

David W. Nunn, Senior Vice President  
Corporate Portfolio Strategy

***Hydro creates a more viable society by  
developing natural resources and  
products in innovative and efficient ways***

**CSFB Energy Conference**  
June, 2004

# Hydro – A dynamic 99 year old!



- Europe's leading integrated aluminium company
- Second largest oil and gas producer in Norway  
Technologically advanced

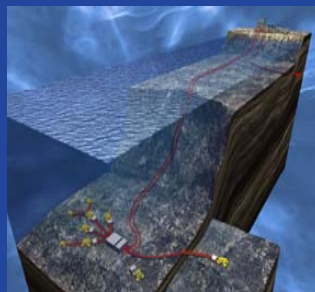
- World's leading producer of plant nutrients

# The energy portfolio

## Oil



## Gas



## Power



### Production - Consumption - Trading

Oil\*\* production  
394 000 boe/d

Gas production \*  
7.8 bcm  
(136 000 boe/d)

Power  
generation\*\*\*  
7-11 TWh

Gas consumption\*  
3.0 bcm

Power  
consumption\*  
22 TWh

Gas sales\*  
12 bcm

Power sales\*  
18 TWh

\* 2003 (incl. Yara)

\*\* incl. NGL

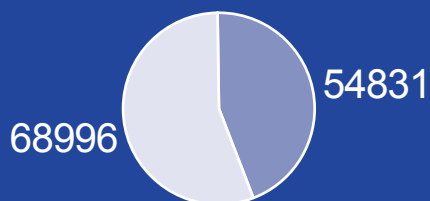
\*\*\* Normal range of annual production



# Overview of group financials 2003

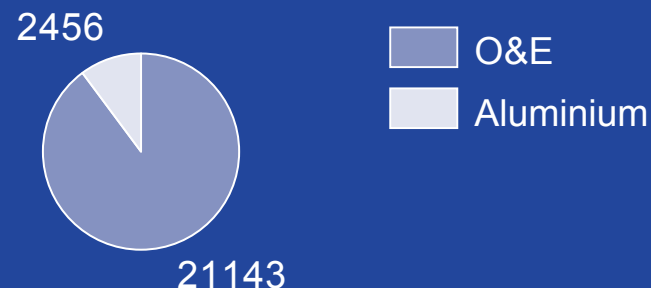
(proforma ex. Yara)

## Revenues (MNOK)



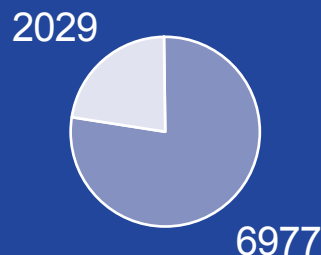
Total group revenues: MNOK 133.761

## Operating income (MNOK)



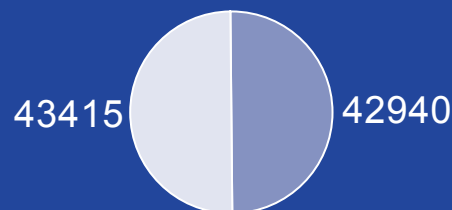
Total group op.income: MNOK 21.625.

## Earnings after tax (MNOK)\*\*



Total group earnings: MNOK 7.709

## Average capital employed (MNOK)



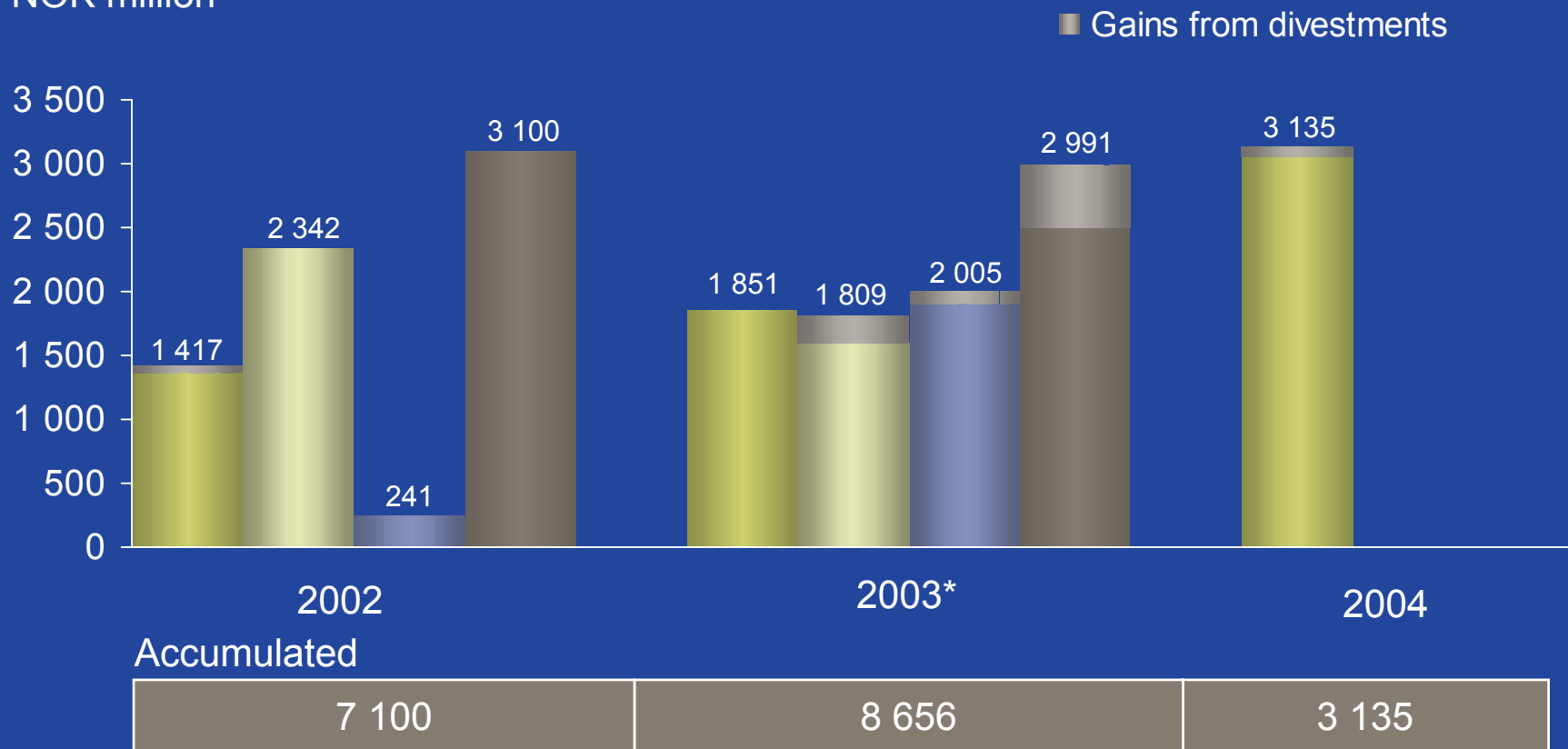
Total average capital employed: MNOK 94.450

