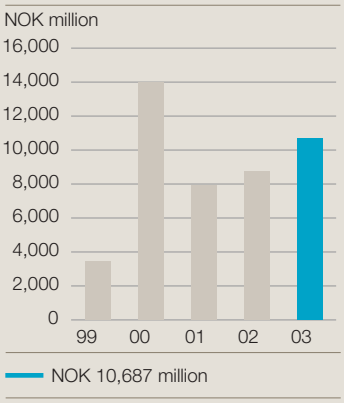
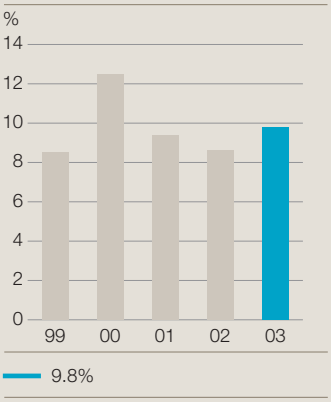
HYDRO

Annual report 2003

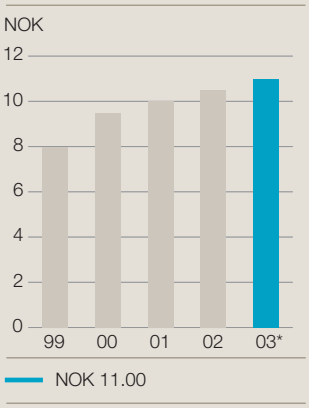
Net income



CROGI



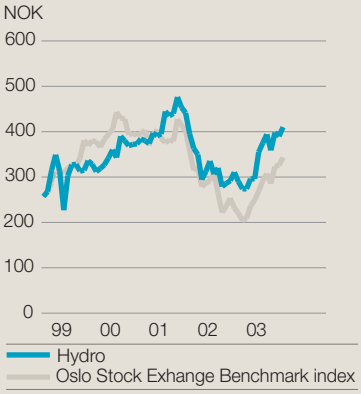
Dividend per share



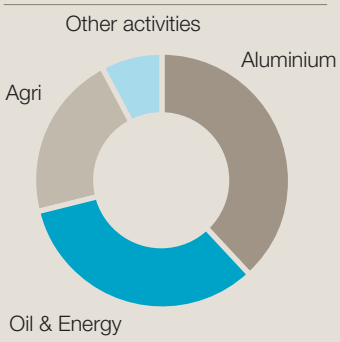
* Proposed dividend

Key figures	2003	2002	2001	2000	1999
Results NOK million					
Operating revenues	**171,782**	167,040	152,999	156,467	111,955
Operating income before financial items and other income	**24,258**	19,841	21,083	28,466	7,735
EBITDA [1]	**43,253**	35,658	37,757	46,609	21,944
Net income [2]	**10,687**	8,765	7,892	13,981	3,446
Financial data					
Investments [3] NOK million	**18,900**	45,716	16,328	16,565	53,025
Net interest bearing debt/equity [4]	**0.38**	0.60	0.34	0.44	0.67
Cash flow from operations NOK million	**24,578**	21,785	26,172	25,626	14,744
Rate of return					
CROGI % [5]	**9.8**	8.5	9.4	12.5	8.5
Normalized CROGI % [6]	**9.0**	9.0	8.5	9.5	-
NOK per share					
Earnings [2]	**41.50**	34.00	30.50	53.40	13.90
Dividends	**11.00** [7]	10.50	10.00	9.50	8.00
Shareholders' equity	**343.10**	294.10	290.30	274.00	227.30
Share price Oslo Stock Exchange 31.12.	**410.50**	310.50	376.00	373.00	336.00
Number of employees (average over the year)	**44,602**	42,615	36,867	37,575	38,706
TRI [8]	**7.0**	10.0	9.5	13.7	12.9
Absence due to sickness %	**3.0**	3.3	3.2	3.9	3.8
Greenhouse gas (million tonnes CO_2 equivalents)	**26.8**	27.6	27.8	28.7	28.1

Hydro's share price on Oslo Stock Exhange

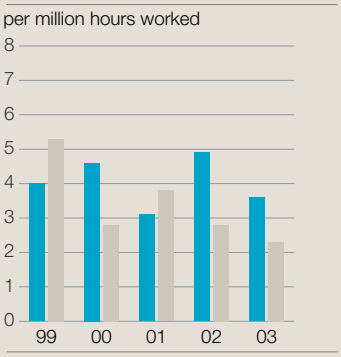


Operating revenues



Total: NOK 171,782 million

Lost-time injuries



Figures for 2002 and 2003 include VAW

2003 Highlights

- Good financial results.
- Hydro's fertilizer business to be listed as independent company: Yara.
- Oil and gas production increased by 50,000 barrels to 530,000 barrels per day.
- The Grane and Fram fields on the Norwegian continental shelf came on stream.
- Plan for development and operation of the extensive Ormen Lange gas field submitted to the Norwegian authorities.
- 60,000 tonnes new primary aluminium capacity came on stream at Sunndal, Europe's largest and most modern metal plant.
- New aluminium remelt plant commenced operations in USA.
- Number of injuries were reduced by more than 30 percent.
- Divestment program in 2002 and 2003 for sale of non-core businesses worth NOK 10 billion completed.

1) EBITDA: Earnings before Interest, Tax, Depreciation and Amortization. Se page 60 for more details.
2) Excluding the cumulative effect of accouning changes.
3) Investment in property, plant and equipment, long-term securities, intangibles, long-term advances and investments in non-consolidated investees.
4) 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
5) CROGI: Cash Return on Gross Investment. Se page 61 for more details.
6) Se page 61 for more details.
7) Proposed dividend. The final dividend is to be decided at the Annual General Meeting. Hydro shares are traded ex-dividend from 7 May 2004 in New York and from 12 May in Oslo.
8) Number of total recordable injuries per million hours worked.

Hydro is a leading energy and aluminium company with operations in more than 40 countries. We are one of the world's leading producers of offshore oil and gas and the third largest aluminium supplier. Our 36,000 employees create value by developing solutions enabling our customers – and local communities worldwide – to become more viable.

Content

Hydro's way forward

In 2003, we achieved our business goals and our financial performance was strong. We implemented major changes, took significant strategic steps and defined the way forward as a strong company with two core business areas: Oil & Energy and Aluminium. Our fertilizer business will be listed as an independent company under the new name, Yara. In Hydro, we intend to build on our tradition of creating value by combining commercial focus with socially responsible business operations.

This annual report, while examining closely the most important events and results of the past year, also looks forward. It describes how we intend to leverage our competitive strengths to reach new objectives and live up to our mission to create a more viable society.

This is Hydro

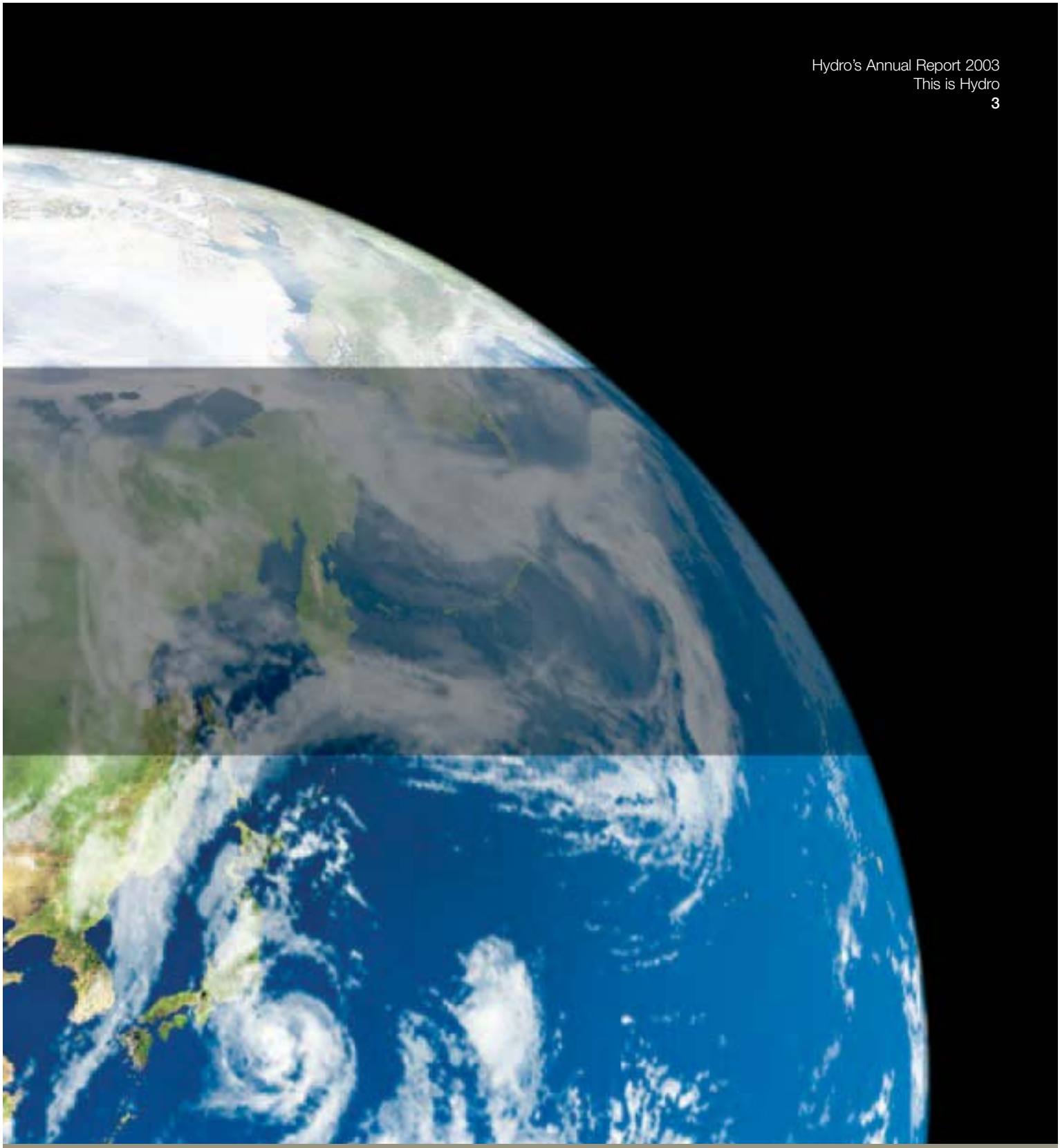
Hydro's mission is to create a more viable society through the innovative and efficient development of natural resources and products. It is an ambition we have set out to achieve by concentrating on two core areas, Oil & Energy and Aluminium. Our businesses, and the value they create, help customers and society prosper and develop towards a more sustainable future.

