

# First quarter 2003



Norsk Hydro ASA  
28 April, 2003



# Highlights first quarter, 2003

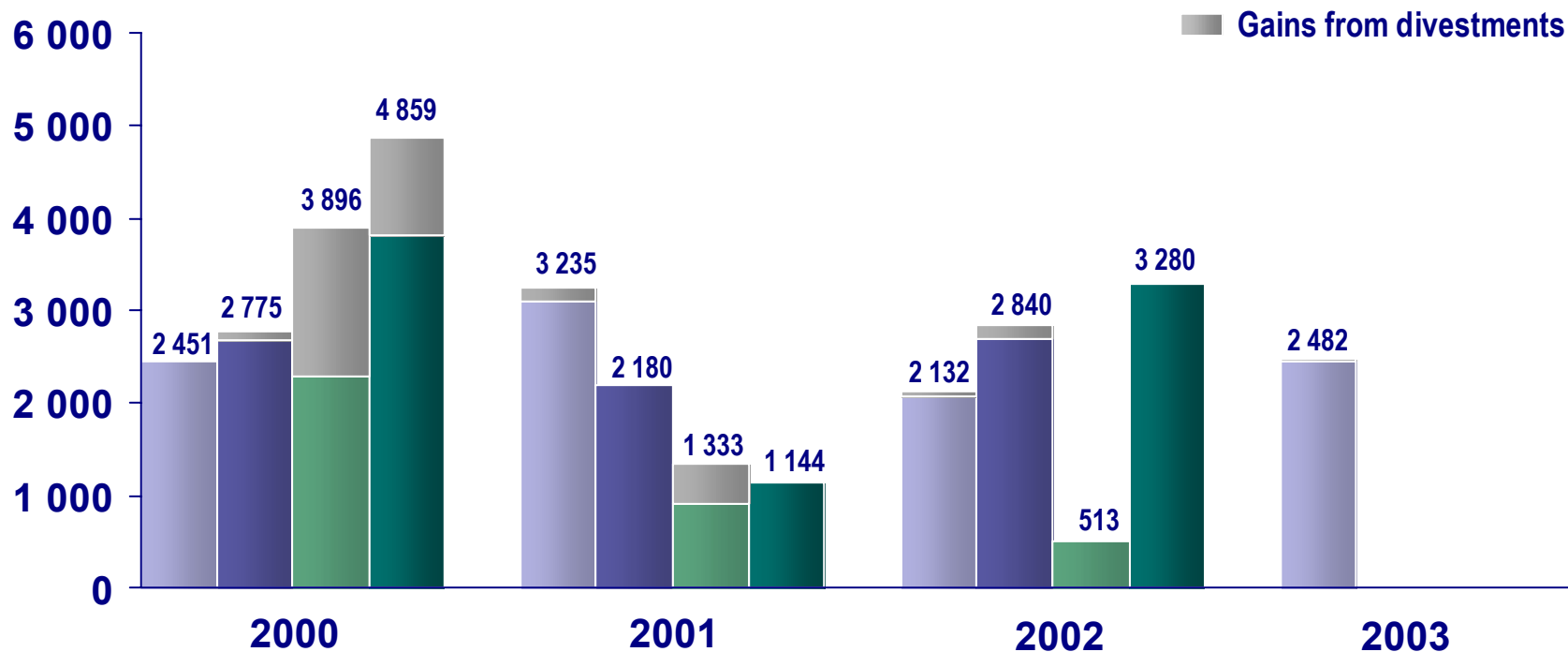
- **Results confirm operational progress in all three core areas**
  - Record high oil and gas production
  - Aluminium improvement program on track
  - Agri position further strengthened
  
- **Strong cash earnings from operations**
  - Reflecting good business performance and high oil price



# Net income

Per quarter

NOK million



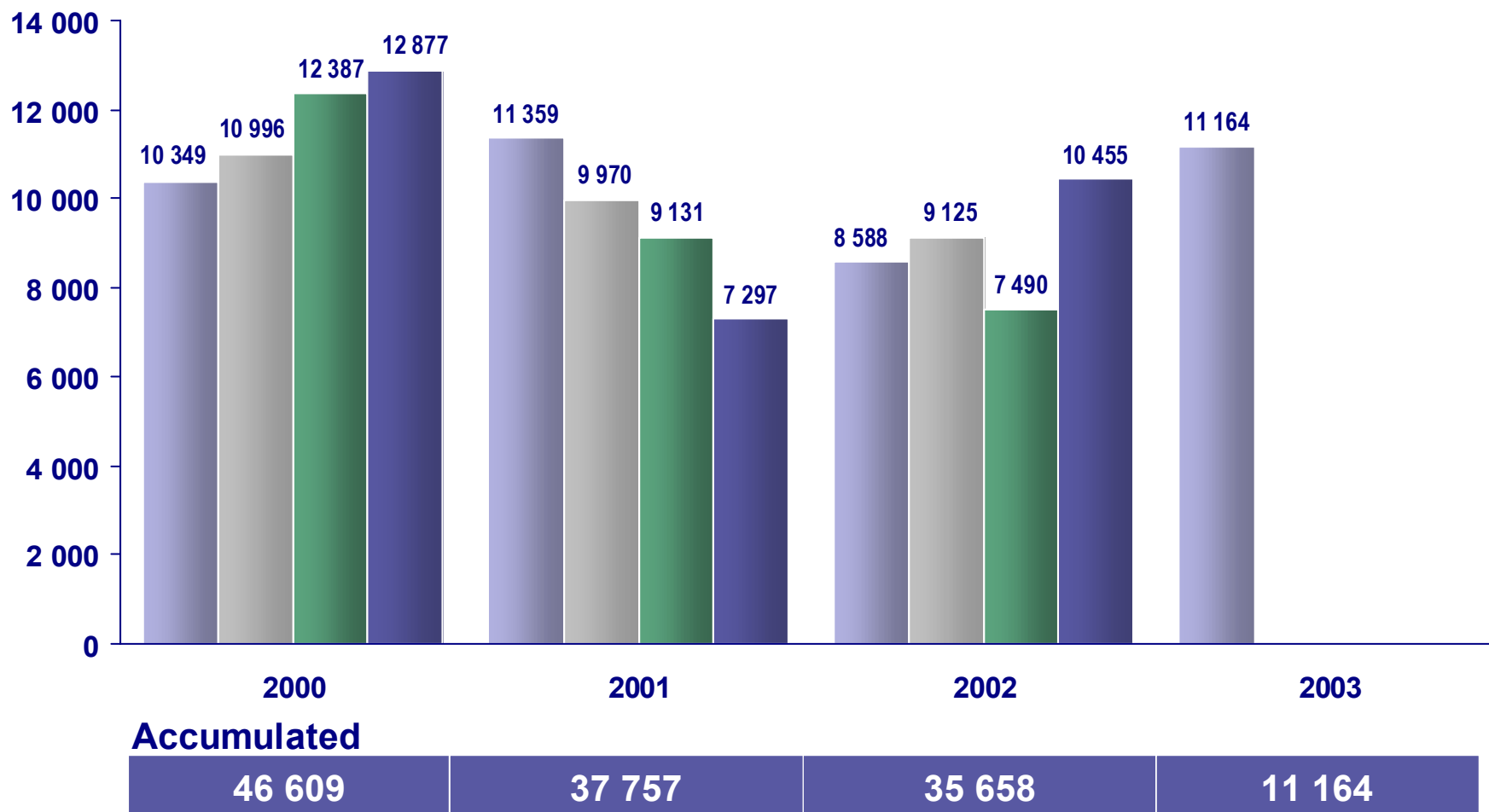
Accumulated





# Earnings before interest, tax, depreciation and amortization (EBITDA)

Per quarter  
NOK million





# Consolidated income statements

NOK million	1st quarter 2003	1st quarter 2002
Operating revenues	44 814	37 766
Operating income	6 772	4 823
Equity in net income of non-consolidated investees	277	108
Interest income and other financial income	424	586
Other income	40	77
Earnings before interest expense and tax EBIT	7 513	5 594
Interest expense and foreign currency gain (loss)	(1 059)	(832)
Income before tax and minority interest	6 454	4 762
Income tax expense	(4 274)	(2 634)
Minority interest	21	4
Income before cumulative effect of change in acc. principles	2 201	2 132
Cumulative effect of change in accounting principles	281	-
Net income	2 482	2 132
Earnings per share* - NOK before cumulative effect of change in accounting principles	8.50	8.30
Earnings per share* - NOK	9.60	8.30

\* For calculation of EPS, 1st quarter 2003: 257,960,532 shares,  
1st quarter 2002: 257,634,172 shares



# Net financial income (expense)

NOK million	1st quarter 2003	1st quarter 2002
Interest income	415	473
Dividends and net gain (loss) on securities	9	113
Interest income and other financial income	424	586
Interest expense	(740)	(817)
Capitalized interest	178	117
Net foreign exchange gain (loss)	(469)	(96)
Other	(28)	(36)
Interest expense and foreign exchange gain (loss)	(1 059)	(832)
Net financial income (expense)	(635)	(246)



# Variance analysis Hydro group

NOK million	1st quarter
2003	11 164
2002	8 588
<b>Variance EBITDA</b>	<b>2 576</b>
- Prices and currency, Exploration and Production	1 200
- Margin incl. currency effects	(875)
- Volume	1 840
- Fixed costs	200
- Depreciation	(375)
- Production and exploration costs, E&P *	247
- Infrequent items and restructuring costs	290
- Trading and unrealized LME-effects, Aluminium	(10)
- New / disposed business	240
- Other	(805)
<b>Variance operating income</b>	<b>1 950</b>
- Non-consolidated investees	170
- Other income	(37)
- Interest income and other	(162)
- Depreciation and amortization	655
<b>Variance EBITDA</b>	<b>2 576</b>



# EBITDA

## Individual operating segment

NOK million	1st quarter 2003	1st quarter 2002
Exploration and Production	7 770	4 929
Energy and Oil Marketing	920	918
Eliminations	(22)	-
<b>Hydro Oil and Energy</b>	<b>8 668</b>	<b>5 847</b>
Metals	1 047	550
Rolled Products	168	28
Extrusion and Automotive	329	194
Other and Eliminations	28	127
<b>Hydro Aluminium</b>	<b>1 572</b>	<b>899</b>
<b>Hydro Agri</b>	<b>1 202</b>	<b>1 383</b>
Other Activities	260	163
Corporate and Eliminations	(538)	296
<b>Total</b>	<b>11 164</b>	<b>8 588</b>