\*\* based on non-GAAP measure. Refer to Annual Report 2003 page 139

# Income from continuing operations\*

Per quarter

NOK million

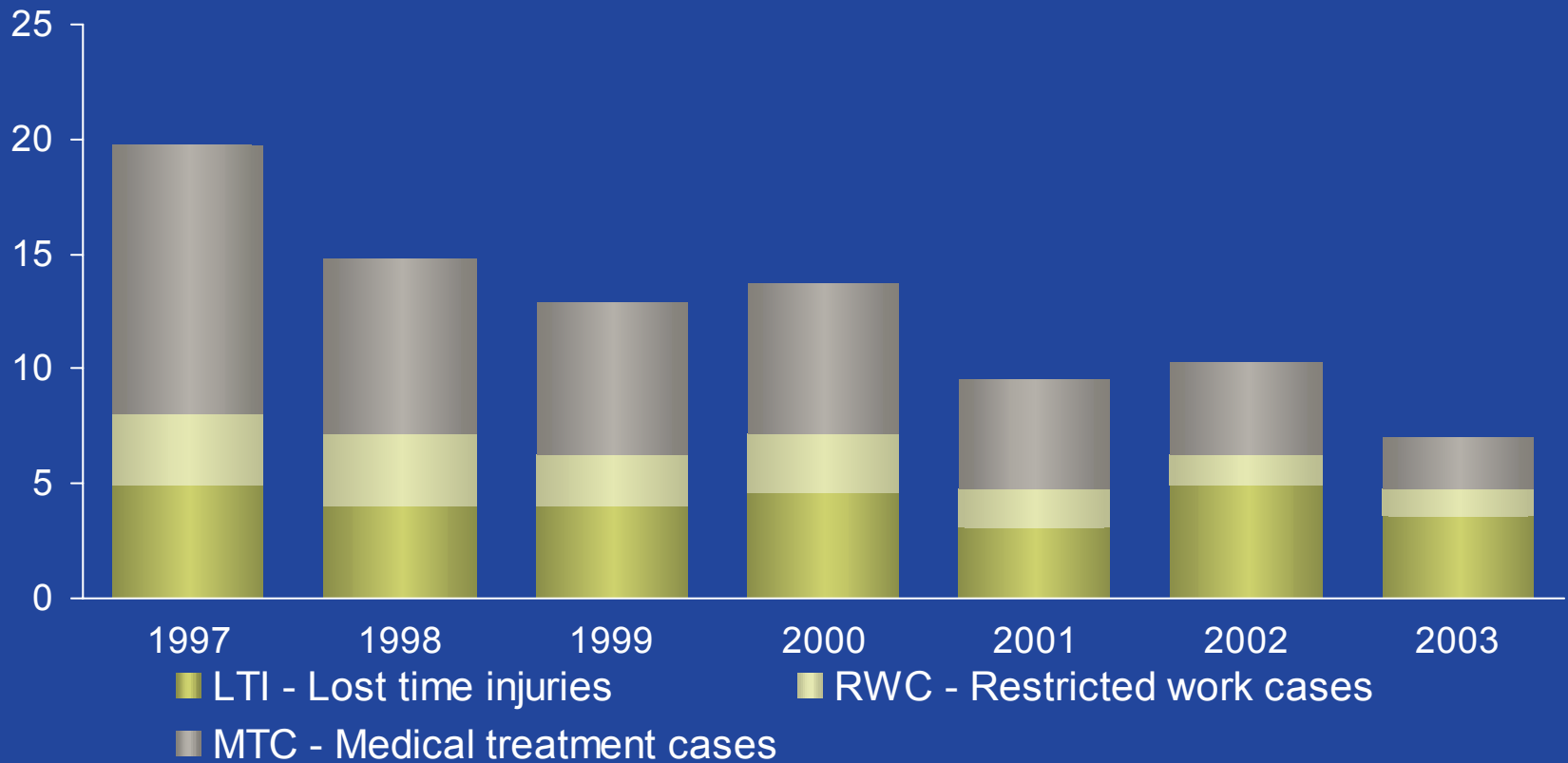


\* Including the effect of change in accounting principles for 1st quarter 2003 amounting to a positive effect of NOK 281 million



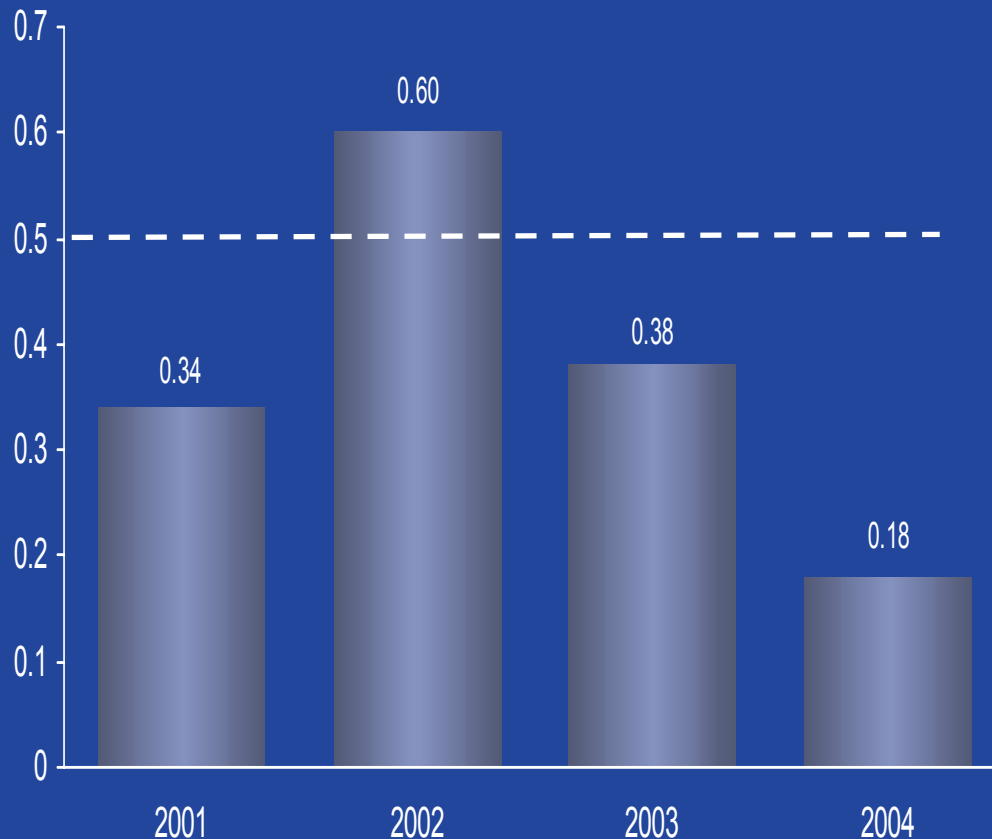
# Safety

Reported injuries per million hours, Hydro employees



VAW included from August 2002

# Financial solidity – benefits for shareholders



- 5% dividend increase
- New share buy back scheme initiated (5 mill. shares)