Oil & Energy
Our petroleum and energy business plays a vital role in meeting Europe's increasing energy needs. Hydro is an integrated European energy company and a major participant in the Nordic and European energy market. We develop, produce and deliver oil, gas and wind power, play an active role in developing new energy and new energy carriers in the form of wind power and hydrogen, and conduct extensive operations in energy transport and trading. Oil & Energy has 3,500 employees and operates in Angola, Canada, Russia, Libya, the Gulf of Mexico, Iran, Norway and several other countries in Europe.

In the North Sea, Hydro operates 15 oil and gas installations. We produced 530,000 barrels of oil equivalents per day in 2003. We are one of the leading deep-water operators in the world, possessing unique expertise in advanced well technology, multilateral drilling and in major development projects.

Aluminium
Our integrated aluminium business helps meet the need for a material that is growing in importance for a viable society. Aluminium possesses first class recycling properties, and our products contribute to more efficient buildings, better packaging, as well as safer and more environmentally sound transport.

With 27,000 employees in 28 countries throughout the world, we hold a leading position in a number of areas. As a supplier of bumpers, engine blocks and precision-drawn aluminium tubing, we are a world leader and hold a strong position as a supplier to the building industry, particularly in Europe, and to the printing industry. Innovation, commercial finesse, a global approach, coupled with our ability to make continuous improvements, are all important elements as we develop our aluminium business.



Our background

> Hydro was established in 1905 to produce nitrogen fertilizer using Norwegian hydroelectric power. Hydro's fertilizer made an important contribution for almost 100 years to increased food production in a world where hunger is a critical problem.

> Hydro's globally encompassing aluminium business builds on more than 80 years' experience.

> We were one of the pioneers developing the Norwegian petroleum industry, right from the outset in the 1960s.

The Hydro Way

The way we work is distinguished by a set of institutional talents that are shared by everyone, across business areas and geographic bounderies:

> An ability to develop source businesses

> A drive to optimize

> An instinct to commercialize

> A passion for social commerce

The Hydro Way is based upon a common set of values:

> Courage

> Respect

> Cooperation

> Determination

> Foresight

Distinct direction ahead

The year 2003 marked a crossroads in our almost 100 year development. A comprehensive strategic review concluded that Hydro should move forward as one strong company with Oil & Energy and Aluminium as its core areas, while Agri goes on to realize its ambitions as a separate, listed fertilizer company. A solid platform for adding further value has been established in all three areas, for the greatest benefit of our shareholders, employees, customers, and for society.

In January 2004, Hydro's shareholders approved the recommendation to demerge Agri, which will continue operating as the listed company, Yara. We are parting with the enterprise that formed the basis of Hydro's development 100 years ago – harnessing energy for the production of fertilizer. On an emotional level, this decision to part may seem difficult – for Hydro's employees and shareholders alike – but it is completely in line with our strength throughout the years, which is the willingness and ability to restructure in order to meet new challenges and secure our long-term competitive position.

The strategic opportunities in Oil & Energy, Aluminium and Agri have been thoroughly evaluated. While analyses reveal attractive business opportunities in all three main areas, we are convinced that we will create optimal value by concentrating our financial and management capacity on the potential inherent in by Oil & Energy and Aluminium. We choose to build Hydro's future on our joint strengths, leading expertise and the positions we have developed in these core areas.

By moving ahead independently Yara will, as a result of the extensive turnaround in recent years, have the greatest opportunity to create value as an autonomous company. As an independent, listed company – with a clear leading position in the global fertilizer industry – Yara will benefit from direct access to capital markets. This will create flexibility and opportunities for added value through organic growth and participation in the anticipated restructuring of the industry. I am convinced that this solution, which has wide backing in financial markets and among our employees and shareholders, is the best for both Hydro's and Yara's owners.

Distinct direction ahead

The process leading to these changes started in 1999, through a new strategy aimed at streamlining the business portfolio and developing the organization in order to improve performance. When we look back, it is obvious that much has taken place since then. Oil and gas production, which has set ever greater records, has nearly doubled from 270,000 barrels per day in 1998 to 530,000 barrels per day in 2003. Aluminium has doubled its turnover, further boosting its competitive position. At the same time, we have sold off businesses for NOK 26 billion, giving us the financial muscle to carry out major acquisitions in core areas. In-house, there have also been some major organizational changes, including new management systems, a greater degree of performance-based pay and an even more result-oriented culture.

All of this impacted on our results for 2003, when we made progress in all areas and attained most of our financial and strategic goals. In Oil & Energy, an annual production growth trend of roughly 8 percent increased. Meanwhile, we have maintained sound cost control and we have once again demonstrated our ability to accomplish major projects. We are now ready to embark upon our biggest project so far, the development of the major Ormen Lange gas field. We are also actively developing technologies for several forms of renewable energy.

Less than two years after the VAW acquisition, Aluminium is a strong and successfully integrated organization. Wide-ranging improvement programs have been completed as planned, and annual costs have been reduced by NOK 2.5 billion from the total combined VAW and Hydro level of 2001. Meanwhile, our investment program, which includes Europe's largest metal plant in Sunndal, is proceeding according to schedule.

Improvements are also apparent in our safety statistics. Total recordable injuries per million hours worked (TRI) still indicate a positive trend, dropping to 7.0 in 2003 – well ahead of target. Safety is important to us in Hydro, and not solely out of respect for our colleagues. Time and time again we have documented that dedicated efforts designed to improve employee safety lead to greater productivity and added value.

Our activities are based upon the firm conviction that the interests of Hydro and society correspond and are mutually dependent. We take pride in acting responsibly as we aim to create value in a broader context. Our contribution to making society more viable is based on looking after the interests of today's, as well as those of future generations. Following a process involving employees all over the world, we have

clarified what we stand for as a company. Together with our new and more modern logo, our approach to business – The Hydro Way – will be an important tool in our further development.

Given this background, we can now look forward with optimism. Our financial position is strong and our expertise solid. Investments will continue to be at a relatively high level in coming years. The major share of our resources will be channeled into highly profitable oil and gas projects that generate strong production growth for several years. Higher gas production from Ormen Lange and other fields will gradually contribute significantly to developing our total production. Outside Norway, we will place greater importance on the acquisition of proven resources, where we can create value by utilizing the expertise we have developed as an operator on the Norwegian Continental Shelf.

In Aluminium, we will continue to increase the efficiency of our processes in close dialog with customers and employees, further boosting our leading positions. Investments will be directed towards projects that can improve our position in selected downstream markets, as well as towards improving the competitive position of our metal plants, and securing better raw material sourcing. Technological and commercial innovation plays a vital role throughout Hydro. We will certainly make the most of the know-how, experience and enthusiasm of our employees in building our organization to ensure further value creation.

In brief, our direction is clear – we are moving forward as a unified, strong company. With committed and motivated employees, we are ready to renew efforts to reach our ambitious goals. We will build on and develop our competitive advantage in order to maintain a leading position in both core areas. Our goal is to increase value creation in the short and long term, for the benefit of shareholders, customers, employees and society as a whole.

Eivind Reiten
President and CEO

Competitive advantage based on natural resources

We base our business on transforming natural resources into products that are vital to society. In Aluminium, we cover each link of the value chain, from refining of bauxite to the development and marketing of metal products. We have leading positions in selected markets for automotive, building and packaging products. In Oil & Energy, we play a key role on the Norwegian continental shelf and are a globally leading operator of offshore installations, possessing specialist know-how of technologically advanced areas such as horizontal drilling and seabed production units.

Hydro is one of the world's three leading aluminum companies, holding strong positions and applying highly efficient business models in attractive markets such as automotive, building construction and packaging. In the future, we will boost competitiveness by optimizing our production processes, by building more efficient production plants and through selective concentration within "our" market niches. In-depth metallurgical expertise and wide experience developing aluminum products for different purposes form the basis of our collaboration with customers to develop optimal solutions.

In Oil & Energy, our main platform is a solid position as an operator and partner in the North Sea. We are substantially boosting production and plan investments in attractive, new projects. At the same time, we continue to explore the commercial, technological and social opportunities that alternative sources of energy represent. One example is our wind power plant on Havøygavlen in Finnmark, which opened in 2003.