# Operating income – EBIT – EBITDA

## First quarter 2003

NOK million	Operating income	Non-cons investees	Interest income	Selected fin. items	Other income	EBIT	Depr. and Amort.	EBITDA
Exploration and Production	5 482	5	38	3	-	5 528	2 242	7 770
Energy and Oil	715	53	9	-	-	777	143	920
Marketing	(22)	-	-	-	-	(22)	-	(22)
Eliminations								
Hydro Oil and Energy	6 175	58	47	3	-	6 283	2 385	8 668
Metals	572	105	1	5	-	683	364	1 047
Rolled Products	-	7	1	-	-	8	160	168
Extrusion and Automotive	52	6	4	(1)	-	61	268	329
Other and Eliminations	29	-	-	-	-	29	(1)	28
Hydro Aluminium	653	118	6	4	-	781	791	1 572
Hydro Agri	807	91	42	-	-	940	262	1 202
Other Activities	(5)	11	40	(19)	23	49	211	260
Corporate and Eliminations	(858)	-	280	20	17	(540)	2	(538)
Total	6 772	278	415	8	40	7 513	3 651	11 164



# Operating income

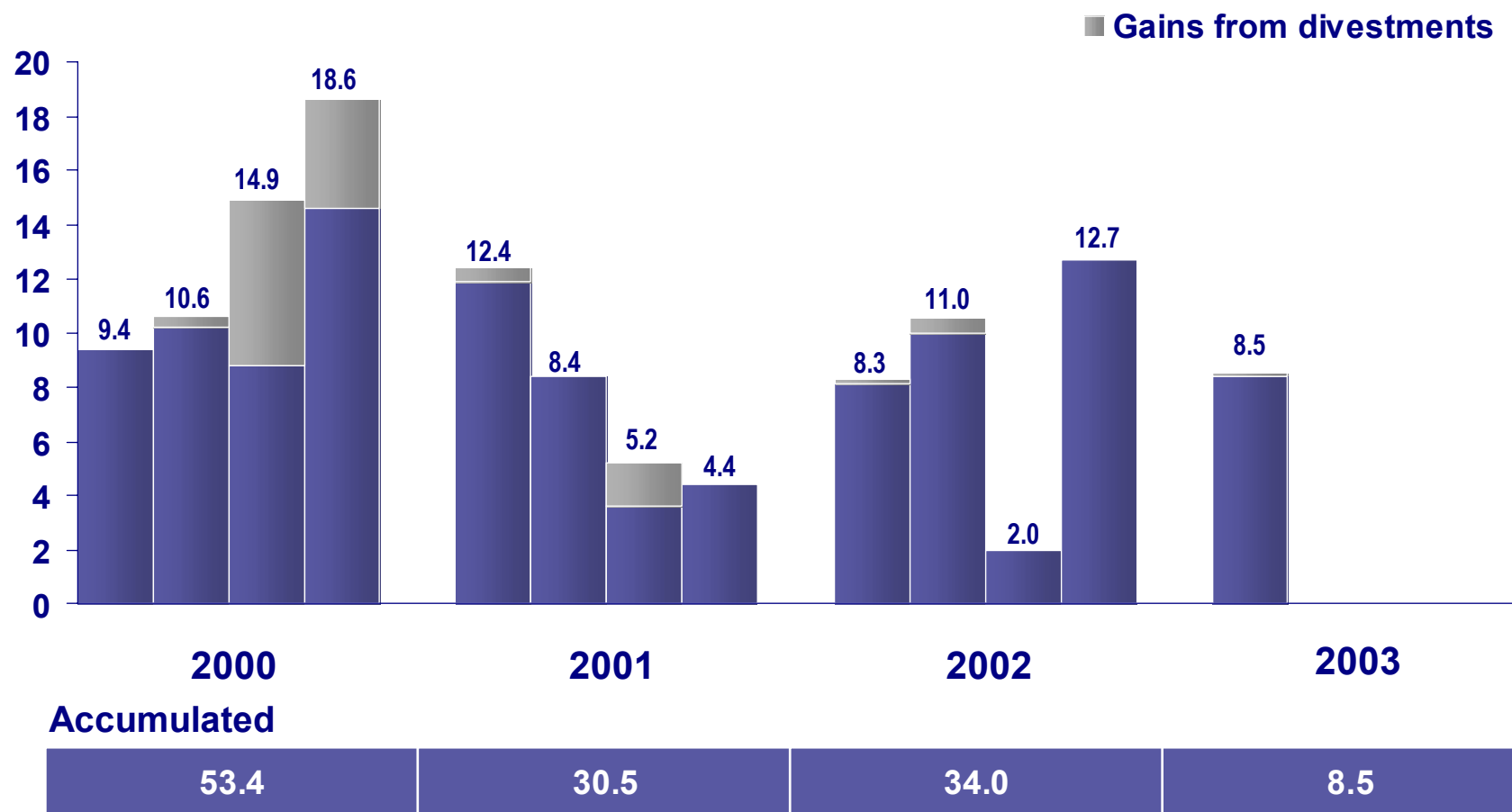
## Individual operating segment

NOK million	1st quarter 2003	1st quarter 2002
Exploration and Production	5 482	3 008
Energy and Oil Marketing	715	699
Eliminations	(22)	-
<b>Hydro Oil and Energy</b>	<b>6 175</b>	<b>3 707</b>
Metals	572	256
Rolled Products	-	(14)
Extrusion and Automotive	52	(24)
Other and Eliminations	29	127
<b>Hydro Aluminium</b>	<b>653</b>	<b>345</b>
<b>Hydro Agri</b>	<b>807</b>	<b>958</b>
Other Activities	(5)	(94)
Corporate and Eliminations	(858)	(93)
<b>Total</b>	<b>6 772</b>	<b>4 823</b>



# Earnings per share\*

NOK

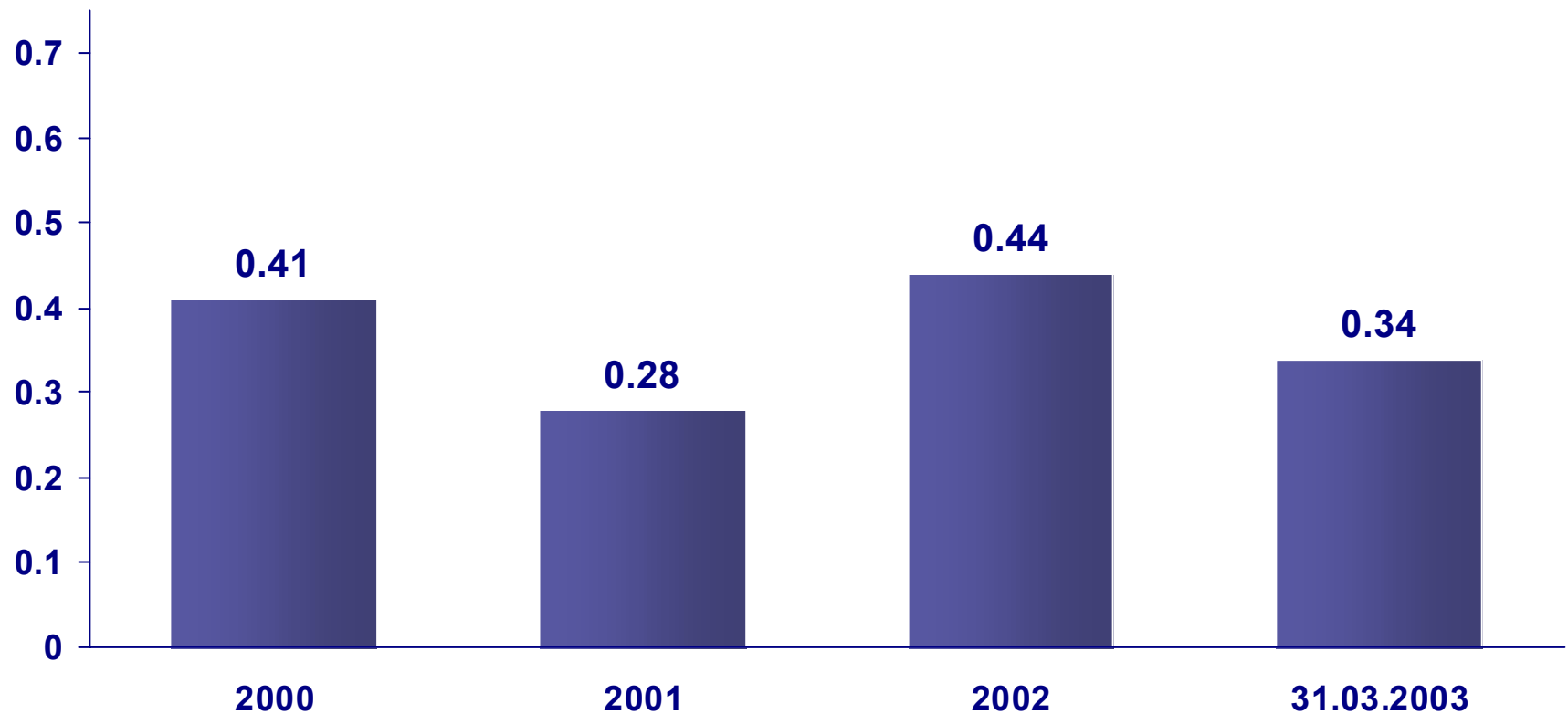


\* Before effect of change in accounting principle



# Net interest-bearing debt/ shareholders' equity\*

Ratio



\* Net interest-bearing debt divided by shareholders' equity plus minority interest



# **Oil and Energy – highlights first quarter**

- **Record-high EBITDA**
  - Improved upstream performance and high oil price
  - Low power production compensated by high refining and trading margins in oil and gas
- **23% production growth from Q1 2002**
  - Oil up 58 000 boe/day to 396 000 (SDFI effect 33 000)
  - Gas up 46 000 boe/day to 156 000 (SDFI effect 11 000)
- **Exploration**
  - Two discoveries in Angolan block 17
  - Three licences awarded in the North Sea Round
- **Organizational adjustments and cost reduction measures**
  - New exploration unit established

