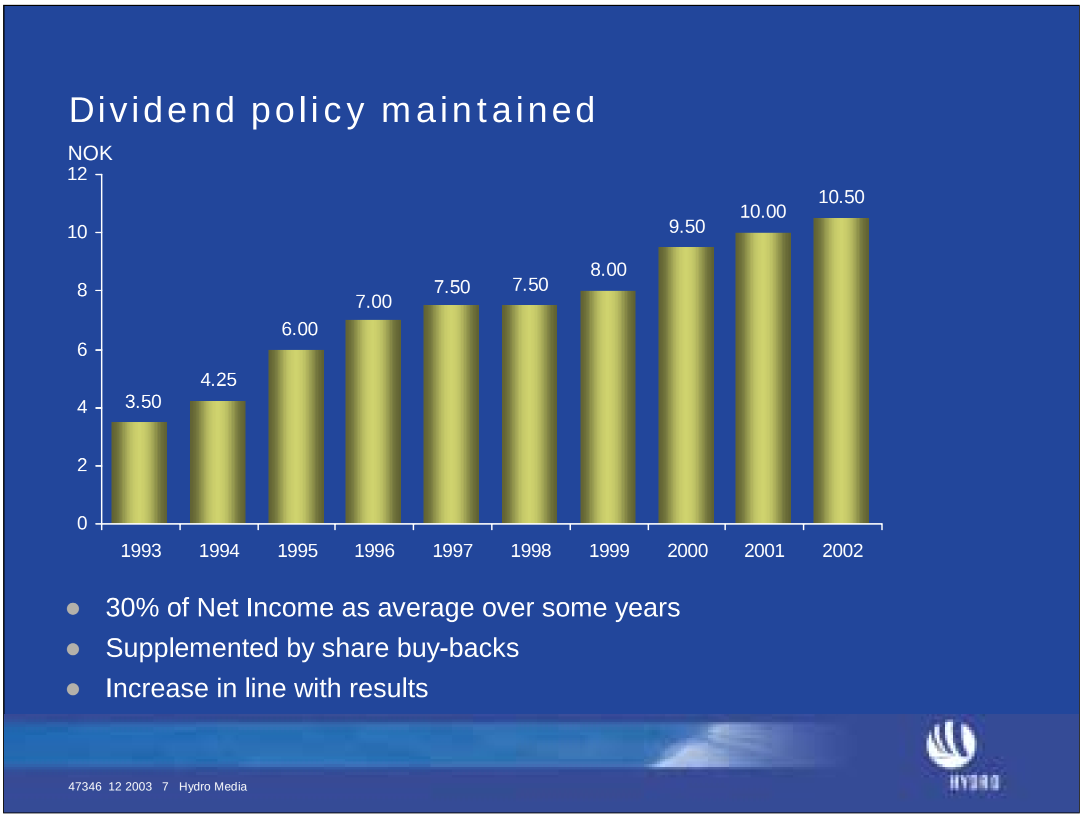
- Proceeds from Agri, cover the NOK 8.5 billion net interest-bearing debt allocated to Hydro Agri as of 1st October 2003, and any proceeds from the sale of Hydro’s remaining 20 percent ownership interest.
- Beyond funding of the ongoing investment program within Oil and Energy and Aluminium, proceeds from the Agri separation will be used to finance dividend payments and share repurchases, according to existing shareholder policy, as well as debt reduction. The effect of exiting Agri on Hydro’s future cash generation and ability to maintain financial strength have to be taken into account when balancing between payments to shareholders and debt reduction.
- Hydro’s present credit rating is: “A” with negative outlook from Standard & Poor's and “A2” from Moody’s. Hydro’s goal to maintain the “A”/”A2” rating is not changed by the Agri exit. This is motivated by risk assessments, maintaining a financial preparedness, access to capital markets and bond holder considerations.