Technological and commercial innovation

Hydro has established its present position by virtue of bold and visionary decisions made in the past, giving us the cutting-edge competence and advantages we currently exploit commercially. Our favorable market positions enable us, for example, to sell more than we produce. And we will in the future continue to think innovatively as we pursue interesting business opportunities.

The mobile society represents an important part of the market we serve. We meet the energy needs of modern society, while at the same time explore the potential of hydrogen as a fuel. Working closely with customers in the automotive industry, we supply aluminium and magnesium components and systems to make cars lighter, safer, more functional and environmentally friendly.

But our vision extends even further and our commercial thinking embraces more than the transport sector. One example is the way we have developed our metal supplier concept. We meet the market's need for more advanced metal products with aluminium from our own environmentally designed metal plants, recycled metal from our remelt plants, and upgraded metal from our alliance partners.

In the energy sector over the past ten years, we have developed our skills in an open Nordic power market, giving us a strong platform as we now prepare to play a leading role in the deregulated European energy market. An important step on that road in 2003 was the setting up of HydroWingas Ltd., the UK sales outlet established in conjunction with Wingas, the German and Russian company.

Greater efficiency creates more wealth

One of Hydro's strengths is safe and efficient production, another is the planning and implementation of complex, major projects. We will in the future develop and capitalize on our ability to get the most out of nature's and our own resources, for example, when undertaking major North Sea projects or extending, modernizing or building some of the largest and most efficient aluminium production plants.

In September 2003, the first production well came on stream on the Grane field, three weeks ahead of schedule and NOK 1.5 billion below budget. The Fram field, which came on stream in October, was developed on schedule and 15 percent below budget. These figures are indicative of both good organization and technological advances efficiently utilizing resources. Examples such as the development of smaller oilfields using sub-sea technology and current infrastructure, plus the drilling of horizontal, multilateral oil wells, make it profitable to extract even more resources from reservoirs.

Cost efficiency is also the key in Aluminium to enhanced competitiveness and improved margins. We share our know-how on a continuous and systematic basis, transferring best practice and investing in technology and processes that increase added value – and bring down costs. The expansion of our large Sunndal metal plant in Norway provides a good example of this in 2003. The second of three construction phases came on stream earlier than planned, in a plant that will be the largest and most efficient in Europe, improving Hydro's competitiveness in the global aluminium market.

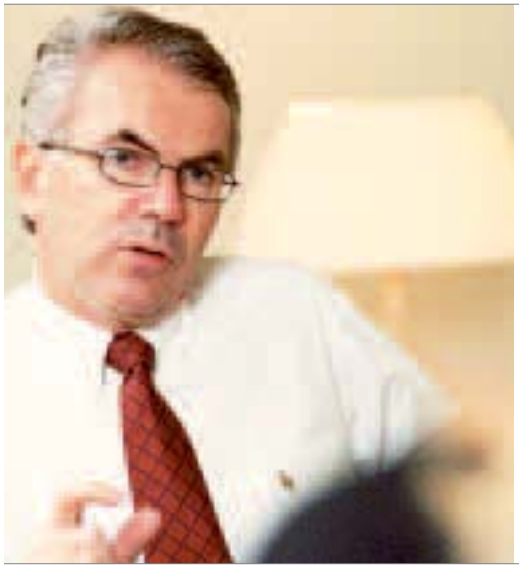
Socially responsible business operations

The ability to take a broader view characterizes Hydro's corporate culture. We draw inspiration from our conviction that Hydro's and society's interests are interdependent. Our way forward is based on socially responsible business operations. Both in the short and the long term we are working to create value for shareholders, employees, customers and for society at large.

Our approach is to take into balanced consideration the interests of all those affected by our business operations. The practical results of this can be seen in our extensive safety work, in the measures we take to be an environmentally leading company, and in terms of social responsibility. Through remelting and recycling, we produce quality metal and spare valuable resources. Oil and gas are recovered using advanced technology and minimal emissions. We believe that environmental considerations go hand in hand with better customer solutions and improved financial results. We work closely and openly with our employees, local authorities and organizations in the communities we are part of. In Amnesty International and Transparency International we have two valuable partners that challenge us in critical dialog and in the exchange of experience and expertise.

A distinctive corporate culture and identity are decisive if we are live up to our commitments and ambitions to be a responsible and profitable company. In order to clearly define our identity and further improve our ability to produce results, we launched in 2003 a major process that culminated in "The Hydro Way" – which states our mission and values and provides clear guidelines for our actions.

Oil & Energy



Hydro aims to increase oil and gas production by an average of 8 percent per year in the period 2001–2007. We continue to build on our strong position as an operator in deep waters. The company is a world leader in advanced well technology and multi-branch drilling, a pioneer in challenging offshore development projects and operations in very deep waters.

Tore Torvund, Executive Vice President, Oil & Energy

In 2003, we started production on two new oil fields on the Norwegian continental shelf, discovered oil and gas in Canada, Libya, the Gulf of Mexico and Norway, submitted development plans for the giant Ormen Lange gas field, revised our international exploration strategy, and opened the most northerly windmill park in the world.

All overall financial targets for Hydro's oil operations were met in 2003. Operating income was NOK 21,143 million. Normalized CROGI was 9.9 percent at the end of the year, a result we are very pleased with. Costs per barrel produced averaged NOK 75.70. All development projects were completed as or better than planned.

The use of new technology and work processes increases production and rate of recovery, makes for more efficient drilling, and generates lower risk and greater opportunities for developing marginal discoveries.

Our safety and environment results are also good. Experience shows us that a safe working environment results both in higher productivity and less impact on the external environment. A study of 28 oil companies in 59 countries shows that Hydro is one of the best performers in terms of emissions from oil and gas production. We are currently implementing measures to meet the authorities' target of zero discharges before the end of 2005.

Production increases each year

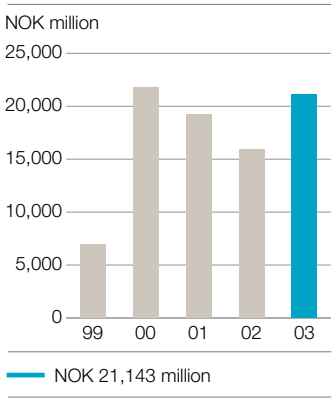
In 2003, we produced 530,000 barrels of oil equivalents per day (boepd) – an increase from 480,000 boepd the year before. Oil production has nearly doubled since 1998. Hydro has a portfolio of robust projects that provide us with production growth among the best in the oil industry. Our total reserves at the end of 2003 were 2,449 million barrels of oil equivalents, an increase from 2,225 million barrels in 2002.

Key figures

NOK million	**2003**	2002	2001
Operating revenues	**59,959**	55,845	52,180
Operating income	**21,143**	15,947	19,177
EBITDA	**31,826**	25,340	27,604
Reserve replacement [1]	**141%**	106%	140%
Oil and gas production [2]	**530**	480	421
Investments	**11,259**	14,696	10,090
Number of employees	**3,464**	4,039	3,891

1) Last three years' average
2) 1,000 barrels oil equivalents per day

Operating income Oil & Energy



- The second largest operator company in Norway and one of the world leaders in deep waters.
- Operator for 15 oil and gas installations that produced about 880,000 barrels of oil equivalents per day in 2003. Hydro's own production amounted to 530,000 barrels of oil equivalents per day.
- About 3,500 employees and NOK 60 billion in turnover.
- Based on the Norwegian Continental Shelf, with production also in Angola, Canada, Russia and Libya, and exploration activities in the Gulf of Mexico, Iran and Denmark.
- An integrated European energy company and major player in the Nordic and European energy markets, producing significant volumes of hydroelectric power.
- Extensive activities in transport and trading of oil and energy in Europe.
- Commitment to developing new sources and forms of energy such as wind power and hydrogen.
- Marketing of gasoline and energy products through Hydro Olie AB in Sweden and Hydro Texaco in Norway, Denmark and the Baltic countries.

The Grane field came on stream in September 2003, three weeks ahead of schedule and NOK 1.5 billion below the budgeted NOK 16.5 billion. Peak production will reach 214,000 barrels of oil per day. Hydro's share is 38 percent. This development was a technical challenge because the oil is heavy and pressure in the reservoir is low. Gas is pumped into the reservoir to increase pressure, and later, after 20 years of operation, the gas will be produced and sold.

Production from the Fram field in the North Sea started in October 2003. This field is developed with a subsea installation linked to existing infrastructure and is expected to produce just over 60,000 barrels of oil a day. Hydro's share is 25 percent.

We also started up a new gas injection module, which increased oil production from Oseberg C by 12,000 barrels per day to a total of around 80,000 barrels per day.

Development of the large and challenging Hydro-operated gas field, Ormen Lange, at a depth of 1,100 meters in the Norwegian Sea, is proceeding according to schedule. In December of 2003, we submitted the plan for development and operation with an estimated development cost of NOK 66 billion.

A total of NOK 19.5 billion is allocated for the transport system, which includes the world's longest subsea export pipeline, running 1,200 kilometers from Aukra, near Molde, in northwest Norway, to Easington, in southeast England.

Ormen Lange is the largest gas field under development on the Norwegian Continental Shelf. When production starts, planned export to England will amount to about 20 percent of Norway's gas export and meet 20 percent of UK consumption.

We also submitted development plans for the Oseberg Sør J structure and Oseberg West Flank. Both plans involve the development of minor oil and gas discoveries with subsea wells linked, respectively, to Oseberg Sør and the Oseberg Field Center.