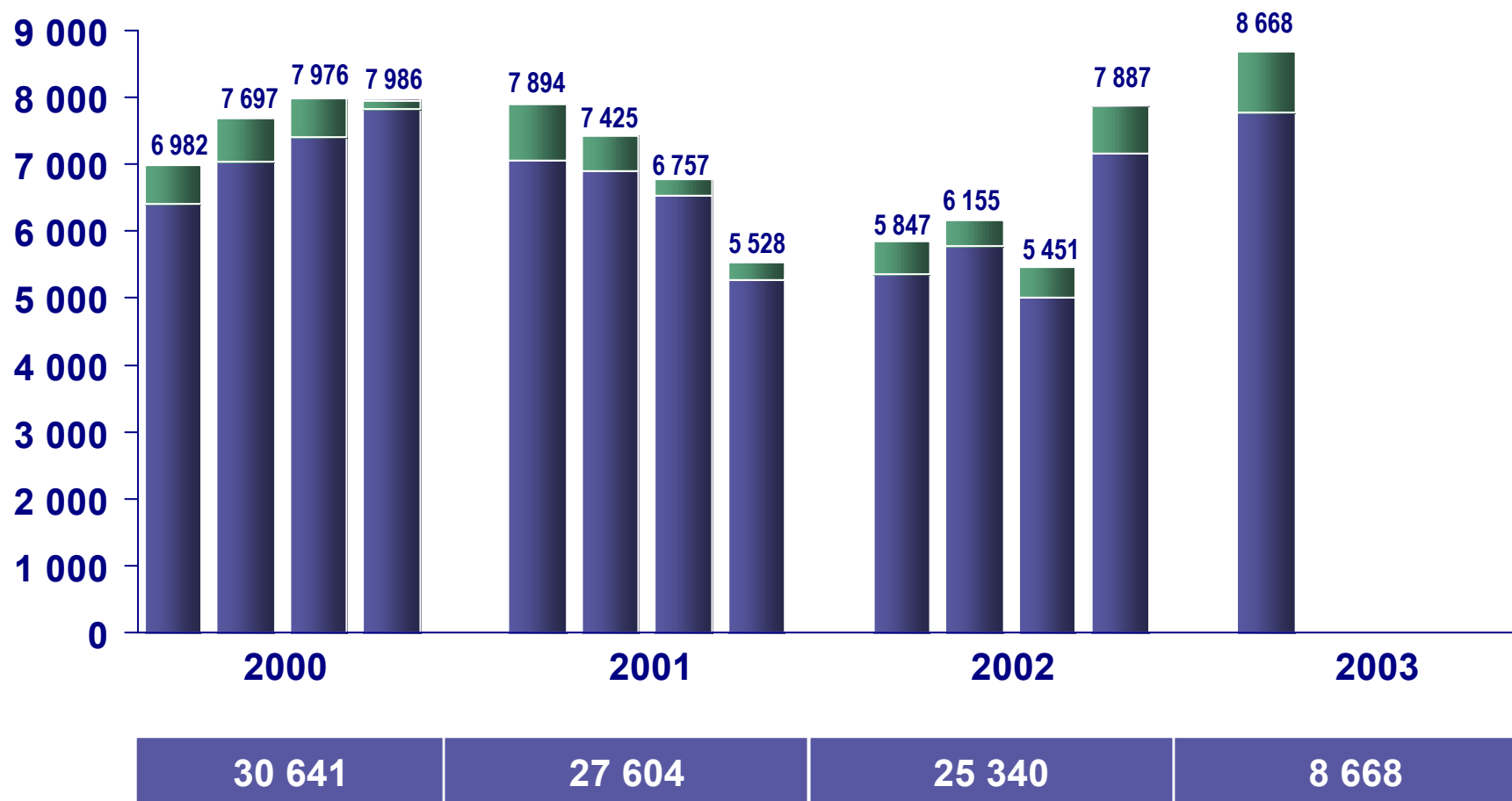


# Oil and Energy

## EBITDA

NOK million

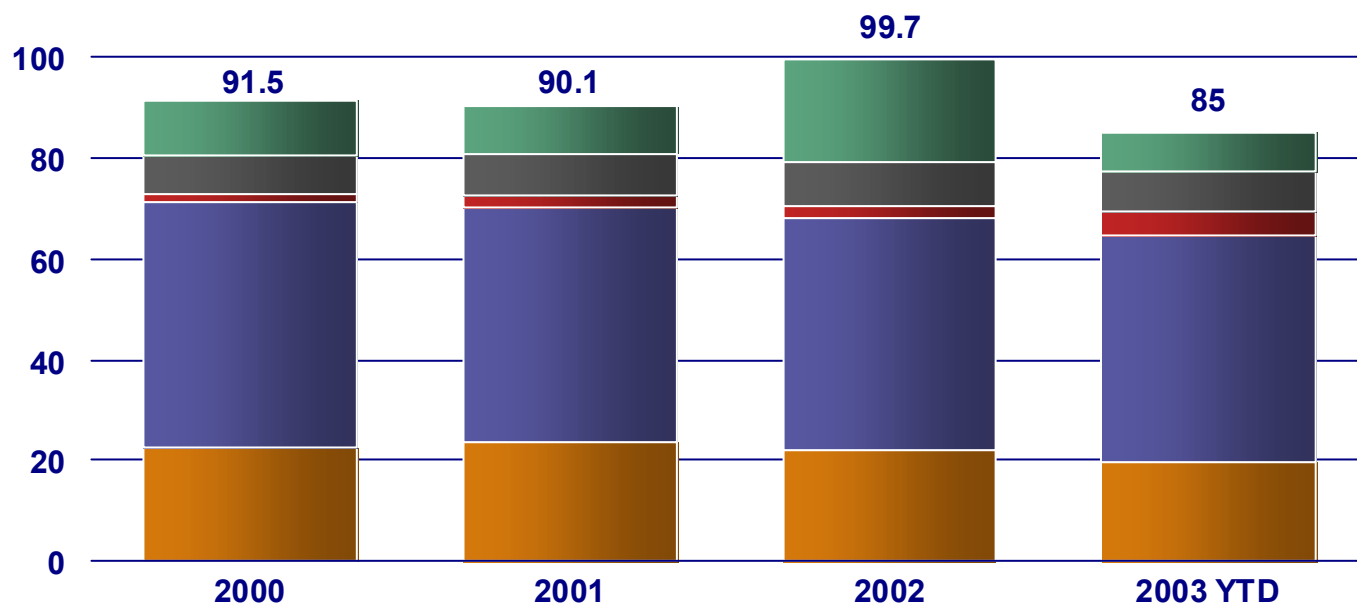
■ Eliminations  
■ Energy and Oil Marketing  
■ Exploration and Production





# Operating costs per barrel

NOK/boe



■ Exploration	11.2	9.1	20.3	7.9
■ Net transportation *	7.3	8.5	9	7.8
■ Other cost/income	1.7	2.3	2	4.7
■ Deprec. & aband.	49	46.4	46.4	44.8
■ Field/Prod. cost	22.3	23.8	22	19.8
<b>Total</b>	<b>91.5</b>	<b>90.1</b>	<b>99.7</b>	<b>85</b>
<b>Mill boe produced</b>	<b>151</b>	<b>154</b>	<b>175</b>	<b>50</b>

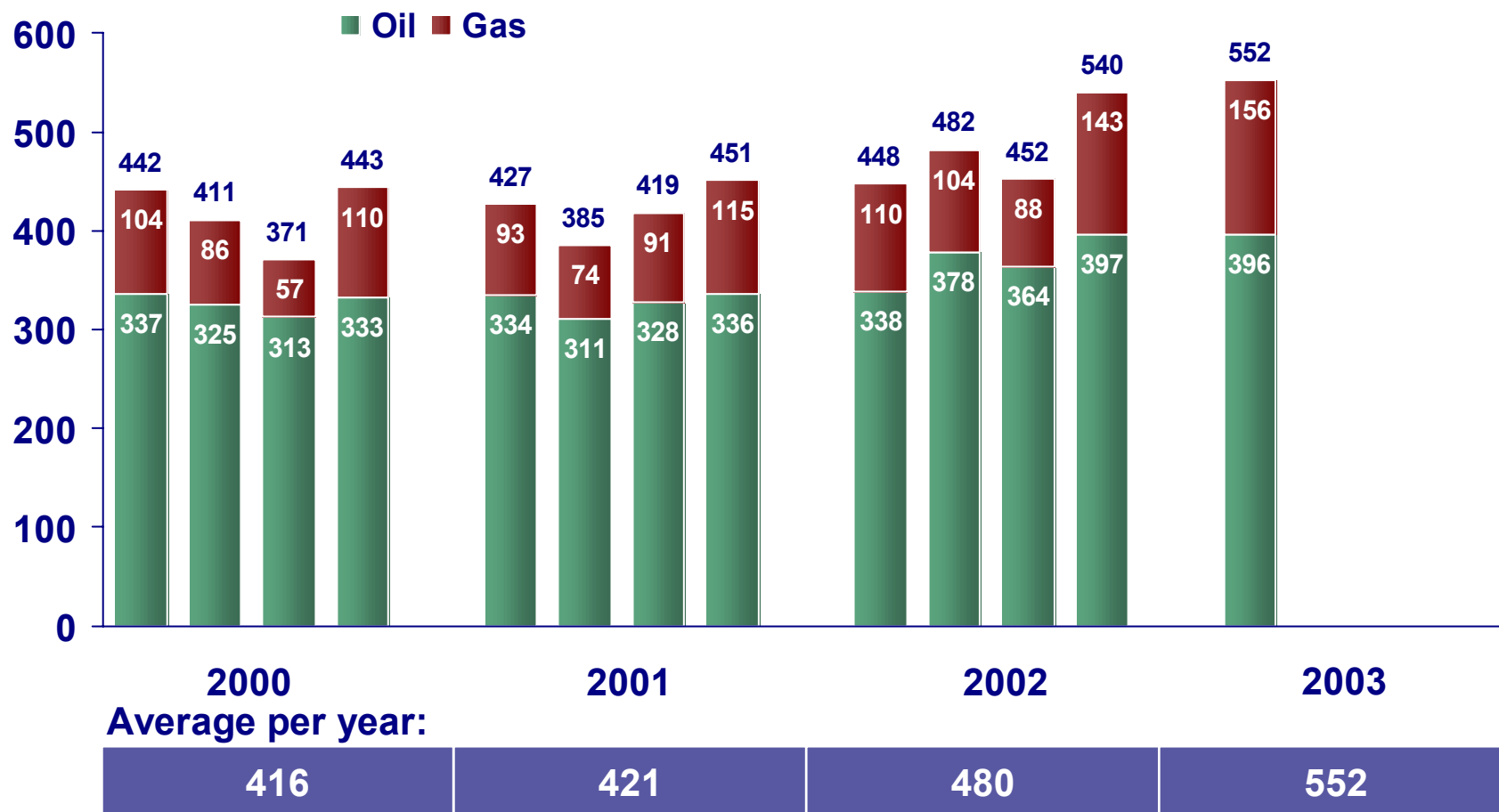
\* Hydro's net cost as an owner and user of transportation and processing



# Petroleum production

Per quarter

1 000 boe/day







## Exploration activities first quarter

Location	Hydro share	Status
Angola – BI 17 Acacia	10%	Commercial
Angola – BI 17 Hortensia	10%	Commercial
USA – Lorien (GoM)	10%	Ongoing – Q2
Iran – Anaran	75%*	Q2
Canada – Mizzen (Flemish Pass)	33%	Non-commercial
Norway – Lerke	13.5%	Dry

\* Formal governmental approval of Farm-out of 25% still pending



## **Oil and Energy – prospects**

- **On track to meet production target of 510 000 boe/day**
- **Grane, Fram Vest and Tyin (power) projects progressing as planned**
- **Ormen Lange on track to PDO this year**
- **Exploration activities in Iran and Canada**
- **Continued cost discipline**



