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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

Strong 2003 performance

	CMD Dec 2002	2003 Estimate
Production target	510 000 boe/day	525 000 boe/day
Operating cost (excl. exploration)	82 NOK/boe	On track
F&D costs (3 year average)	USD 5/boe	On track
RRR (3 year average)	140%	On track
CAPEX-level	NOK 11.5 billion	NOK 10.1 billion
Exploration level	NOK 1.9 billion	NOK 1.7 billion

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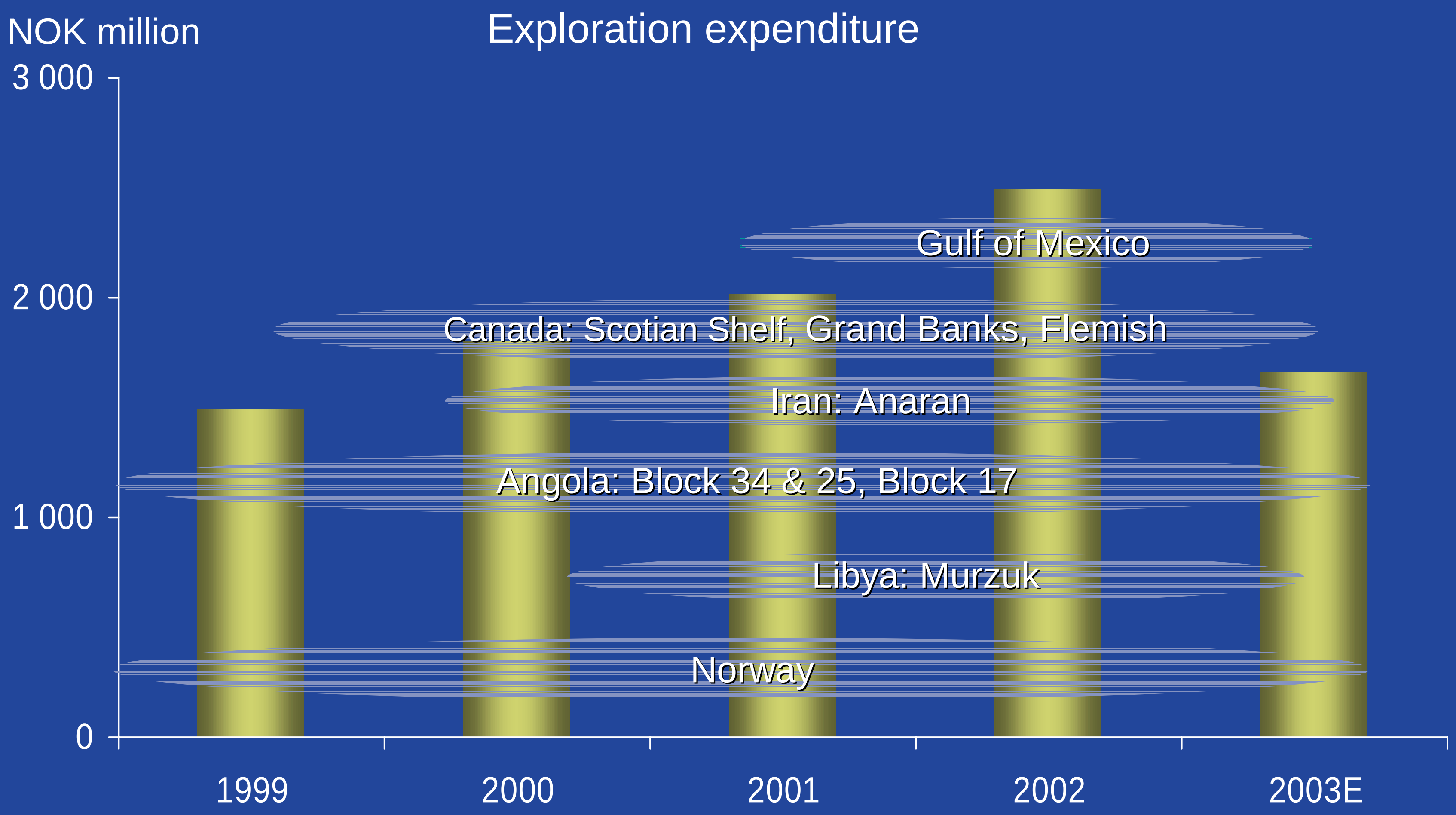
Exploration review

An examination of exploration



Excluding license acquisition costs

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

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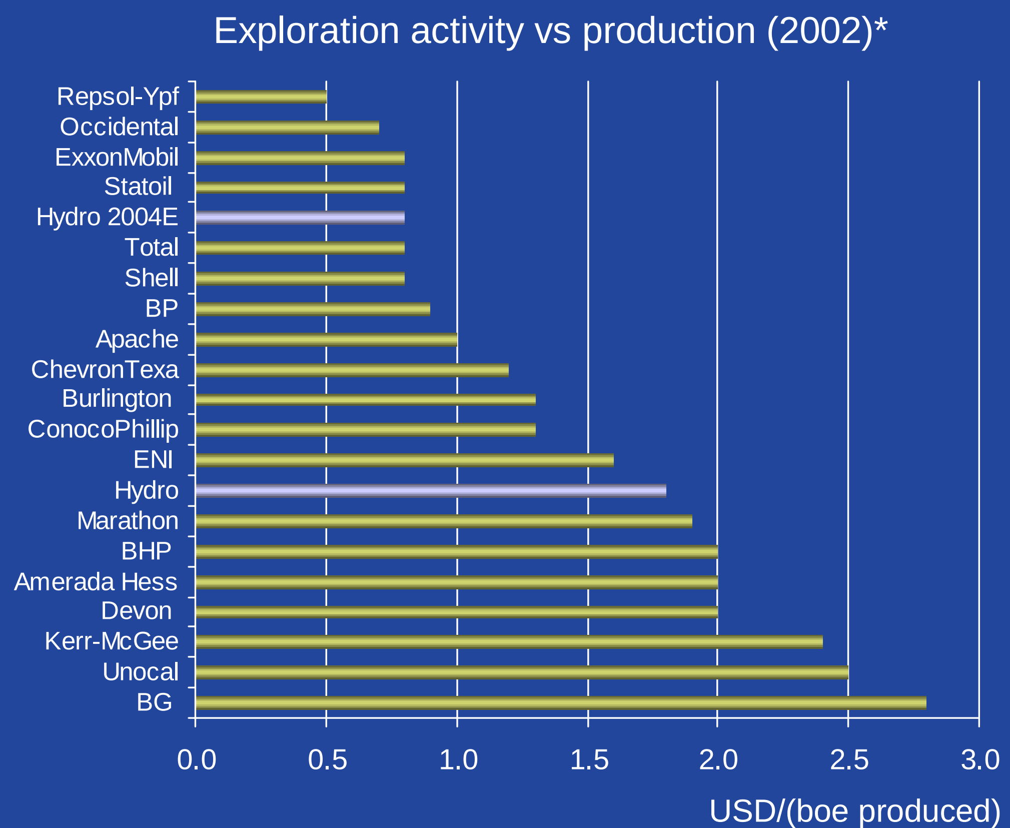
Exploration review - Main findings

