

# Second quarter 2003

Norsk Hydro ASA  
21 July, 2003





## **Highlights second quarter, 2003**

- **Continued operational progress in all three areas**
- **Strong cashflow**
  - Flexible Packaging divestment completed
  - Debt/equity ratio further improved
- **Decision to list Agri**
- **Authorization for buyback of shares**



## **Public listing of Agri**

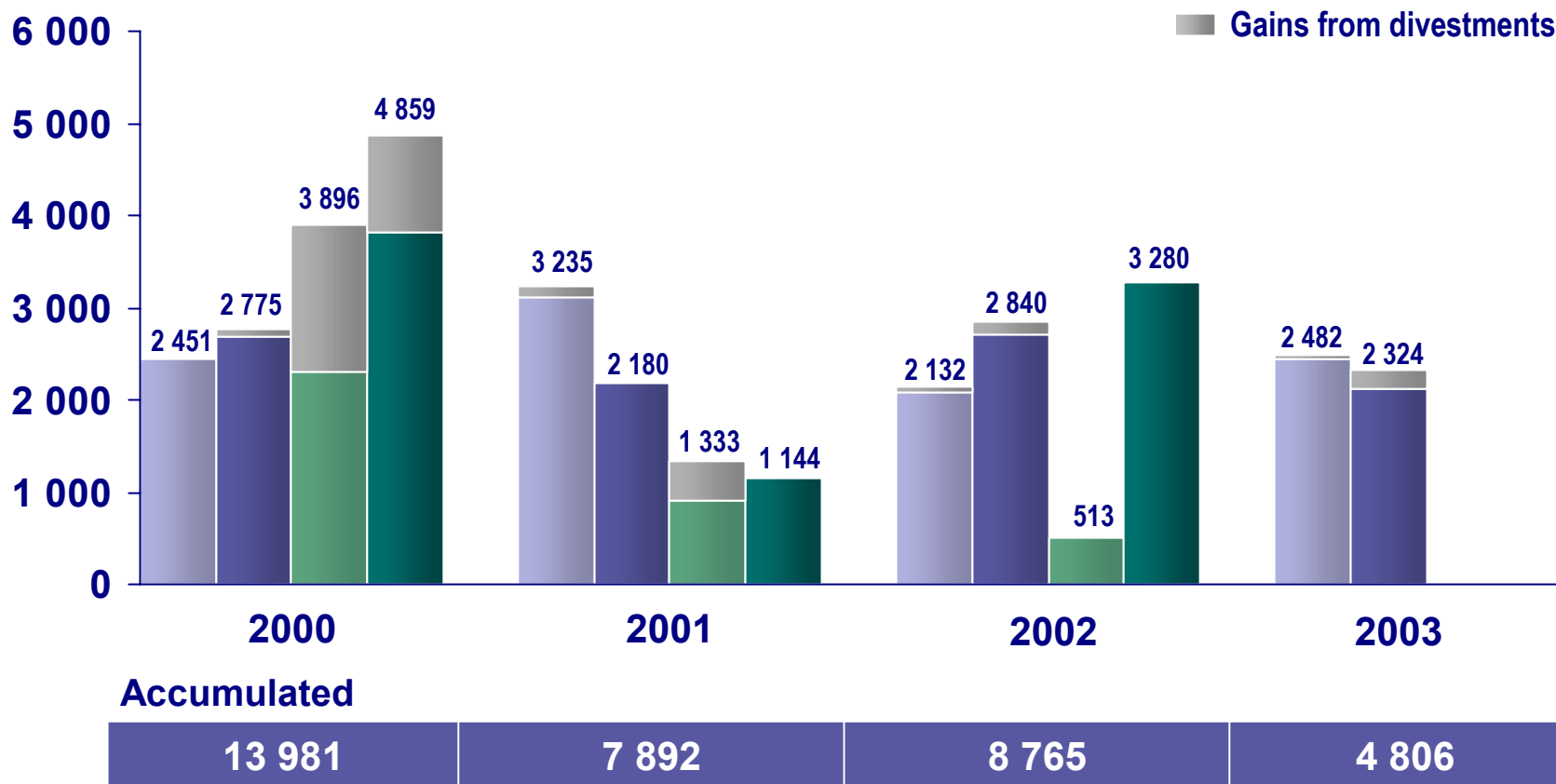
- **Well received by key stakeholders**
- **Project organization established**
- **Advisers to be selected**
- **Agri Capital Markets Day planned in November**
- **Public listing during first half 2004**



# Net income\*

Per quarter

NOK million

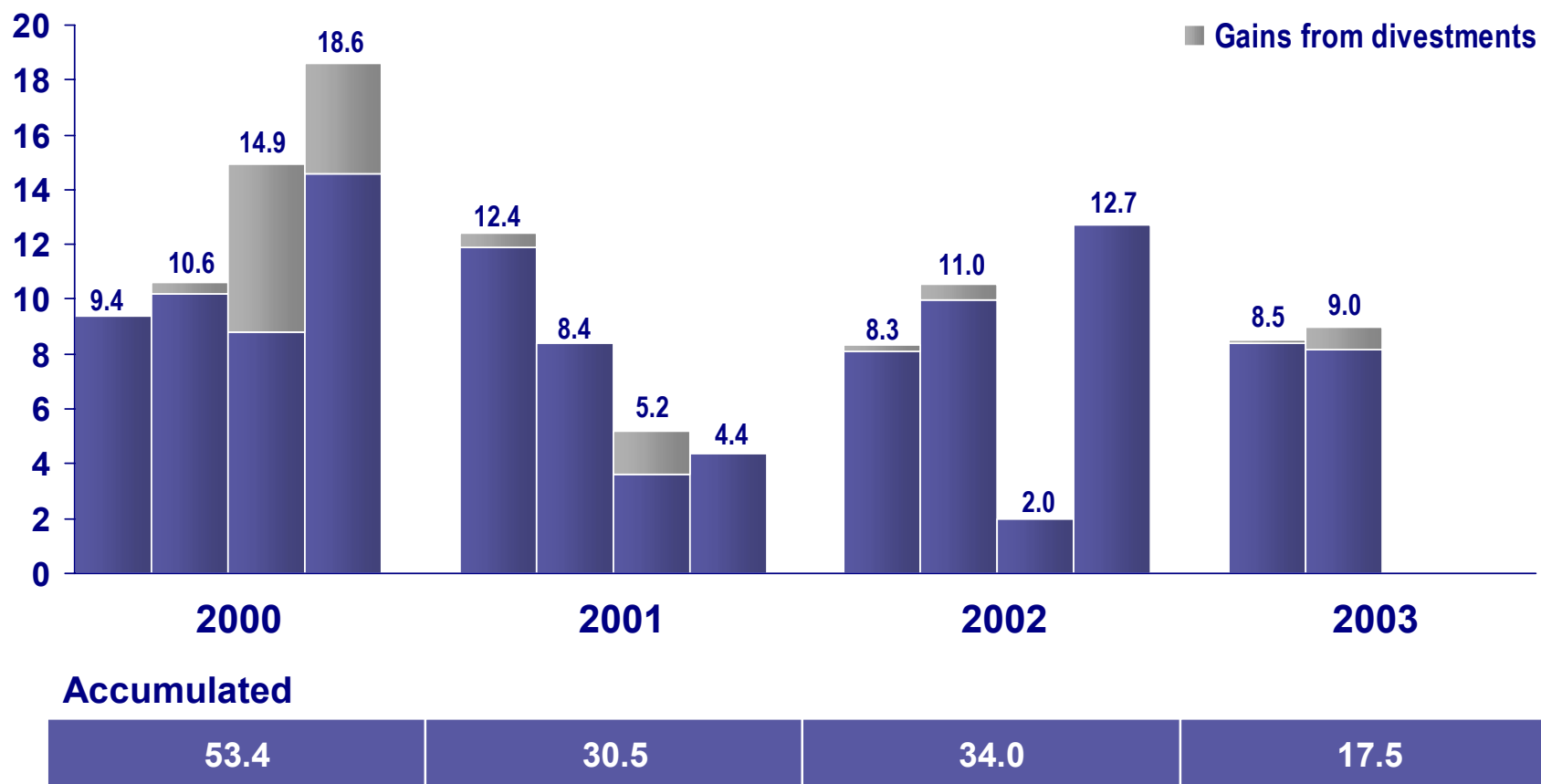


\* Including the effect of change in accounting principles for 1st quarter 2003 amounting to a positive effect of NOK 281 million



# Earnings per share\*

NOK



\* Before effect of change in accounting principles



# Consolidated income statements

| NOK million  | 2nd quarter<br>2003 | 2nd quarter<br>2002 |
|--|---------------------|---------------------|
| Operating revenues                                 | 40 578              | 44 454              |
| Operating income                                   | 4 619               | 5 077               |
| Equity in net income of non-consolidated investees | 392                 | (203)               |
| Interest income and other financial income         | 379                 | 288                 |
| Other income                                       | (1 881)             | 142                 |
| Earnings before interest expense and taxes (EBIT)  | 3 509               | 5 304               |
| Interest expense and foreign currency gain (loss)  | (227)               | 1 754               |
| Income before tax and minority interest            | 3 282               | 7 058               |
| Income tax expense                                 | (988)               | (4 214)             |
| Minority interest                                  | 30                  | (4)                 |
| Net income   | 2 324               | 2 840               |
| Earnings per share* - NOK                          | 9.00                | 11.00               |

\* For calculation of EPS, 2nd quarter 2003: 258 188 527 shares,  
2nd quarter 2002: 257 637 050 shares



# Adjusted income second quarter 2003

| NOK million  | 2nd quarter 2003 | Adjustments | Adjusted Income |
|--|------------------|-------------|-----------------|
| Operating revenues                                 | 40 578           | -           | 40 578          |
| Operating income                                   | 4 619            | 119         | 4 738           |
| Equity in net income of non-consolidated investees | 392              | (170)       | 222             |
| Interest income and other financial income         | 379              | -           | 379             |
| Other income                                       | (1 881)          | 2 207       | 326             |
| Earnings before interest expense and taxes (EBIT)  | 3 509            | 2 156       | 5 665           |
| Interest expense and foreign currency gain (loss)  | (227)            | -           | (227)           |
| Income before tax and minority interest            | 3 282            | 2 156       | 5 438           |
| Income tax expense                                 | (988)            | (2 310)**   | (3 298)         |
| Minority interest                                  | 30               | -           | 30              |
| Net income   | 2 324            | (154)       | 2 170           |
| Earnings per share* - NOK                          | 9.00             |             | 8.40            |

\* For calculation of EPS, 2nd quarter 2003: 258 188 527 shares

\*\* Deferred tax asset related to abandonment costs (NOK 2 380 million), minus estimated tax effect on other adjustments (NOK 70 million)



## Net financial income (expense)

| NOK million                                       | 2nd quarter<br>2003 | 2nd quarter<br>2002 |
|---|---------------------|---------------------|
| Interest income                                   | 211                 | 442                 |
| Dividends and net gain (loss) on securities       | 168                 | (154)               |
| Interest income and other financial income        | 379                 | 288                 |
| Interest expense                                  | (708)               | (844)               |
| Capitalized interest                              | 184                 | 158                 |
| Net foreign exchange gain (loss)                  | 318                 | 2 471               |
| Other   | (21)                | (31)                |
| Interest expense and foreign exchange gain (loss) | (227)               | 1 754               |
| Net financial income (expense)                    | 152                 | 2 042               |





# Operating income

## Individual operating segment

| NOK million                | 2nd quarter<br>2003 | 2nd quarter<br>2002 |
|----------------------------|---------------------|---------------------|
| Exploration and Production | 3 107               | 3 069               |
| Energy and Oil Marketing   | 547                 | 617                 |
| Eliminations               | (2)                 | -                   |
| Hydro Oil and Energy       | 3 652               | 3 686               |
| Metals                     | 542                 | 568                 |
| Rolled Products            | 53                  | (76)                |
| Extrusion and Automotive   | (10)                | 55                  |
| Other and Eliminations     | (21)                | 164                 |
| Hydro Aluminium            | 564                 | 711                 |
| Hydro Agri                 | 622                 | 604                 |
| Other Activities           | (101)               | 68                  |
| Corporate and Eliminations | (118)               | 8                   |
| Total                      | 4 619               | 5 077               |