Interesting discoveries in Norway

In 2003, we made an interesting gas discovery on a block in the Heimdal area, where Hydro is operator with a 28.5 percent ownership interest. Also, reserves in Oseberg Sør have been proven to be larger than previously assumed. In the distribution round for pre-defined areas, Hydro was awarded new ownership shares and operatorship in the Oseberg area, among others.

Hydro was pleased with the award of three licenses, two of which as operator, in the 2003 North Sea round. This reflects our competitiveness and the company's position as a key long-term player on the Norwegian Continental Shelf.

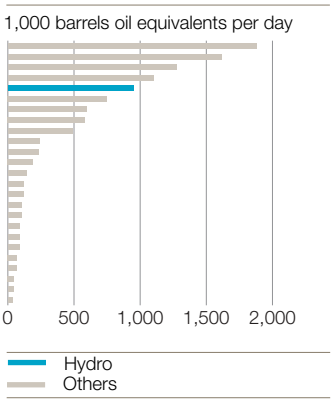
International expansion

Production from the company's international operations in Angola, Canada, Libya and Russia is increasing and reached 57,700 barrels of oil equivalents per day in 2003. Production from the Jasmin field on Block 17 in Angola, in which Hydro has an ownership stake of 10 percent, started in November 2003. Jasmin is linked to the Girassol field, and start-up increased production to 230,000 barrels per day. It was also decided to develop the Dalia field on the same block. Production from this field alone is expected to peak at 225,000 barrels of oil per day. Two new discoveries were made on Block 17 in 2003.

In September 2003, the Russian oil company Lukoil acquired 25 percent of Hydro's 100 percent ownership share in the Iranian exploration area Anaran, close to the Iraqi border.

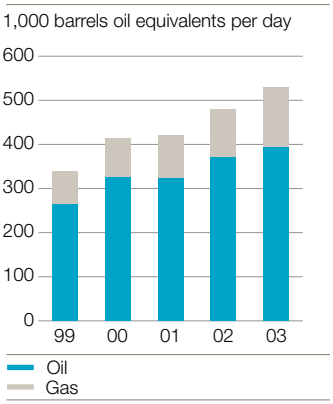
Oil & Energy

Offshore operator production*

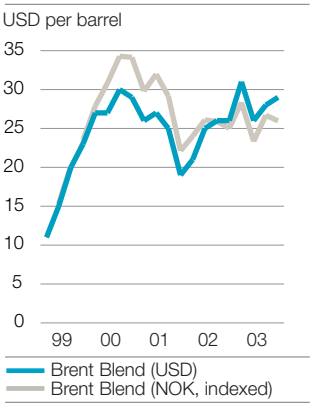


*Deeper than 100 meters

Oil and gas production



Oil price



Proactive international exploration in the period 2001 to 2003 did not produce expected results. We therefore carried out a thorough review of our exploration strategy in 2003. It was decided to reduce the risk profile of our exploration portfolio. In addition to our exploration activities, we will purchase more shares in proven petroleum resources in areas where Hydro's particular expertise in drilling, reservoir and field development can give greater value creation. Exploration costs will thus be reduced from NOK 1.6 billion in 2003 to around one billion in 2004.

More gas to Europe

Hydro is an important player both as a producer and trader in the European gas market. We produced nearly 8 billion cubic meters of gas in 2003, in addition to considerable marketing and trading activity.

We strengthened our position in the Dutch gas market through the purchase of Duke Energy Europe Northwest B.V., which is actively engaged in gas sales and marketing in the Netherlands. The creation of the gas marketing company HydroWingas Ltd in the UK, together with the German-Russian company Wingas, has also boosted Hydro's position in an increasingly deregulated energy market.

We have signed an agreement with the Danish oil company Mærsk on the purchase of 0.6 billion cubic meters of natural gas per year over a five-year period from 2005. This is in line with Hydro's strategy of developing gas trading operations in Europe.

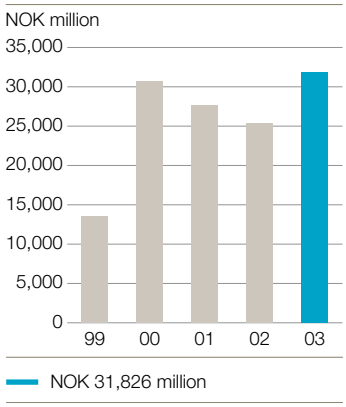
Hydro withdrew from its refinery activities through divestment of its 25 percent ownership stake in Swedish Skandinaviska Raffinaderi AB for NOK 1.4 billion.

Hydro is one of Europe's largest consumers of electricity. We have a long-term supply strategy for our aluminium operation, in addition to significant production of hydroelectric power. In this connection, we have established a separate trading platform in Europe, ensuring, among other things, long-term supply to our plants on the continent.

A future in new energy?

Hydro is one of the world's leading offshore operator companies in deep waters and conducts extensive research activities. Two research centers in Porsgrunn and Bergen, with a total of 379 employees, manage projects examining increased rate of discovery, increased recovery and the development of subsea production technology. In 2003,

EBITDA Oil & Energy



Hydro invested NOK 194 million into research and development within its Oil & Energy business area.

We are also committed to the development of new energy sources and carriers. In spring 2003, the world's first hydrogen filling station for cars and busses opened in Reykjavik, Iceland, with Hydro as a key participant and main supplier. Hydrogen could become an important energy carrier in the transport sector. Opening the hydrogen station marked an important step and illustrates Hydro's strong global position in hydrogen technology. During 2003, we also delivered a hydrogen filling station to Hamburg. These installations are under the umbrella of pilot projects to test hydrogen-run buses in European cities.

In June 2003, the world's most northerly wind power park was officially opened at Havøygavlen, Finnmark, in northern Norway. This is a collaborative project between Hydro and Dutch energy company Nuon, through the joint-venture company Arctic Wind. The park has 16 windmills with a total capacity of 40 megawatts, capable of supplying power to between 5,000 to 6,000 households. The park combines the supply of electricity with sales of green certificates in the Netherlands.

Substantial growth expected

Prognoses suggest that Hydro's oil and gas production will increase by about 8 percent in the period 2001-2007. Even with no new investments, we will triple gas production from the Oseberg field by the year 2010. Total gas production is expected to amount to just over 8 billion cubic meters in 2004. When Ormen Lange comes on stream in 2007, this volume will increase further.

We are building up our gas positions in line with the deregulation of energy markets in Europe. By following gas further downstream to the large and medium-sized industrial and energy companies, we will gain new margins and market positions.

Aluminium

By virtue of its leading role in selected markets and technologies, Hydro will consolidate its position as one of three integrated global aluminium companies. We are aiming to increase our primary aluminium production in low-cost plants, using our position as a major European metal supplier to strengthen our position globally, we are continuing our profitable growth in selected downstreams markets.

Jon-Harald Nilsen, Executive Vice President, Hydro Aluminium

Our extensive improvement programs with a cost-saving target of NOK 2.5 billion delivered encouraging results in 2003 and will have full impact in 2004. Our business is better run in all parts of the value chain. The safety statistics bear witness to soundly executed operations and the successful integration of the German company, VAW.

Operating income increased to NOK 2,456 million and CROGI continued to improve, ending up at a normalized 10 percent. The results were satisfactory in view of the weak macro-economic environment, which is marked by fluctuating, though largely depressed markets and negative foreign exchange movements.

Our large-scale development projects made very good progress. New primary aluminium capacity of 60,000 tonnes came on stream in Sunndal. Together with the expansion of the low-cost Alouette plant in Canada, this project will improve our relative cost position and increase production capacity to 1.7 million tonnes per year from 2005.

In order to meet the new environmental regulations, the oldest production lines of the Høyanger and Årdal plants, the Søderberg potlines, will be closed down at the end of 2006. This means that two of our highest cost lines will be phased out. Hydro decided in 2003 not to invest in new capacity at the two locations.

Primary production at Hydro's metal plants in Norway and Germany have higher costs and lower productivity than many competing plants elsewhere in the world. Moreover, power prices may well be affected by new European climate measures. New improvement measures were implemented in 2003, and further initiatives will be launched with the aim of bringing costs in line with the best comparable plants.

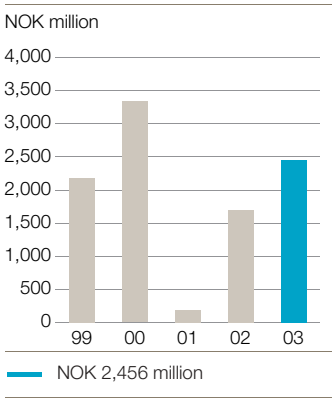
Our safety record in terms of personal injuries has improved considerably, particularly in the former VAW units.

Key figures

NOK million	**2003**	2002	2001
Operating revenues	**69,152**	65,051	51,083
Operating income	**2,456**	1,698	185
EBITDA	**6,498**	4,334	2,543
Investments	**5,581**	25,318	3,527
Aluminium price, realized [1]	**1,440**	1,372	1,454
Primary production [2]	**1,473**	1,253	785
Number of employees	**26,728**	27,110	16,244

1) Average price USD/tonne
2) 1,000 tonnes

Operating income Aluminium



- One of three leading integrated global aluminium companies.
- Production of 1.47 million tonnes primary metal. Supplied market with 3.3 million tonnes of aluminium, including 1.2 million tonnes remelted and recycled metal.
- 27,000 employees and turnover of NOK 69 billion.
- Produces alumina in Brazil, Jamaica and Germany, plus primary metal in Australia, Canada, Germany, Norway, and Slovakia.
- Casthouse operations linked to the metal plants. Specialized remelt plants close to customers in Europe and USA upgrade scrap and lower quality metal.
- Manufactures automotive components in several European countries, and in the USA, Mexico, Brazil and China.
- Serves local customers by supplying customized profiles and building systems through an efficient global extrusion plant system.
- Produces sheet and foil in European rolling mills.