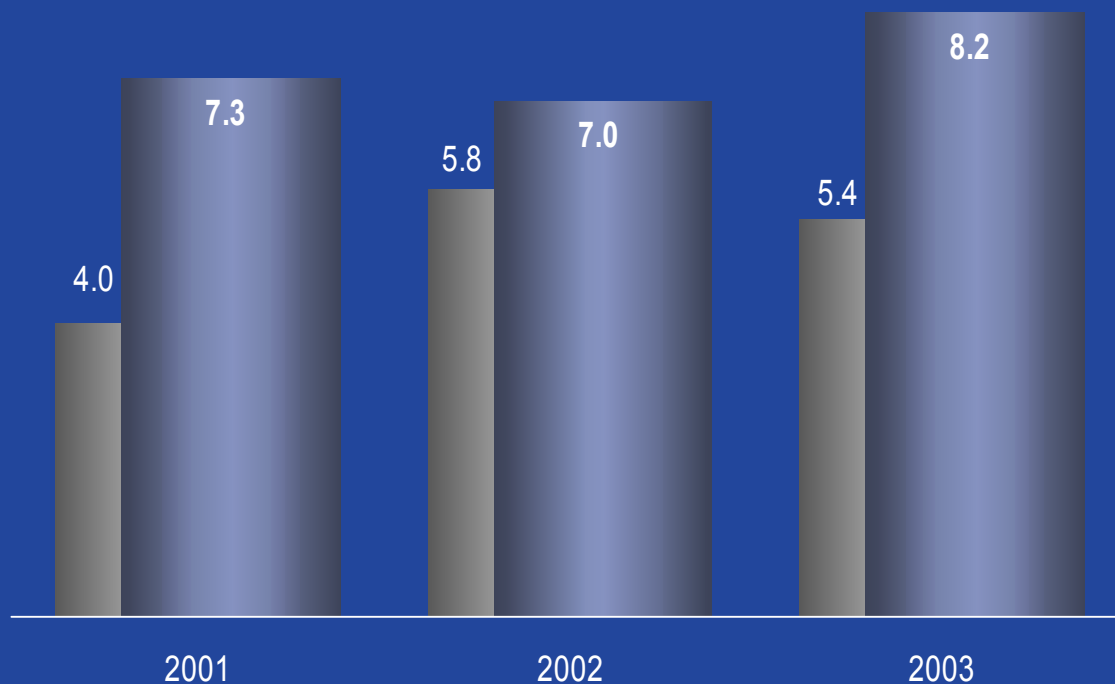
Interest-bearing debt + Net pension liability (tax adjusted) + Operating lease commitments (discounted) - Cash and cash equivalents – Other liquid assets divided by Shareholders' Equity + Minority interest

# ROACE development

(proforma continuing operations)

Percent

■ Normalized ■ Actual



Normalization assumptions:

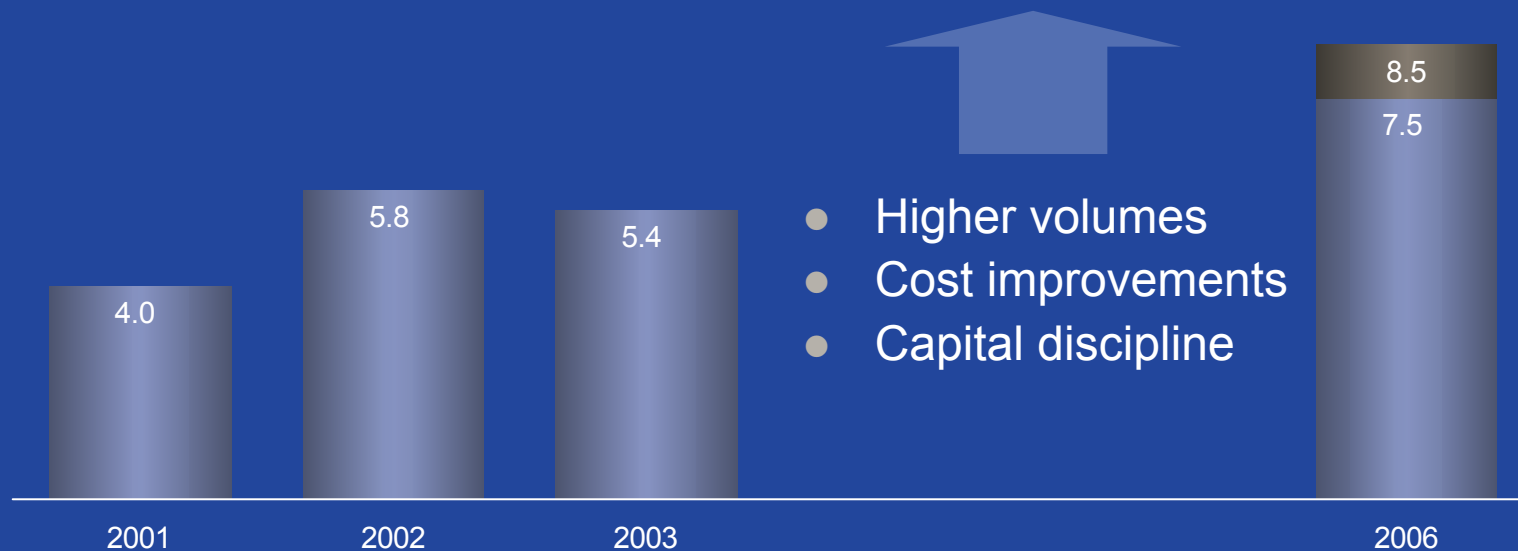
- Oil price: \$18/bbl
- Aluminium LME: \$1500/t
- NOK/\$: 8
- NOK/ €: 7,60 (8 from 2004)





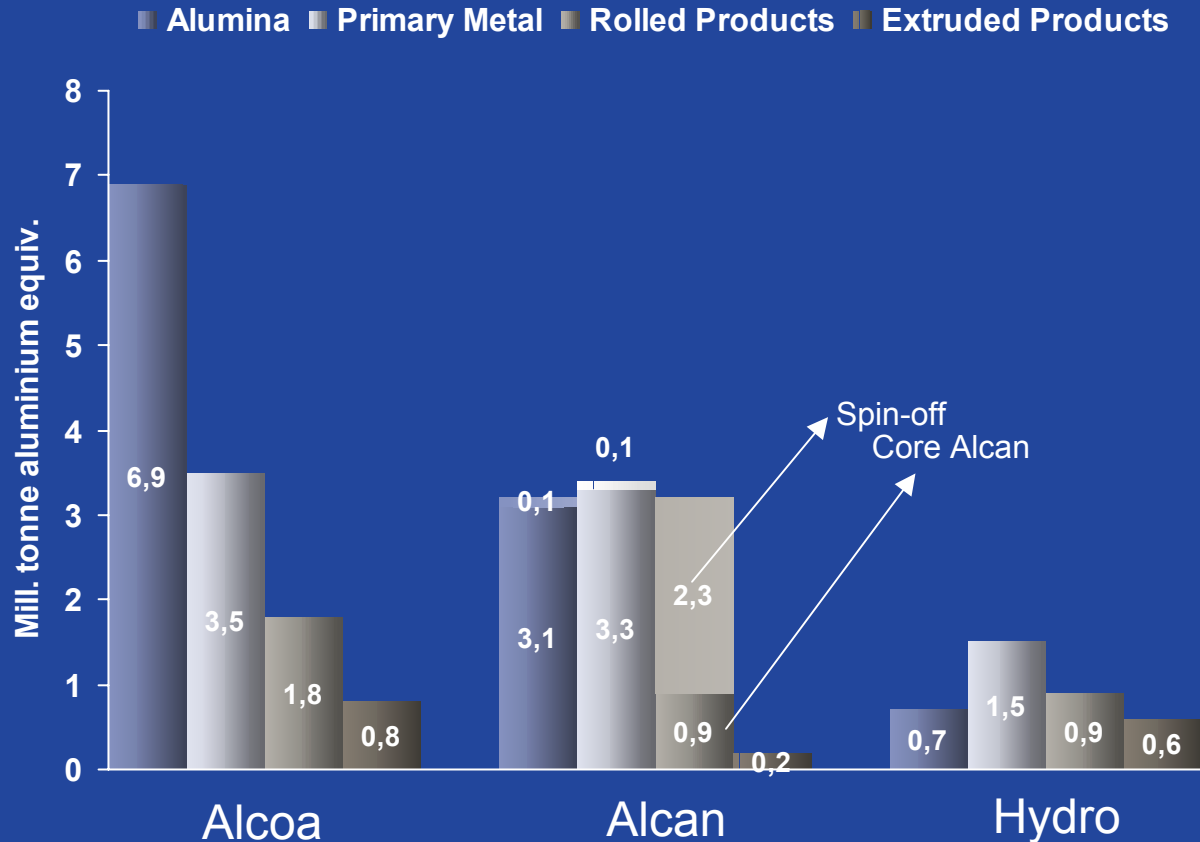
# Significant profitability improvements targeted