- Portfolio
  - High reward portfolio, but too expensive and too high risk
  - Gulf of Mexico – underestimated drilling costs
  - Too high entry costs
- Organization
  - Need to centralize decision processes

Actions taken

- More centralized organization with world-wide responsibility
- Level of exploration reduced:
  - 2004(E): NOK 1 billion
  - Future: NOK 1.5 billion
- More emphasis on moderate risk/reward prospects and infrastructure wells
- Acquisition of resources more prominent, building on unique competence



* *Source: EvaluateEnergy*

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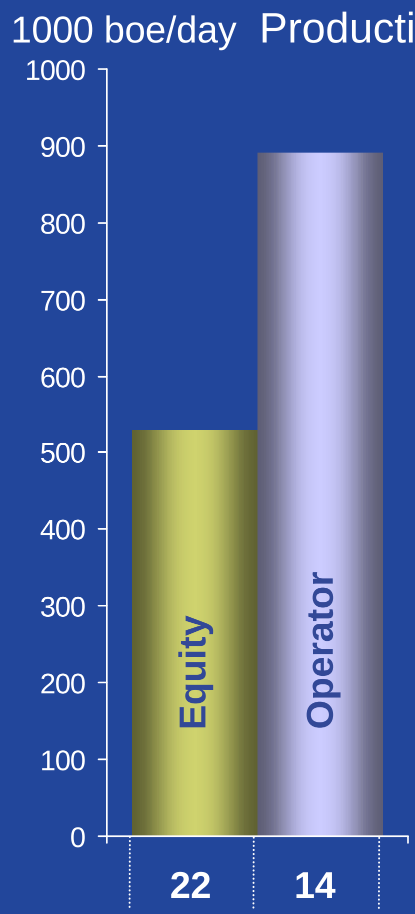
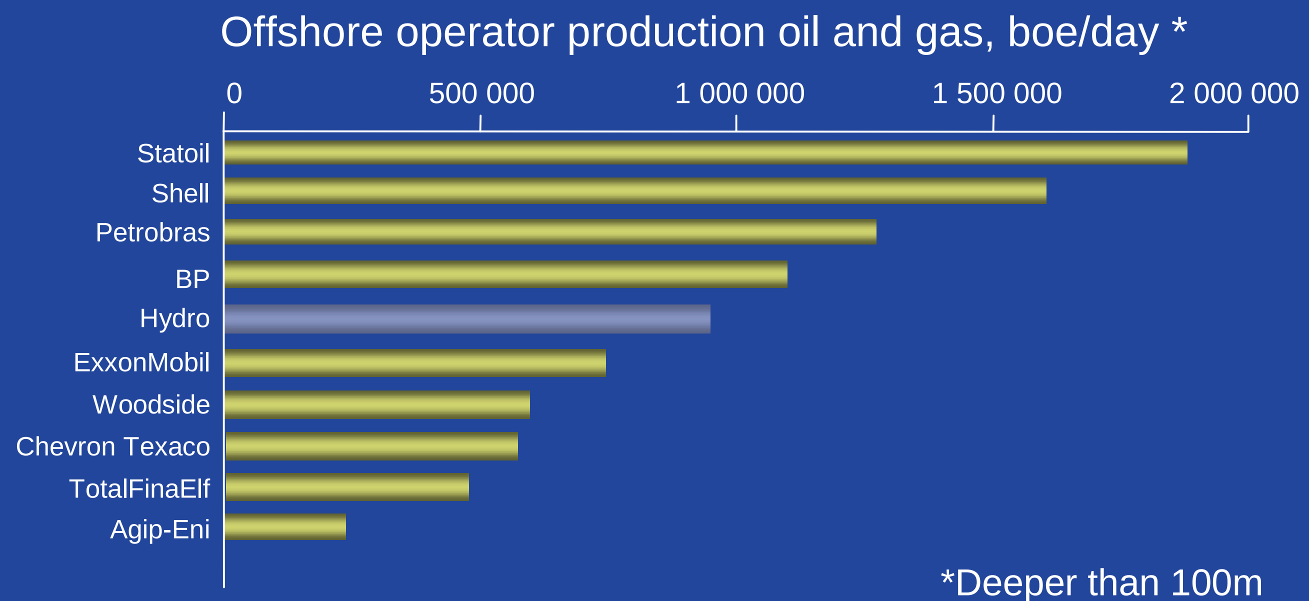
Building on our competence

Scale as operator is basis for competence





On&offshore: World-ranking (excl. national oil companies)

Source: Infield; McKinsey

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

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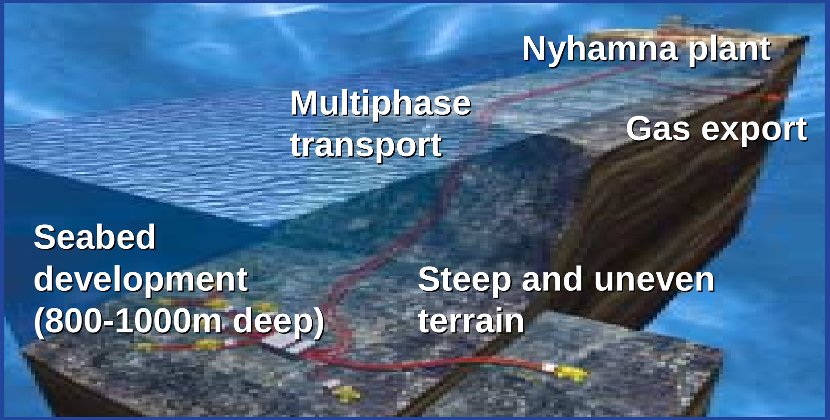
Ormen Lange – one of the world's most technologically challenging gas projects