More than potroom metal

About half of the metal we market comes from other sources than our own production. For example, we remelt scrap and upgrade lower quality metal, some of which we purchase from strategic partners. These methods of metal sourcing, and our extensive customer service network, together form Hydro's Metal Supplier Concept, which we further extended in 2003 in North America and Asia. Another new aluminium remelt plant in the USA came on stream in 2003. Scrap is becoming increasingly important as a raw material source.

Hydro technology is being used to modernize the Rusal aluminium casthouse in Sayansk in Siberia, Russia. This will provide access from 2004 to 80,000 tonnes of extrusion ingot by through a production and marketing contract. The plan is to increase capacity to 160,000 tonnes during the next two years. A new contract has been signed with Talum in Slovenia regarding the marketing of some 50,000 tonnes of foundry alloys annually.

Raw material supply was improved by the expansion of Alunorte in Brazil, where Hydro's 34 percent stake secures access to 810,000 tonnes of alumina per year. The plant is one of the most cost-efficient in the world. Another expansion was started in 2003 that will increase Hydro's share of production to more than 1.4 million tonnes annually. In addition, a long-term contract was signed with Comalco of Australia for the annual supply of 300,000 tonnes alumina from 2005, rising to 500,000 tonnes per year in the period from 2006 to 2030. Roughly 50 percent of our alumina requirements were met in 2003 by means of long-term contracts.

Demanding downstream market

Demand was sluggish and margins squeezed in the market for semi-fabricated aluminium products. However, by working closely with customers and customizing service concepts, we strengthened Hydro's market position in important areas.

There was slight growth in the European market for rolled products, where Hydro has an 18 percent market share, and margins remain under pressure. A revamp of our Hamburg rolling mill provides 50,000 tonnes new capacity. The Holmestrand rolling mill struggled somewhat due to high costs and productivity hitches, but an extensive turnaround operation improved its position in the course of the year.

We are continuing our efforts to increase our share of high margin products, and it was decided in 2003 to expand German production of lithographic plate by 75,000 tonnes. This is a market experiencing 5 percent annual growth, while Hydro's global market share is 31 percent.

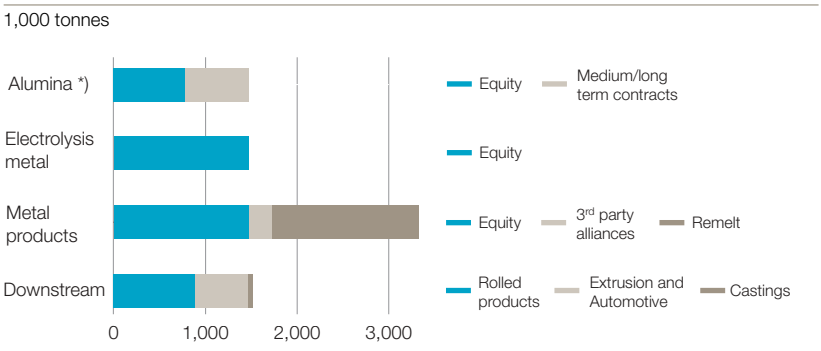
Extruded products emerged more strongly from 2003, with acceptable margins and enhanced marked positions. In a weak market, our Domal, Wicona and Technal building systems captured several prestigious new assignments.

Our extrusion plants in North America made significant operational improvements, though the market situation there remains demanding. The transfer of competence from Europe has provided the key to improving efficiency in extrusion plants and in remelt plants.

Deliveries to the global automotive industry are concentrated in areas where we have competitive advantages, such as production of bumper beams, engine blocks and precision drawn tubing, in which Hydro holds a globally leading position. To serve the rapidly growing Chinese automotive industry with tubing for heat exchangers and fluid transport systems, we are building our first wholly

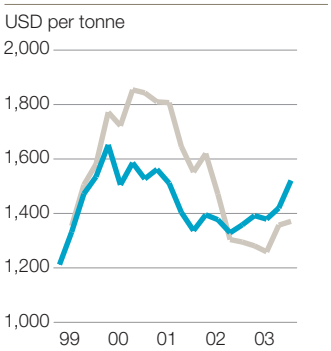
Aluminium

Portfolio composition



* Aluminium equivalents (2 tonnes alumina per tonne aluminium)

Aluminium price



owned automotive component plant in China. Our concentration on bumper beams and crash management systems delivers results.

The company's automotive component foundries are undergoing restructuring, with growing activity in Hungary and Mexico. It was proposed to close the operation in Leeds, UK, which employs more than 600 people. The plant will probably be closed in 2005.

Expectations of strong market growth

Aluminium continues to win market share from other materials, partly due to the favorable properties of the metal from a life-cycle point of view. Aluminium is very well suited for recycling, as remelted metal possesses the same properties as primary metal although it takes only 5 percent of the energy to produce it. Global consumption has increased by an average annual rate of 3 percent, and analyses indicate that this growth will continue, probably at a rate of more than 4 percent in coming years.

The growth will primarily be driven by China and Russia, while Western World growth rates are expected to be around 2.5 percent.

The market balance for primary aluminium in the Western World was better than expected in 2003, mainly due to lower exports than expected from China and reduced production in the US Pacific Northwest. Price increased in the second half of 2003, albeit from a moderate level. Developments indicate a better balance in 2004 than in the three previous years.

The biggest uncertainty is related to developments in China, where aluminium production in 2003 was reported to have increased by more than 25 percent, and domestic consumption by slightly less. The rate of growth up to 2007 will probably decrease, maybe down to 10 percent. Power supplies and access to alumina may limit production growth and net exports from China.

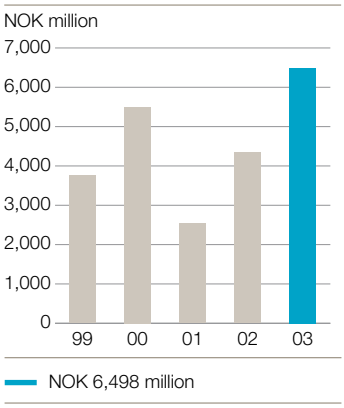
The spot market for alumina was tight in 2003 and at the start of 2004, with demand in China mainly driving the market. Thanks to our own production and long-term contracts, we are not exposed to the current high spot prices.

Transport, building and packaging

The market for aluminium is dominated by three areas of application: transport, building and packaging.

Transport has demonstrated healthy growth,

EBITDA Aluminium



an annual average of 5.5 percent over the past 20 years. Growth in the use of aluminium in the automotive industry, mainly for car body components and structural parts, is expected to increase. Aluminium reduces the weight of the vehicle and brings constructional benefits such as formability, strength and anti-collision properties. With new vehicles being equipped with more and more advanced auxilary equipment, much of which increases safety, the use of aluminium is one way of compensating for increased weight.

More than 50 percent of extruded aluminium products are supplied to the construction industry, a market where Hydro holds a strong position. The industry is expected to increase its aluminium consumption by between 2.5 and 3 percent annually, though regional growth will vary.

The market for packaging is more mature and stable. Aluminium is used in more and more products, though the weight per unit is decreasing due to optimal use of materials.

Global strategy

Improved operations, boosting Hydro's leading position in Europe and global growth within selected application areas are important elements of Hydro's strategy to develop its aluminium business. At the same time, we place a lot of importance on turning around units that do not deliver satisfactory results.

Hydro's strong European presence is the basis for a solid cash flow from operations, providing at the same time a platform for our strategic ambitions. We intend to develop and optimize our metal supply concept, at the same time increasing our production in low-cost areas and concentrating more of our primary metal production at our most efficient plants.

We aim to improve our competitiveness in markets where our operational base is strong and we are able to capture higher margins. We will extend our powerful and efficient extrusion plant system into attractive markets where the earnings potential is greatest, as well as in rapidly growing markets outside Europe.

In rolled products and automotive components, we will concentrate our attention on areas where, given our product and process expertise, we see opportunities for forging strong links with customers in the development and delivery phases.

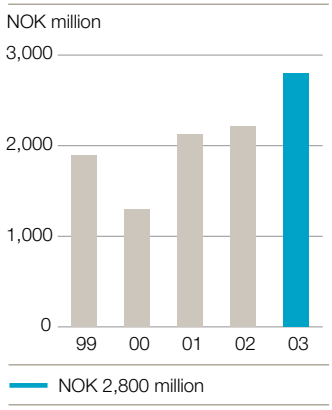
Hydro Aluminium's organization has been carefully structured in accordance with our business model and market strategy. Expertise and innovation, commercial insight, a global approach and the ability to improve are central to the development of our business.

Our research and development work supports our business strategy and is concentrated on improving and developing core processes and products from the production of primary metal, via semi-fabricated products and alloys to end products. Our research is organized so that it is carried out close to customers, production units and external centers of excellence. Research activities are directed towards improving our cost position and product quality, increasing value and enhancing the products' performance from a life-cycle perspective.

Hydro's strategy is to exploit aluminium's properties to help solve the challenges facing society, while maintaining a sharp focus on operational improvements in the health, environment and safety field and on social responsibility issues.