- Financial solidity is calculated as interest-bearing debt less cash and cash equivalents and other liquid assets divided by shareholders' equity and minority interest. Commitments such as operating leases and pension obligations not recorded on the balance sheet have until 2002 been insignificant. Following the acquisition of VAW, changes in the market value of invested pension assets and interest rates, the net unfunded pension liabilities increased significantly during 2002.
- Consequently Hydro has decided to include operating lease commitments and net unfunded pension liabilities when assessing financial solidity as these commitments are debt-like in nature. The forward bar shows the impact on the financial solidity metric when operating leases and net pension liabilities are taken into account. When assessing financial capacity and solidity, Hydro pays due regard to these commitments and any other items not recognized on the balance sheet.
- Hydro has chosen a method similar to that of Standard & Poors' for calculating the value of operating lease commitments and pension liabilities to be included as debt-like instruments in net interest-bearing debt. This includes discounting the operating lease commitments with a 10% discount rate and determining a net pension liability at fair value after deduction for future expected income tax benefits.
- Despite that net-interest bearing debt has increased as a result of the new definition, Hydro is committed to maintaining the same ratio of 0.5 to Equity going forward.
- As of 30 September, 2003 the adjusted net interest-bearing debt to adjusted equity was 0.39. However, a tax payment of approximately NOK 7 billion was due 1st October 2003. If the solidity metric had been adjusted for the high cash position as of 30 September, 2003 caused by the tax payment due on 1st October in order to make it more comparable to current tax payable situation at year-end, the solidity metric would have been 0.48.