- 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



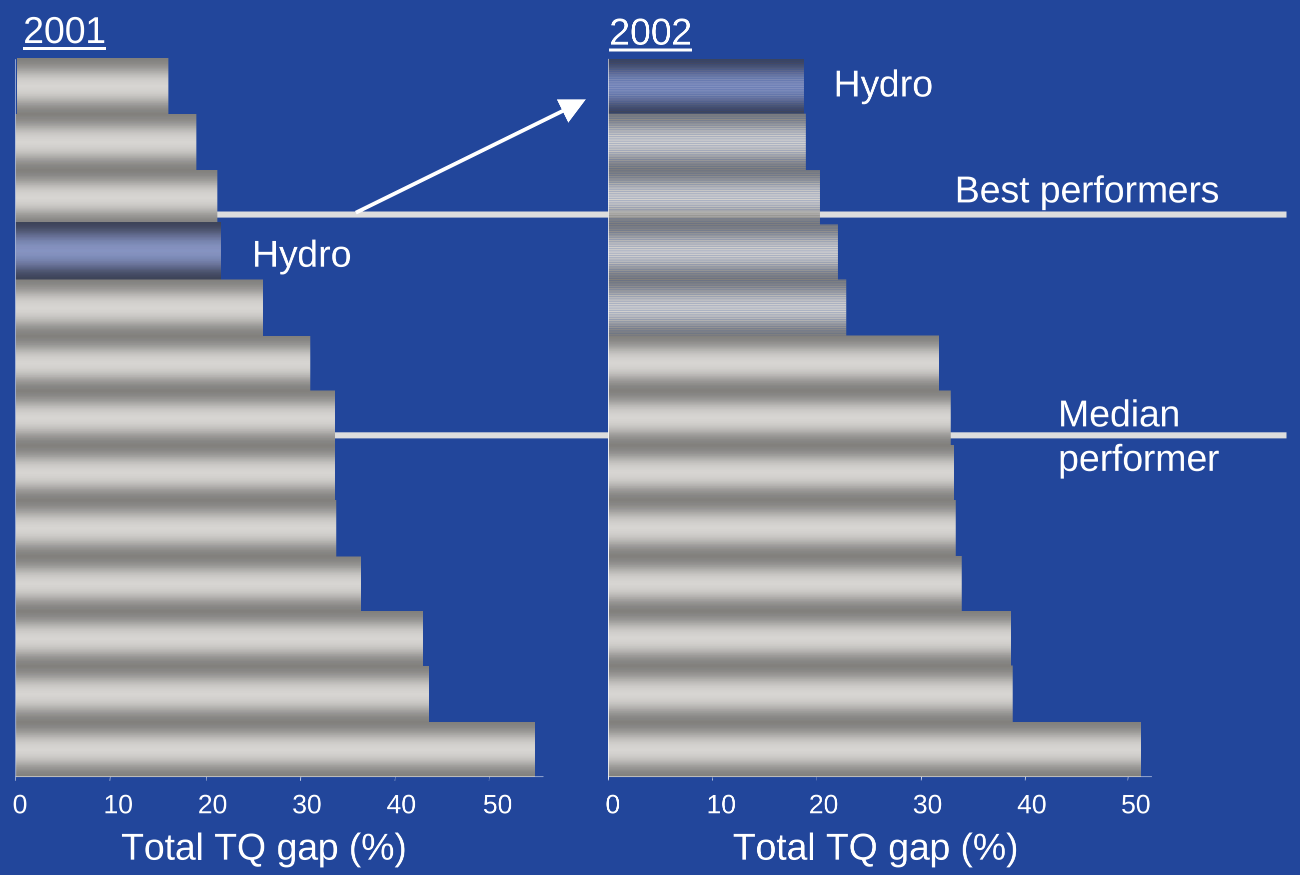
Recoverable Resources (100% field)

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

An efficient offshore operator

McKinsey Benchmark 2002 (Norway and UK North Central)

- Total manning in Oil & Energy cut from 4 600 to 3 800
- Continuous focus on improving work processes