Normalized ROACE, percent



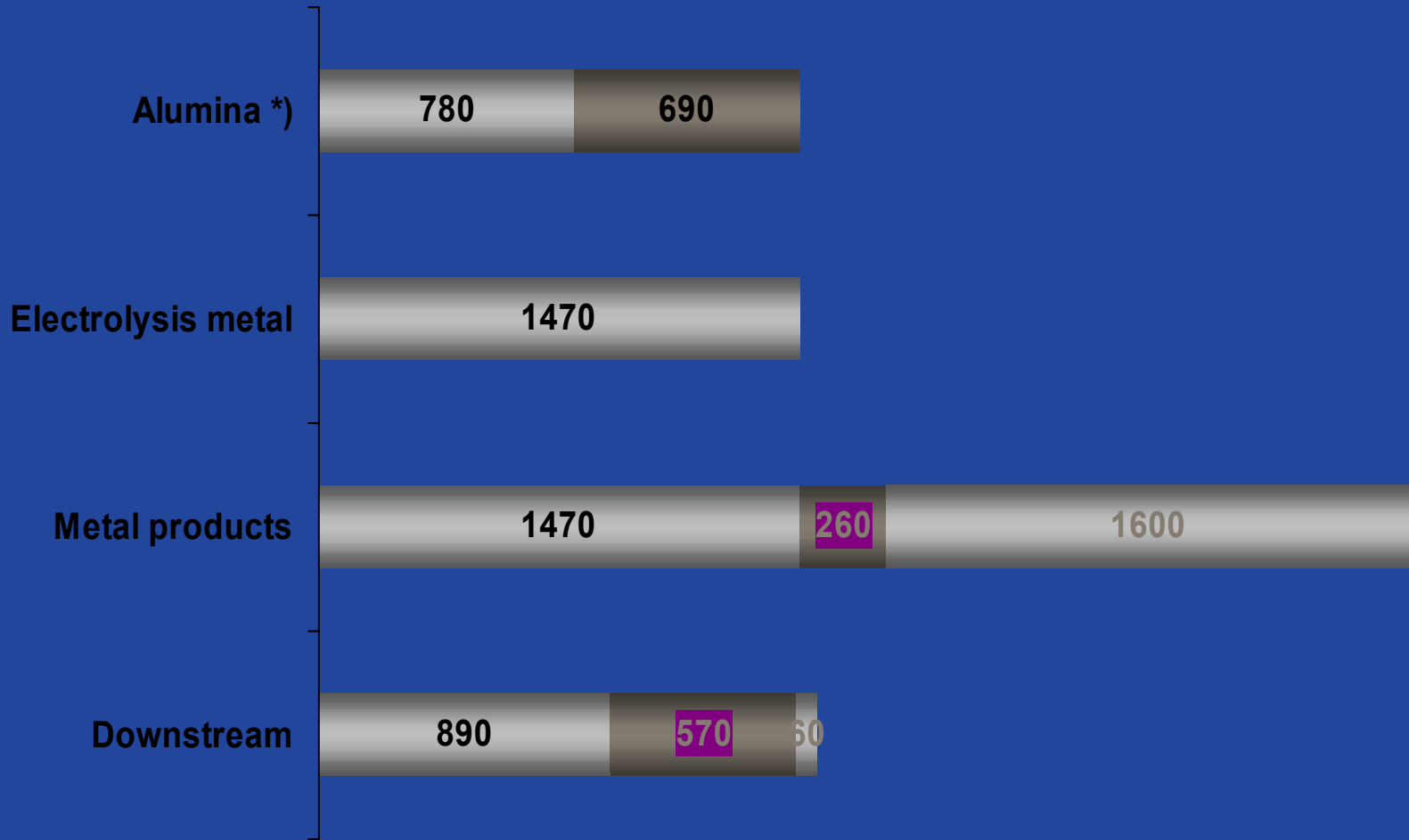
# *Aluminium*

# Global Integrated Players 2003



Alcoa; Alumina figures include the 40% part owned by Alumina Limited, Australia.

# A unique portfolio composition



\* Aluminium equivalents (2 tonnes alumina per tonne aluminium)

\*\* Flat rolled products only

# Profit level for the industry

CROGI proxy\*



\*EBITDA less reported tax/Gross investment, Hydro Aluminium are reported figures