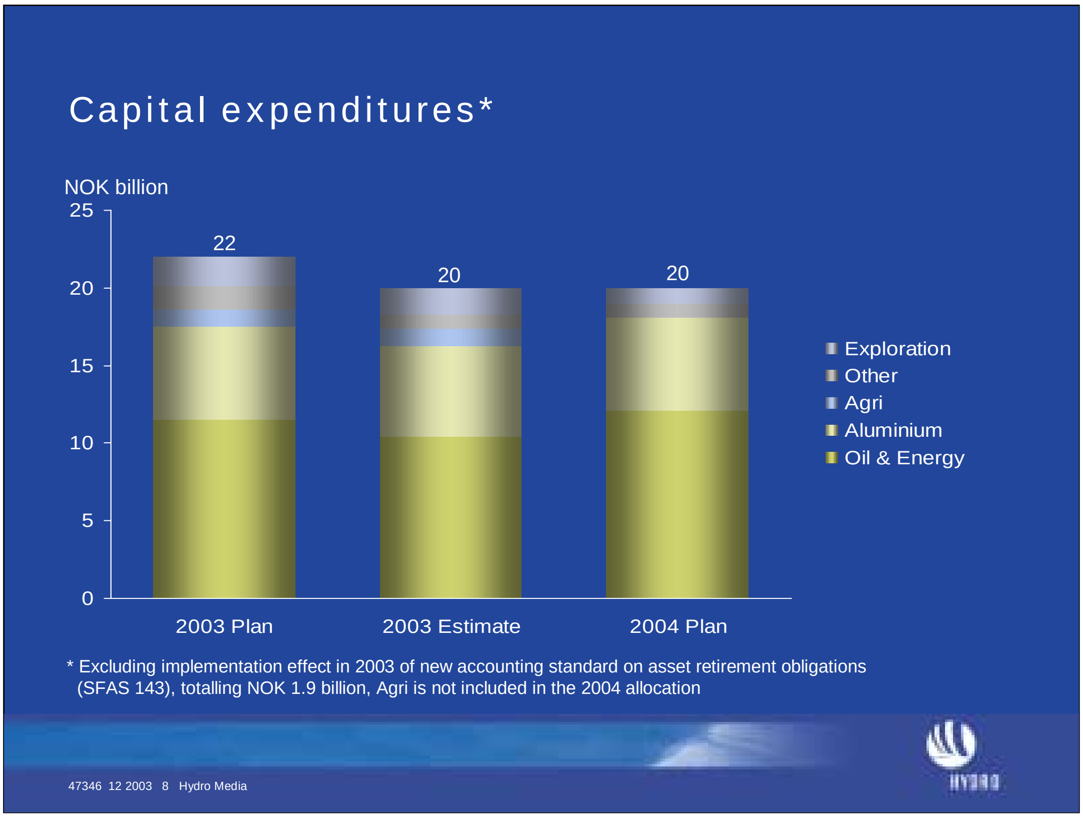
Pension liabilities – 2003 development

- 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

- Hydro expects that the pension costs for 2003 to be in line with the previously disclosed estimate of NOK 2.4 billion. A new estimate for pension costs for 2004 will be disclosed as part of the presentation of Hydro's fourth quarter results in February 2004.
- During 2003 the long-term interest rates have continued to fall compared to the 2002 level. At year-end the assumptions currently employed for calculating pension costs and liabilities will be revised. A reduced long-term interest rate implies a lower discount rate and consequently a higher pension obligation. Hydro undertakes, at the end of each financial year, a thorough evaluation of the other assumptions used, such as the "Expected return on pension assets" and "Rate of compensation increase". A revised set of assumptions at year-end 2003 will have no effect on the 2003 pension costs, but will first materialize in the 2004 pension costs. The fair value of pension plan assets and pension obligations calculated according to the revised assumptions will be disclosed in Hydro's Annual Report for 2003 as part of the Notes to the consolidated financial statements.
- As a sensitivity guidance, Hydro has estimated that the 0.5% reduction in long-term interest rates (assuming no changes in the other assumptions used for calculating the pension obligations) will increase its pension obligations at fair value by approximately NOK 2.5 billion
- When Agri is listed as a separate company it will assume responsibility for approximately NOK 2 billion in net pension liabilities. As the main principle, all liabilities and assets related to current Agri companies will be transferred as part of the separation. This also includes liabilities related to early retirement and post-retirement medical benefits.



- Shareholder policy as described in Hydro's annual report for 2002 will be maintained after exiting Agri.
- It is a target for Hydro to have a stable increasing dividend per share in line with growth in results. Growth in earnings, however, in the short to medium term will be impacted by the separation of Agri.
- Share buy-backs will be used as a supplement to dividend payments.
  - At the Annual General Meeting in May 2003 Hydro was authorized to buy back 5 million shares. The Norwegian State agreed to participate proportionally. This means that up to 2.8 million shares may be bought in the market. So far, 53 percent of this authorization has been utilized. These shares will be proposed cancelled at the Extraordinary General Meeting in January 2004.
  - Hydro was also authorized to buy back 5 million of the company's own shares at the Annual General Meetings in 1999 and in 2000. These authorizations have been fully utilized.
  - After the proposed cancellation of treasury shares and the cancellation of a proportional part of the State's shares, Hydro will have a total of 8.4 million treasury shares. In total, including the proposed cancellation, Hydro has spent NOK 4.5 billion on share buy-backs. (1999: NOK 1,599 million, 2000: NOK 763 million, 2001: NOK 1,155 million and 2003: NOK 1,000 million)