# Aluminium – highlights first quarter

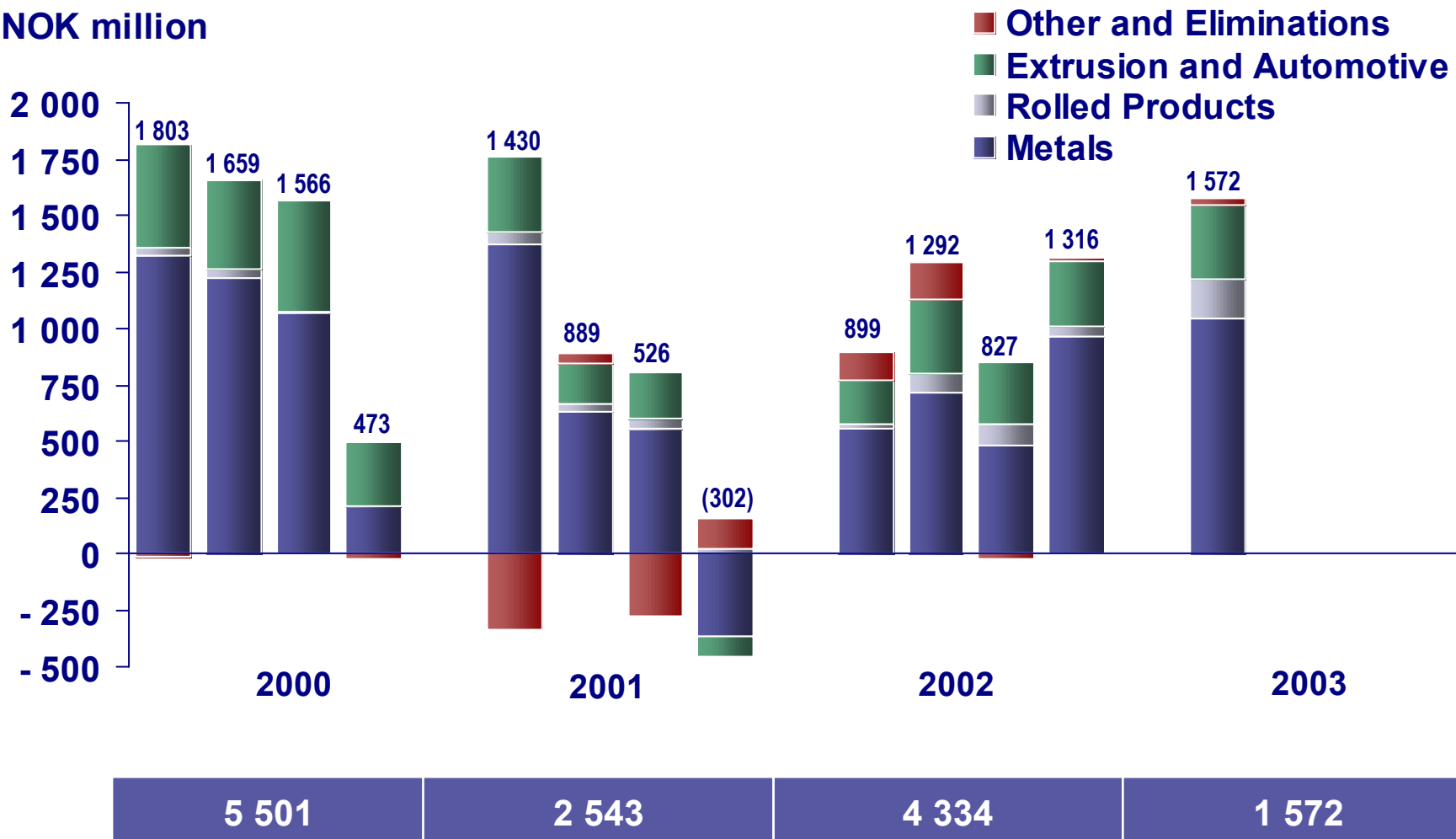
- **Better underlying performance**
  - Improvement programs on track
- **Continued weak markets reflected in financial results**
  - Realized aluminium price in NOK down 18% vs Q1 2002
  - Downstream margins under pressure
- **Major brownfield expansions on plan**
  - Alunorte alumina expansion in production (April)



# Aluminium

## EBITDA

NOK million





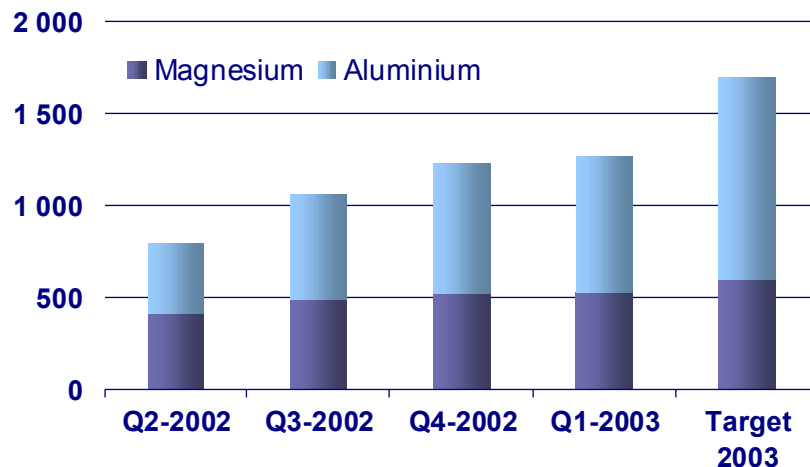
# **Aluminium – Business comments**

- **Metals – satisfactory results**
  - Product premiums maintained
  - Norwegian smelters suffer from strong NOK
- **Rolled Products – unsatisfactory results**
  - Weak margins
  - Rationalization program for Holmestrand rolling mill
- **Extrusion & Automotive – mixed results**
  - Extrusion improved in a weak market
  - Automotive – weak demand, margins under pressure
  - North America – weak markets, improved operations

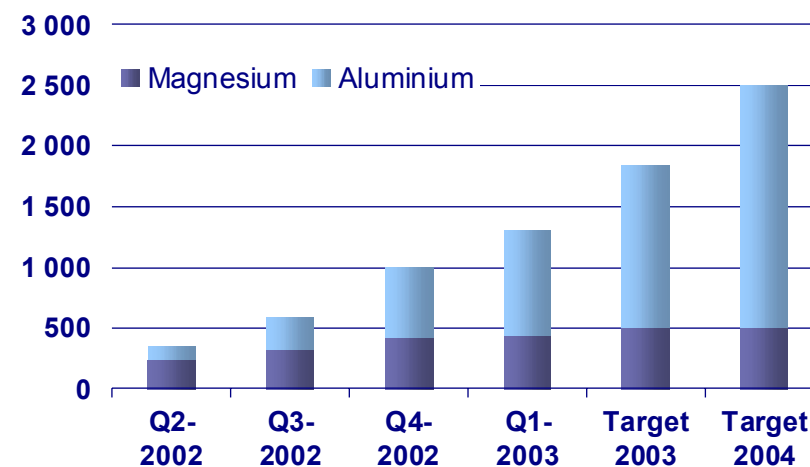


# Aluminium – improvement program on track

## Workforce reduction



## Cost reductions



## Restructuring and rationalization costs (NOK million)

	Realized			Remaining estimate	Total
	2001	2002	Q1 2003		
Magnesium	700	-10	0	24	714
Aluminium	-	300*	48	322	670

Workforce and cost reductions relative to 2001

\* of which NOK 89 million charged to VAW opening balance



## **Aluminium – prospects**

- **Continued challenging markets**
- **Deliver on improvement program**
- **Capitalize on strengthened industry position**
- **Improve relative cost position through brownfield investments**
- **Fix, sell or close underperforming units**



## **Agri – highlights first quarter**

- **Good financial result**
  - Increased prices
  - High energy costs and negative currency effects versus first quarter 2002
- **European fertilizer volumes up**
  - Reduced imports
  - Increased Hydro market shares
- **Continuing growth outside Europe**
- **Continued productivity improvement**

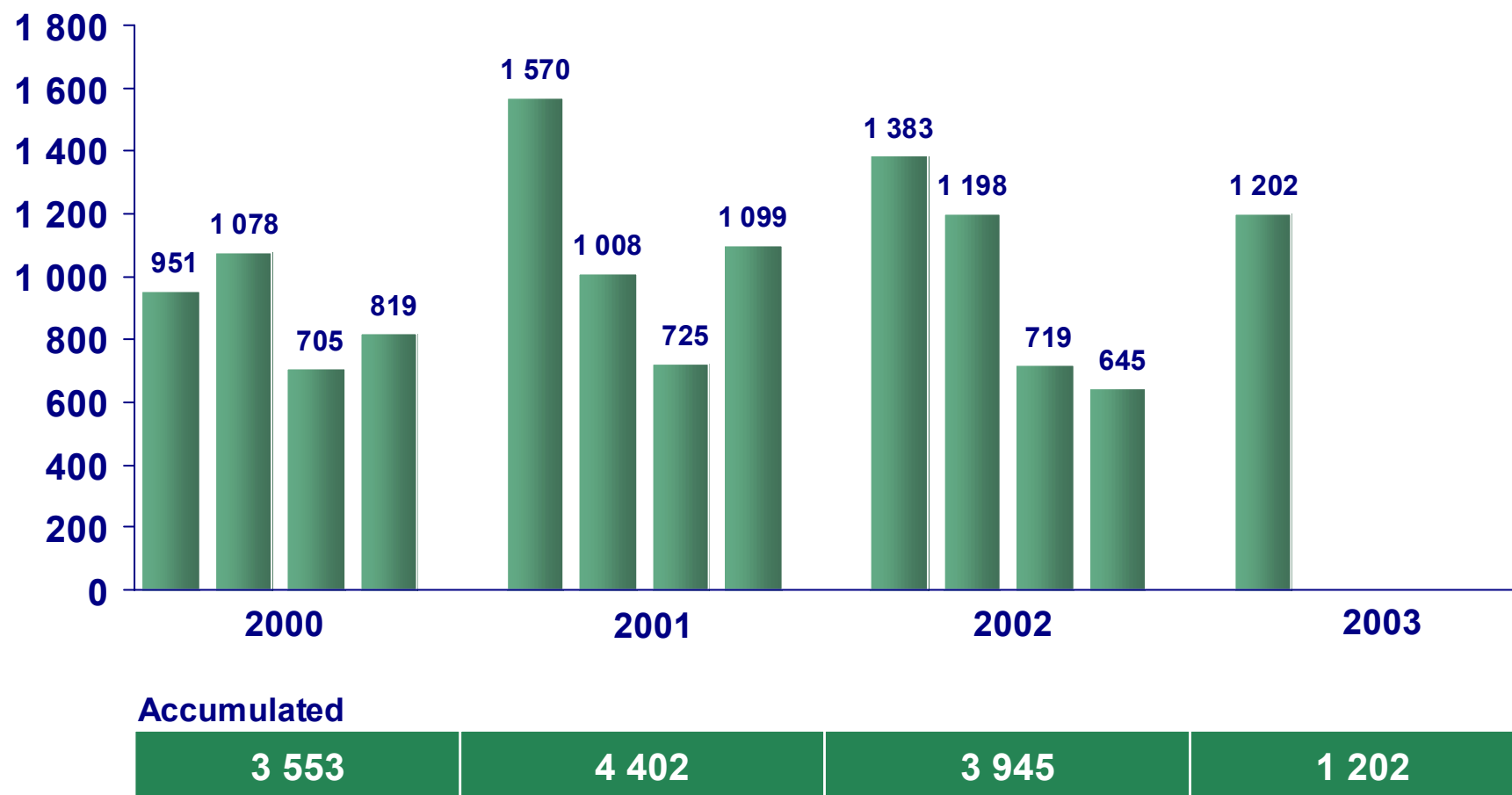




# Agri

## EBITDA

NOK million





## **Agri – prospects**

- **European fertilizer consumption in line with last season, low inventories**
- **High US gas price supports ammonia and urea prices**
- **Continued high European energy costs**
- **Further strengthening of market positions**