Source: McKinsey 2002

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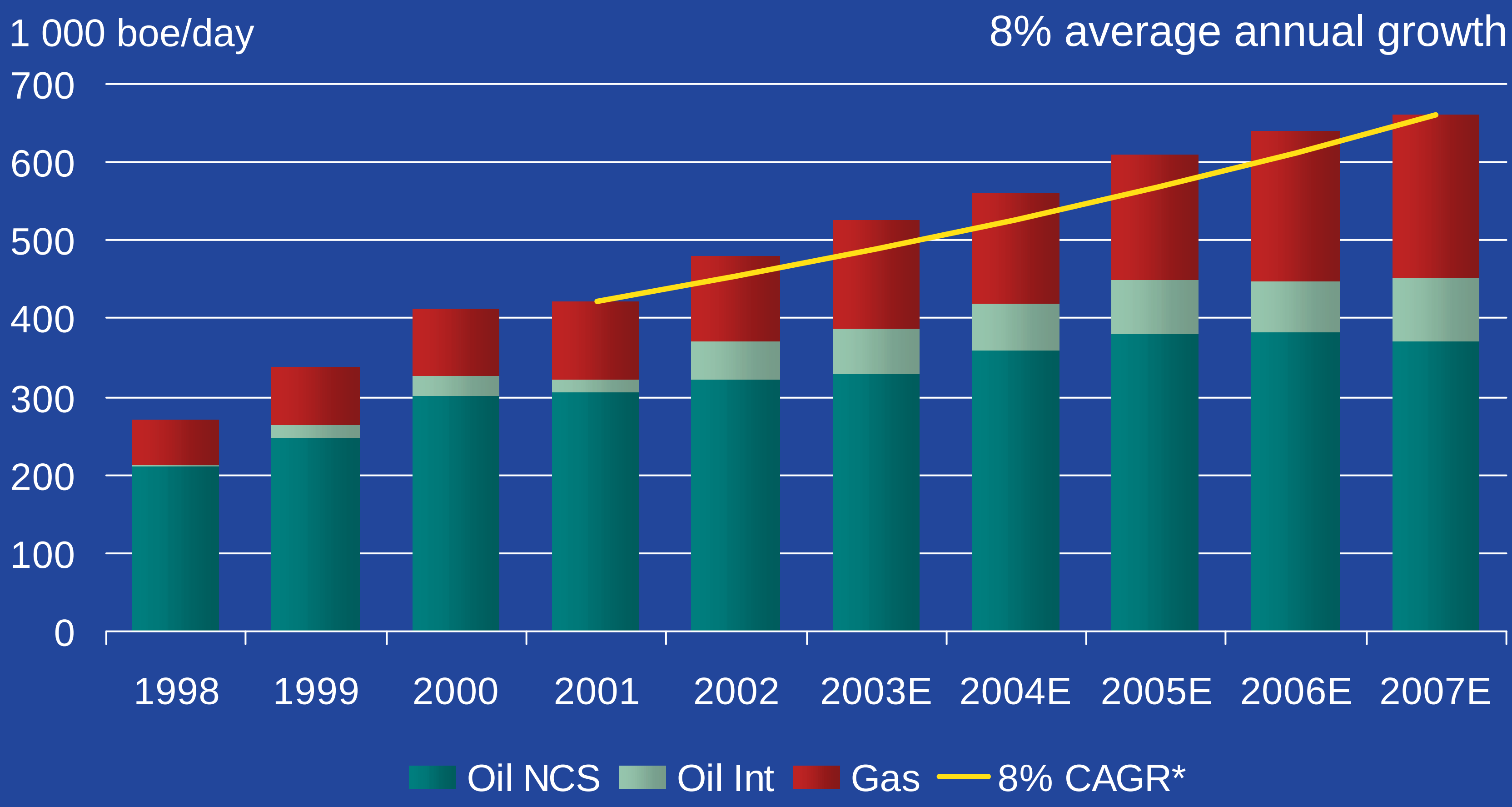
Basis for future production growth

Production continuing to grow strongly



* Compound Annual Growth Rate, 2001 baseline

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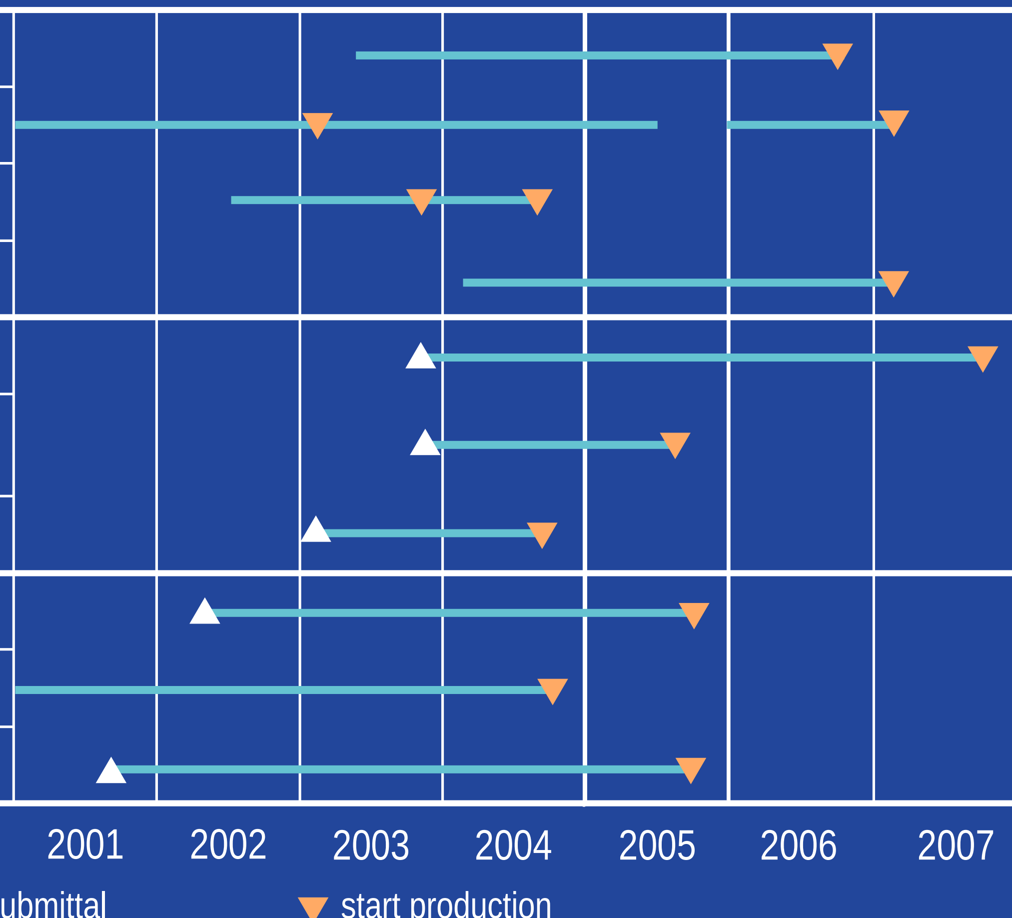
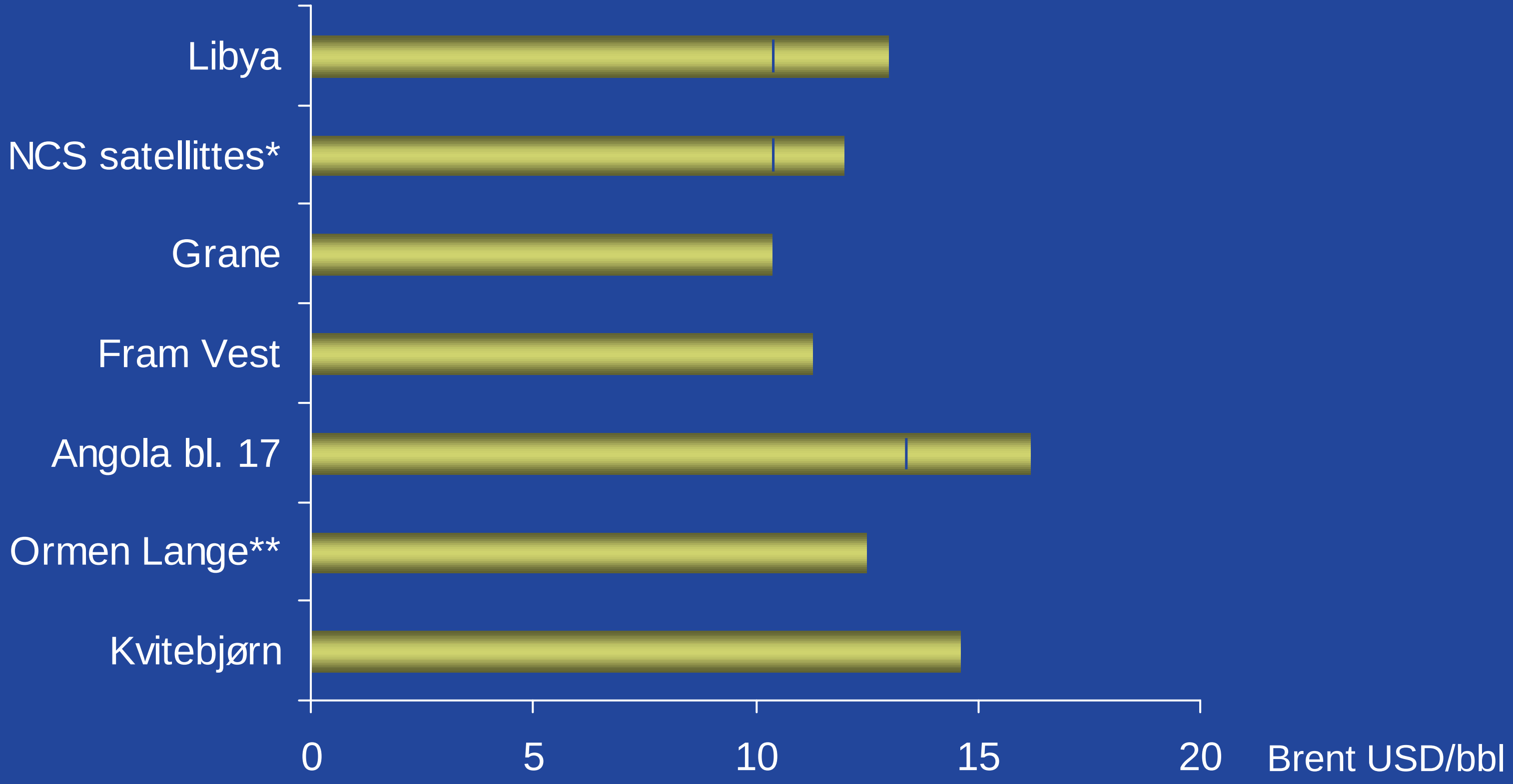
New fields onstream 2004 – 2007