Agri

Operating income Agri



Hydro's fertilizer business is set to become an independent company named Yara and is planned for listing on 25 March 2004. The company employs some 7,600 people in more than 50 countries and has its main office in Oslo. Yara will be one of the ten largest companies on the Oslo stock exchange. Yara has retained the rights to Hydro's former Viking ship logo, a brand widely recognized throughout the fertilizer industry.

Agri becomes Yara

It was in June 2003 that Hydro's Board of Directors proposed a spin-off of Agri so that it could be established as a separate listed company. The Annual General Meeting gave its final approval on 15 January 2004.

The decision was reached as the result of an extensive portfolio review aimed at creating maximum value for Hydro and its shareholders. Hydro envisages great opportunities for profitable growth in all three core areas. However it would be extremely challenging from a financial and management perspective to realize the full potential of all three business areas at the same time. Thus the Board of Directors found it appropriate for Hydro to concentrate its resources on the continued development of Oil & Energy and Aluminium, while launching Agri as a separate listed company.

As an independent company, Yara will enjoy direct access to capital markets with a financial flexibility that will help generate greater value. Yara is therefore well placed to take part in the further consolidation of the fertilizer industry.

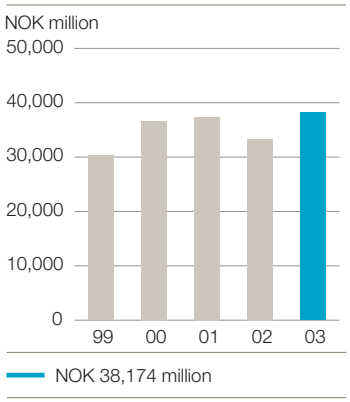
The separation will take the form of a demerger, in which assets and shareholders' equity will be transferred to Yara International ASA, with 80 percent of Yara's shares being allocated to Hydro's shareholders. Every Hydro shareholder as per 24 March 2004 will receive one Yara share for each Hydro share held. Hydro will sell the remaining 20 percent of Yara shares by means of a public issue in connection with the planned listing.

Strong market

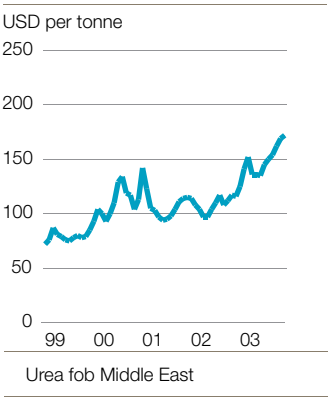
The market for nitrogen fertilizer developed positively in 2003. The average price for urea, expressed in US dollars, increased by 36 percent compared with the previous year. The higher price is due to greater global consumption, though it is also linked to increased production costs resulting from high energy prices. In consequence, some US fertilizer plants were at times forced to stop production and other producers encountered problems as well. At the close of the year the ammonia price had achieved a historically high level. The positive nitrogen price trend influenced European nitrate fertilizer prices, which followed the trend for urea. The vigorous price development was partially offset by the high energy prices and a weaker US dollar.

In Europe, both total nitrogen deliveries and Agri's sales increased when compared with

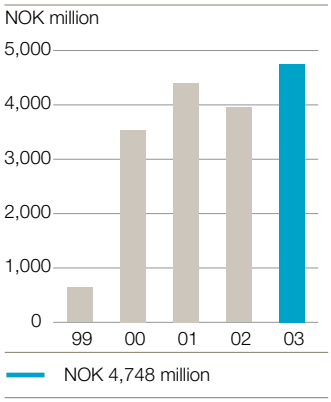
Operating revenues Agri



Urea price



EBITDA Agri



the previous year. This strong development was due to greater product demand and the fact that customers made their purchases earlier in a market where prices were climbing briskly. Imports increased somewhat, but no more than one might expect in a market where demand is strong and prices rising.

Outside Europe there was an underlying increase in sales volume, though the strategic decision to cease production of phosphate fertilizer meant that absolute volumes declined somewhat.

Future based on leading positions

Ammonia is the most important input factor in the production of nitrogen fertilizer. Yara is the largest ammonia producer in the world, with modern plants plus a global transport and storage network. Yara's operations represent roughly a quarter of the world's ammonia trade.

In nitrate fertilizer, Yara leads the field in terms of global production capacity, and unit cost in Europe. Market share in Western Europe is about 30 percent.

Yara holds strong global market positions in specialty fertilizers. The most important area of application for such fertilizers is fruit and vegetable cultivation, as well as textile production. The particular requirements – in terms of knowing how to use such fertilizers – mean that these products generally enjoy higher and more stable margins than other types of fertilizer.

Yara is the only company in the fertilizer industry with a truly global sales and distribution system, with a presence in about 50 and sales to more than 120 countries in all parts of the world. The company is therefore favorably positioned in important growth markets and a preferred partner for other producers looking to distribute their own products more efficiently. Through its marketing system, Yara sells considerably more fertilizer than it produces in its own plants, which helps maximize capacity utilization in its own production system.

Yara's fertilizer plants also supply industrial gases and nitrogen chemicals for a number of wide-ranging industrial applications. Examples of growth markets are liquid technical urea for the reduction of NOx emissions, calcium nitrate for water purification, technical nitrate for civil explosives and carbon dioxide for the food industry. Yara is the leading supplier in Europe for many of these products.

Other Activities

Other Activities consist of Hydro's operations outside of the core business areas Oil & Energy and Aluminium, and include Petrochemicals, Treka, Pronova and Business Partner. The unit, also responsible for planning and implementing the sale and divestment of non-core businesses, has some 5,000 employees.

Petrochemicals

Hydro Polymers is a leading North-European producer of the plastic raw material polyvinyl chloride (PVC), of caustic soda and the intermediate product vinyl chloride monomer (VCM). The unit is integrated, processing raw materials – natural gas liquid and salt – to produce PVC in Scandinavia and the UK. By means of joint ventures, Hydro Polymers is also present in China, Portugal and Qatar.

PVC is robust, durable and easy to shape. It is used primarily in pipes, window frames and other profiles, floor covering, cable insulation and medical products.

Petrochemicals achieved in 2003 an improved operating result when compared to 2002, with the fourth quarter results substantially better than those a year earlier. The positive trend is primarily due to greater volumes and higher product prices, when measured in Norwegian kroner.

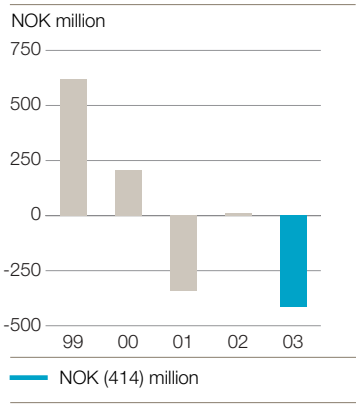
In order to boost raw material supply and long-term earnings, the decision was taken in 2003 to invest NOK 1 billion in a new chlorine plant at Rafnes, a project expected to be completed in autumn 2005.

An agreement was signed with Statoil and Petoro, for the purchase of their ethane production at Kårstø by the Rafnes ethylene plant (Noretyl), for a period up until 2015. This will help boost the long-term competitiveness of the ethylene plant.

Key figures Other Activities

NOK million	**2003**	2002	2001
Operating revenues	**14,013**	21,769	22,361
Operating income	**(414)**	13	(341)
EBITDA	**1,140**	1,044	1,215
Investments	**852**	3,115	1,372
Number of employees	**4,933**	10,694	7,127

Operating income Other activities



Treka

Treka, previously A/S Korn- og Foderstofkompagniet (KFK), is a listed Danish company in which Hydro holds a 68.8 percent stake. Its main operation, the Danish grain and feed business, was divested during 2002, while the sale of other parts of Treka continued in 2003.

Both the Swedish grain and feed subsidiary, and the bioenergy outfit EcoNordic, were sold.

The sole remaining business in Treka is the wholly owned fish meal company BioMar.

2003 was a difficult year for salmon farming, and BioMar undertook write-downs of goodwill, provisions for accounts receivable and bad debt for a total sum of NOK 570 million.

BioMar has been for sale since 2002, but it has not been possible to find buyers at attractive enough terms. Treka's board has therefore decided to terminate the sales process.

The company will now be developed as one of the world's three leading fish meal producers and Treka A/S will continue to be listed on the Copenhagen stock exchange.

Pronova

Pronova was set up to develop and commercialize activities outside Hydro's core areas.

The unit sold its Swedish subsidiary Carmeda AB in 2003, making an accounting profit on the sale of NOK 139 million. Hydro will in addition receive royalties from future revenues.

In the fourth quarter of 2003, Pronova signed an agreement to sell 80.1 percent of the shares of Pronova Biocare for NOK 165 million. The sale is expected to generate an accounting profit of NOK 100 million to be recorded in the first quarter of 2004.

Hydro Formates AS has been transferred to Yara.

Following these developments, the bulk of Pronova's portfolio has been disposed of and the unit will be phased out.

Business Partner

Business Partner is Hydro's unit for service and support functions.

Its biggest units are Production Partner and IS Partner.

Business Partner has made substantial contributions to cost reductions in the units it serves.

Long-term agreements have now been signed with Yara for the supply of maintenance and IS services, among others.

Society, people, environment

Hydro's commitment to society, people and the environment is founded on our value base. We strive to create a more robust society through the development of natural resources and products. Our business operations will give long-term results that promote viability both in Hydro and in society as a whole. This means that we will take into consideration the interests of people today and of those of future generations.