## **Norsk Hydro – priorities ahead**

- **Bottom line over top line growth**
- **Achieve CROGI target 8.5% - 9.5%**
- **Capital discipline**
- **Complete NOK 10 billion divestment program**
- **Continued excellent project execution**

# Additional information





# Equity in net income of non-consolidated investees

## Individual operating segment

NOK million	1st quarter 2003	1st quarter 2002
Exploration and Production	5	6
Energy and Oil Marketing	53	24
Hydro Oil and Energy	58	30
Metals	105	26
Rolled Products	7	(3)
Extrusion and Automotive	6	9
Hydro Aluminium	118	32
Hydro Agri	91	57
Other Activities	10	(11)
Corporate and Eliminations	-	-
Total	277	108



# Infrequent items – EBITDA

## Individual operating segment

NOK million	1st quarter 2003	1st quarter 2002
Exploration and Production	-	77
Hydro Oil and Energy	-	77
Metals	50	(169)
Rolled Products	(9)	(48)
Extrusion and Automotive	(2)	(18)
Hydro Aluminium	39	(234)
Hydro Agri	-	-
Other Activities	188	-
Total	227	(157)



# Major special items impacting first quarter earnings

Item	Reporting line	NOK million
Reversal of unrealized gains, power contracts	Energy and Oil Marketing	(130)
Reversal of unrealized gains, power contracts	Corporate and eliminations	(300)
Non-recurring pension costs	Corporate and eliminations	(230)
Interest income from reimbursed taxes*	Financial income	148
Reimbursement of taxes*	Income tax expense	177
Change in accounting principle	Cumulative effect of change in accounting principle	281

\* Following a ruling in Norway's Supreme Court



# Statement of Cash Flow

NOK million	1st quarter 2003	1st quarter 2002
<b>Operating activities:</b>		
Net income	2 482	2 132
Depreciation, depletion and amortization	3 622	2 967
Other adjustments	491	1 250
<b>Net cash provided by operating activities</b>	<b>6 595</b>	<b>6 349</b>
<b>Investing activities:</b>		
Purchases of property, plant and equipment	(2 797)	(3 213)
Purchases of other long-term investments	(78)	(16 236)
Net sales (purchases) of short-term investments	1 057	(8)
Proceeds from sales of property, plant and equipment	364	370
Proceeds from sales of other long-term investments	1 618	313
<b>Net cash used in investing activities</b>	<b>164</b>	<b>(18 774)</b>
<b>Financing activities:</b>		
Loan proceeds	864	60
Principal repayments	(1 789)	(1 585)
Ordinary shares issued	21	17
<b>Net cash used by financing activities</b>	<b>(904)</b>	<b>(1 508)</b>
<b>Foreign currency effect on cash flows</b>	<b>291</b>	<b>(316)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6 146</b>	<b>(14 249)</b>





# Consolidated balance sheet

NOK million	31.03.2003	31.03.2002	31.12.2002
Cash and cash equivalents	12 111	12 899	5 965
Other liquid assets	1 596	2 553	2 647
Receivables	43 940	43 394	40 553
Inventories	17 438	19 319	17 232
Non-current assets	146 124	139 259	140 814
<b>Total assets</b>	<b>221 209</b>	<b>217 424</b>	<b>207 211</b>
Short-term interest-bearing debt	7 834	12 004	7 306
Current portion of long-term debt	822	2 722	1 958
Other short-term liabilities	43 467	40 095	38 593
Long-term interest-bearing debt	31 906	36 459	30 902
Other long-term liabilities	18 484	14 836	14 633
Deferred tax liabilities	35 848	33 758	36 809
Minority interest	1 215	1 352	1 143
Shareholders' equity	81 633	76 198	75 867
<b>Total liabilities and shareholders' equity</b>	<b>221 209</b>	<b>217 424</b>	<b>207 211</b>
<b>Shareholders' equity per share, NOK</b>	<b>316.50</b>	<b>295.80</b>	<b>294.10</b>



# Depreciation

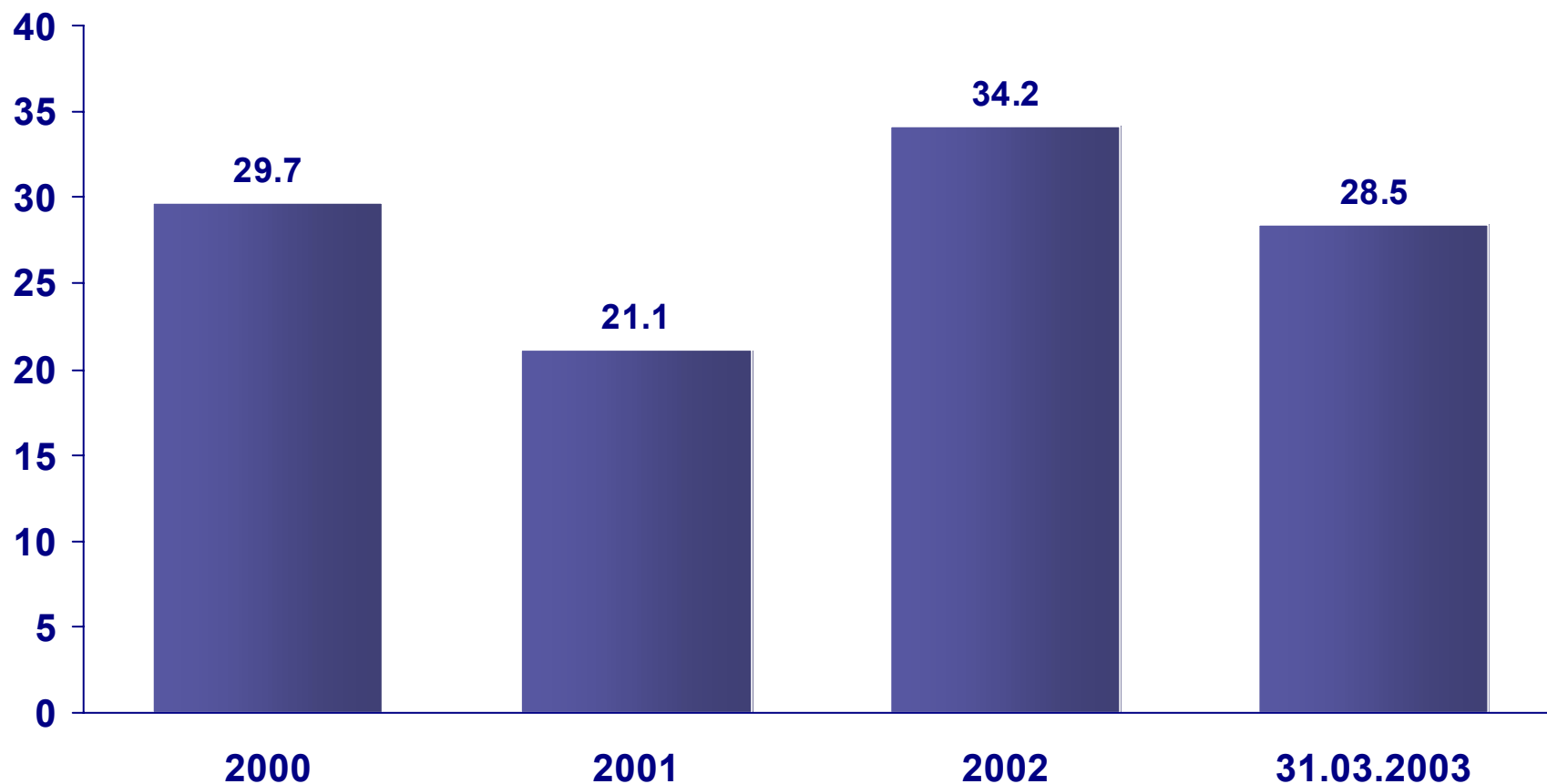
## Individual operating segment

NOK million	1st quarter 2003	1st quarter 2002
Exploration and Production	2 241	1 837
Energy and Oil Marketing	143	188
Hydro Oil and Energy	2 384	2 025
Metals	351	194
Rolled Products	148	36
Extrusion and Automotive	267	207
Hydro Aluminium	766	437
Hydro Agri	261	298
Other Activities	210	203
Corporate and Eliminations	1	4
Total	3 622	2 967



## Net interest bearing debt\*

NOK billion



\* Interest bearing debt less cash and cash equivalents



# Variance analysis Oil and Energy

NOK million	1st quarter
2003	8 668
2002	5 847
<b>Variance EBITDA</b>	<b>2 821</b>
- Prices and currency	
- Oil	2 670
- Gas	(200)
- Currency	(1 340)
- Put options	70
	<hr/>
	1 200
- Margin	245
- Volume	1 420
- Fixed costs	10
- Depreciation	(360)
- Production costs	(75)
- Exploration costs	322
- Other	(295)
<b>Variance Operating income</b>	<b>2 468</b>
- Non-consolidated investees	28
- Other income	(77)
- Interest income and other	41
- Depreciation and amortization	361
<b>Variance EBITDA</b>	<b>2 821</b>



# Variance analysis

## Exploration and Production

NOK million	1st quarter
2003	7 770
2002	4 929
<b>Variance EBITDA</b>	<b>2 841</b>
- Prices and currency	
- Oil	2 670
- Gas	(200)
- Currency	(1 340)
- Put options	70
	<hr/>
	1 200
- Volume	1 725
- Depreciation	(405)
- Production costs	(75)
- Exploration costs	322
- Other	(295)
<b>Variance operating income</b>	<b>2 474</b>
- Non-consolidated investees	(1)
- Other income	(77)
- Interest income and other	40
- Depreciation and amortization	405
<b>Variance EBITDA</b>	<b>2 841</b>



# Variance analysis

## Energy and Oil Marketing

NOK million	1st quarter
2003	920
2002	918
Variance EBITDA	2
- Margin	245
- Volume	(305)
- Fixed costs	30
- Depreciation	45
- Other	-
Variance operating income	16
- Non-consolidated investees	29
- Interest income and other	1
- Depreciation and amortization	(44)
Variance EBITDA	2