	Hydro share	boe/day
International	Dalia	22 000
	Kharyaga 2+3	15 000 (phase 1-3)
	Murzuq	6 000 (A + D field)
	Rosa	13 000
NCS operator	Ormen Lange	70 000
	Oseberg Vestflanken	14 000
	Oseberg Sør J	7 000
NCS non-operator	Visund gas phase	17 900
	Kvitebjørn	25 000
	Kristin	28 000



Strong production growth based on attractive project portfolio

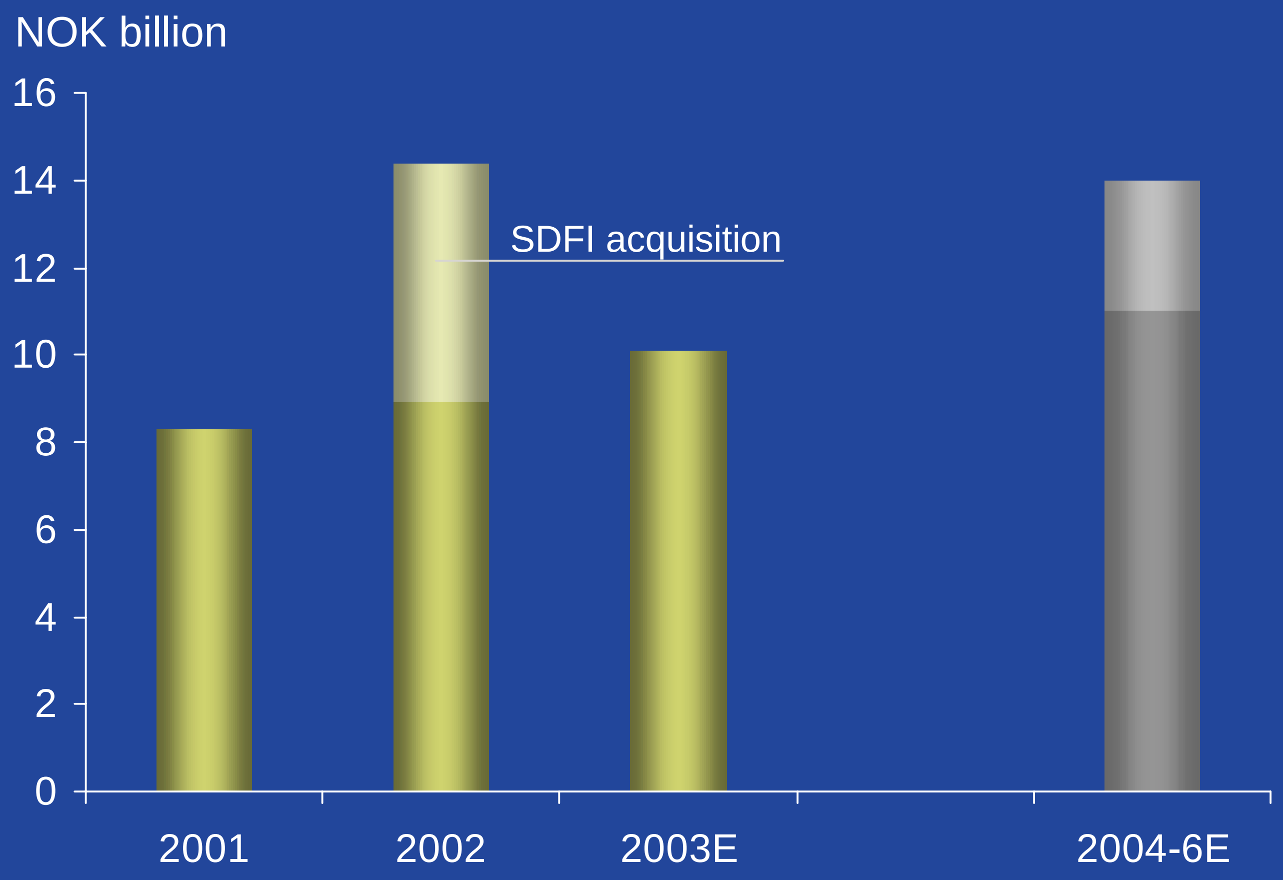
Oil price giving 10% real rate of return post tax