This happened in 2003

- A significant reduction in injuries: more than 30 percent for the company as a whole. However there were four deaths and a total of 51 serious accidents.
- We drew up a minimum requirement for working conditions in Hydro and strengthened our corporate social responsibility policy. We revised our ethical guidelines.
- We adopted a climate policy and initiated work on drawing up a policy on bio-diversity.
- Hydro qualified for the fifth time for the Dow Jones Sustainability Index and for the fourth time for FTSE4Good.

Hydro is a major player, employer and tax payer in many of the local communities where we operate. We want to contribute to positive developments in these areas, and we work closely with employees, local authorities and organizations to gain insights that can help us in this connection. We want to promote a working environment and a company culture that reflects our values: courage, respect, cooperation, determination and foresight. These values form the basis for our relations with our employees, cooperative partners and other interested parties. They also provide the framework within which guidelines, systems and working methods are established to regulate the relationship between the company and its employees.

Running a healthy, responsible business means finding the balance between society's needs for our products and the impact our operations have on the natural environment. Our ambition is to be one of the best companies in the world in terms of processing natural resources with the least possible effect on the environment. We are a major industrial player and we acknowledge that the risk of long-term climate change makes it necessary to curb emissions of greenhouse gases. We are involved in international efforts to develop global frameworks based on flexible mechanisms, such as trading in emissions quota.

In 2003, we revised a number of important internal guidelines: our global working conditions, ethical guidelines and our policy on corporate social responsibility. We have also drawn up a climate policy. In 2004, we will complete our policy on bio-diversity. We want to have clear standards for all these areas, to ensure that we treat our employees, customers, investors and society as a whole with respect. Our ethical guidelines apply to each and every one of our employees and all board members of Hydro and Hydro's subsidiaries. They direct how we are to relate to colleagues, customers and other interested parties. They also show employees how they can expect to be treated by their colleagues, and how breaches of Hydro's rules should be dealt with internally. More information on our guidelines can be found on www.hydro.com/en/global_commitment.

We work to prevent injuries, deterioration of health and damage to the environment and property. In 2003, the extent of injuries was reduced by more than 30 percent for the

company as a whole. However the total of four deaths and 51 major accidents was not satisfactory.

Norway has a long tradition of dialog between management and employees and their representatives. We have found it natural to work along similar lines when operating in other countries. Our employees have a good understanding of and interest in the operation of our company, and we find this is an advantage for our business. It is also a positive factor when restructuring is necessary, helping to make these processes more constructive both for the company and the employees affected.

Our cooperation agreements with Amnesty International Norway and Transparency International help us to develop the way we respond to important human rights and corruption issues.

We carry out regular internal health, security, safety and environment (HSE) audits. Checklists for HSE, human resources (HR), human rights and our relations with society as a whole form an integral part of our internal audit systems, and we are thus able to follow up this work in a systematic manner.

The following pages give a summary of some of our work in the area of society, people environment in 2003. We have also mentioned some of the tasks we will be working on in 2004. More detailed information is available on www.hydro.com, where we also outline our principles and routines for collecting and processing data and give an overview of how we meet the criteria of the Global Reporting Initiative (GRI).

Independent auditor's statement
In accordance with the terms of their assignment, Deloitte has reviewed the routines and procedures Hydro has applied in order to obtain the data on which the information in the chapter society, people, environment on pages 28-39 in the annual report is based. The same data forms the basis of the electronic version of the report on the Internet. The independent auditor's statement is available on the Internet, as part of the electronic version of the environmental report.

society

Hydro creates value for society through products, direct and indirect employment, investments, purchase of goods and services, and through the payment of taxes. We create jobs and provide business for suppliers of products and services, but we also experience the loss of jobs as a result of market changes, new technology and efficiency improvements.

One example of a local initiative is the "Change through education" program at Hydro Aluminio Acro in Brazil. This provides a football and ballet school for the local children. Attendance is conditional on the children attending regular school every day. More examples are given on Hydro's website: www.hydro.com

Total current tax

NOK million	2003
Norway	13,853
Netherlands	400
Germany	713
Sweden	59
Italy	114
Denmark	38
Austria	38
France	65
Belgium	49
Others	48
Total EU	**1,524**
Europe outside EU and Norway	7
Outside Europe	171
Total	**15,555**

For several years, Hydro has maintained a high level of investment. Investments in 2003 amounted to NOK 18.9 billion, compared with NOK 45.7 billion in 2002.

Relations to interested parties

Our most important external relations are with customers, investors, authorities, local communities, non-governmental organizations, suppliers and the media. We attach great importance to openness and credibility in our contact with external parties. More information on our cooperative relations can be found on www.hydro.com.

Participation in local communities

Hydro supports social activities in a number of ways, including the bestowal of gifts and collaboration with non-governmental organizations. In Europe, we have provided support for cultural activities, research and education for many years both at corporate and local levels. Employees at many of our sites support aid projects and contribute to collections for particular causes. The company has, among other things, pledged a total of USD 2 million towards the Nobel Peace Center in Oslo, as the center's first founding partner.

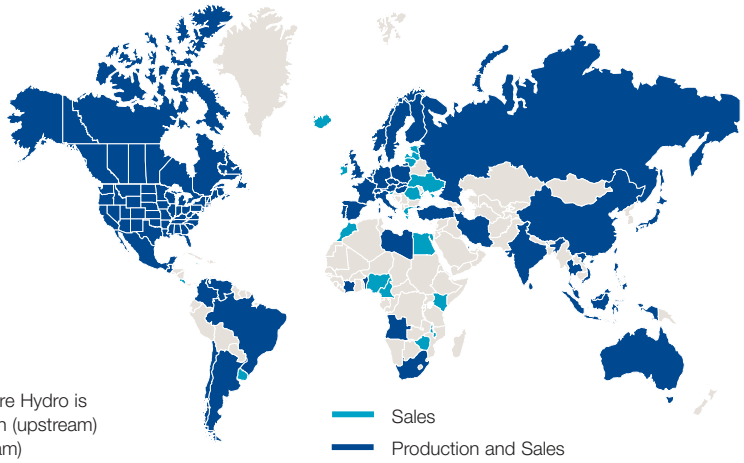
Research and development

To ensure that we offer sustainable and competitive products and services, we carry out research and development, both in our own research centers and in collaboration with external institutions. We work with universities on solutions to fundamental issues. Key areas of research include improved products, reduced energy consumption, efficient management of resources, increased recovery rate of oil and gas, lower environmental impact from production and application of goods, and recycling and reduction of waste. For years we have been able to commercialize products that were originally developed to solve internal environmental challenges. Hydro invested around NOK 850 million in research and development in 2003, and NOK 815 million in 2002.

Transparency and integrity

Hydro strives to act with integrity, and to be honest and fair in all its dealings. Our Code of Conduct stipulates our ethical requirements.

However business operations involve dilemmas. For example, Hydro has been criticized for secrecy in connection with the payment of a signature bonus of just over NOK 700 million to the Angolan government for access



The map shows where Hydro is involved in production (upstream) and sales (downstream)

to Block 34 off the Angolan coast. The Angolan government demanded that details of the agreement should not be published. Hydro wanted to publish the figures and has worked through international forums in order to promote transparency in all companies. The Angolan authorities published the figures themselves in 2003. This is seen as a step in the right direction, and we continue our work on promoting transparency.

Hydro is involved in Transparency International's (TI's) anti-corruption work. TI has made a significant contribution over the last 10 years towards bringing the fight against corruption onto the international agenda. Hydro continues its international engagement in this area. We integrate TI's Business Principles for Countering Bribery in our business practices. Transparency International has provided a valuable tool for working together with other parties to influence authorities and the business sector in general.

We recognize that the fight against corruption requires increased awareness and training throughout the organization, and that what some cultures regard as bribery, others see as normal business practice. We use our values and our internal standards as the basis for promoting greater awareness and a uniform understanding of these issues.

Breaches of our standards should normally be taken up with the immediate superior. However, we have established the possibility of reporting unethical business practices or other breaches of the company standards that an employee feels unable to take up in the line. Such reports may be given anonymously. They are sent to the company's head of internal audit.

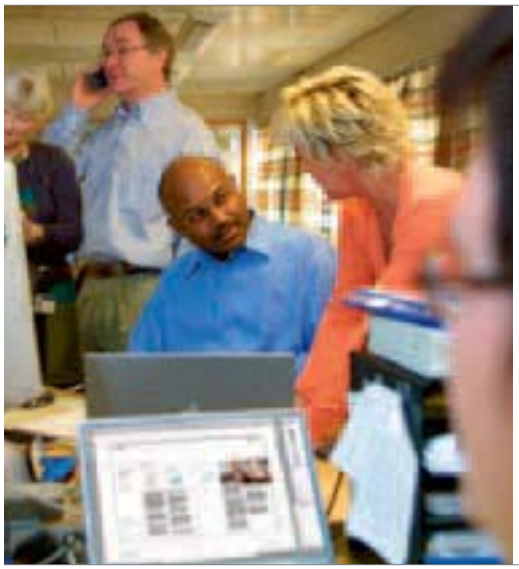
Reporting

We develop and improve our total reporting. We strive to be open in our presentation of results, challenges and opportunities. This is a process that has to be built up gradually after careful preparation. A pilot project on social reporting was carried out in 2002 and 2003, encompassing five countries and 10 percent of our employees.