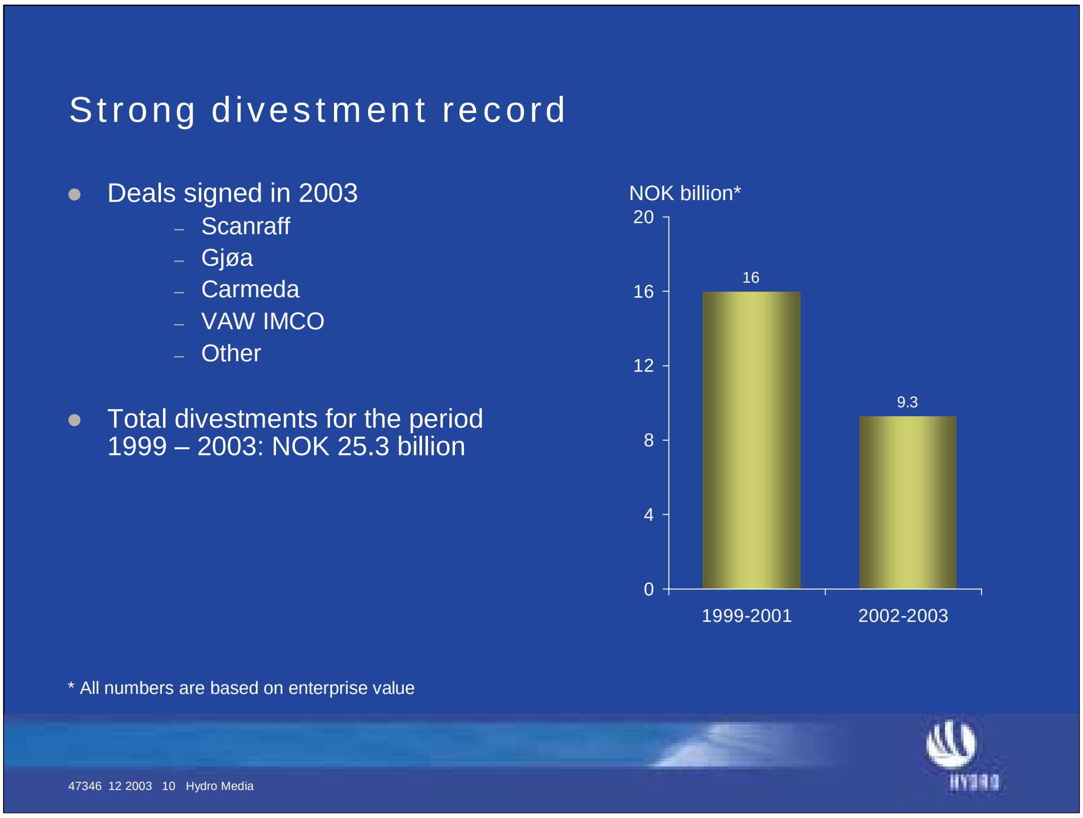


- The original capital expenditures plan for 2003 amounted to approximately NOK 22 billion, including exploration activities. Projects such as Grane and Fram Vest have been completed below planned costs. In addition certain projects in Oil & Energy have been postponed to 2004, and exploration activities in 2003 have been taken down compared to plan. The NOK/USD exchange rate has also influenced the capital expenditures positively. Hence total capital expenditures and exploration activities for 2003 are expected to amount to approximately NOK 20 billion (including the implementation effect of new accounting standard on asset retirement obligations (SFAS 143) of NOK 1.9 billion).
- For 2004 total capital expenditures, including exploration activities, but excluding Agri, has been set at approximately NOK 20 billion. Of this NOK 1 billion is related to exploration activities. Aluminium will continue with an investment level in 2004 of approximately NOK 6 billion, whilst investments in Oil & Energy will be approximately NOK 12 billion, up NOK 2 billion compared to 2003.
- All new investment projects must satisfy Hydro's minimum return requirement of a real Internal Rate of Return (IRR) after tax of 10 percent with the following assumptions:
    - Oil USD 16.0/bbl
    - Aluminium USD 1,400/tonne
    - USD/NOK 8.0

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

- The coming years Hydro has committed capital to several large high quality investment projects in Oil & Energy and Aluminium.
- In Oil & Energy the main focus in Norway will be on the Ormen Lange project. The plan for development and operation has recently been submitted and production is scheduled to start in October 2007. Several contracts for the projects have already been awarded. Internationally the main investment projects are the Dalia and Rosa fields in Angola.
- Within Aluminium the expansion at Sunndal, creating Europe's largest primary aluminium smelter, will be completed in 2004 ahead of schedule and below budget. Furthermore the expansion of the part-owned primary aluminium smelter, Alouette in Canada, continues in 2004. When completed Alouette will be among the top 10 percent of low-cost smelter capacity in the world. In Brazil Hydro is taking part in the next expansion project at the Alunorte alumina refinery, in which Hydro has a 34 percent ownership interest. Alunorte has one of the lowest conversion costs in the industry and the expansion project will further improve Hydro's alumina cost position.
- All the mentioned projects show robust profitability against Hydro's return requirements.



- For the period 2002 to 2003 Hydro has divested or entered into agreements to divest assets totalling NOK 9.3 billion. This has been accomplished in a period where the financial markets have been weak, and obtaining a satisfactory price has therefore been challenging.
  - Flexible Packaging NOK 3.2 billion
  - Scanraff NOK 1.8 billion
  - Gjøa NOK 0.2 billion
  - Various E&P assets NOK 0.6 billion
  - Treka assets NOK 2.6 billion
  - Carmeda NOK 0.2 billion
  - VAW IMCO NOK 0.2 billion
  - Other NOK 0.5 billion
  - EBITDA for divested assets was approximately NOK 800 million for the last year (2001 or 2002) owned by Hydro prior to the year of divestment.
  - Signed deals in 2002 amount to NOK 6.4 billion
  - Signed deals in 2003 amount to NOK 2.9 billion
  - After tax gain for deals completed or signed in the 2002-2003 period is approximately NOK 1.5 billion
  - Hydro remains committed to its strategy of selling, fixing or closing down underperforming business units.