*NCS satellites – Vigdis extension, Mikkel, Oseberg Vestflanke, Visund gas export
**Equivalent to USD 1.7 / MMBtu

High investment level going forward

Annual investments O&E



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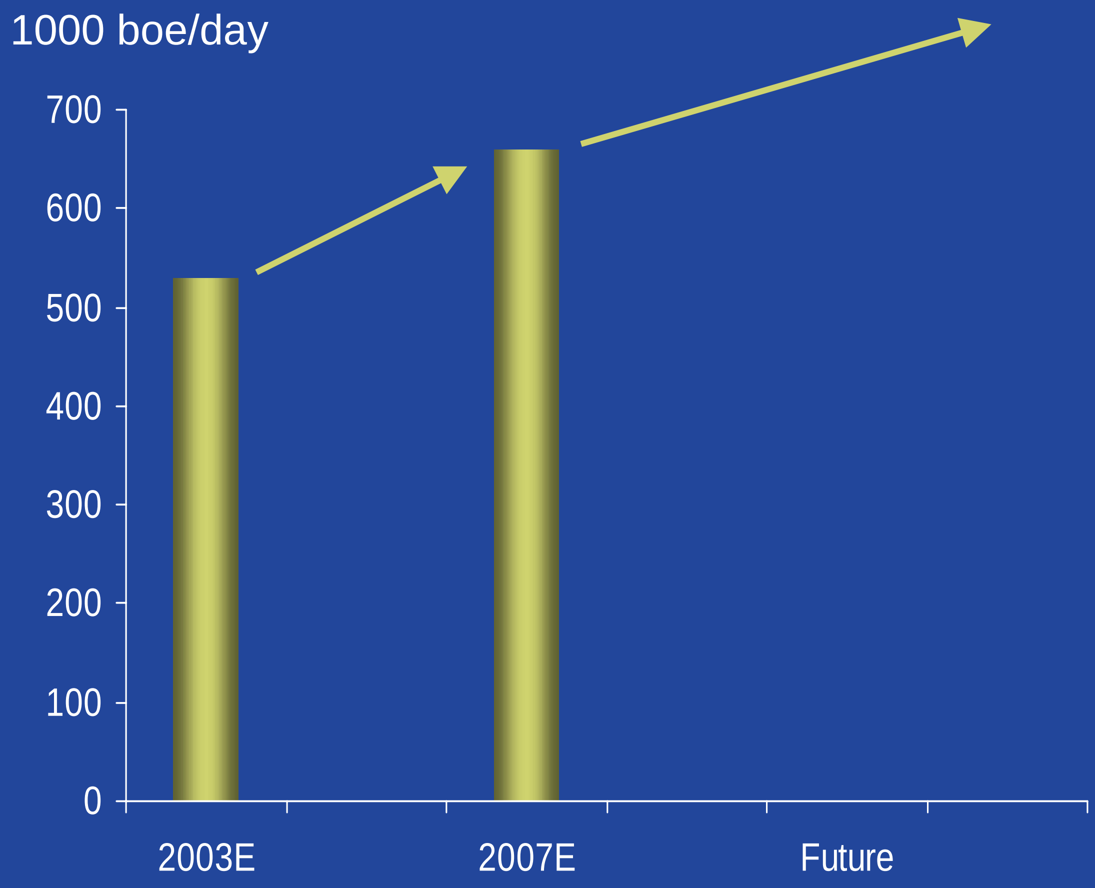
Production growth beyond 2007

Three sources
of longer term production growth

- Existing portfolio
  - Development projects
  - Increased oil recovery
- Exploration
- Acquiring resources



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

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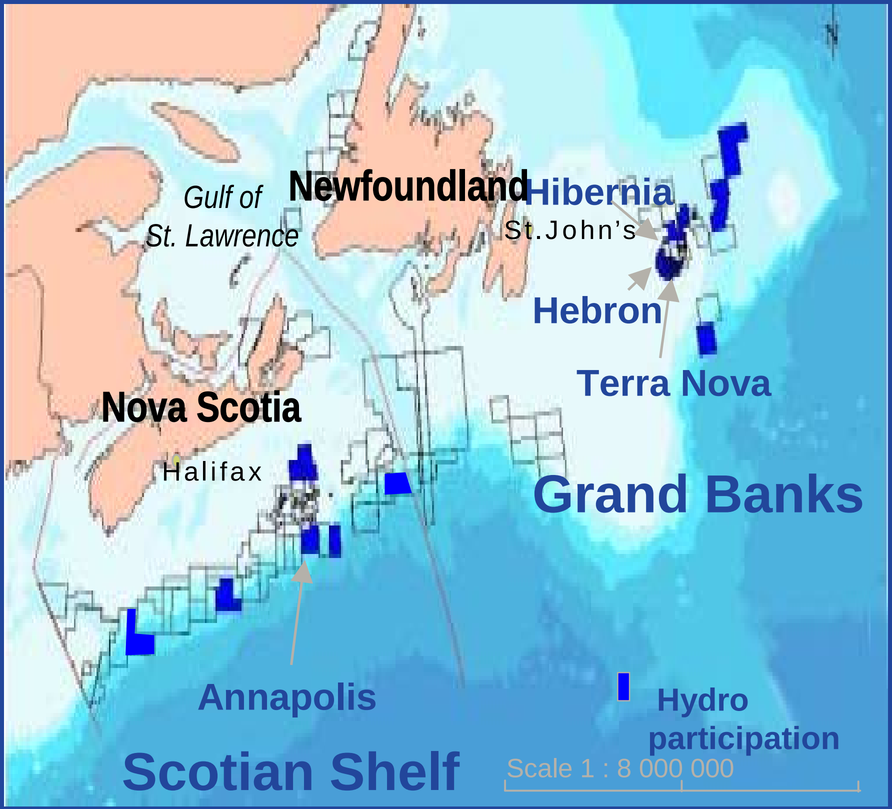
Canada – Development portfolio