# Variance analysis Hydro group

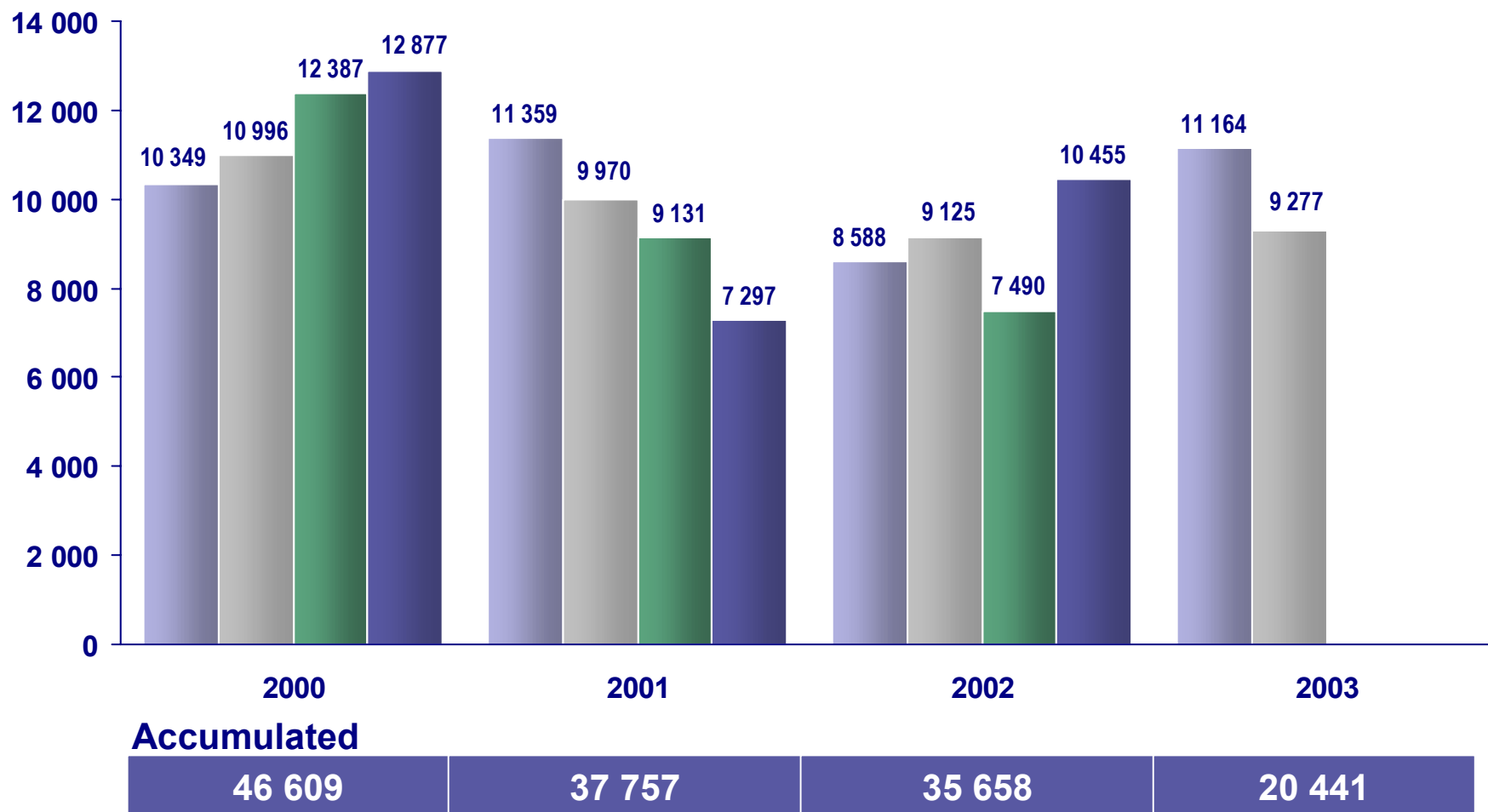
| NOK million                                     | 1st half     | 2nd quarter  |
|---|--------------|--------------|
| 2003  | 20 441       | 9 277        |
| 2002  | 17 713       | 9 125        |
| <b>Variance EBITDA</b>                          | <b>2 728</b> | <b>152</b>   |
| - Prices and currency, E&P *                    | 695          | (505)        |
| - Margin incl. currency effects                 | (1 110)      | (235)        |
| - Volume  | 1 550        | (205)        |
| - Fixed costs                                   | 300          | 25           |
| - Depreciation                                  | (300)        | 65           |
| - Production and exploration costs, E&P *       | 720          | 475          |
| - Infrequent items and restructuring costs      | 415          | 125          |
| - Trading and unrealized LME-effects, Aluminium | 25           | 35           |
| - New / disposed business                       | 200          | (40)         |
| - Other   | (1 005)      | (200)        |
| <b>Variance operating income</b>                | <b>1 491</b> | <b>(459)</b> |
| - Non-consolidated investees                    | 764          | 594          |
| - Interest income and other                     | (72)         | 90           |
| - Other income                                  | 147          | 184          |
| - Depreciation and amortization                 | 398          | (257)        |
| <b>Variance EBITDA</b>                          | <b>2 728</b> | <b>152</b>   |

\* Exploration and Production



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

Per quarter  
NOK million





# EBITDA

## Individual operating segment

| NOK million                | 2nd quarter 2003 | 2nd quarter 2002 |
|----------------------------|------------------|------------------|
| Exploration and Production | 5 228            | 5 311            |
| Energy and Oil Marketing   | 1 048            | 844              |
| Eliminations               | (2)              | -                |
| Hydro Oil and Energy       | 6 274            | 6 155            |
| Metals                     | 1 124            | 715              |
| Rolled Products            | 215              | 82               |
| Extrusion and Automotive   | 300              | 331              |
| Other and Eliminations     | (20)             | 164              |
| Hydro Aluminium            | 1 619            | 1 292            |
| Hydro Agri                 | 1 073            | 1 198            |
| Other Activities           | 290              | 183              |
| Corporate and Eliminations | 21               | 297              |
| Total                      | 9 277            | 9 125            |



# Operating income – EBIT – EBITDA

## Second quarter 2003

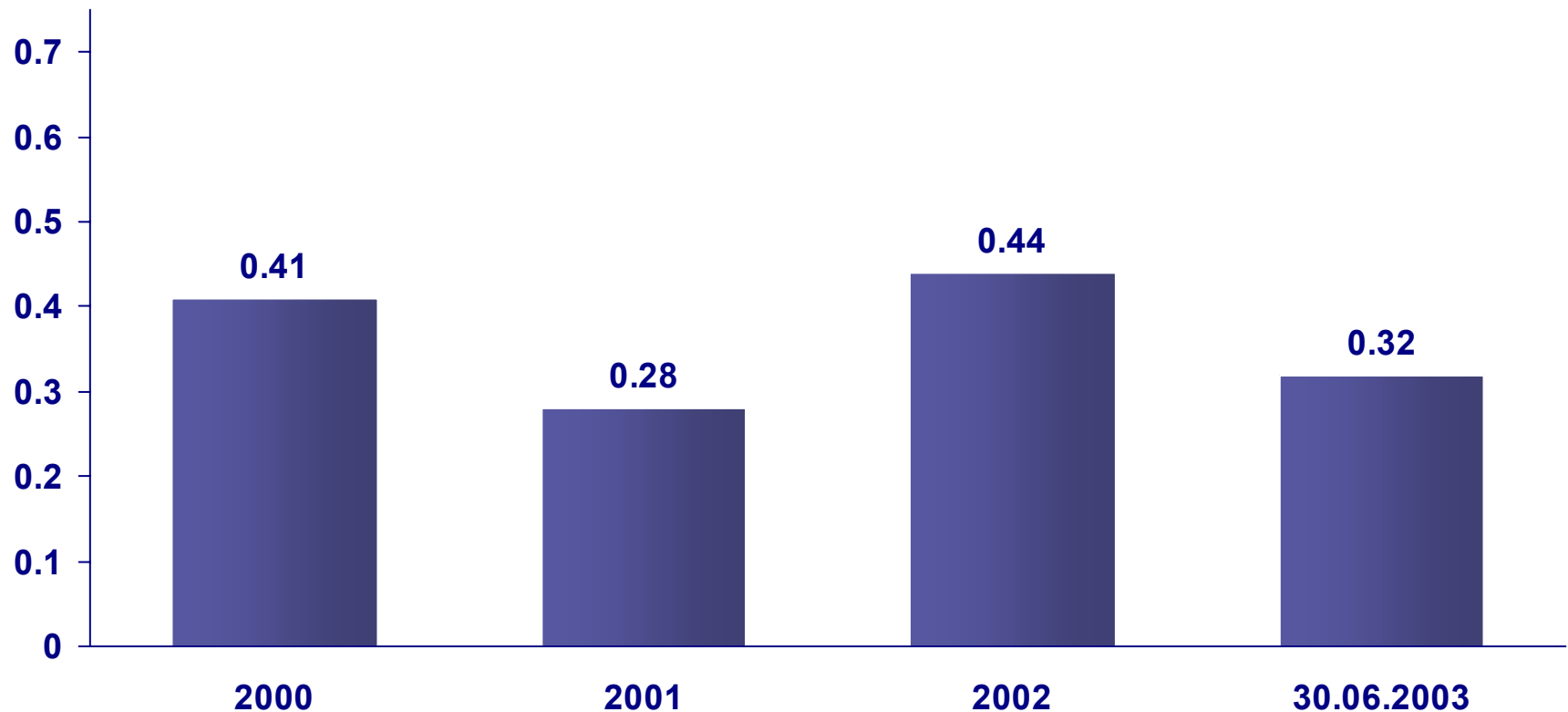
| NOK million                 | Operating income | Non-cons investees | Interest income | Selected fin. items | Other income   | EBIT         | Depr. and amort. | EBITDA       |
|-----------------------------|------------------|--------------------|-----------------|---------------------|----------------|--------------|------------------|--------------|
| Exploration and Production  | 3 107            | 4                  | (23)            | -                   | -              | 3 088        | 2 140            | 5 228        |
| Energy and Oil Marketing    | 547              | 18                 | 6               | -                   | 326            | 897          | 151              | 1 048        |
| Eliminations                | (2)              | -                  | -               | 1                   | -              | (1)          | (1)              | (2)          |
| <b>Hydro Oil and Energy</b> | <b>3 652</b>     | <b>22</b>          | <b>(17)</b>     | <b>1</b>            | <b>326</b>     | <b>3 984</b> | <b>2 290</b>     | <b>6 274</b> |
| Metals                      | 542              | 204                | 3               | 11                  | -              | 760          | 364              | 1 124        |
| Rolled Products             | 53               | (5)                | 6               | -                   | -              | 54           | 161              | 215          |
| Extrusion and Automotive    | (10)             | 9                  | 5               | (2)                 | -              | 2            | 298              | 300          |
| Other and Eliminations      | (21)             | -                  | -               | -                   | -              | (21)         | 1                | (20)         |
| <b>Hydro Aluminium</b>      | <b>564</b>       | <b>208</b>         | <b>14</b>       | <b>9</b>            | <b>-</b>       | <b>795</b>   | <b>824</b>       | <b>1 619</b> |
| <b>Hydro Agri</b>           | <b>622</b>       | <b>146</b>         | <b>41</b>       | <b>(1)</b>          | <b>-</b>       | <b>808</b>   | <b>265</b>       | <b>1 073</b> |
| Other Activities            | (101)            | 18                 | 45              | 151                 | -              | 113          | 177              | 290          |
| Corporate and Eliminations  | (118)            | (2)                | 128             | 8                   | (2 207)        | (2 191)      | 2 212*           | 21           |
| <b>Total</b>                | <b>4 619</b>     | <b>392</b>         | <b>211</b>      | <b>168</b>          | <b>(1 881)</b> | <b>3 509</b> | <b>5 768</b>     | <b>9 277</b> |

\* Includes non-cash charge relating to an expected state grant pertaining to an asset removal obligation of NOK 2 207 million



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

Ratio



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



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

- **Good earnings**
- **Oil and gas production according to plan**
  - Oil production affected by planned maintenance (23 000 bbl/day)
  - Seasonally lower gas sales
- **Discovery in Gulf of Mexico (Lorien)**
- **Power production down, prices up vs last year**