- CROGI (Cash Return on Gross Investment) has been Hydro's financial metric since 2000. CROGI is a cash based return metric and has proved to be of significant value during the Agri turnaround and the integration processes in Aluminium. When Agri is listed as a separate company, a larger share of Hydro's earnings will come from the Oil and Energy activities. In the oil industry most companies use RoaCE (Return on average Capital Employed), and in the future Hydro will use this return metric.
- RoaCE facilitates benchmarking with Hydro's peers. It is however important to note that RoaCE is, as all other financial metrics, influenced by a company's accounting principles and can result in significant differences when comparing RoaCE for different companies. This is particularly important when comparing companies with an active acquisition history.
- Although RoaCE is a metric that will be used to measure and follow up overall financial performance, its introduction will not change Hydro's financial steering model. Hydro will still focus on cash generation through asset productivity, capital discipline and reductions in operating capital. Hydro is committed to its 10 percent internal rate of return after tax (IRR) requirement for new 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

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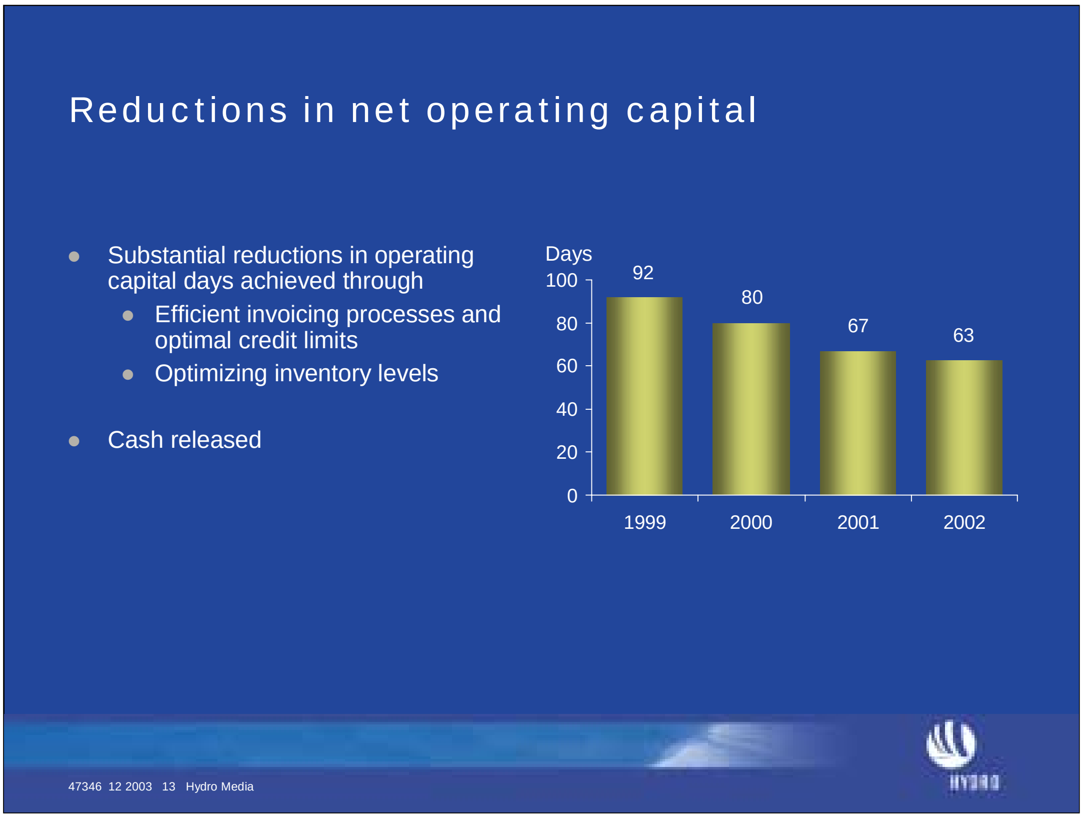
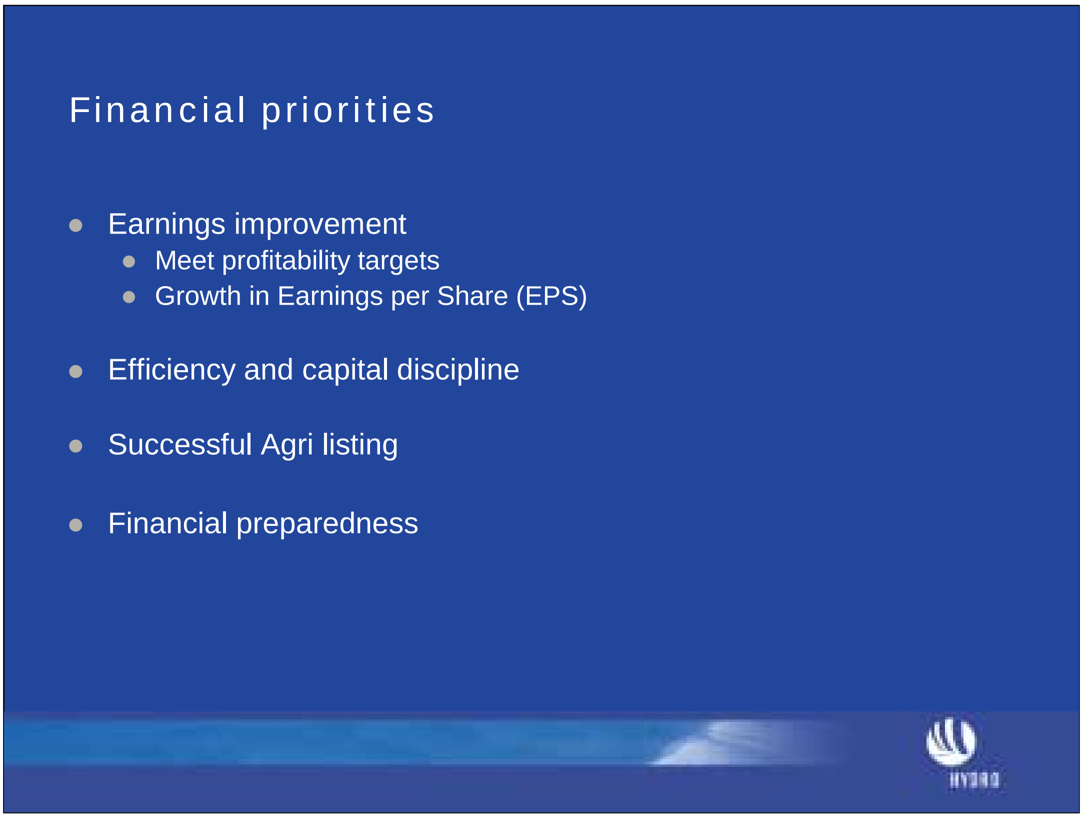
- Hydro has over the last 4 years achieved significant manning reductions and cost reductions in its operations. This has been accomplished through major programs such as the Agri Turnaround and Magnesium restructuring, but also through continuously adjusting manning levels to the activity level in the Company. The table above gives a summary of some of the accomplishments. Annual cost savings also include improvements not related to manning reductions shown in the left column. Thus there is not a direct link between manning reductions and cost savings.