Source: Annual and quarterly reports, Hydro-estimates

# Downstream segments

Extrusion



Revenue: NOK 12.4 bn

Above profit target

Selective growth

Rolling



Revenue: NOK 17.8 bn

Below profit target

Improve cost position and grow high margin segments

Automotive



Revenue: NOK 7.6 bn

Below profit target

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

North America



Revenue: NOK 4.5 bn

Below profit target

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

Revenues are 2003 figures

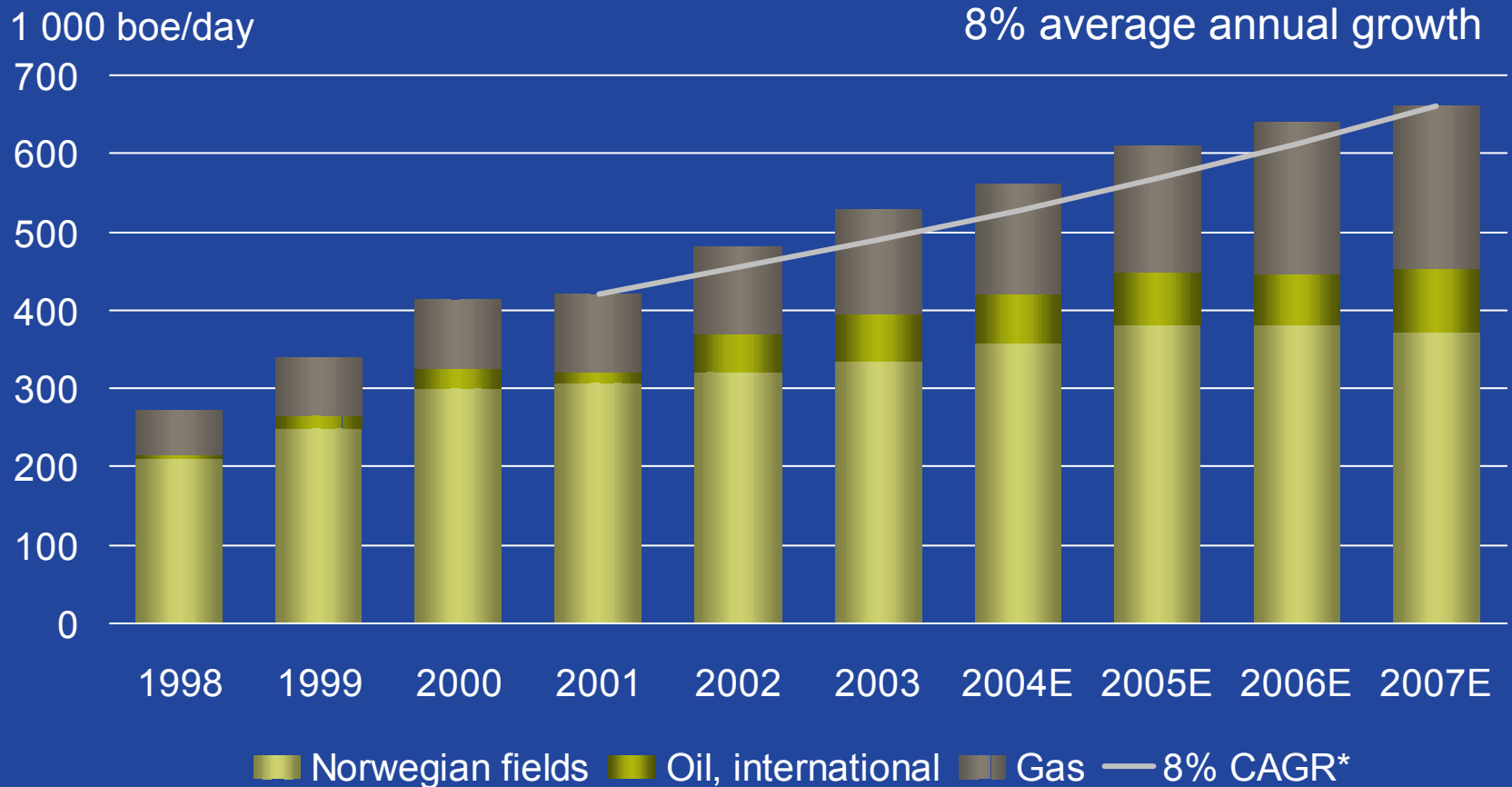
# Aluminium – priorities

- Relentless focus on cost reductions throughout the value chain
- Improve relative cost position for primary aluminium production
- Strengthen our unique portfolio profile
  - Metal products, extrusion value chain, selected rolled segments