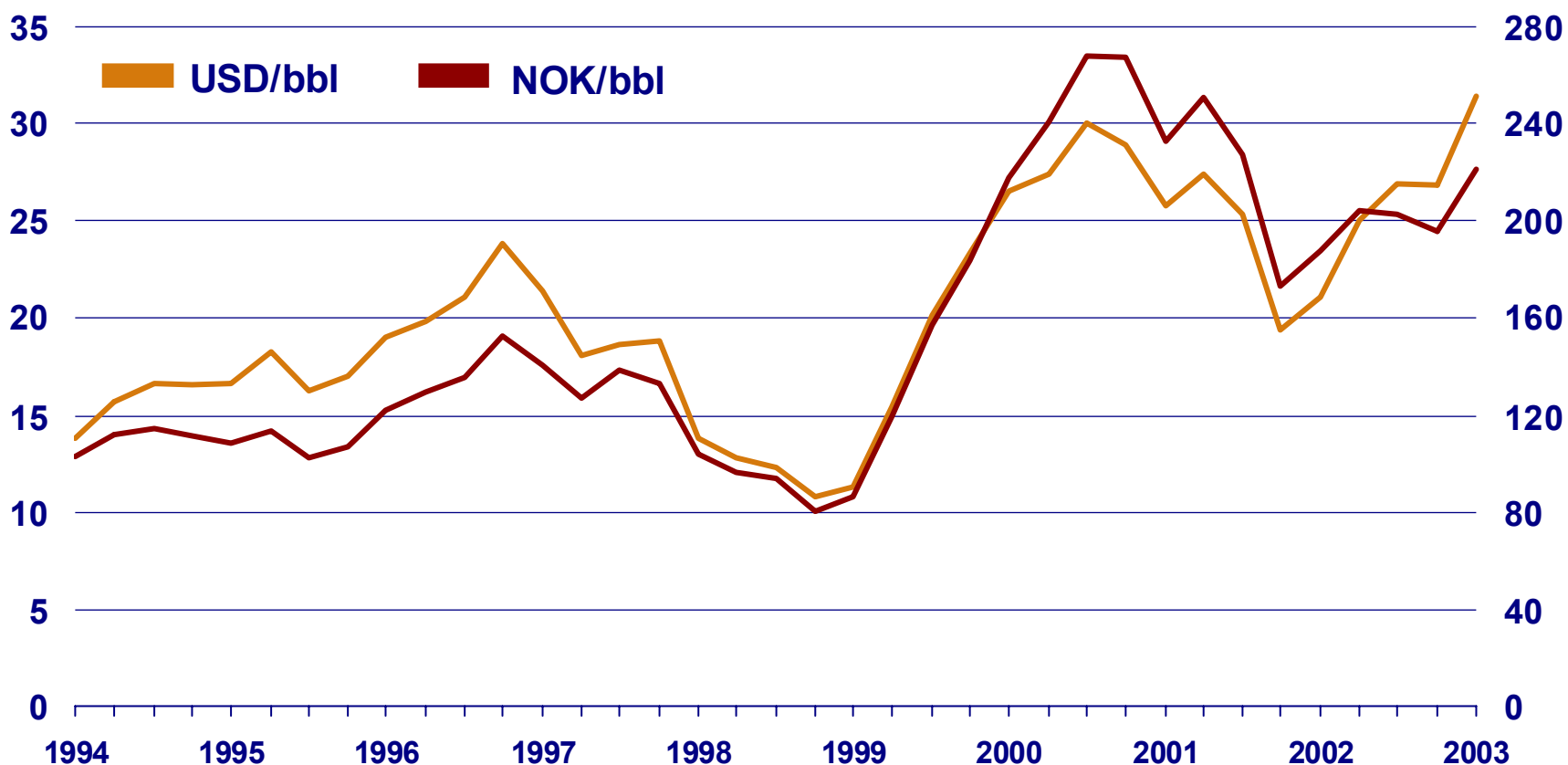


# Price development – crude oil

Average Brent Blend dated per quarter

USD/bbl

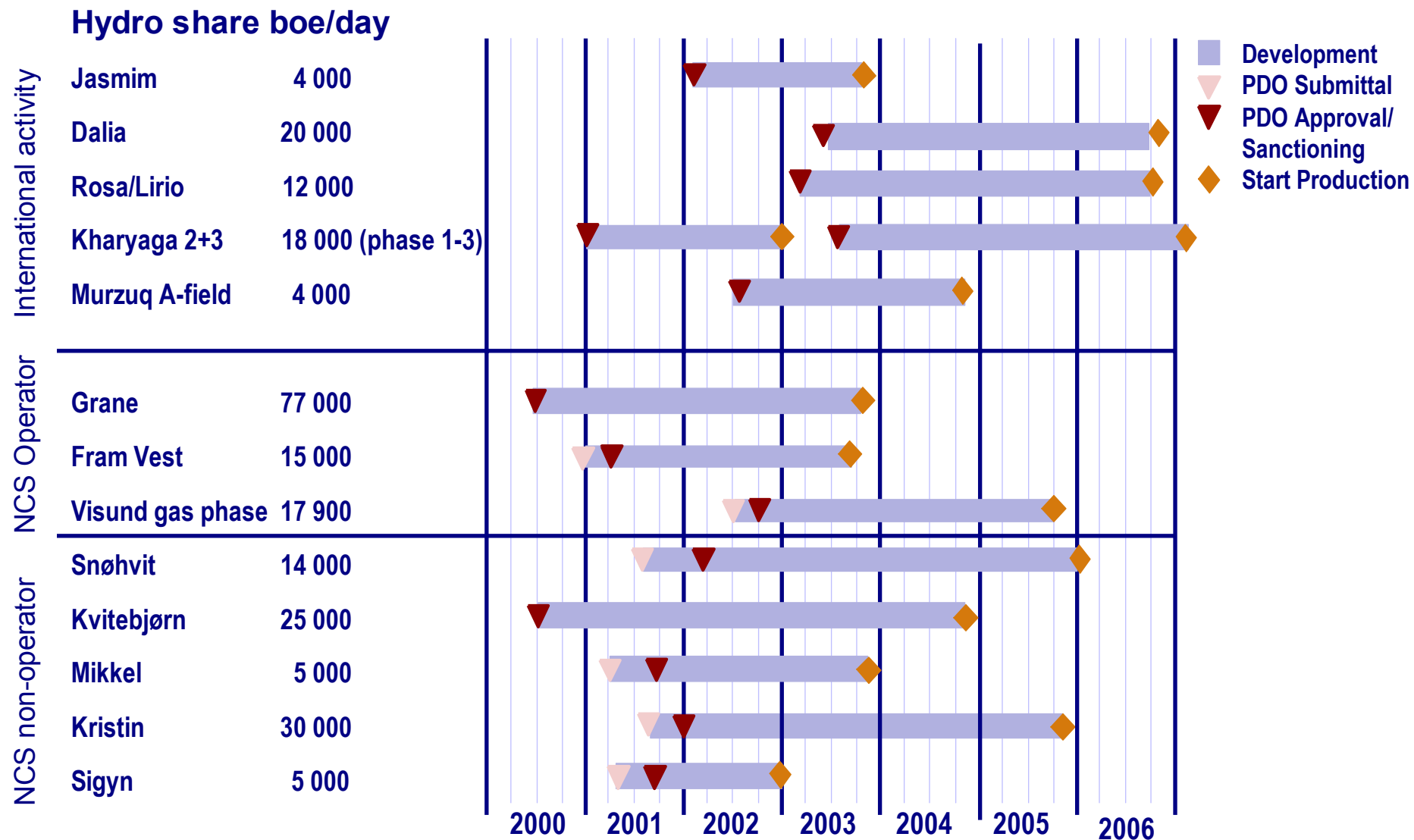
NOK/bbl



1st quarter 2003: 221.5 NOK/bbl  
31.4 USD/bbl



# New fields on stream 2003 – 2006







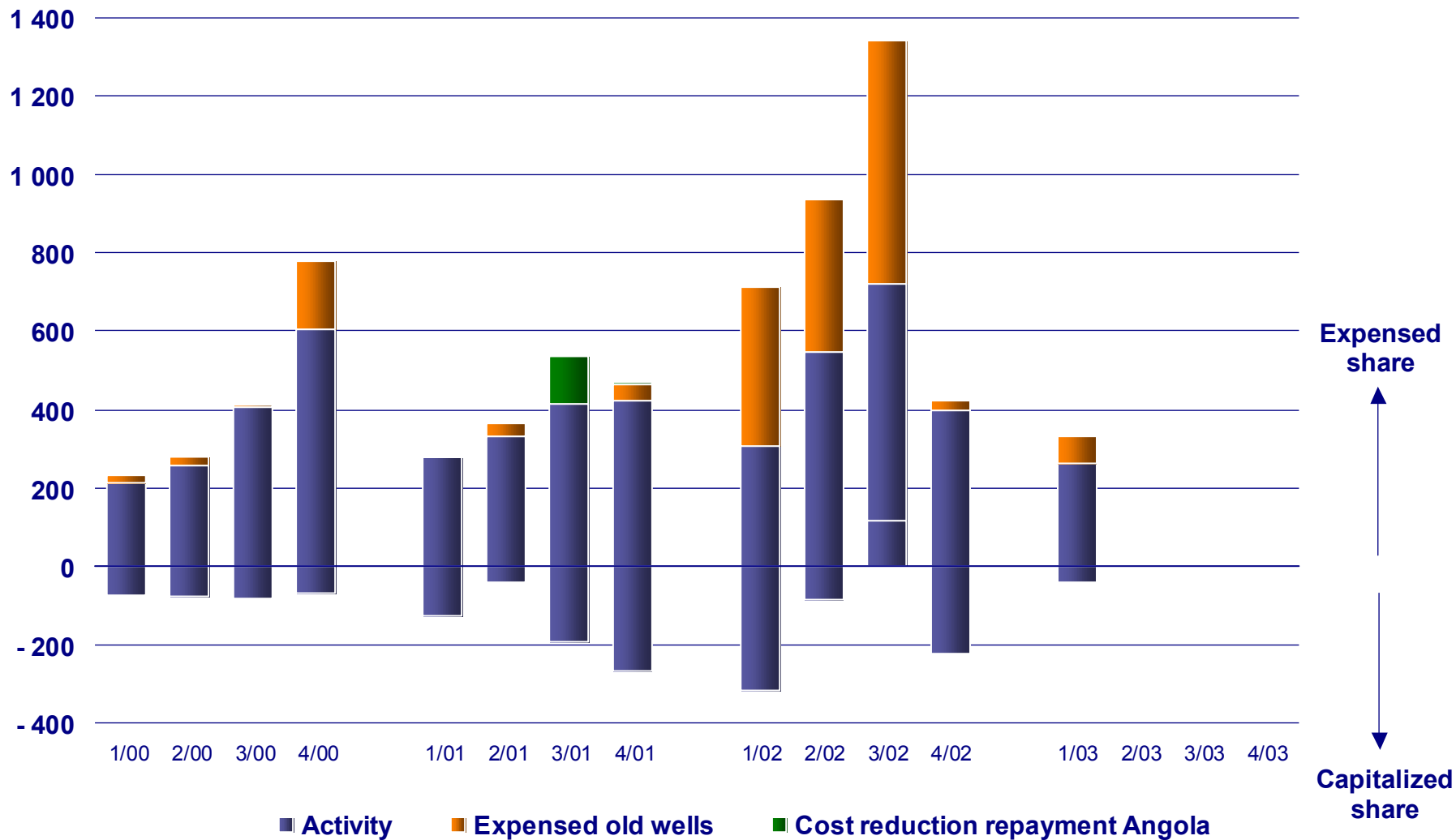
# Production per field

Boe/day	Q1 2002	Q1 2003	Hydro share %	Hydro production
Oseberg	196 000	194 000	34.00	65 916
Snorre	223 000	250 000	17.65	44 101
Oseberg South	75 000	85 000	34.00	28 979
Ekofisk	349 000	371 000	6.65	24 695
Åsgard	180 000	241 000	9.60	23 125
Gullfaks	258 000	231 000	9.00	20 797
Troll C	160 000	206 000	9.78	20 165
Troll B	188 000	187 000	9.78	18 306
Oseberg East	51 000	49 000	34.00	15 509
Sleipner Area	127 000	137 000	8.85/9.40/10.00	12 962
Norne	186 000	154 000	8.10	12 463
Tordis	79 000	90 000	13.28	11 891
Vigdis	44 000	61 000	13.28	8 143
Brage	33 000	31 000	24.44	7 529
Visund	38 000	32 000	20.30	6 523
Njord	30 000	26 000	22.50	5 864
Tune	0	15 000	40.00	5 843
Girassol	156 000	193 000	10.00	19 288
Terra Nova	79 000	126 000	15.00	18 880
Hibernia	162 000	203 000	5.00	10 155
Other fields				13.393
SUM OIL				395 508
GAS				155 992
Total production				551 500



# Exploration activity and costs

NOK million





# Variance analysis Aluminium

NOK million	1st quarter
2003	1 572
2002	899
<b>Variance EBITDA</b>	<b>673</b>
- Margin	(505)
- Volume	180
- Fixed costs	140
- Depreciation	(45)
- Infrequent items and restructuring costs	290
- Trading and hedging	85
- Unrealized LME-effects	(95)
- New / disposed business	285
- Other	(25)
<b>Variance operating income</b>	<b>308</b>
- Non-consolidated investees	87
- Interest income and other	(53)
- Depreciation and amortization	331
<b>Variance EBITDA</b>	<b>673</b>



# Variance analysis Metals

NOK million	1st quarter
2003	1 047
2002	550
Variance EBITDA	497