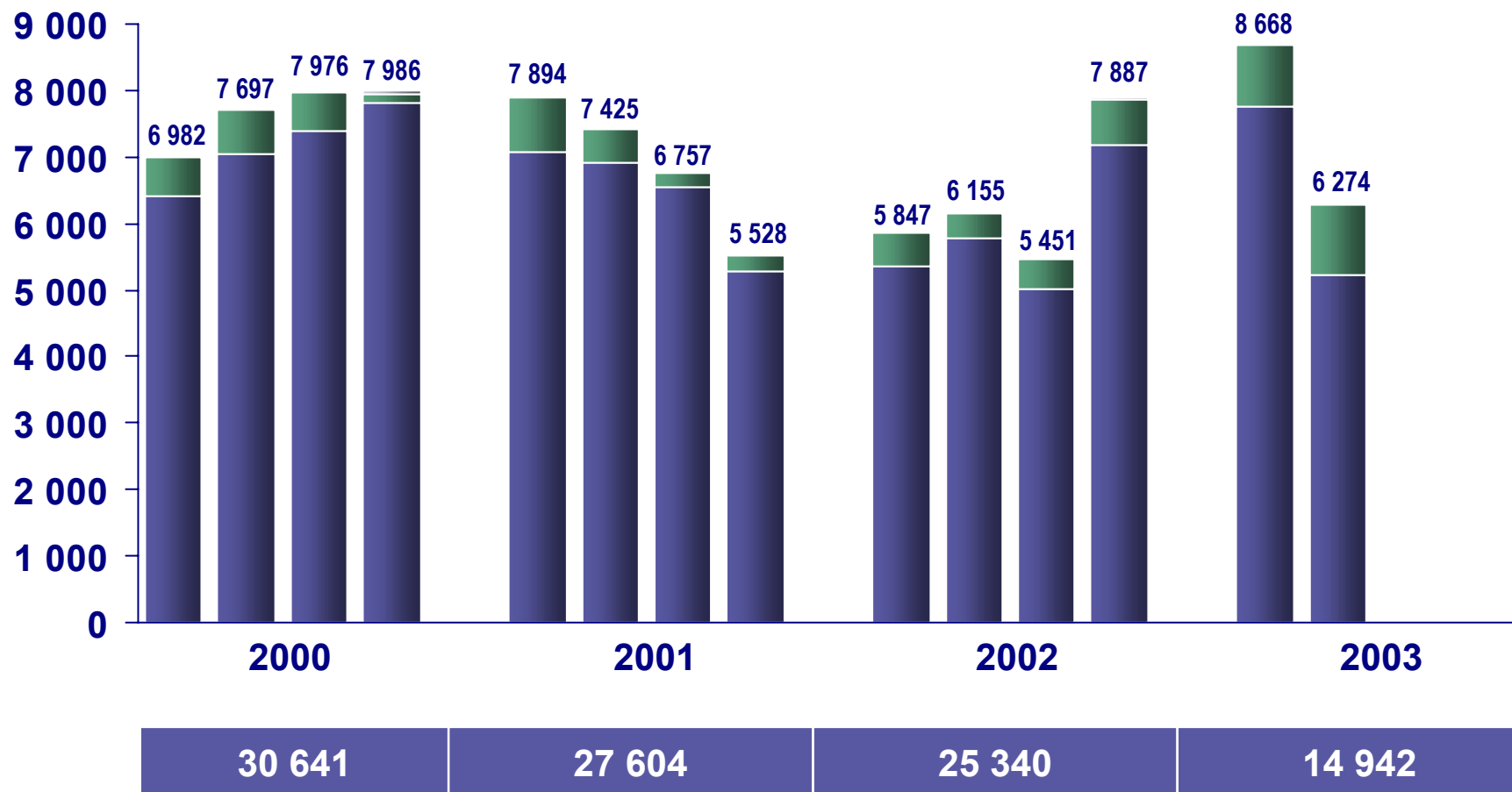


# Oil and Energy

## EBITDA

NOK million

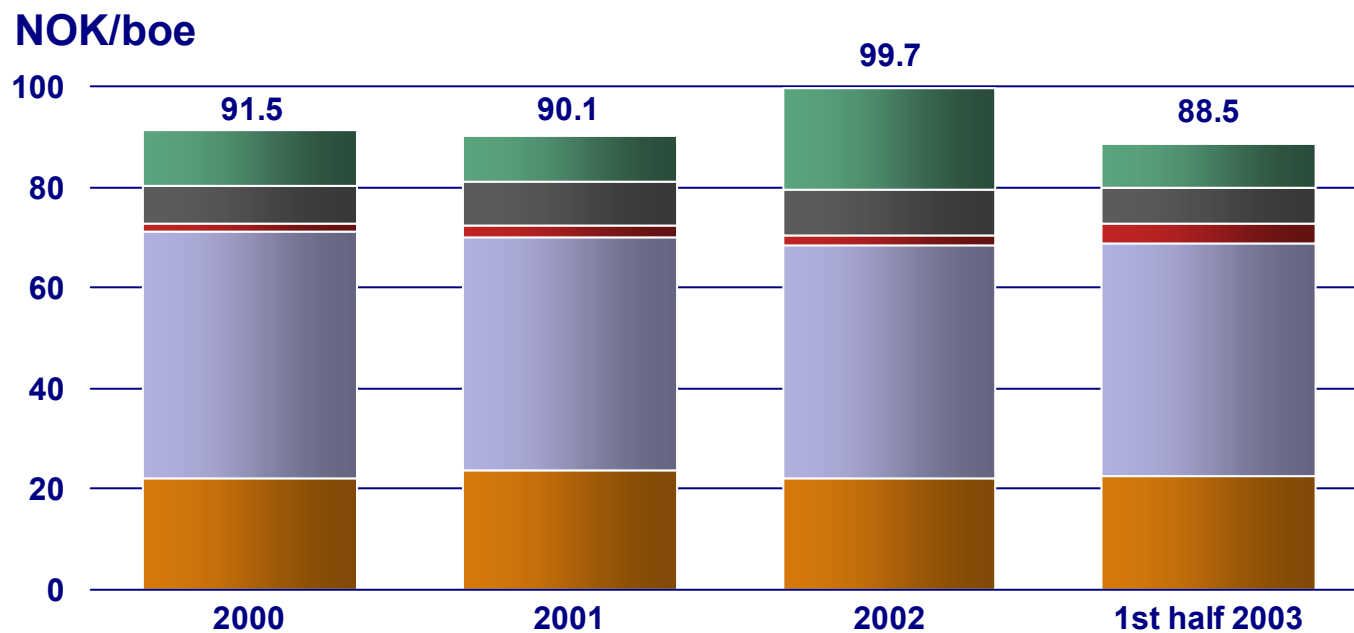
- Eliminations
- Energy and Oil Marketing
- Exploration and Production







# Operating costs per barrel



|                          |             |             |             |             |
|--------------------------|-------------|-------------|-------------|-------------|
| ■ Exploration            | 11.2        | 9.1         | 20.3        | 8.6         |
| ■ Net transportation *   | 7.3         | 8.5         | 9           | 6.9         |
| ■ Other cost/income      | 1.7         | 2.3         | 2           | 4.2         |
| ■ Deprec. & aband.       | 49          | 46.4        | 46.4        | 46.3        |
| ■ Field/Prod. cost       | 22.3        | 23.8        | 22          | 22.5        |
| <b>Total</b>             | <b>91.5</b> | <b>90.1</b> | <b>99.7</b> | <b>88.5</b> |
| <b>Mill boe produced</b> | <b>151</b>  | <b>154</b>  | <b>175</b>  | <b>94</b>   |

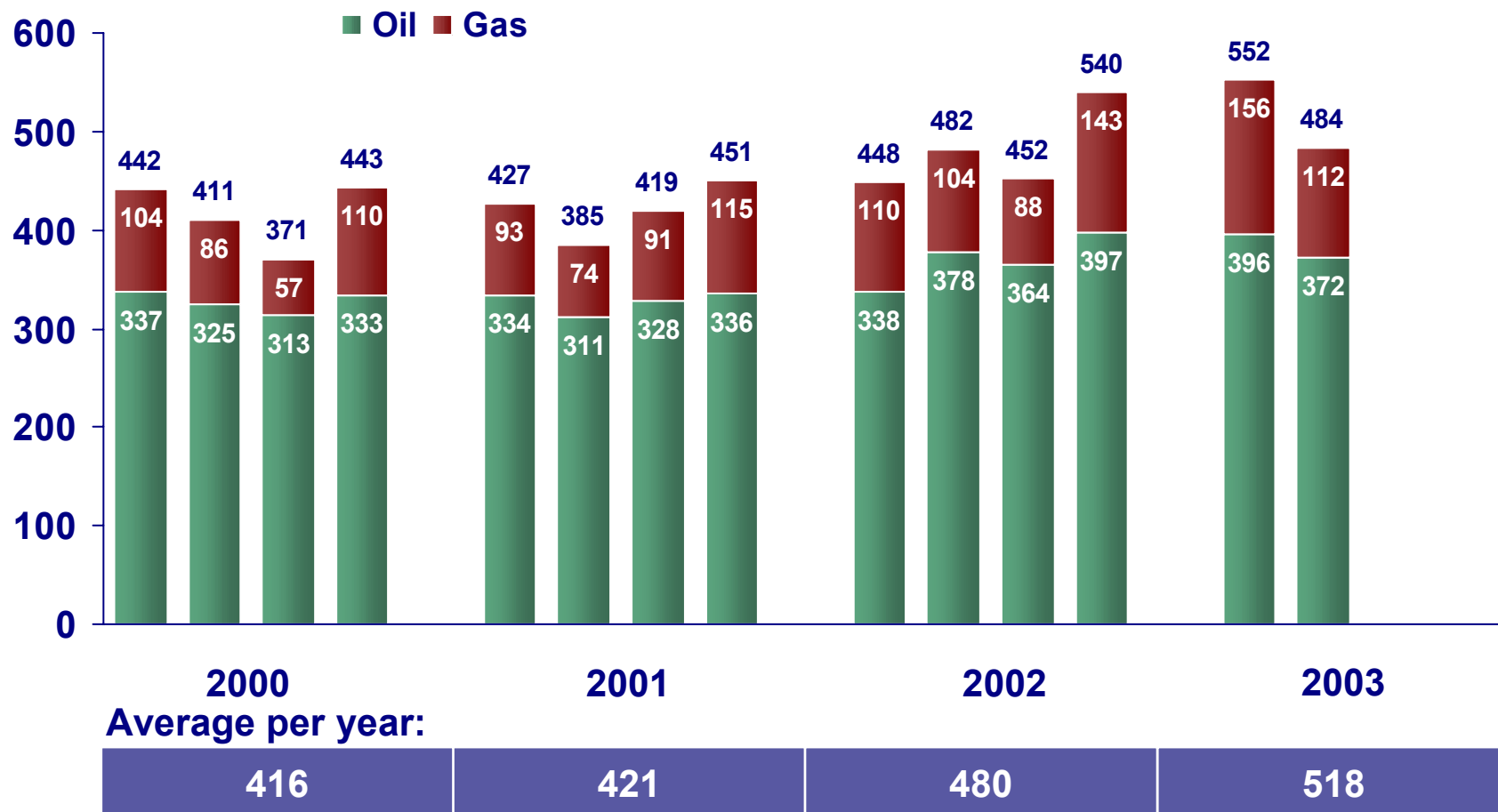
\* Hydro's net cost as an owner and user of transportation and processing



# Petroleum production

Per quarter

1 000 boe/day





## Exploration activities second quarter

| Location           | Hydro share | Status         |
|--------------------|-------------|----------------|
| USA – Lorien (GoM) | 10%         | Discovery      |
| Iran – Anaran      | 75%*        | Ongoing        |
| Canada – Tuckamore | 33%         | Dry            |
| Norway – PL 195    | 40%**       | Non-commercial |
| Norway – PL 189    | 10%         | Ongoing        |

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

\*\* Exploration costs carried by RWE DEA



## **Oil and Energy – prospects**

- **Production target 2003 maintained at 510 000 boe/day**
  - Planned maintenance in Q3 close to Q2 level
- **Projects**
  - Start-up Grane and Fram Vest in October – below budget
  - Ormen Lange PDO expected in Q4
- **Sale of Gjøa (PL 153) to Gaz de France**
  - Government approval expected second half 2003
  - Estimated accounting gain NOK 230 million after tax