# *Oil & Energy*

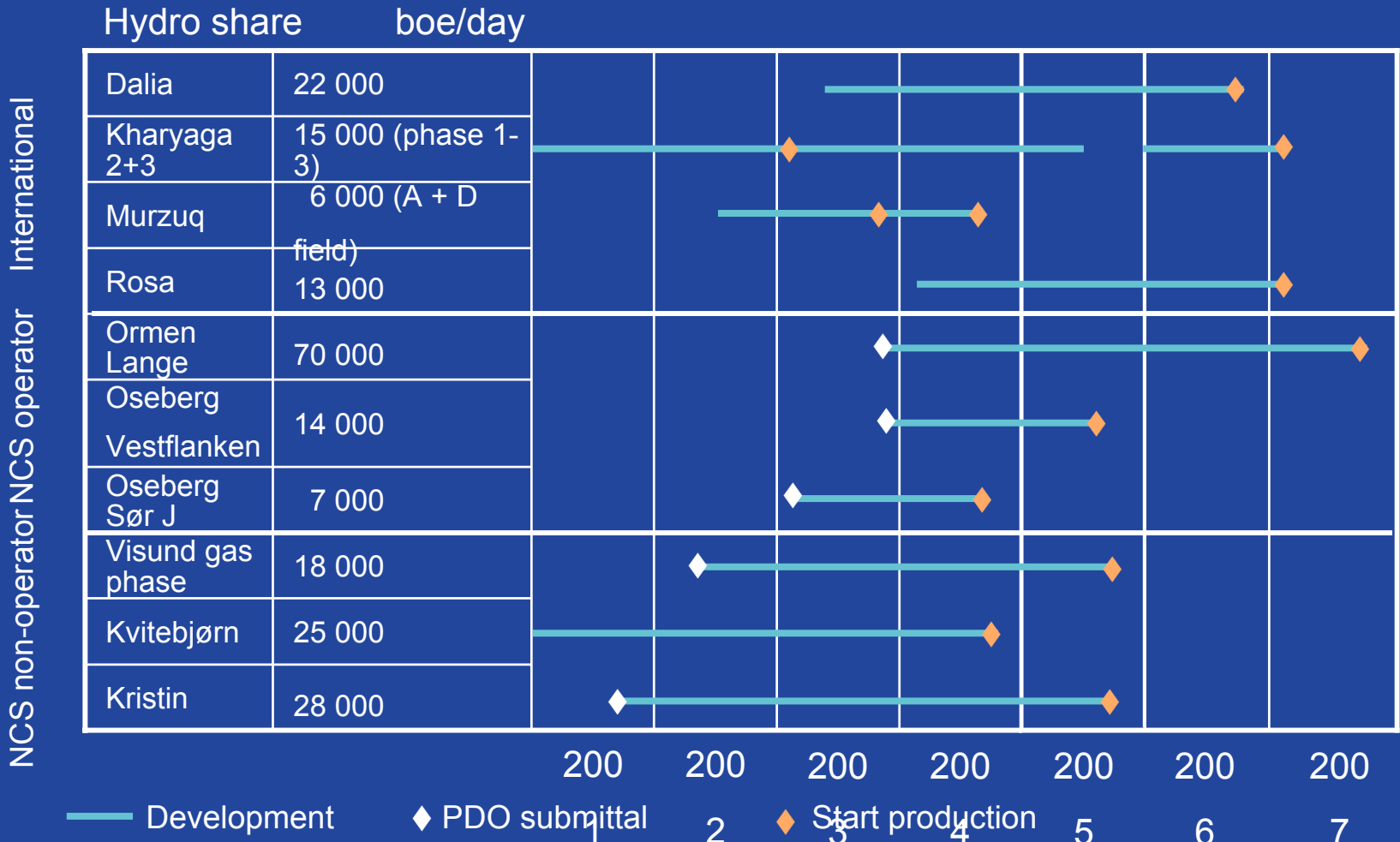


# Strong production growth



\* Compound Annual Growth Rate, 2001 baseline

# New fields on stream 2004 – 2007



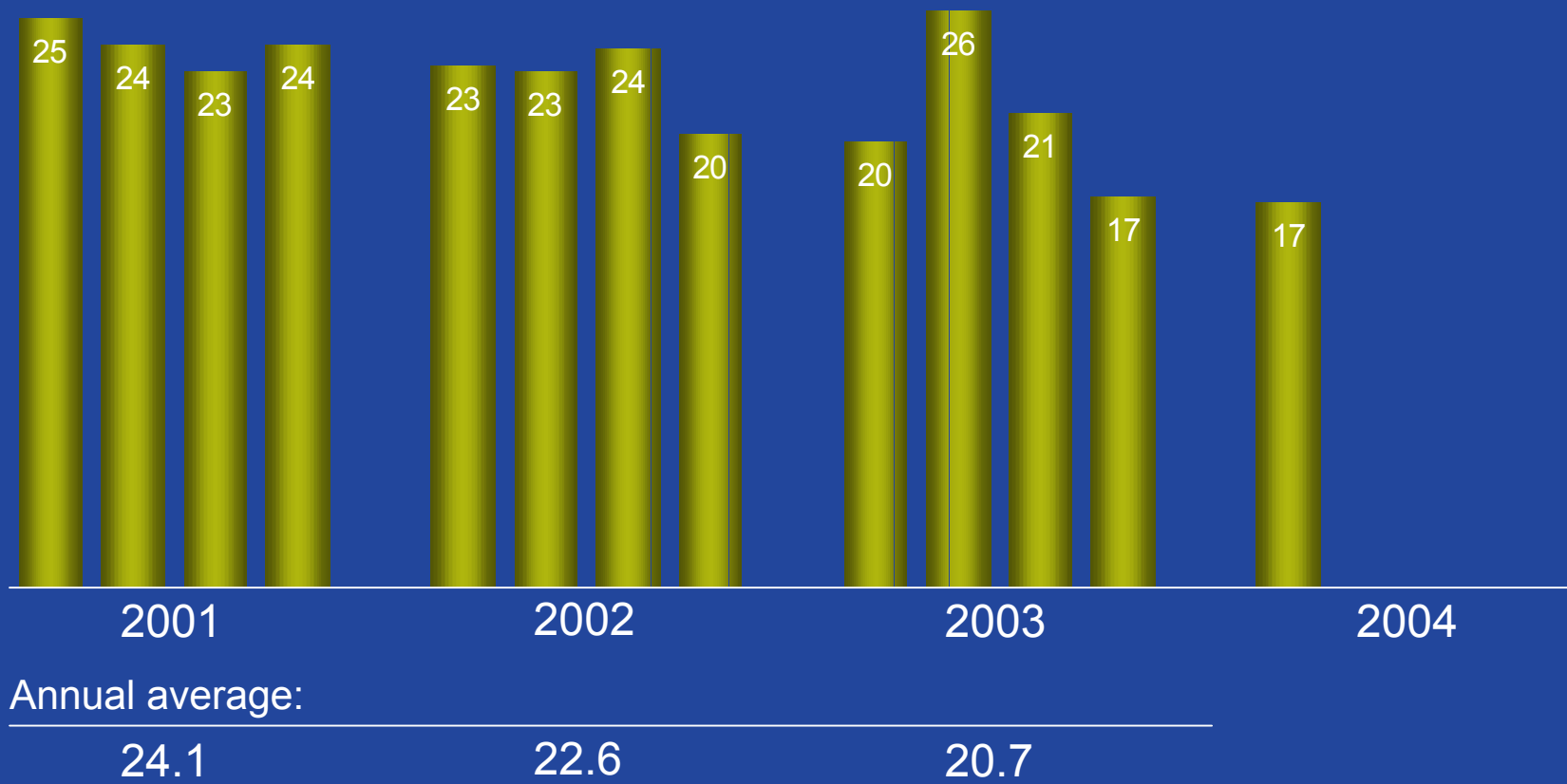
International  
NCS operator  
NCS non-operator