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



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

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

Development opportunities

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

Gulf of Mexico

Libya

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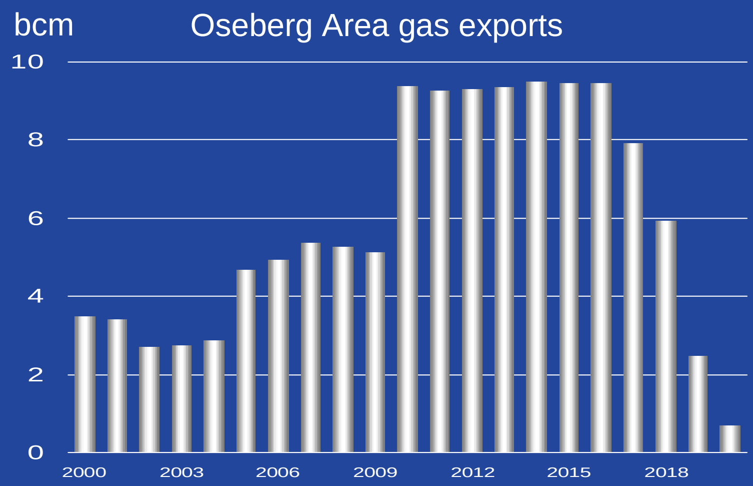
Norway – Exploration, Development and IOR

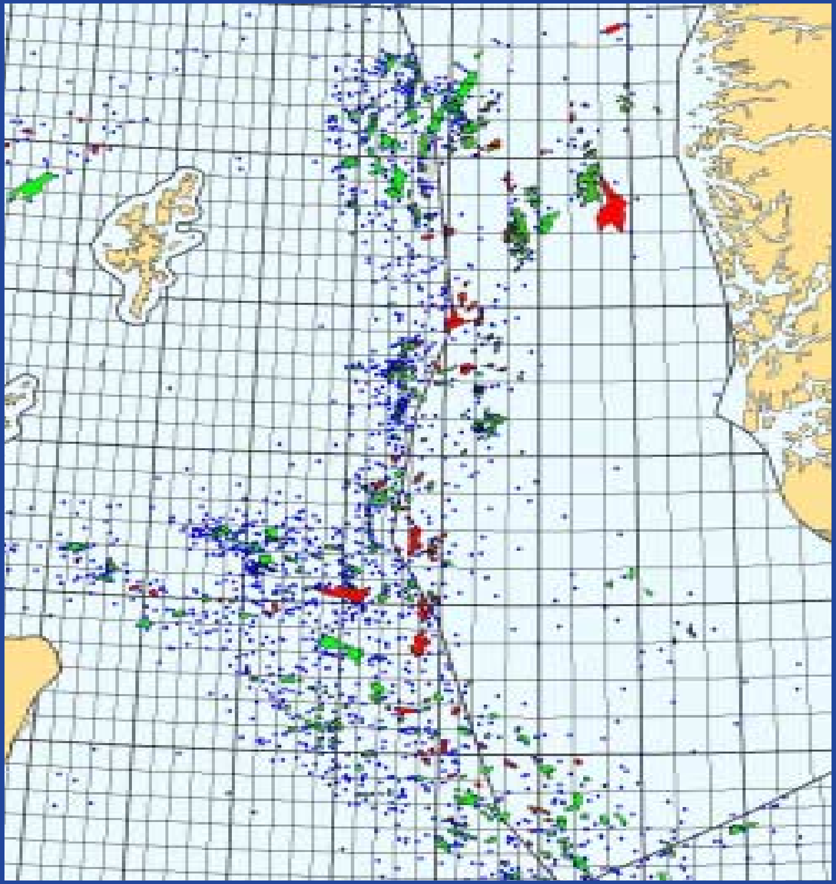
Existing portfolio provides longer term opportunities

- Increased gas export from Oseberg and Troll
- Ormen Lange ramp-up
- Increased oil recovery
- Development opportunities



Still potential on the NCS given the right incentives

Exploration wells
UK and Norway drilled 1965-2003



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

Source: Norsk Hydro, Petrobank

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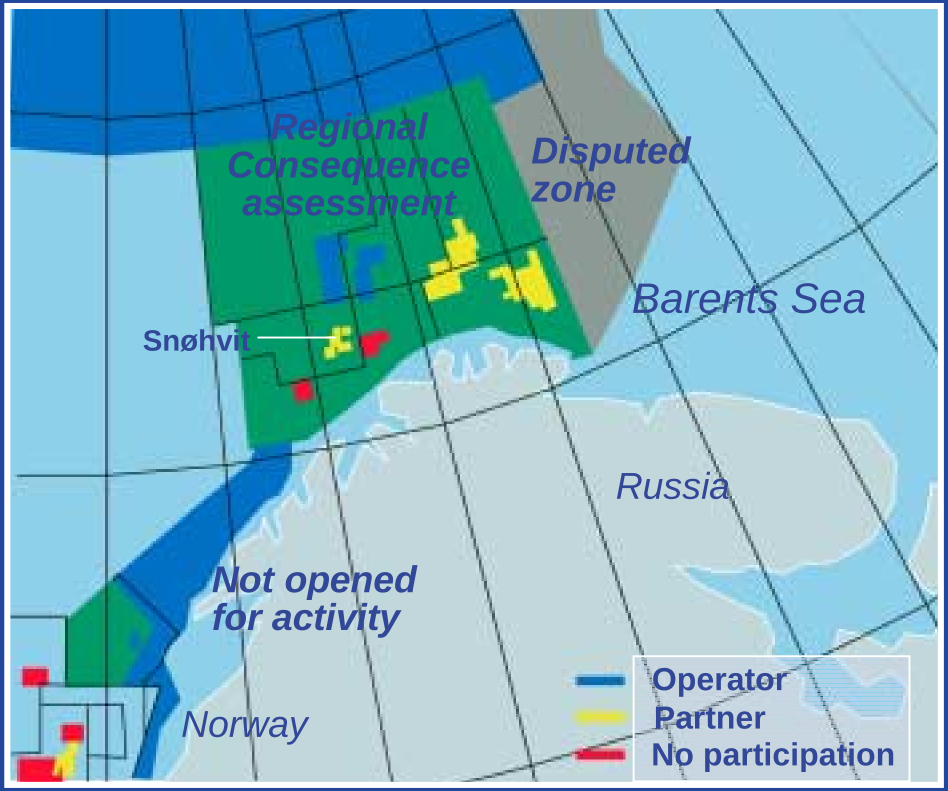
New areas have to be opened for exploration