## **Aluminium – highlights second quarter**

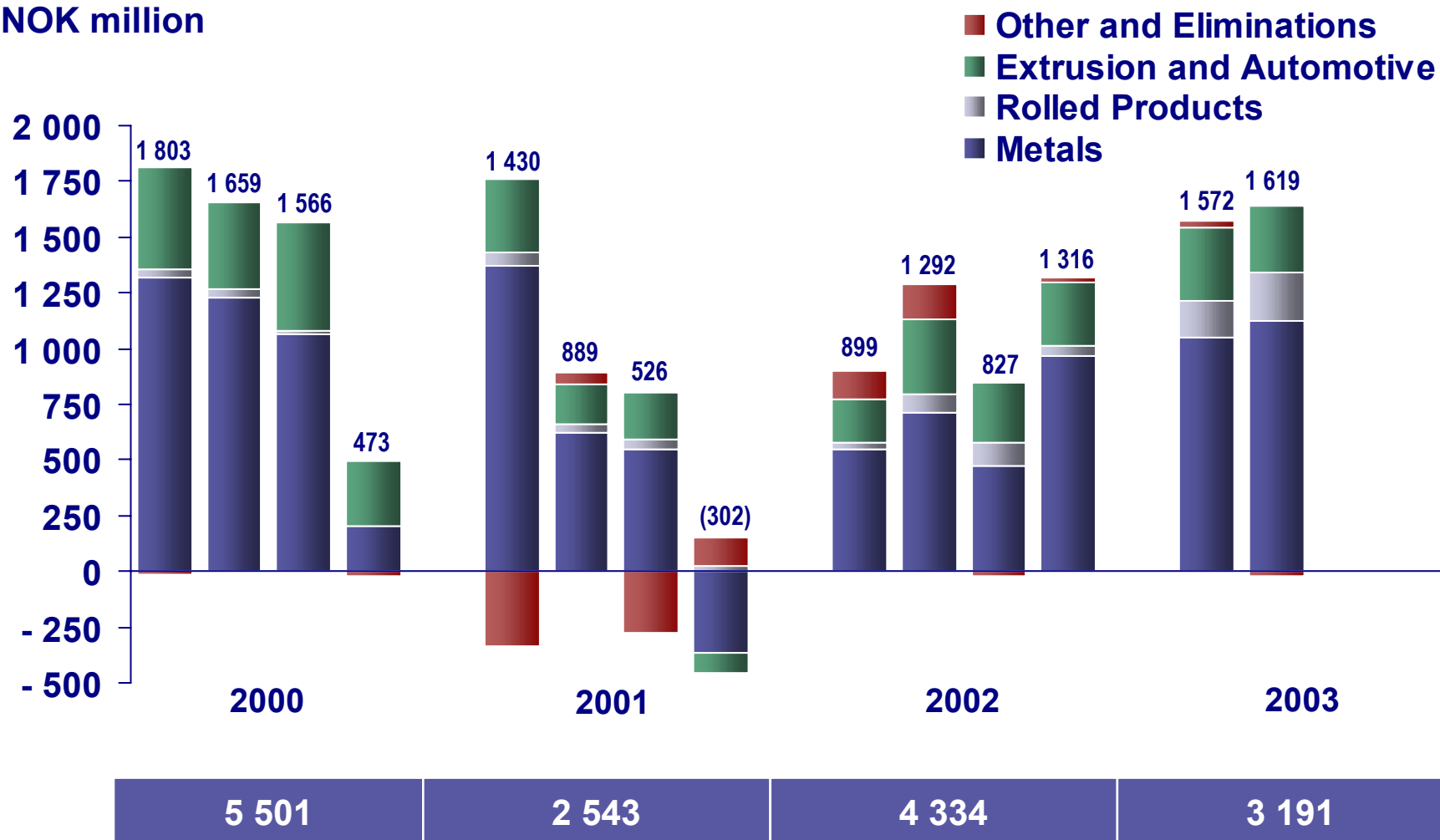
- **Solid progress of improvement programs**
  - Reduced cost base by NOK 1.6 billion
  - Estimated costs related to improvement programs reduced by NOK 170 million
  
- **Market conditions still weak**
  - Realized NOK aluminium price 10% lower vs Q2 2002
  - Downstream markets stable at low level
  
- **Strategic long-term alumina supply contract signed**



# Aluminium

## EBITDA

NOK million





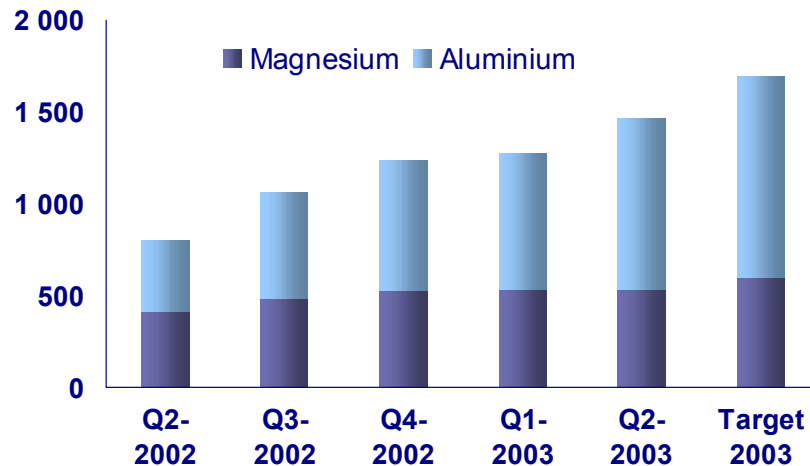
# Aluminium – Business comments

- **Metals – fair result in weak market**
  - Strong NOK negatively impacts Norwegian smelters
  - Phase 2 of Sunndal primary expansion in production
- **Rolled Products – improved results, still weak**
  - Increased shipments, pressure on margins
- **Extrusion & Automotive – improved operational performance**
  - Extrusion – satisfactory profit level
  - Automotive – weak demand, new contracts add volume
  - North America – improved operations, loss on receivable

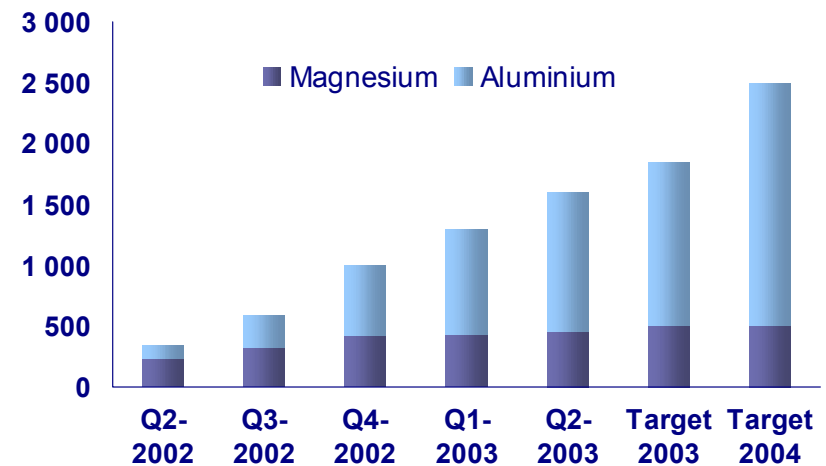


# Aluminium – improvement program on track

### Workforce reduction



### Cost reductions



## Restructuring and rationalization costs (NOK million)

|           | Realized |      |          | Remaining<br>Estimate | Total |
|-----------|----------|------|----------|-----------------------|-------|
|           | 2001     | 2002 | YTD 2003 |                       |       |
| Magnesium | 700      | -10  | 0        | 24                    | 714   |
| Aluminium | -        | 300* | 64       | 136                   | 500   |

Workforce and cost reductions relative to 2001

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





# Aluminium – prospects

- **Market outlook**
  - Limited signs of market recovery
  - Continued high metals inventories, stable prices
  - Downstream margins still under pressure
- **Improvement programs have top priority**



## **Agri – highlights second quarter**

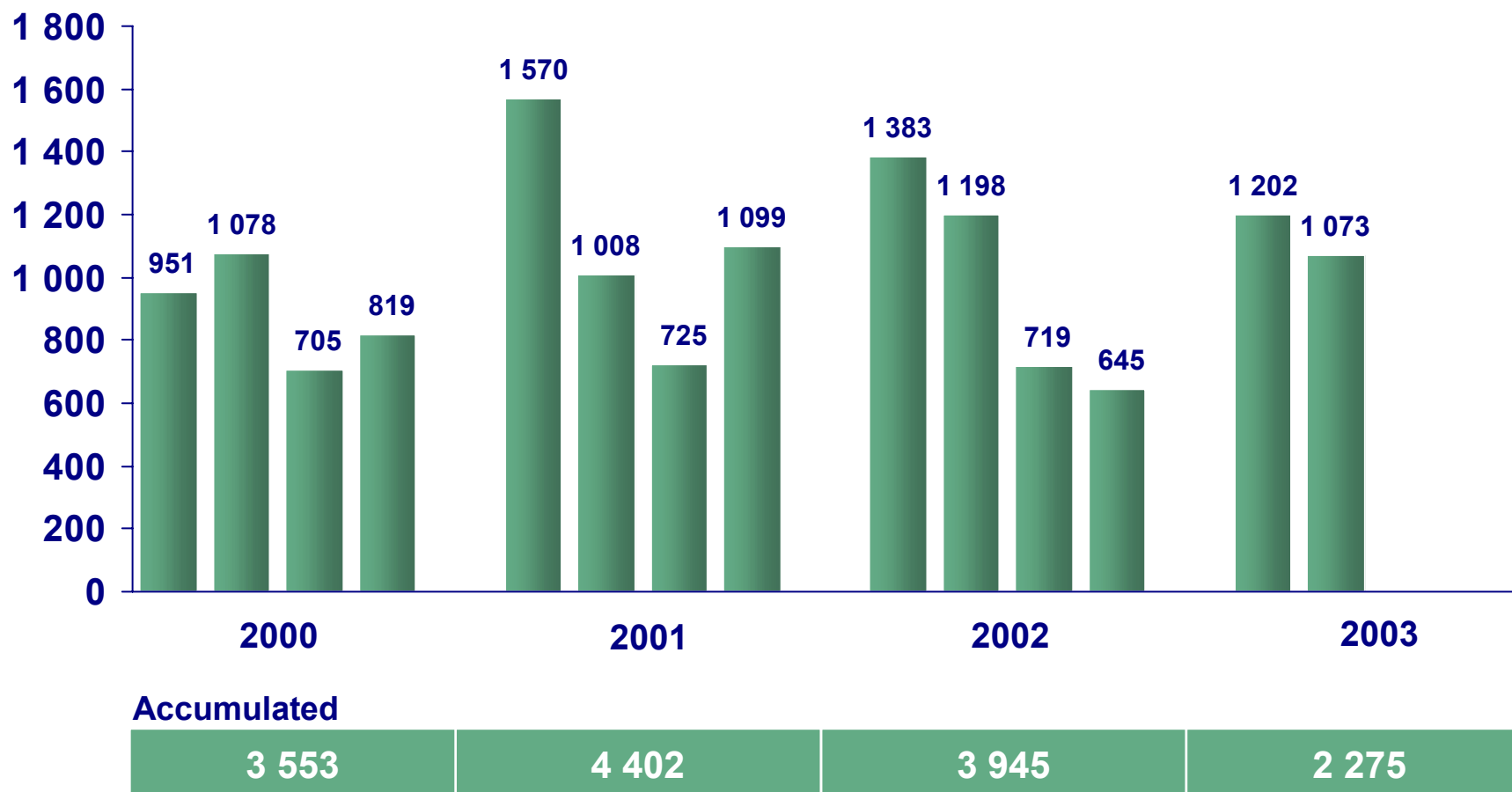
- **Solid financial result**
  - Improved fertilizer prices
  - Negative impacts from currency and energy costs
- **European market positions improved**
  - Reduced imports in 2002-2003 fertilizer season
  - Capacity reductions by local producers
- **Good profitability outside Europe and for Industrial Gases and Chemicals**



# Agri

## EBITDA

NOK million





## **Agri – prospects**

- **Global nitrogen market – solid consumption growth**
- **European fertilizer market – slow decline**
- **New fertilizer season in Europe starting with low inventories and satisfactory prices**
- **High energy costs**



# **Norsk Hydro – priorities ahead**

- **Focus on bottom line**
  - Continued improvements
  - First class project execution
  - Capital discipline
- **Successful positioning of Agri as listed company**
- **Complete NOK 10 billion divestment program**