# Improved efficiency in operations

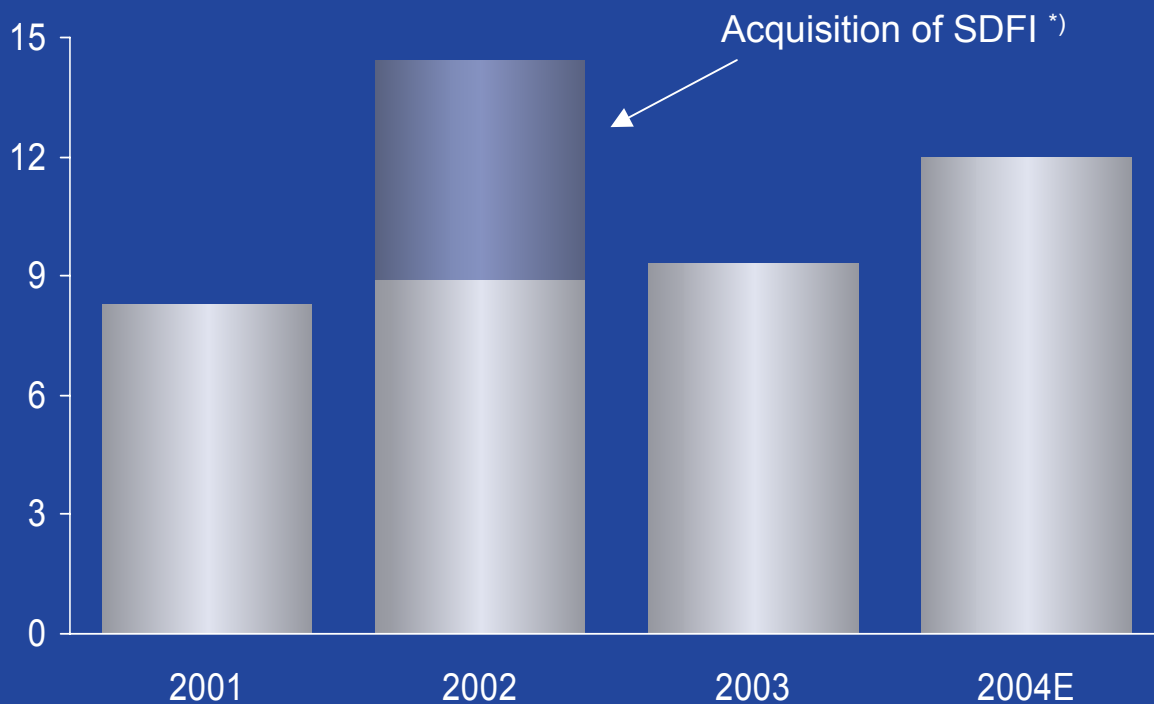
Production costs per barrel

NOK/boe



# Oil & Energy – investments

NOK billion



2005 – 2006  
NOK 11–14 billion

\* State Direct Financial Interest



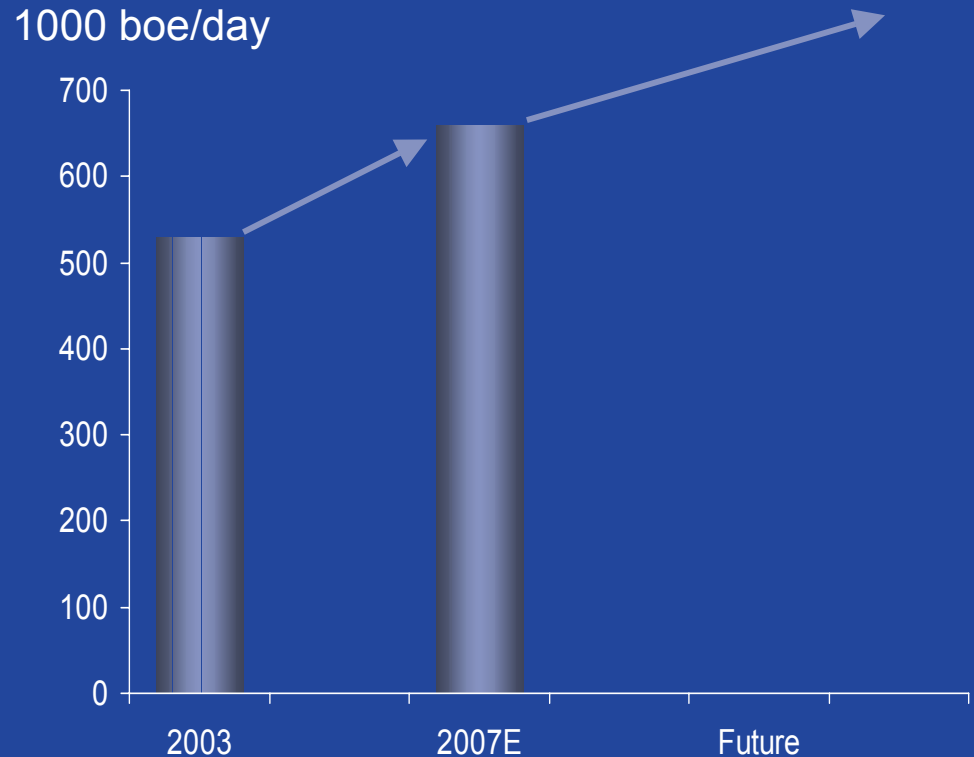
# Longer term production growth

## Existing portfolio

- Development projects
- Increased oil recovery

## Exploration

## Acquiring resources



# Existing portfolio

Additional potential from technical resources



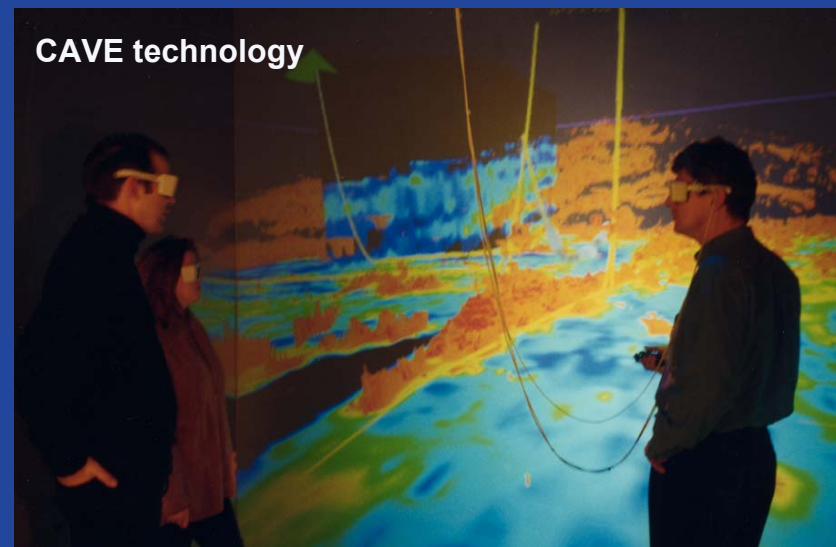
- Discoveries to be developed
- Plans for optimized production
  - Oseberg
  - Troll
  - Ormen Lange



# Exploration

Growth from a focused portfolio

- Pursue low risk infrastructure-led-exploration
  - Murzuq, Libya
  - Oseberg
- Moderate risk exploration focused to proven prospective regions
  - NCS 18<sup>th</sup> round
  - GoM Lease Sale 190
- Adding new frontier prospective acreage
  - Barents sea
  - Morocco



# 21 billion barrels to discover ...

## Barents Sea - 6.2 billion barrels

High risk – high potential

Oil-play potential

## Norwegian Sea – 7.7 billion barrels

High risk – medium/high potential

## North Sea – 7.5 billion barrels

Moderate risk – smaller structures

High value per barrel



Source: NPD



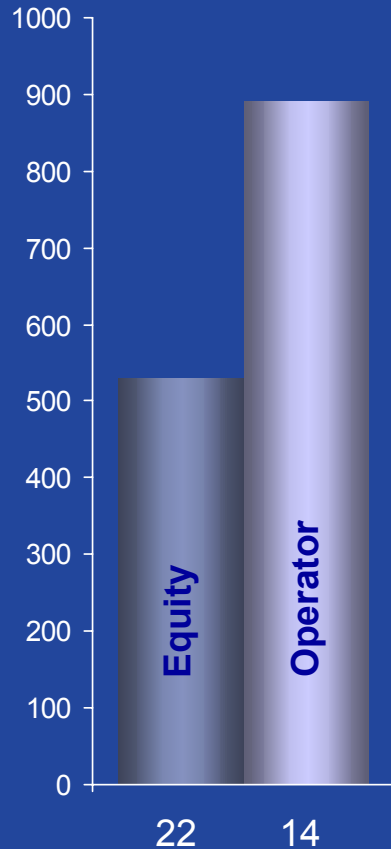
# Acquiring resources

- Assessing the deal flow:
  - Medium and small players with high exposure and limited technology
  - National Oil Companies in need of assistance to develop operator capabilities
  - Majors optimizing their portfolios
  - Financially oriented players wanting to realize values
- Applying Hydro's competencies to create value