- 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



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Strategic directions for acquiring resources

Framework

- Returns before growth
- Fit with core competences

Geography

- Primarily current areas of activity
- Potential step-out to adjoining basins

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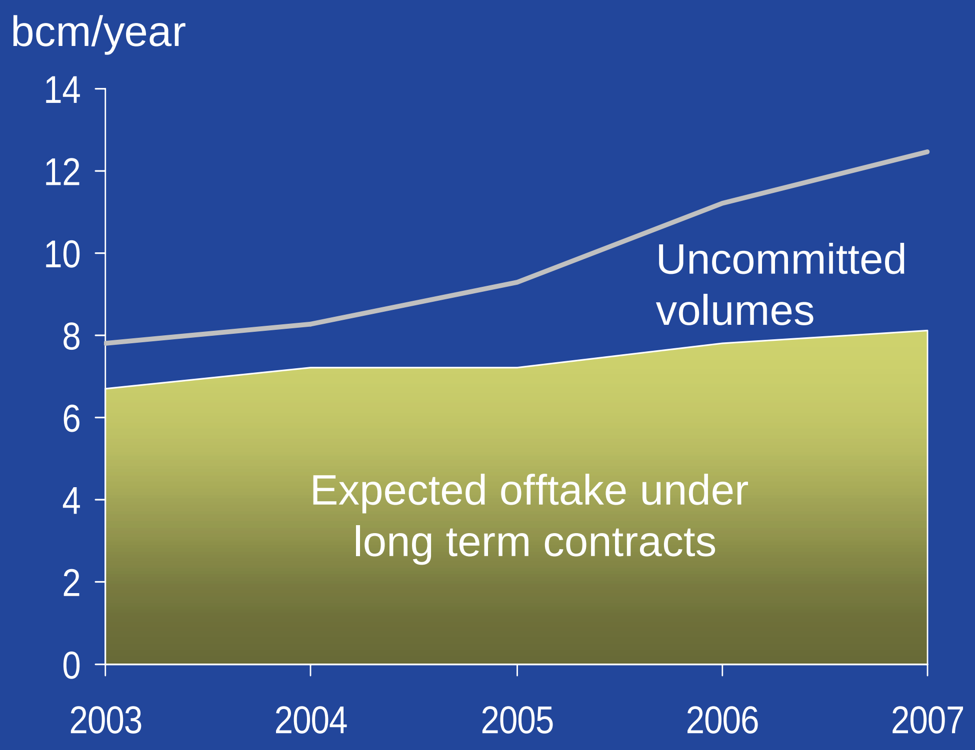
Building a downstream presence in European gas markets

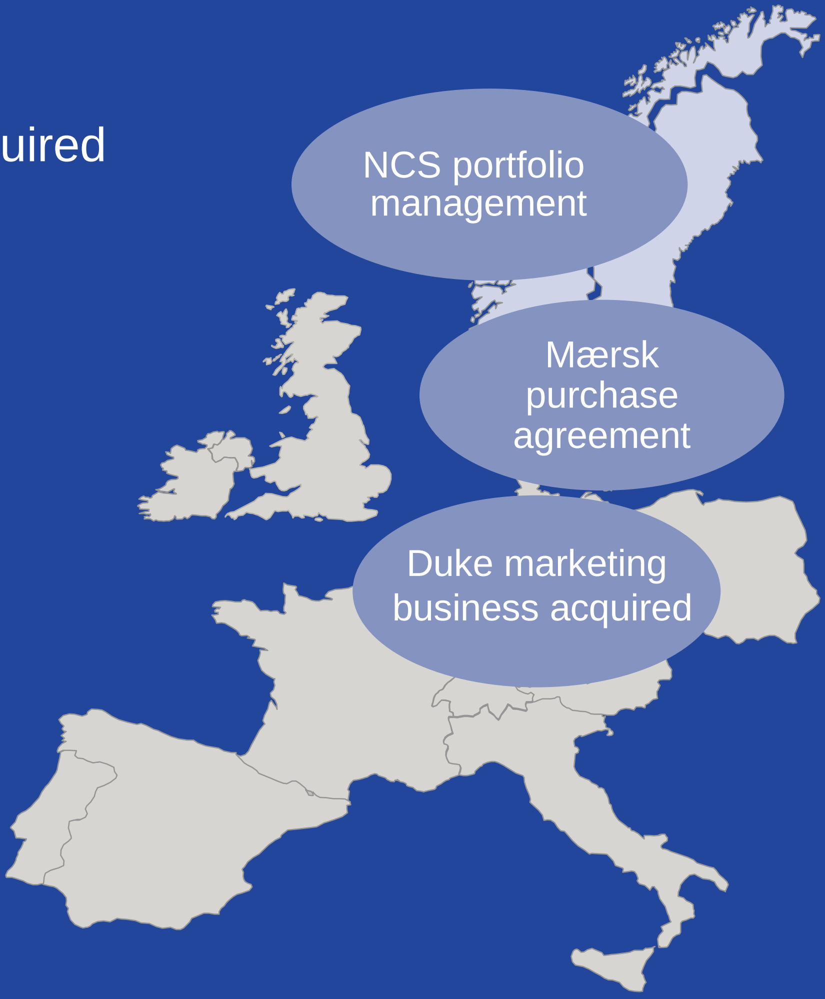
Gas production increasing steeply

- From 7.5 bcm in 2003(E) to 11-12 bcm in 2007(E)
- Producer-wholesaler-trader role
- Portfolio of longer and shorter term sales



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



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

Targets for 2004

Production target	560 000 boe/day
Production costs	NOK 24/boe
F&D costs (3 year average)	USD 6/boe
RRR (3 year 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

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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