# **Additional information**





# Adjusted income second quarter 2003

| NOK million  | 2nd quarter 2003 | Adjustments  | Adj. Income  |
|--|------------------|--------------|--------------|
| Exploration and Production                               | 3 107            | -            | 3 107        |
| Energy and Oil Marketing                                 | 547              | -            | 547          |
| Eliminations   | (2)              | -            | (2)          |
| <b>Hydro Oil and Energy</b>                              | <b>3 652</b>     | <b>-</b>     | <b>3 652</b> |
| Metals   | 542              | (25)         | 517          |
| Rolled Products  | 53               | (5)          | 48           |
| Extrusion and Automotive                                 | (10)             | 135          | 125          |
| Eliminations and other                                   | (21)             | -            | (21)         |
| <b>Hydro Aluminium</b>                                   | <b>564</b>       | <b>105</b>   | <b>669</b>   |
| <b>Hydro Agri</b>  | <b>622</b>       | <b>-</b>     | <b>622</b>   |
| Other Activities   | (101)            | 170          | 69           |
| Eliminations and Corporate                               | (118)            | (156)        | (274)        |
| <b>Total operating income</b>                            | <b>4 619</b>     | <b>119</b>   | <b>4 738</b> |
| Equity in net income in non-consolidated investees       | 392              | (170)        | 222          |
| Interest income and other financial income               | 379              | -            | 379          |
| Other income   | (1 881)          | 2 207        | 326          |
| <b>Earnings before interest expense and taxes (EBIT)</b> | <b>3 509</b>     | <b>2 156</b> | <b>5 665</b> |
| <b>Interest expense and foreign currency gain (loss)</b> | <b>(227)</b>     | <b>-</b>     | <b>(227)</b> |
| <b>Income before tax and minority interest</b>           | <b>3 282</b>     | <b>2 156</b> | <b>5 438</b> |
| Income tax expense                                       | (988)            | (2 310)*     | (3 298)      |
| Minority interest  | 30               | -            | 30           |
| <b>Net income</b>  | <b>2 324</b>     | <b>(154)</b> | <b>2 170</b> |
| <b>Earnings per share - NOK</b>                          | <b>9.00</b>      | <b>-</b>     | <b>8.40</b>  |
| <b>Tax %</b>   | <b>30%</b>       | <b>-</b>     | <b>61%</b>   |

\* Deferred tax asset related to abandonment costs (NOK 2 380 million), minus estimated tax effect on other adjustments (NOK 70 million)





# Major infrequent items impacting second quarter 2003 earnings

| Item   | Segment                    | Reporting line                                     | NOK million |
|--|----------------------------|--|-------------|
| Provision for loss regarding loan to Goldendale (USD 20 million)               | Aluminium                  | Operating income                                   | (140)       |
| Reversal of environmental accruals   | Aluminium                  | Operating income                                   | 65          |
| Costs regarding improvement programs   | Aluminium                  | Operating income                                   | (30)        |
| Provision for bad debt in Biomar A.S.  | Other activities           | Operating income                                   | (170)       |
| Elimination of unrealized loss on internal power contracts                     | Corporate and elimination  | Operating income                                   | 150         |
| Net impact on operating income   |                            | Operating income                                   | (119)       |
| Unrealized currency gain relating to revaluation of Alunorte (Brazil) USD-debt | Aluminium                  | Equity in net income in non-consolidated investees | 170         |
| Expensed receivable re. abandonment costs                                      | Corporate and eliminations | Other income/ expense                              | (2 207)     |
| Net impact on income before tax  |                            | Income before tax                                  | (2 156)     |
| Deferred tax asset re. abandonment costs                                       | Hydro Group                | Income tax   | 2 380       |





# Depreciation

## Individual operating segment

| NOK million                | 2nd quarter<br>2003 | 2nd quarter<br>2002 |
|----------------------------|---------------------|---------------------|
| Exploration and Production | 2 136               | 2 210               |
| Energy and Oil Marketing   | 148                 | 195                 |
| Hydro Oil and Energy       | 2 284               | 2 405               |
| Metals                     | 351                 | 323                 |
| Rolled Products            | 147                 | 116                 |
| Extrusion and Automotive   | 297                 | 266                 |
| Hydro Aluminium            | 795                 | 705                 |
| Hydro Agri                 | 263                 | 303                 |
| Other Activities           | 178                 | 253                 |
| Corporate and Eliminations | 4                   | 4                   |
| <b>Total</b>               | <b>3 524</b>        | <b>3 670</b>        |



# Equity in net income of non-consolidated investees

## Individual operating segment

| NOK million                | 2nd quarter<br>2003 | 2nd quarter<br>2002 |
|----------------------------|---------------------|---------------------|
| Exploration and Production | 4                   | 12                  |
| Energy and Oil Marketing   | 18                  | 23                  |
| Hydro Oil and Energy       | 22                  | 35                  |
| Metals                     | 204                 | (211)               |
| Rolled Products            | (5)                 | (18)                |
| Extrusion and Automotive   | 9                   | 7                   |
| Hydro Aluminium            | 208                 | (222)               |
| Hydro Agri                 | 146                 | (24)                |
| Other Activities           | 18                  | 8                   |
| Corporate and Eliminations | (2)                 | -                   |
| <b>Total</b>               | <b>392</b>          | <b>(203)</b>        |



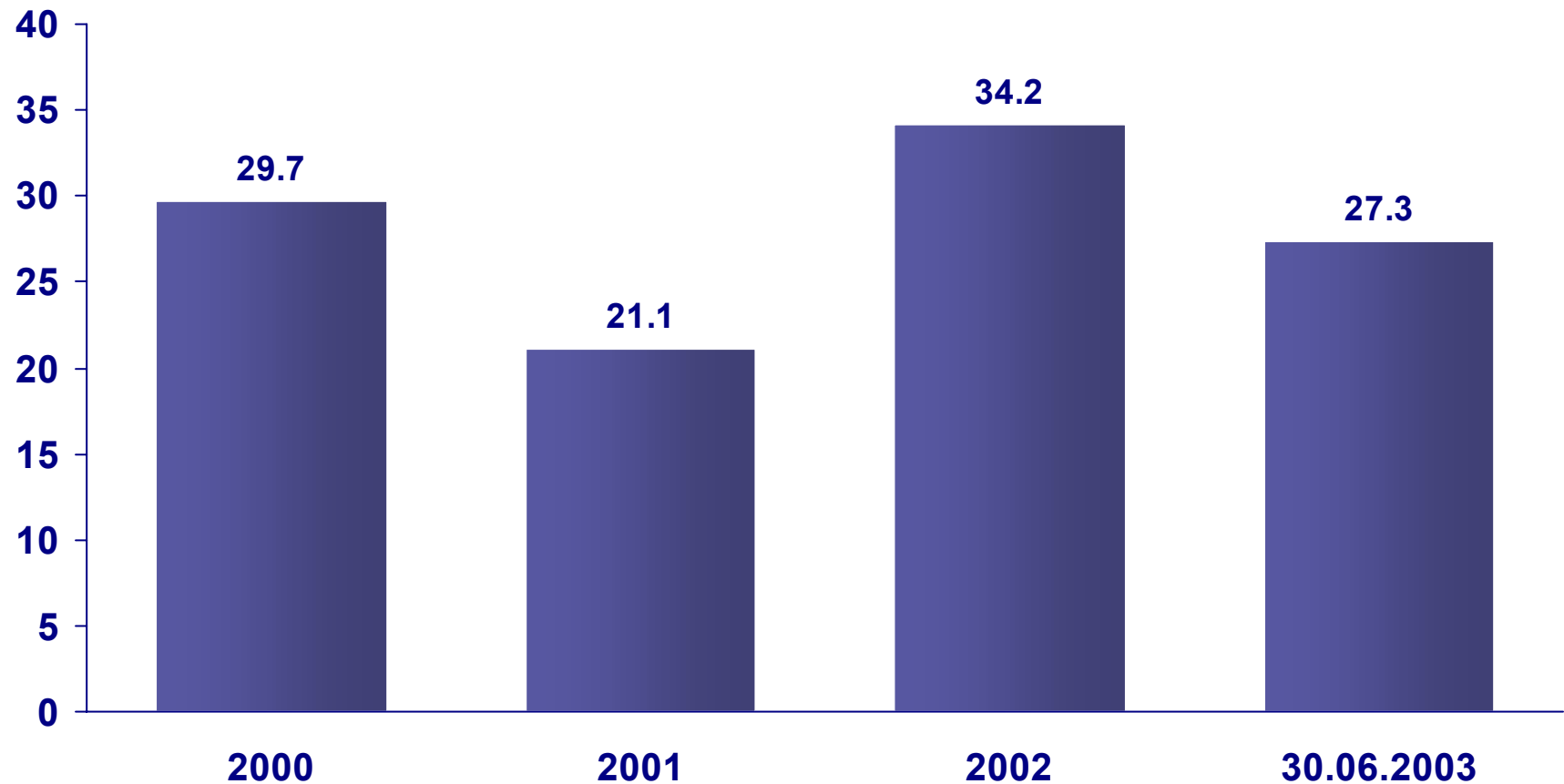
# Consolidated balance sheet

| NOK million                                       | 30.06.2003     | 30.06.2002     | 31.12.2002     |
|---|----------------|----------------|----------------|
| Cash and cash equivalents                         | 12 042         | 7 148          | 5 965          |
| Other liquid assets                               | 1 715          | 2 281          | 2 647          |
| Receivables                                       | 41 590         | 40 822         | 40 553         |
| Inventories                                       | 16 680         | 17 481         | 17 232         |
| Non-current assets                                | 144 648        | 140 940        | 140 814        |
| <b>Total assets</b>                               | <b>216 675</b> | <b>208 672</b> | <b>207 211</b> |
| Short-term interest-bearing debt                  | 6 545          | 7 563          | 7 306          |
| Current portion of long-term debt                 | 818            | 2 570          | 1 958          |
| Other short-term liabilities                      | 42 815         | 41 208         | 38 593         |
| Long-term interest-bearing debt                   | 32 007         | 33 223         | 30 902         |
| Other long-term liabilities                       | 17 065         | 13 838         | 14 633         |
| Deferred tax liabilities                          | 33 232         | 35 065         | 36 809         |
| Minority interest                                 | 752            | 1 235          | 1 143          |
| Shareholders' equity                              | 83 441         | 73 970         | 75 867         |
| <b>Total liabilities and shareholders' equity</b> | <b>216 675</b> | <b>208 672</b> | <b>207 211</b> |
| <b>Shareholders' equity per share, NOK</b>        | <b>323.20</b>  | <b>287.10</b>  | <b>294.10</b>  |



## Net interest bearing debt\*

NOK billion



\* Interest bearing debt less cash and cash equivalents



# Statement of Cash Flow

| NOK million   | 1st half 2003  | 1st half 2002   |
|---|----------------|-----------------|
| <b>Operating activities:</b>                                |                |                 |
| Net income  | 4 806          | 4 972           |
| Depreciation, depletion and amortization                    | 7 146          | 6 637           |
| Other adjustments   | 424            | (1 845)         |
| <b>Net cash provided by operating activities</b>            | <b>12 376</b>  | <b>9 764</b>    |
| <b>Investing activities:</b>                                |                |                 |
| Purchases of property, plant and equipment                  | (6 883)        | (8 193)         |
| Purchases of other long-term investments                    | (217)          | (16 869)        |
| Net sales (purchases) of short-term investments             | 1 008          | (26)            |
| Proceeds from sales of property, plant and equipment        | 494            | 429             |
| Proceeds from sales of other long-term investments          | 3 767          | 916             |
| <b>Net cash used in investing activities</b>                | <b>(1 831)</b> | <b>(23 743)</b> |
| <b>Financing activities:</b>                                |                |                 |
| Loan proceeds   | 174            | 517             |
| Principal repayments  | (2 551)        | (3 469)         |
| Ordinary shares issued                                      | 51             | 36              |
| Dividends paid  | (2 711)        | (2 576)         |
| <b>Net cash used by financing activities</b>                | <b>(5 037)</b> | <b>(5 492)</b>  |
| <b>Foreign currency effect on cash flows</b>                | <b>569</b>     | <b>(529)</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b> | <b>6 077</b>   | <b>(20 000)</b> |



# Variance analysis Oil and Energy

| NOK million                      | 1st half     | 2nd quarter |
|----------------------------------|--------------|-------------|
| 2003                             | 14 942       | 6 274       |
| 2002                             | 12 002       | 6 155       |
| <b>Variance EBITDA</b>           | <b>2 940</b> | <b>119</b>  |
| - Prices and currency            | 2 785        | 115         |
| - Oil                            | 80           | 280         |
| - Gas                            | (2 260)      | (920)       |
| - Currency                       | 90           | 20          |
| - Put options                    |              |             |
|                                  | <hr/> 695    | <hr/> (505) |
| - Margin                         | 355          | 110         |
| - Volume                         | 1 100        | (320)       |
| - Fixed costs                    | 105          | 95          |
| - Depreciation                   | (240)        | 120         |
| - Production costs               | (125)        | (50)        |
| - Exploration costs              | 845          | 525         |
| - Other                          | (300)        | (10)        |
| <b>Variance Operating income</b> | <b>2 434</b> | <b>(34)</b> |
| - Non-consolidated investees     | 15           | (13)        |
| - Interest income and other      | (1)          | (42)        |
| - Other income                   | 249          | 326         |
| - Depreciation and amortization  | 243          | (118)       |
| <b>Variance EBITDA</b>           | <b>2 940</b> | <b>119</b>  |