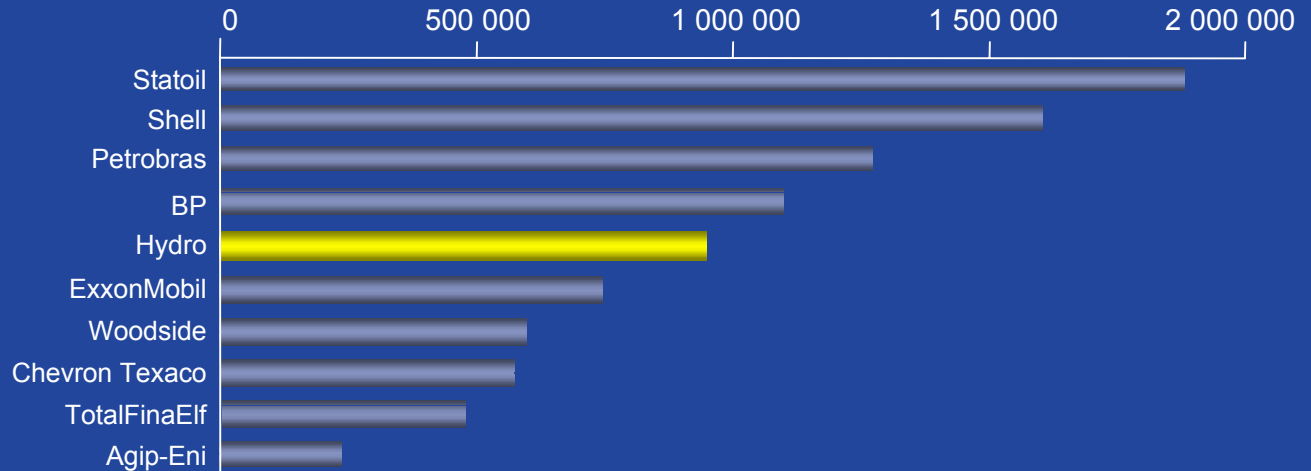


# An experienced world-scale offshore producer

1000 boe/day Production 2003



Offshore operator production oil and gas, boe/day \*



\*Deeper than 100m

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

Source: Infield; McKinsey

# Core competencies

E&P value chain

## Explore

- Advanced seismic acquisition, processing and interpretation

## Design

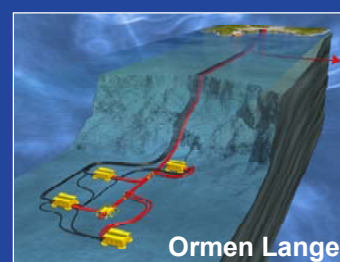
- Advanced wells
- Reservoir management
- Sub-sea development
- Flow assurance
- Floating production

## Execute

- Large and complex projects
- Modifications
- Satellite tie-ins

## Operate

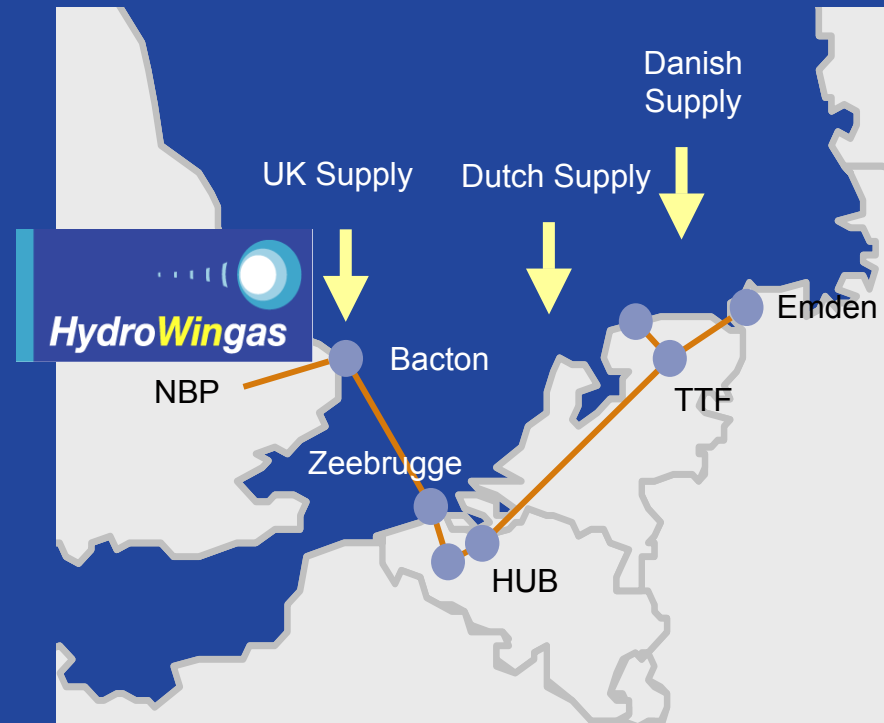
- Commissioning and start-up
- Offshore operations
- Optimised production
- HES



# Expanding gas activities in NW Europe

## Actions taken

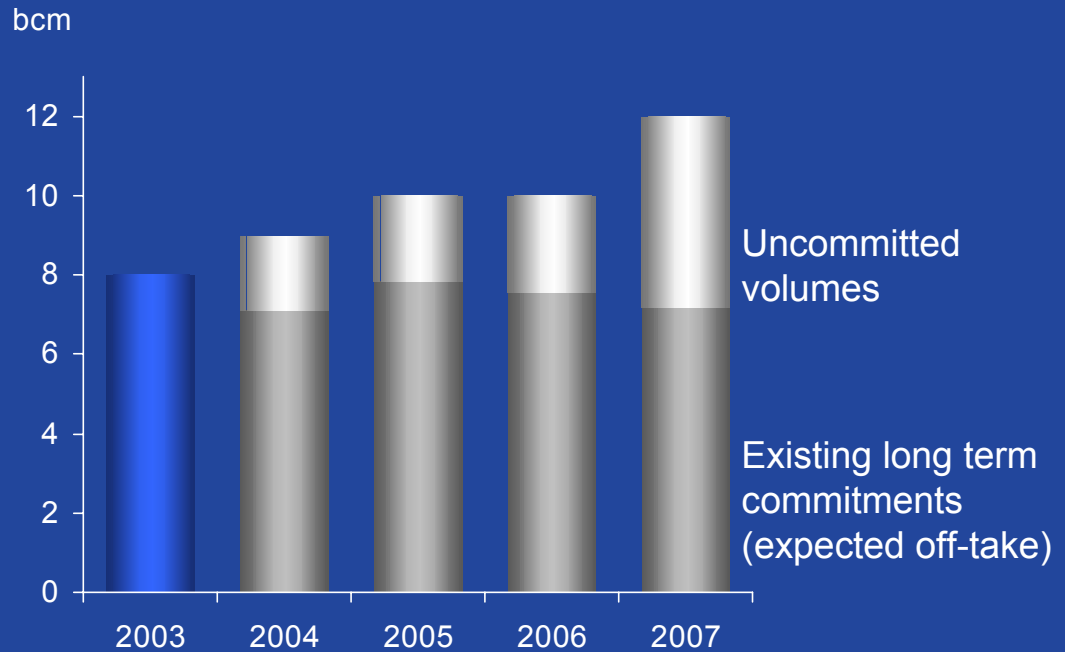
- Mærsk supply agreement
- Duke's European portfolio
- HydroWingas



*Note: HUB, TTF and NBP are the marketplaces at Zeebrugge, in the Netherlands and in the UK, respectively*

# Growing equity gas production

- Uncommitted volumes
  - Mainly directed to the UK
- Continue to develop a strong and balanced customer portfolio



Illustrative production buildup

# Oil & Energy – priorities

- Continue to meet ambitious cost and production targets
- Continue first-class project execution
  - Ormen Lange
- Pursue longer term growth opportunities where we can add value
  - Capital discipline
- Enhance value of our gas in the European market

# Summary

- Strong value creation for shareholders
  - New share buy back scheme implemented
- Strong balance sheet
- Will continue to pursue value creating opportunities in both our business areas

# 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](http://www.hydro.com)).