- Hydro’s acquisition of Saga Petroleum in 1999, and the following integration of the two companies, resulted in manning reductions of approximately 800 and annual cost savings (gross) of approximately NOK 1 billion.
- Oil & Energy transferred the operatorship for the Tampen area to another operator at the end of 2002. In addition to other demanning initiatives this contributed to the savings achieved compared to 2002.
- The Agri turnaround has been successfully completed resulting in fixed cost savings and a reduction in manning of approximately 30 percent.
- Aluminium are on track towards completing the improvement programmes initiated as a results of the Magnesium restructuring and the VAW acquisition, by the end of 2003. This is expected to result in annual cost savings of approximately NOK 2.5 billion compared to 2001. Furthermore Aluminium have, on an ongoing basis, reduced manning and increased cost efficiency which are not included in the table above.
- Hydro Business Partner is a shared service provider, and the corresponding savings have continuously been distributed back to the business areas. Thus the cost savings have been reported as improved financial results for the business areas.
- Cost savings generated in Oil & Energy and Hydro Business Partner are partly allocated to Hydro's partners on the Norwegian continental shelf. Hence Hydro does not benefit from 100% of the savings
- 2004 priorities:
    - Further improve operational performance in Aluminium
    - Adapt Oil & Energy organisation to forecasted activity level and increase efficiency
    - Streamline Corporate governance and business support functions after the Agri listing
    - Focus on continuous improvements in all parts of the organisation, not only large scale initiatives