# Variance analysis

## Exploration and Production

| NOK million                     | 1st half | 2nd quarter |
|---------------------------------|----------|-------------|
| 2003                            | 12 998   | 5 228       |
| 2002                            | 10 240   | 5 311       |
| Variance EBITDA                 | 2 758    | (83)        |
| - Prices and currency           | 2 785    | 115         |
| - Oil                           | 80       | 280         |
| - Gas                           | (2 260)  | (920)       |
| - Currency                      | 90       | 20          |
| - Put options                   |          |             |
|                                 | 695      | (505)       |
| - Volume                        | 1 735    | 10          |
| - Depreciation                  | (330)    | 75          |
| - Production costs              | (125)    | (50)        |
| - Exploration costs             | 845      | 525         |
| - Other                         | (310)    | (20)        |
| Variance operating income       | 2 512    | 38          |
| - Non-consolidated investees    | (9)      | (8)         |
| - Interest income and other     | (1)      | (41)        |
| - Other income                  | (76)     | 1           |
| - Depreciation and amortization | 332      | (73)        |
| Variance EBITDA                 | 2 758    | (83)        |



# Variance analysis

## Energy and Oil Marketing

| NOK million                     | 1st half | 2nd quarter |
|---------------------------------|----------|-------------|
| 2003                            | 1 968    | 1 048       |
| 2002                            | 1 762    | 844         |
| Variance EBITDA                 | 206      | 204         |
| - Margin                        | 355      | 110         |
| - Volume                        | (635)    | (330)       |
| - Fixed costs                   | 130      | 100         |
| - Depreciation                  | 90       | 45          |
| - Other                         | 5        | 5           |
| Variance operating income       | (54)     | (70)        |
| - Non-consolidated investees    | 24       | (5)         |
| - Interest income and other     | -        | (1)         |
| - Other income                  | 325      | 325         |
| - Depreciation and amortization | (89)     | (45)        |
| Variance EBITDA                 | 206      | 204         |