- Margin	(380)
- Volume	30
- Fixed costs	130
- Depreciation	(50)
- Infrequent items and restructuring costs	225
- Trading & price hedging	85
- New / disposed business	305
- Other	(30)
Variance operating income	316
- Non-consolidated investees	80
- Interest income and other	(52)
- Depreciation and amortization	153
Variance EBITDA	497



# Variance analysis Rolled Products

NOK million	1st quarter
2003	168
2002	28
Variance EBITDA	140
- Margin	(50)
- Volume	40
- Fixed costs	-
- Depreciation	(5)
- Infrequent items	40
- New / disposed business	(10)
- Other	-
Variance operating income	14
- Non-consolidated investees	10
- Interest income and other	-
- Depreciation and amortization	116
Variance EBITDA	140



# Variance analysis

## Extrusion and Automotive

NOK million	1st quarter
2003	329
2002	194
<b>Variance EBITDA</b>	<b>135</b>
- Margin	(70)
- Volume	110
- Fixed costs	10
- Depreciation	10
- Infrequent items	25
- New / disposed business	(10)
- Other	5
<b>Variance operating income</b>	<b>76</b>
- Non-consolidated investees	(3)
- Interest income and other	-
- Depreciation and amortization	62
<b>Variance EBITDA</b>	<b>135</b>



# Aluminium – Key figures by segment

Volumes and prices	Q1 2003	Q4 2002	Q1 2002
Primary production (Kmt)	343	349	220
Total metal sales (Kmt) *)	532	480	332
LME, realized (USD/t)	1 377	1 313	1 356
USD/NOK, realized **)	7.21	7.63	9.01
Rolled Products external shipment (Kmt)	246	211	78
Extrusion & Automotive, external revenues (NOK million)	6 098	5 851	5 615

EBITDA	Q1 2003	Q4 2002	Q1 2002
Metals	1 047	964	550
Rolled Products	168	47	28
Extrusion & Automotive	329	285	194

\*) excluding trading

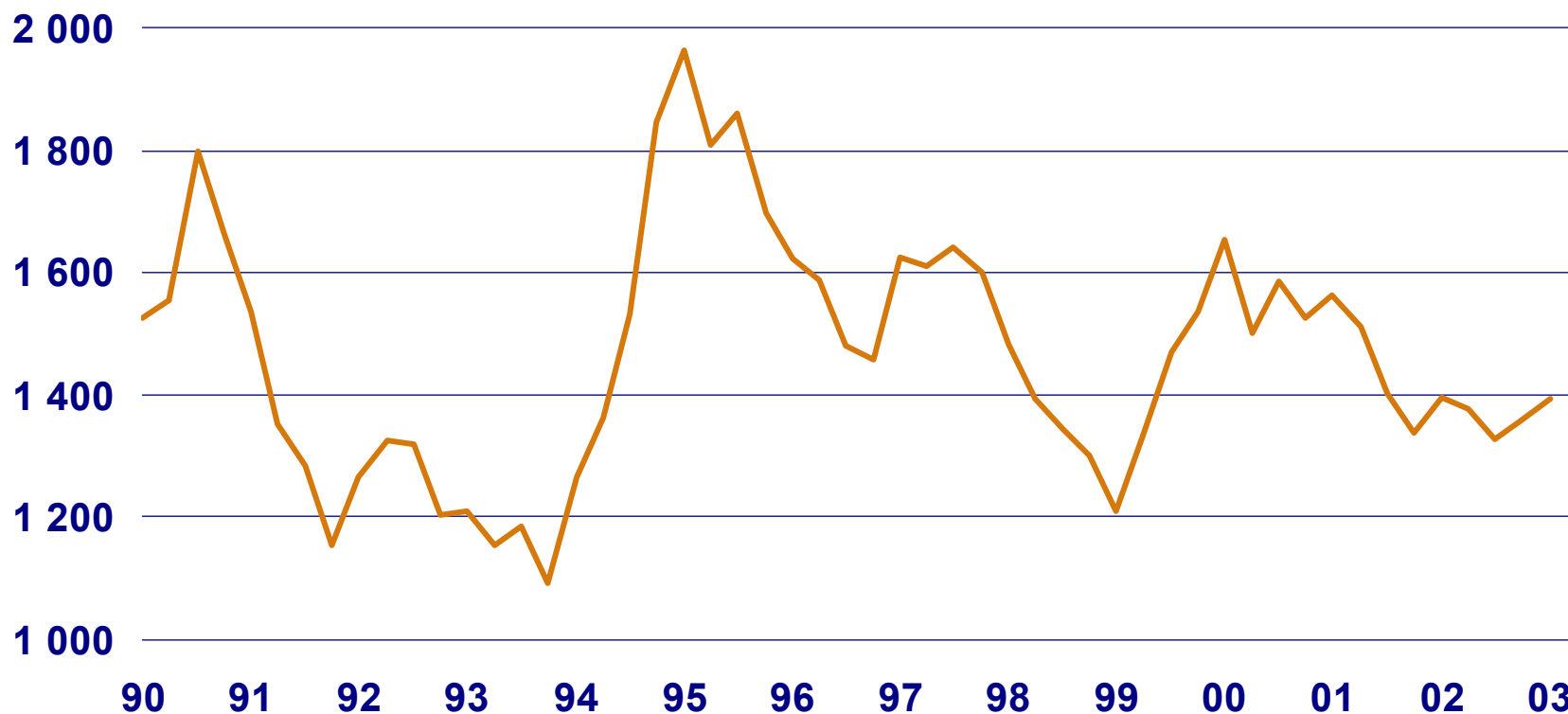
\*\*) difference between realized exchange rate and spot rate at the transaction date is reported as currency gain/loss and not included in EBITDA