- Net Operating capital is defined as Accounts Receivable plus Inventories less Accounts Payable
- Net Operating capital days is defined as Net operating capital multiplied by 365 divided by Operating revenues



- Going forward improved earnings in terms of meeting return targets and bottom line growth have top priority.
- Meeting the financial targets require:
  - Operational efficiency
  - Excellent investment execution
  - Portfolio pruning
  - Capital discipline
    - New investments need to meet demanding return requirements in addition to strategic fit
    - Under-performing units will be turned around or exited. Non-core assets will be divested.
- Preparing for a successful listing of Agri will still have full attention
- Hydro will continue to prioritize a strong financial position.

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

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- The table above gives an indicative overview of the impact on Hydro's earnings as a result of changes in certain commodity prices and the USD/NOK exchange rate. All sensitivities are based on forecasted production and sales volumes for 2004.
- All estimated effects represent changes in one factor at a time, i.e. disregarding any correlation between the risk factors. For example the estimated USD effect assumes that the USD moves similarly against all currencies, i.e. all other currencies except the USD remain stable against NOK.
- Based on historic observations for the oil price and the aluminium price, the oil price varies more than the aluminium price, i.e the oil price is more volatile. Consequently price volatility in combination with exposure implies that changes in the oil price are more likely to have a significant impact on Hydro's earnings in the short-term compared to changes in the aluminium price.
- The USD exchange rate is another important risk factor, but Hydro's exposure to USD with relation to the oil and aluminium price is to a large degree mitigated by the fact that a large portion of Hydro's long-term debt is denominated in USD. The NOK/EUR exchange rate is of less importance.
- In general, however, a strengthening of the EUR exchange rate versus USD will reduce Hydro's competitiveness. Furthermore a strengthening of the NOK versus other currencies will reduce the competitiveness of Hydro's Norwegian operations and impact Hydro's earnings negatively.
- Hydro's policies as to price and currency exposure are:
  - To be exposed to oil and gas prices
  - To be exposed to aluminium prices
    - Except Sunndal expansion metal partly sold forward
  - To mainly use funding to hedge currency, but supplemented with currency derivatives.

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

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1) Net pension liability at fair value as reported in Hydro's Annual Report in the Notes to the consolidated financial statements
2) The net pension liability is reduced with an expected future income tax benefit, before the net pension liability is added to net interest-bearing debt. Hydro has chosen to use a 30 percent tax rate as a simplified assumption. This does not represent a forecast of expected income tax effects related to pension costs
3) Future operating lease commitments are disclosed in Hydro's Annual Report in the Notes to the consolidated financial statements
4) Shareholder's equity is reduced with the after tax net pension liability not currently recognized on the balance sheet. This number is equal to net pension liability at fair value less net pension liability recognized on the balance sheet plus any intangible asset recognized on the balance sheet in connection with pension. In addition the number is reduced with 30 percent tax before being deducted from equity.
5) For 30 September 2003 the adjustments are based on the off-balance sheet numbers as of 31 December, 2002.

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).

Analysis and evaluation of strategic options for the three business areas and for Hydro up to June 2003 found attractive business opportunities in all three of our business areas. Financial and managerial capacity constraints might limit possibilities for realizing these opportunities within the present corporate structure.

A decision was made to concentrate Hydro’s future development on realizing the many attractive possibilities for value creation in Oil and Energy and in Aluminium.

Both Agri and Hydro’s shareholders were found to be best served by having Agri develop its strong potential as a separate company.

With these decisions our ongoing discussions of the Group’s portfolio are completed. The decision to move ahead with Oil and Energy and Aluminium as the core business areas will stand and is not up for re-evaluation.