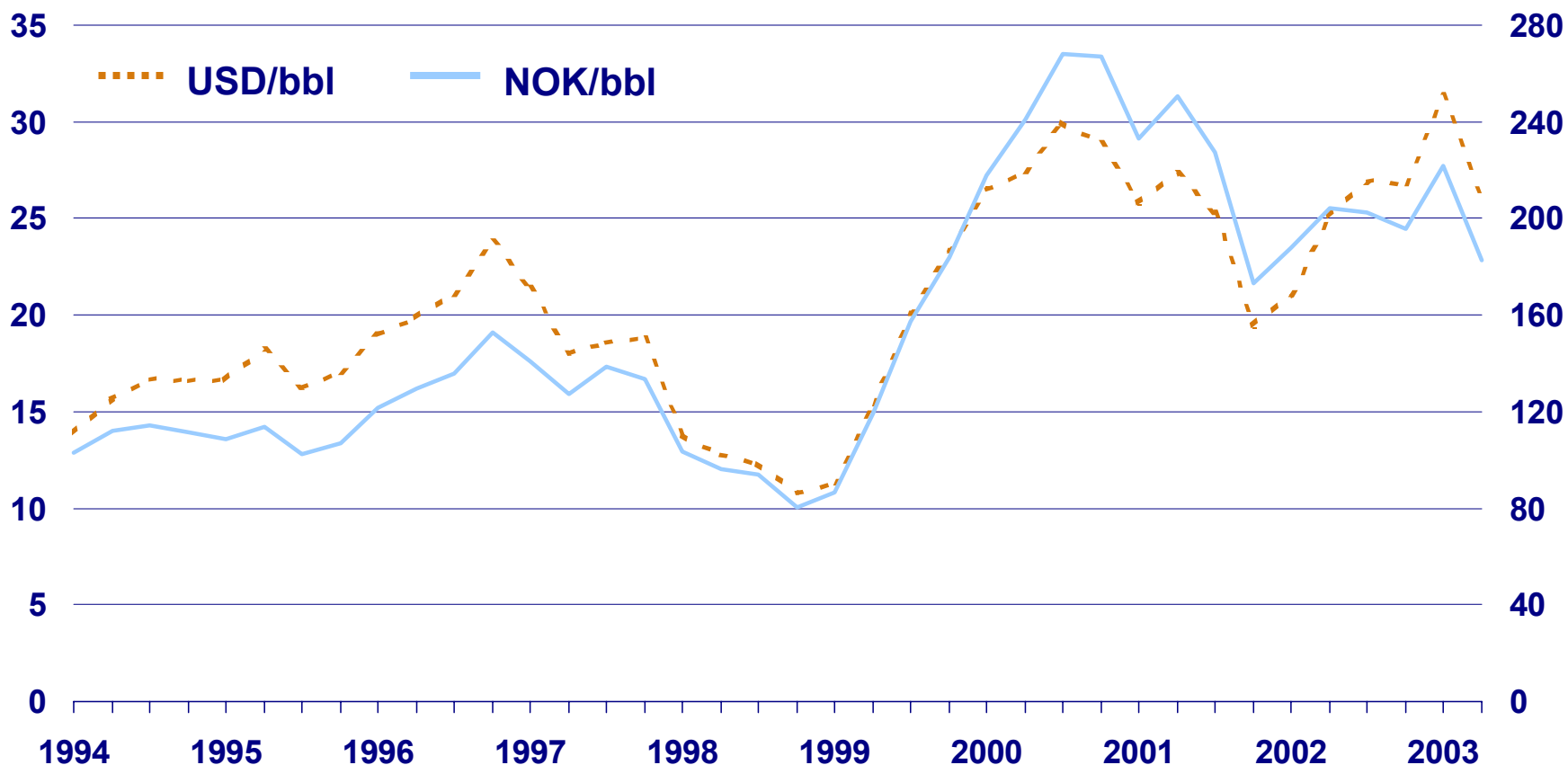


# Price development – crude oil

Average Brent Blend dated per quarter

USD/bbl

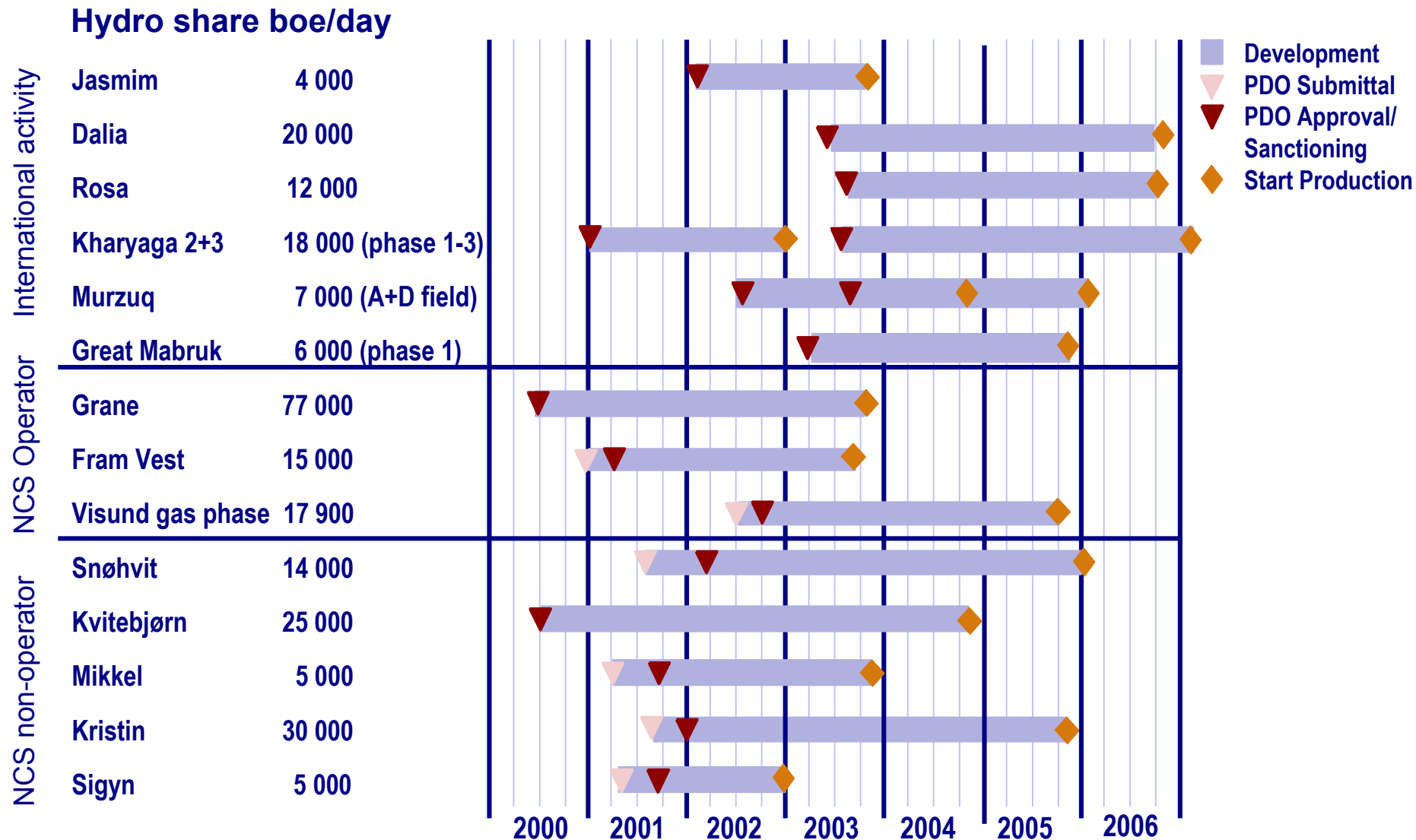
NOK/bbl



2nd quarter 2003: 182 NOK/bbl  
26.03 USD/bbl



# New fields on stream 2003 – 2006





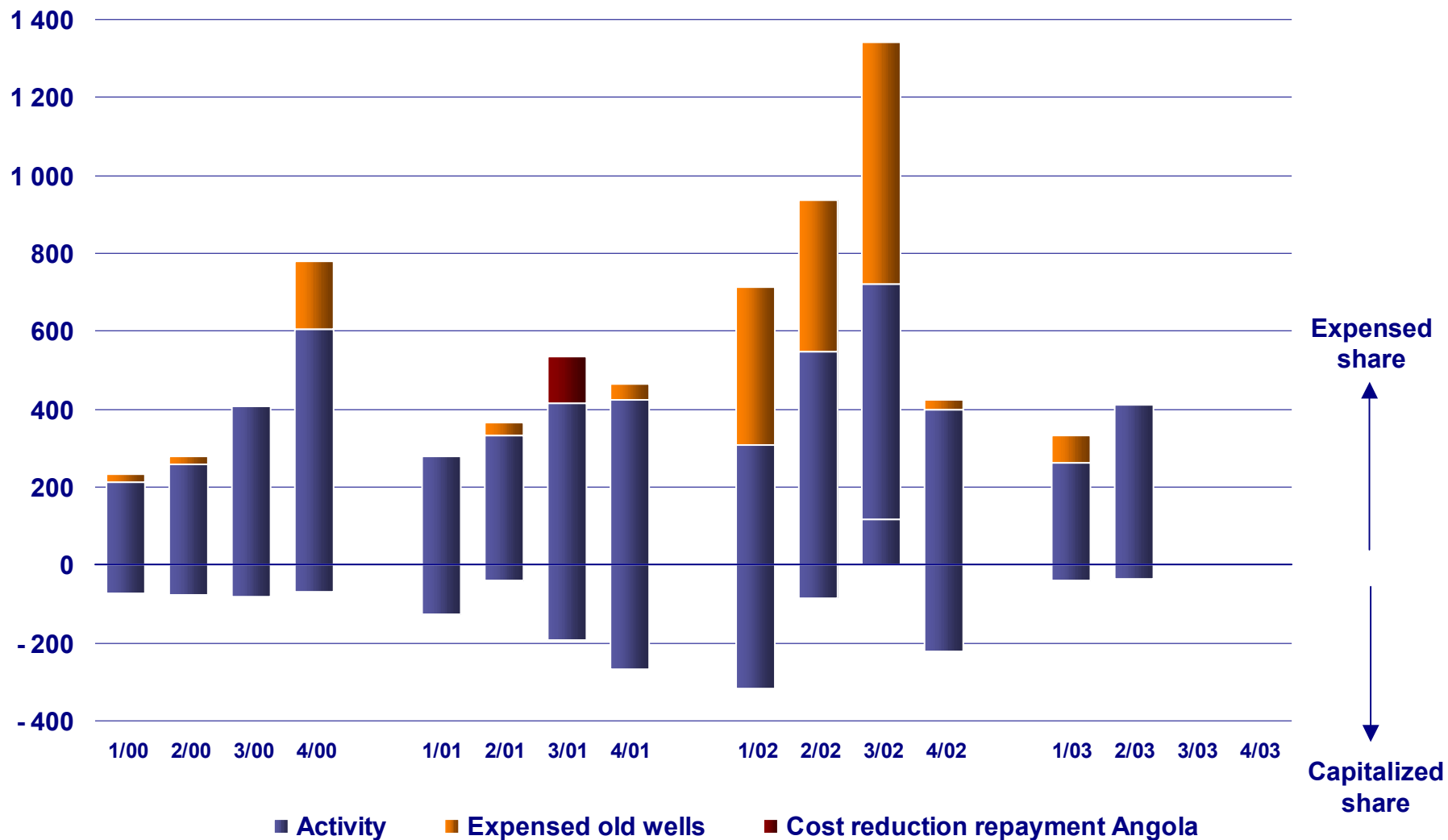
# Production per field

| Boe/day          | Q2 2002 | Q2 2003 | Hydro share %       | Hydro production |
|------------------|---------|---------|---------------------|------------------|
| Oseberg          | 195 000 | 158 000 | 34.00               | 53 964           |
| Snorre           | 242 000 | 227 000 | 17.65               | 40 089           |
| Oseberg South    | 75 000  | 87 000  | 34.00               | 29 649           |
| Åsgard           | 213 000 | 279 000 | 9.60                | 26 840           |
| Ekofisk          | 250 000 | 356 000 | 6.65                | 23 674           |
| Gullfaks         | 235 000 | 211 000 | 9.00                | 19 065           |
| Troll C          | 192 000 | 165 000 | 9.78                | 16 186           |
| Troll B          | 162 000 | 145 000 | 9.78                | 14 241           |
| Oseberg East     | 54 000  | 40 000  | 34.00               | 13 903           |
| Norne            | 198 000 | 152 000 | 8.10                | 12 362           |
| Tordis           | 82 000  | 83 000  | 13.28               | 11 140           |
| Sleipner Area    | 140 000 | 101 000 | 8.85 / 9.40 / 10.00 | 9 486            |
| Tune             | 0       | 21 000  | 40.00               | 8 494            |
| Vigdis           | 49 000  | 60 000  | 13.28               | 8 010            |
| Brage            | 45 000  | 26 000  | 24.44               | 6 463            |
| Visund           | 43 000  | 27 000  | 20.30               | 5 629            |
| Njord            | 33 000  | 25 000  | 22.50               | 5 608            |
|                  |         |         |                     |                  |
| Terra Nova       | 122 000 | 151 000 | 15.00               | 22 689           |
| Girassol         | 185 000 | 183 000 | 10.00               | 18 355           |
| Hibernia         | 185 000 | 205 000 | 5.00                | 10 259           |
|                  |         |         |                     |                  |
| Other Fields     |         |         |                     | 15 509           |
| SUM OIL          |         |         |                     | 371 615          |
| GAS              |         |         |                     | 112 621          |
| Total Production |         |         |                     | 484 236          |



# Exploration activity and costs

NOK million





# Variance analysis Aluminium

| NOK million                                | 1st half | 2nd quarter |
|--|----------|-------------|
| 2003                                       | 3 191    | 1 619       |
| 2002                                       | 2 191    | 1 292       |
| Variance EBITDA                            | 1 000    | 327         |
| - Margin                                   | (945)    | (440)       |
| - Volume                                   | 370      | 190         |
| - Fixed costs                              | 20       | (120)       |
| - Depreciation                             | (140)    | (95)        |
| - Infrequent items and restructuring costs | 430      | 140         |
| - Trading and hedging                      | 265      | 180         |
| - Unrealized LME-effects                   | (240)    | (145)       |
| - New/disposed business                    | 285      | -           |
| - Other                                    | 115      | 145         |
| Variance operating income                  | 161      | (147)       |
| - Non-consolidated investees               | 516      | 429         |
| - Interest income and other                | (52)     | 1           |
| - Depreciation and amortization            | 375      | 44          |
| Variance EBITDA                            | 1 000    | 327         |



# Variance analysis Metals

| NOK million                                | 1st half | 2nd quarter |
|--|----------|-------------|
| 2003                                       | 2 171    | 1 124       |
| 2002                                       | 1 265    | 715         |
| Variance EBITDA                            | 906      | 409         |
| - Margin                                   | (765)    | (385)       |
| - Volume                                   | 140      | 110         |
| - Fixed costs                              | 85       | (45)        |
| - Depreciation                             | (80)     | (30)        |
| - Infrequent items and restructuring costs | 290      | 65          |
| - Trading & price hedging                  | 265      | 180         |
| - New/disposed business                    | 305      | -           |
| - Other                                    | 50       | 80          |
| Variance operating income                  | 290      | (26)        |
| - Non-consolidated investees               | 494      | 414         |
| - Interest income and other                | (38)     | 15          |
| - Depreciation and amortization            | 160      | 6           |
| Variance EBITDA                            | 906      | 409         |



# Variance analysis Rolled Products

| NOK million                     | 1st half | 2nd quarter |
|---------------------------------|----------|-------------|
| 2003                            | 383      | 215         |
| 2002                            | 110      | 82          |
| Variance EBITDA                 | 273      | 133         |
| - Margin                        | (105)    | (55)        |
| - Volume                        | 120      | 80          |
| - Fixed costs                   | (65)     | (65)        |
| - Depreciation                  | (35)     | (30)        |
| - Infrequent items              | 205      | 165         |
| - New/disposed business         | (10)     | -           |
| - Other                         | 35       | 35          |
| Variance operating income       | 143      | 129         |
| - Non-consolidated investees    | 22       | 12          |
| - Interest income and other     | (14)     | (14)        |
| - Depreciation and amortization | 122      | 6           |
| Variance EBITDA                 | 273      | 133         |





# Variance analysis

## Extrusion and Automotive

| NOK million                     | 1st half | 2nd quarter |
|---------------------------------|----------|-------------|
| 2003                            | 629      | 300         |
| 2002                            | 525      | 331         |
| Variance EBITDA                 | 104      | (31)        |
| - Margin                        | (35)     | 35          |
| - Volume                        | 110      | -           |
| - Fixed costs                   | -        | (10)        |
| - Depreciation                  | (25)     | (35)        |
| - Infrequent items              | (65)     | (90)        |
| - New/disposed business         | (10)     | -           |
| - Other                         | 35       | 35          |
| Variance operating income       | 11       | (65)        |
| - Non-consolidated investees    | -        | 3           |
| - Interest income and other     | -        | -           |
| - Depreciation and amortization | 93       | 31          |
| Variance EBITDA                 | 104      | (31)        |





# Aluminium – Key figures by segment

| Volumes and prices  | Q2 2003 | Q1 2003 | Q2 2002 |
|---|---------|---------|---------|
| Primary production (Kmt)                                  | 360     | 343     | 344     |
| Total metal sales (Kmt) *)                                | 558     | 532     | 559     |
| LME, realized (USD/t) **)                                 | 1 457   | 1 377   | 1 395   |
| USD/NOK, realized ***)                                    | 7.33    | 7.21    | 8.51    |
| Rolled Products external shipment (Kmt)                   | 252     | 246     | 231     |
| Extrusion and Automotive, external revenues (NOK million) | 6 261   | 6 098   | 6 719   |
| EBITDA  | Q2 2003 | Q1 2003 | Q2 2002 |
| Metals  | 1 124   | 1 047   | 715     |
| Rolled Products   | 215     | 168     | 82      |
| Extrusion and Automotive                                  | 300     | 329     | 331     |

\*) excluding trading

\*\*) including LME hedges (hedge accounting) and LME forward contracts

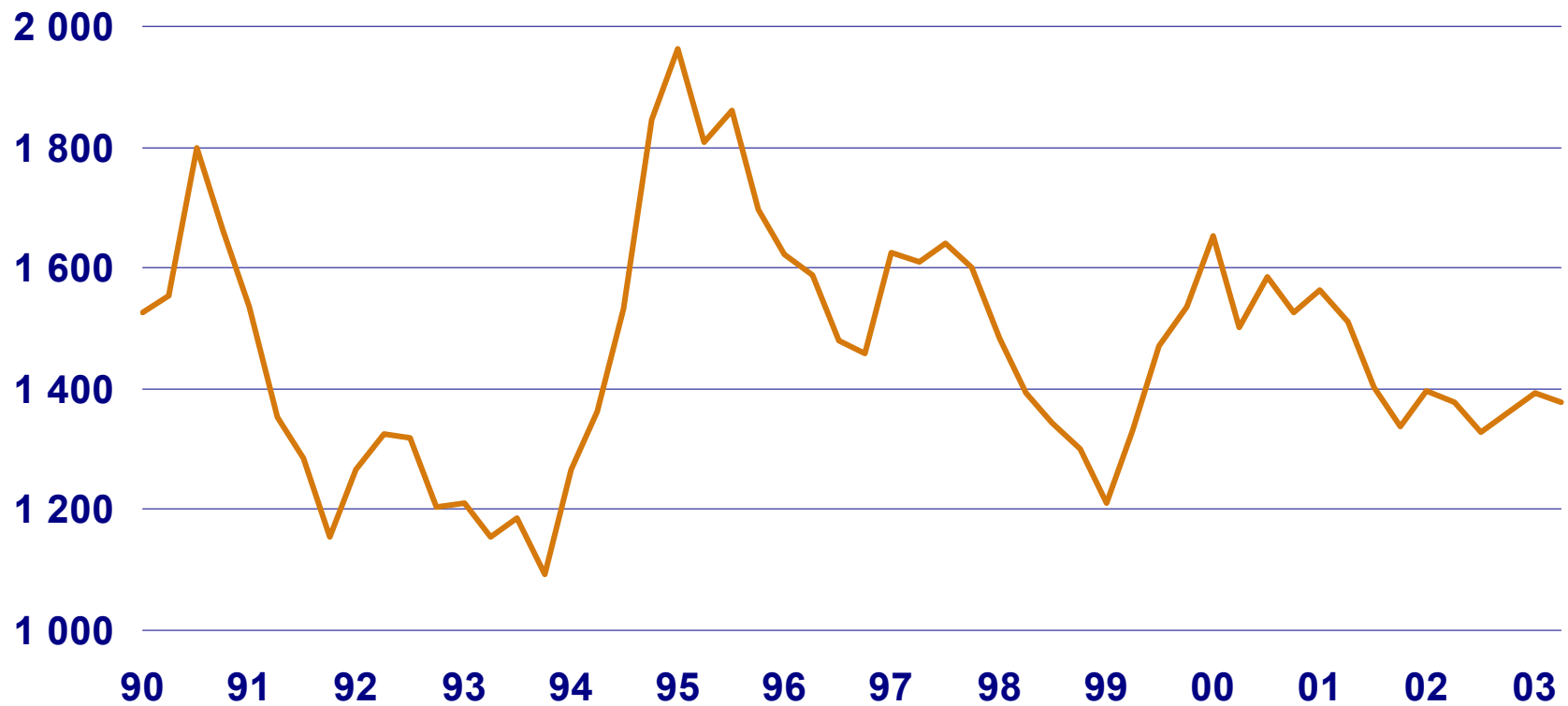
\*\*\*) difference between realized exchange rate and spot rate at the transaction date is reported as currency gain/loss and not included in EBITDA