# Aluminium price

3 months LME price, average per quarter

USD/tonne

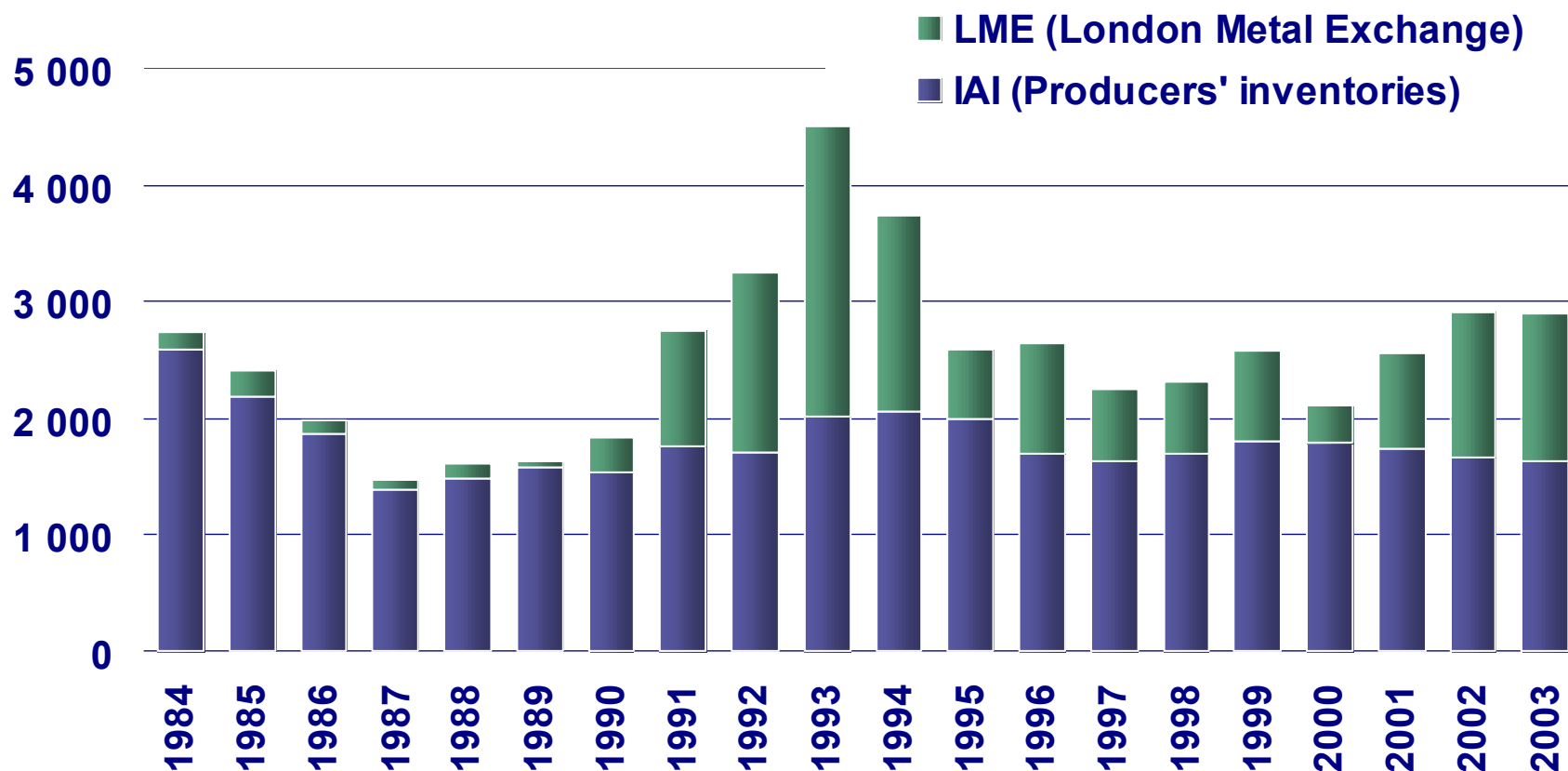






# Inventories – primary aluminium

1 000 tonnes



Sources: IAI and LME  
2003: IAI figures per February and LME figures per March

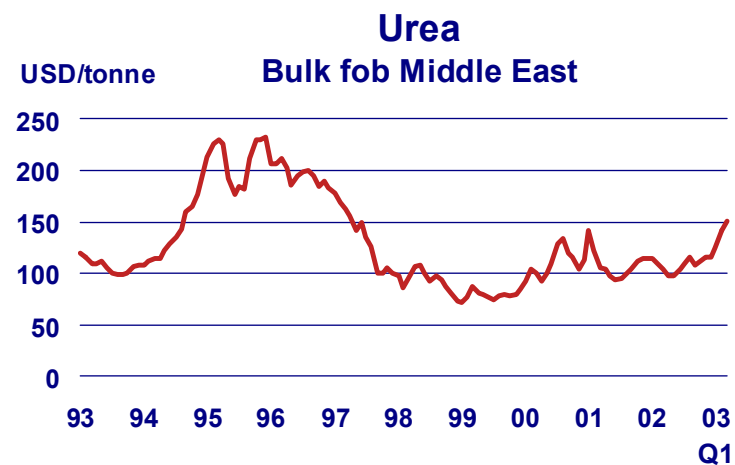
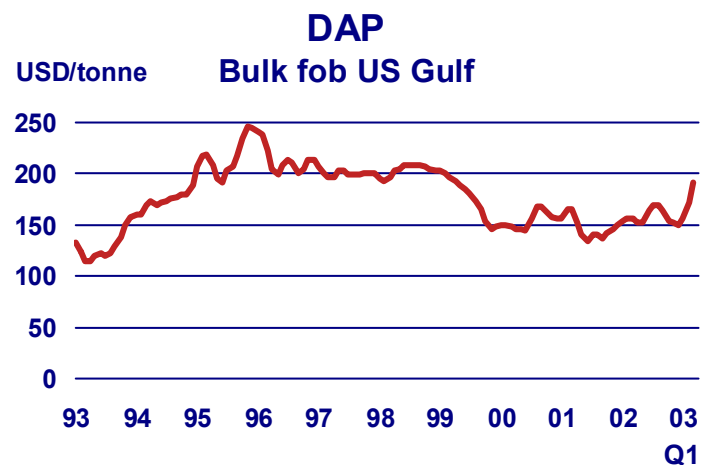
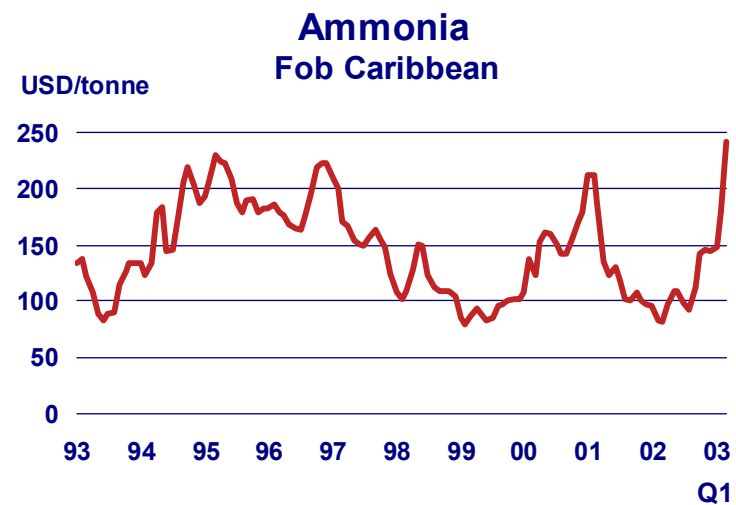
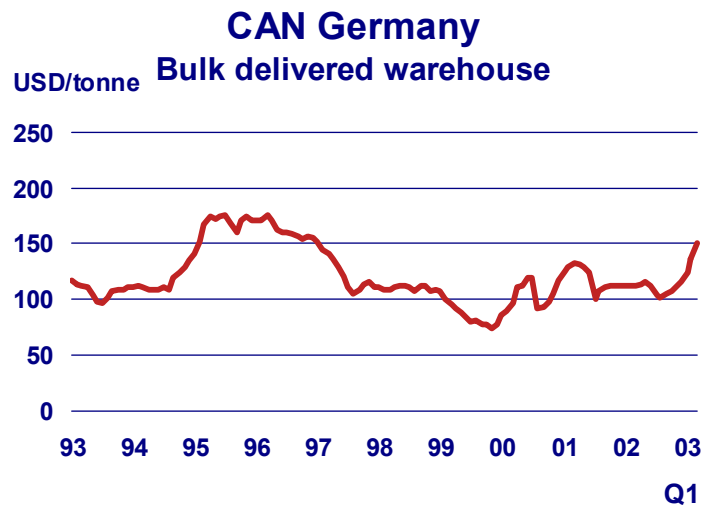


# Variance analysis Agri

NOK million	1st quarter
2003	1 202
2002	1 383
Variance EBITDA	(181)
- Margin	(315)
- Volume	110
- Fixed costs	110
- Depreciation	35
- Infrequent items	-
- Other	(90)
Variance operating income	(151)
- Non-consolidated investees	34
- Interest income and other	(27)
- Depreciation and amortization	(37)
Variance EBITDA	(181)



# Fertilizer prices

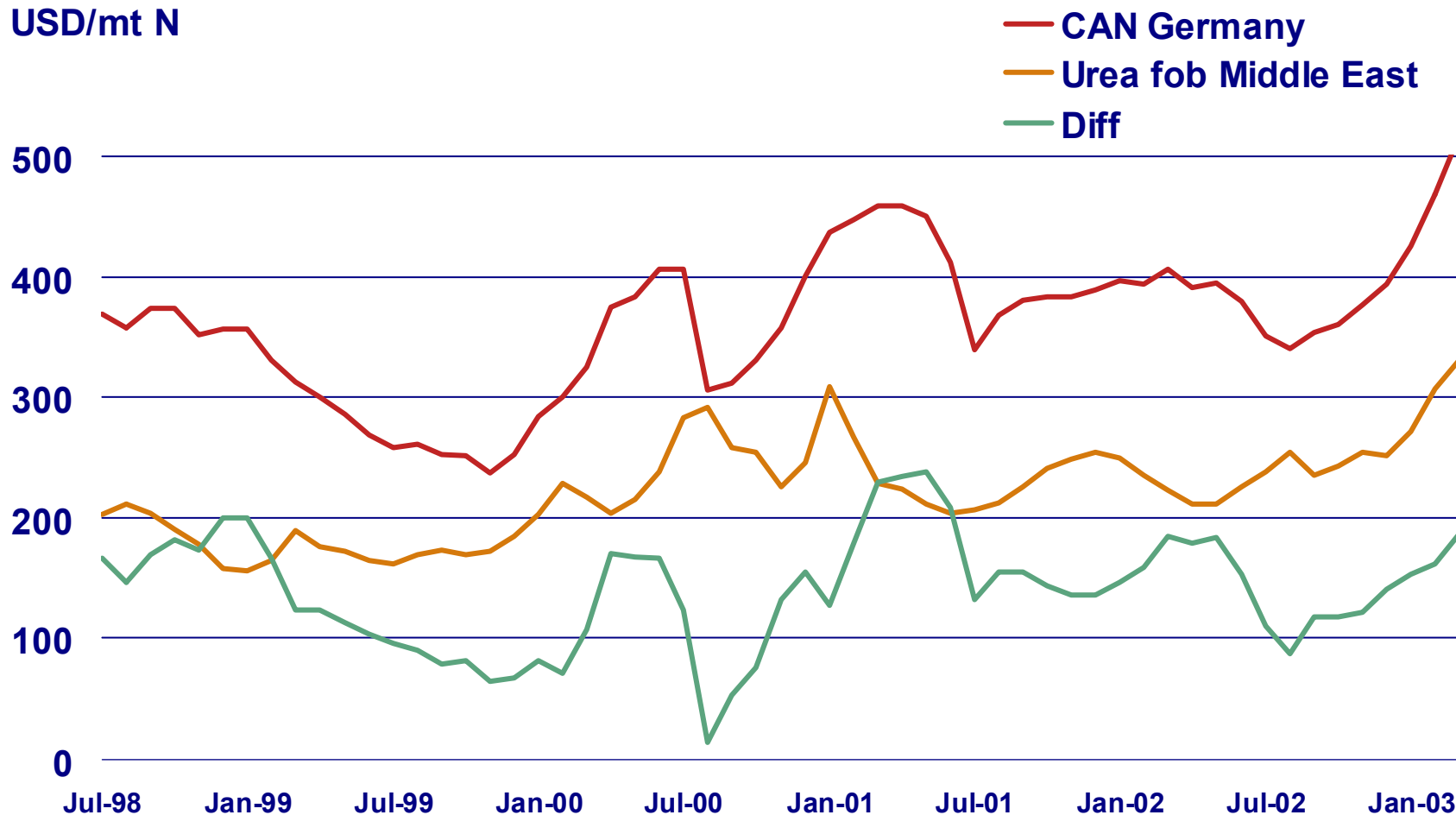


Source: International publications



# Nitrate premium above urea price

USD/mt N





# Variance analysis Petrochemicals

NOK million	1st quarter
2003	93
2002	28
Variance EBITDA	65
- Margin	15
- Volume	15
- Fixed costs	15
- Depreciation	5
- Infrequent items	-
- Other	-
Variance operating income	47
- Non-consolidated investees	23
- Interest income and other	-
- Depreciation and amortization	(5)
Variance EBITDA	65



# 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)).