# Aluminium price

3 months LME price, average per quarter

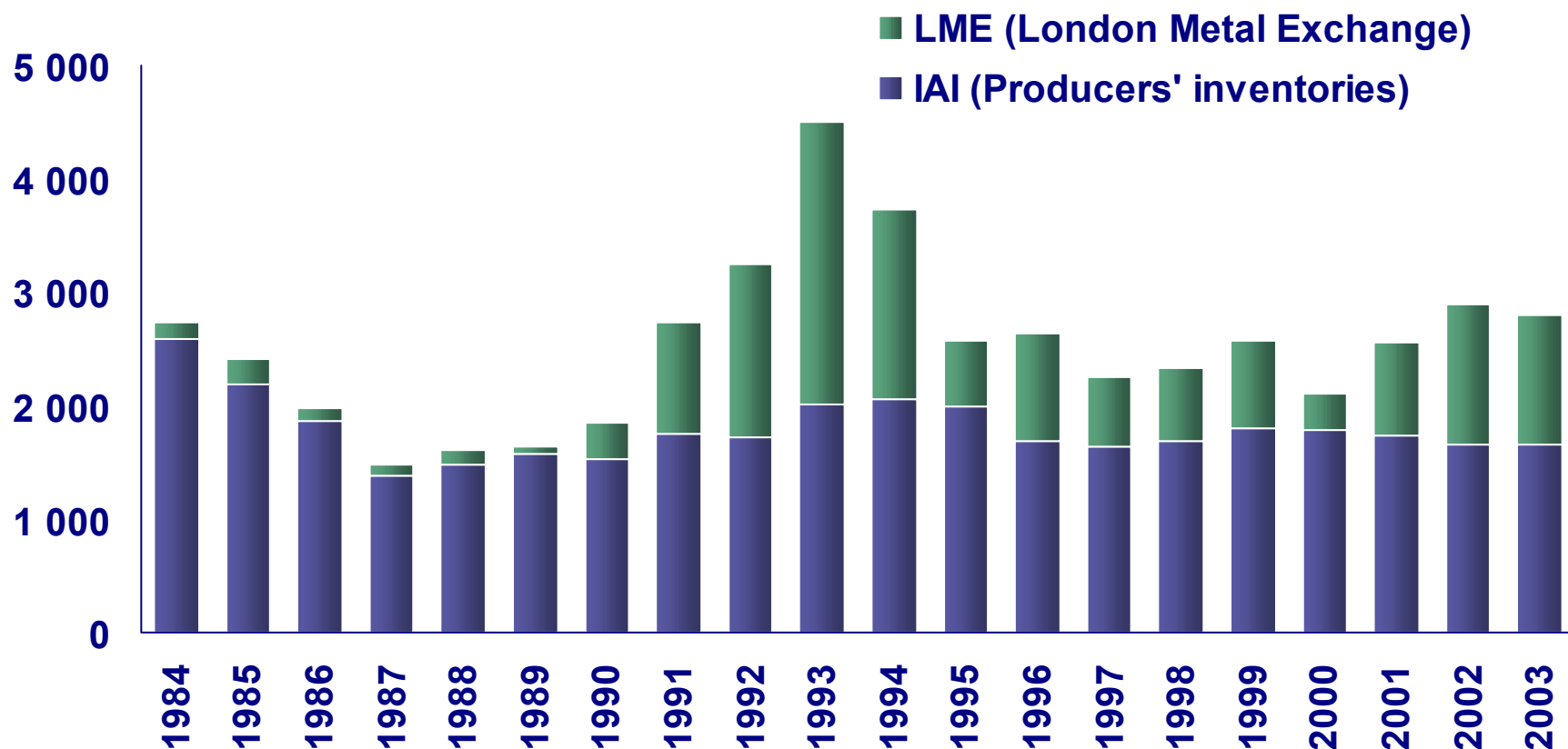
USD/tonne





# Inventories – primary aluminium

1 000 tonnes



Sources: IAI and LME  
2003: IAI figures per May, LME figures per June

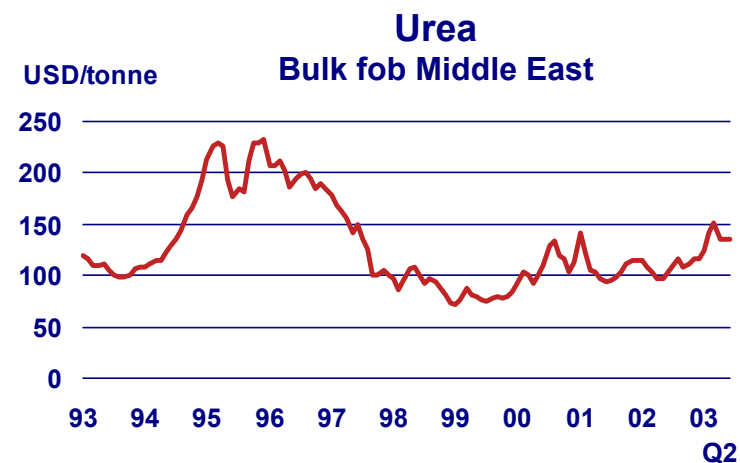
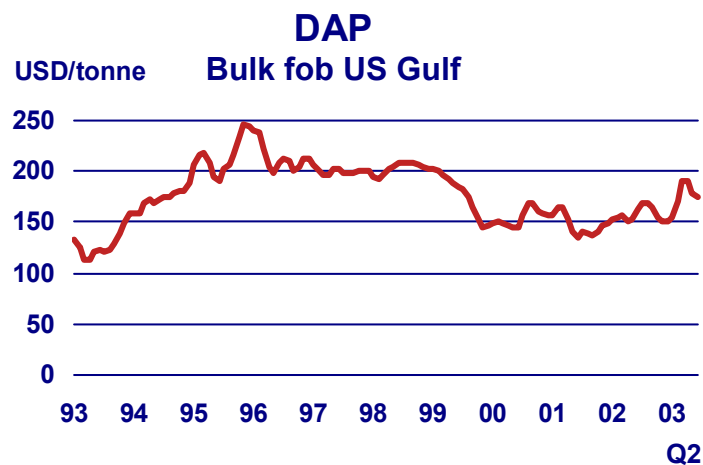
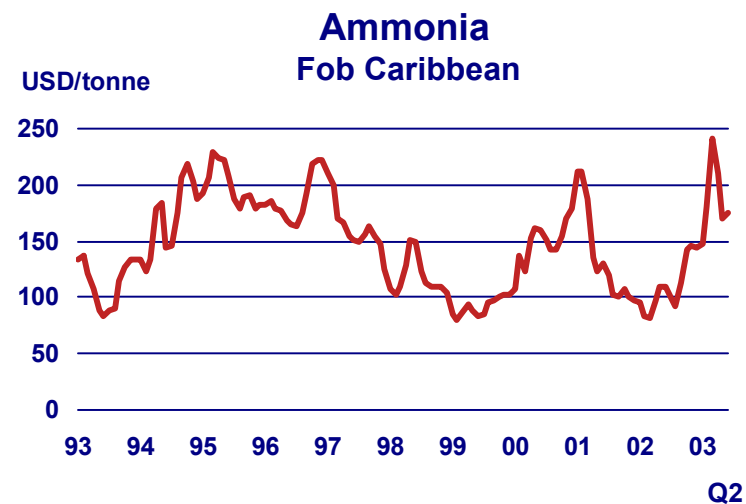
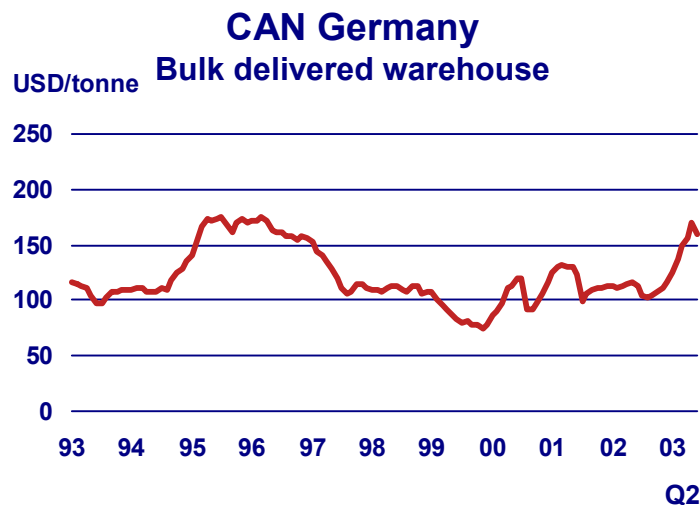


# Variance analysis Agri

| NOK million                     | 1st half | 2nd quarter |
|---------------------------------|----------|-------------|
| 2003                            | 2 275    | 1 073       |
| 2002                            | 2 581    | 1 198       |
| Variance EBITDA                 | (306)    | (125)       |
| - Margin                        | (405)    | (90)        |
| - Volume                        | 25       | (85)        |
| - Fixed costs                   | 180      | 70          |
| - Depreciation                  | 75       | 40          |
| - Infrequent items              | -        | -           |
| - Other                         | (10)     | 80          |
| Variance operating income       | (133)    | 18          |
| - Non-consolidated investees    | 204      | 170         |
| - Interest income and other     | (62)     | (35)        |
| - Other income                  | (166)    | (166)       |
| - Depreciation and amortization | (149)    | (112)       |
| Variance EBITDA                 | (306)    | (125)       |



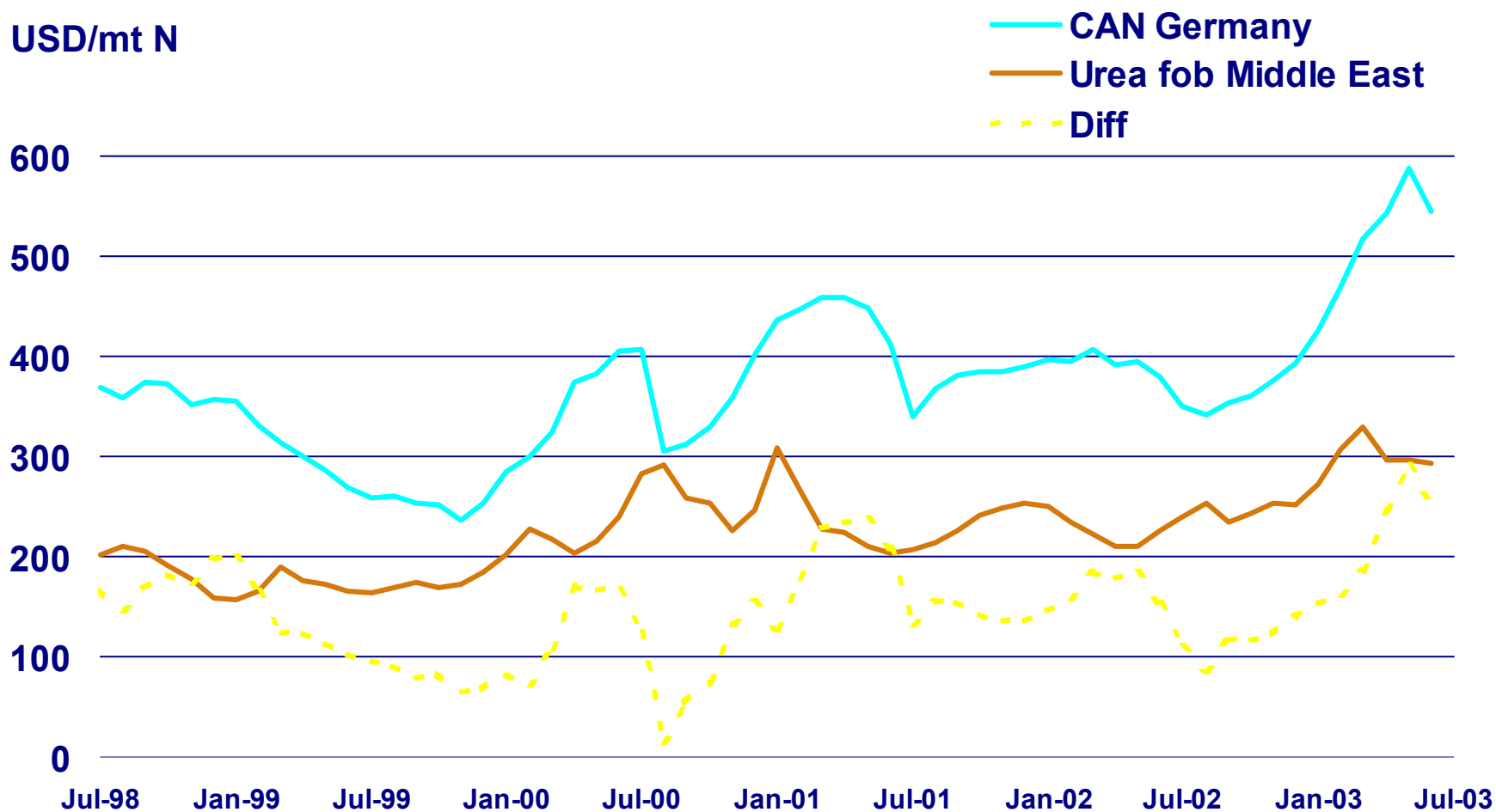
# Fertilizer prices



Source: International publications



# Nitrate premium above urea price





# Variance analysis Petrochemicals

| NOK million                     | 1st half | 2nd quarter |
|---------------------------------|----------|-------------|
| 2003                            | 225      | 132         |
| 2002                            | 131      | 103         |
| Variance EBITDA                 | 94       | 29          |
| - Margin                        | 45       | 30          |
| - Volume                        | 5        | (10)        |
| - Fixed costs                   | 20       | 5           |
| - Depreciation                  | 5        | -           |
| - Infrequent items              | -        | -           |
| - Other                         | (5)      | (5)         |
| Variance operating income       | 70       | 23          |
| - Non-consolidated investees    | 27       | 4           |
| - Interest income and other     | -        | -           |
| - Depreciation and amortization | (3)      | 2           |
| Variance EBITDA                 | 94       | 29          |



# 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)).