Geographic distribution of sales

NOK million	**2003**	2002	2001
Norway	17,086	18,888	12,758
Total EU	101,954	96,822	93,508
Other Europe	11,887	13,328	11,592
Total Europe	**130,927**	129,038	117,858
USA	15,490	14,931	16,584
Asia	9,836	8,978	6,479
Other Americas	7,069	6,198	6,035
Africa	4,200	4,088	4,156
Canada	3,302	3,193	1,419
Australia and New Zealand	958	614	468
Total outside Europe	40,855	38,002	35,141
Total	**171,782**	167,040	152,999

people



Hydro endeavors to promote a working environment and a company culture characterized by value creation, innovation, growth and learning. Our attitudes to our employees, partners and other interested parties are based on our values. These values are also reflected in our guidelines, systems and work methods that apply in the relationship between the company and the employees.

Organization and manning levels

At the end of 2003, Hydro had 42,911 employees (including Agri), compared with 49,712 one year previously. Most of the reduction is accounted for by the sale or demerger of operations. A cautious estimate indicates that every job in Hydro supports two jobs in our supplier organizations.

Individual development and training

To help Hydro meet new challenges ahead, managers shall hold annual assessment and development meetings with the employees for whom they are responsible. Individual development plans will be established. Such meetings are now held with most of the employees in countries where there is a tradition for this form of discussion. In other countries, this has primarily been implemented for leaders. In 2004, we will lay down a plan for implementing appraisal dialogs throughout the whole organization.

To support development plans, training and development programs appropriate for different levels in the organization are available. Training is given in a number of areas such as management, health, environment, safety, languages and values. We also have extensive information and training opportunities on the Intranet. Around 60 percent of our employees have access to these facilities. In 2003, 1,800 employees followed at least one e-learning course.

We want to bring the competence of the company's employees into the light of day, to give individual employees responsibility for their own development, and to encourage rotation. Most vacant positions, including leadership positions, are therefore advertised internally in an open process. Some positions are also advertised externally. A number of newly qualified employees are recruited each year to ensure a good age profile.

Diversity

We strive to develop and cultivate diversity in the organization in order to release its full potential and attract the best employees. We see diversity as a source of innovation and good decision-making. We therefore strive to achieve a range of experience, age, gender and cultural background at all levels in the organization. We do not accept any form of harassment or discrimination on the basis of gender, religion, race, national or ethnic origin, cultural background, social group, handicap, sexual orientation, marital status, age or political opinions. Appointments, promotions, training and remun-

Management diversity

	Women	Men	Number of nationalities
Board	3	6[1]	2
Corporate management	1	4	1
Top 50 managers [2]	23%	77%	6
Top 150 managers [2]	14%	86%	9

[1] 3 shareholder elected, 3 employee representatives

[2] Excluding Agri

eration are based on qualifications such as education, experience and results.

We also promote diversity through our leadership planning and recruitment to leadership programs. About a quarter of the participants in Hydro's leadership development process are women. The total number of participants has increased from 2,600 in 2002 to nearly 5,000 in 2003. Hydro takes part in the Confederation of Norwegian Business and Industry's Female Future program which has the objective of increasing the proportion of women in management and on boards of directors.

In the Norwegian part of Hydro's organization, the proportion of women leaders is 17 percent while the proportion of women in the company as a whole is 22 percent. Our reporting from other countries is as yet incomplete, but we have identified a need to increase diversity. Women are relatively well-represented in leading staff positions in Hydro. In operative management positions, however, the proportion of women is still low. One of the measures to address this is a program for preparing candidates for the post of offshore installation manager, to which as many women as men have been recruited. Diversity is taken into consideration in the selection process, and we now have more women working in operative management positions in our plants. A wide range of nationalities are represented by our managers in Aluminium, where the proportion of Norwegian top managers is now around 45 percent.

Our presence in Iran illustrates some of the challenges we face in relation to diversity. In 2000, Hydro signed a five-year contract with the National Iranian Oil Company (NIOC) on exploration of the Anaran block in Iran, close to the Iraqi border. Today we engage around 40 Iranians and 10 expatriates. Many people are also engaged through service companies, for example in connection with drilling, transport and other services.

Involvement in a new country requires extensive knowledge of political, financial and social factors, and training in cultural understanding is a key factor. Training was given to around 500 people in 2003. This included language courses, first aid, information technology and safety. The local management at the operations base in Dehloran is in regular contact with the local authorities, which have expressed satisfaction with the collaboration and the activities that have resulted from Hydro's presence in the area. This has been confirmed through independent reports. A large portion of the local employees at Hydro's office in Teheran are women. Most have higher education. All the employees are given relevant training, including IT, languages and work processes.

Compensation

Hydro offers a total compensation that is competitive and in accordance with good industry standards in the country concerned. Compensation and equal opportunities have been discussed with the employees' representatives on many occasions and are paid close attention during annual salary negotiations.

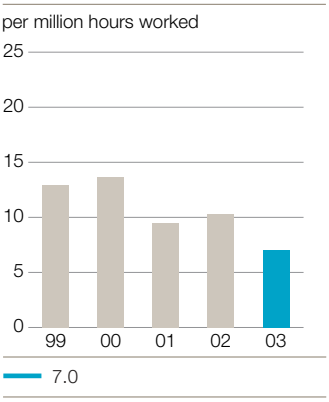
Work standards and rights

We operate in accordance with national legislation, the UN Declaration on Human Rights and the principles laid down in our global work standards. Maximum working hours per week will not normally exceed 48 hours and 12 hours overtime. Employees in Hydro are protected against dismissal due to pregnancy or responsibility for newly born children. We are engaged in constructive, open dialogs with our employees and recognize the right of collective bargaining.

We do not allow child labor, and will normally

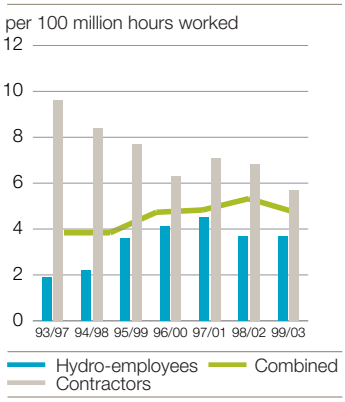
people

Total recordable injuries



Figures for 2002 and 2003 include VAW

Fatal accident



not engage children under 16 years of age in our operations. Limited exceptions may be made to this rule if the child has the opportunity to attend school, play, rest and take part in his or her family life, and employment is clearly in his or her best interests. This is in line with the Save the Children Fund's guidelines. Hydro does not allow forced labor.

Collaboration with Amnesty

We have renewed our cooperation agreement with Amnesty International Norway. Amnesty maintains a challenging dialog with us on human rights and provides training for Hydro employees in this area. We paid NOK 1 million to Amnesty in 2003, the same amount as the year before. Hydro has signed the Voluntary Principles on Security and Human Rights, which regulates companies' use of armed forces to protect their activities in vulnerable areas. Amnesty International Norway has drawn up, in collaboration with Hydro, an intranet-based training program on human rights for our employees. In December 2003, the management of Hydro and Amnesty's Norwegian branch held a meeting to discuss human rights and the business sector. Both parties are interested in developing this collaboration further.

Restructuring

A viable industrial company will always be in a process of change. In response to changes in the market, we are carrying out restructuring processes in several of our operations. In some places this has consequences for manning levels. Important instruments in these processes include support for setting up new businesses, support for employees who wish to retrain, severance packages and early retirement. Hydro has a tradition of finding acceptable solutions in situations where jobs have to be cut.

When Statoil took over operatorship of Tampen, a total of 543 employees was transferred from Hydro. This proceeded smoothly with good collaboration with the employees' organizations.

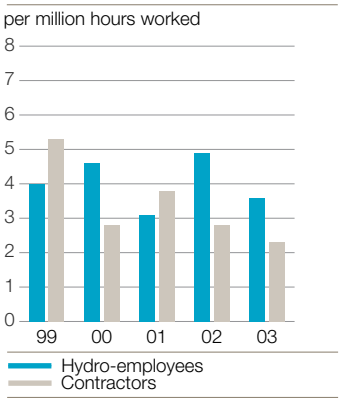
All the employees in Agri will be transferred to the new fertilizer company Yara, together with a number of employees who worked more than 50 percent for Agri. The distribution of assets has also resulted in the transfer of personnel. The terms for employees who are transferred to Yara will be equivalent to those they had in Hydro. Yara will be established with the involvement of the employee organizations in Norway and the European Works Council.

Hydro's employees and salary costs, 31 December 2003

	Total	Excl. Agri	Salary*
Norway	13,736	12,587	7,159
Germany	6,226	5,629	2,596
USA	3,815	3,719	867
France	3,003	1,965	912
UK	2,134	1,922	663
Italy	1,740	1,256	494
Sweden	1,471	1,200	467
Brazil	1,143	319	103
Denmark	1,076	887	518
Austria	841	841	286
Others	7,726	5,248	1,856
Total	**42,911**	**35,573**	**15,921**
Total EU	**19,299**	**15,627**	**6,895**

* NOK million

Lost-time injuries



Figures for 2002 and 2003 include VAW

Improvement programs for the Norwegian metal plants, and the decision not to upgrade the parts of the metal plants in Høyanger and Årdal that use Søderberg technology will result in major restructuring. We are involved in an effort to set up other activities in the local communities affected.

The fertilizer operation in Glomfjord has met the challenge of restructuring in recent years through setting up an open industrial park. In 1992, the operation had around 550 employees. The number of jobs in the industrial park has increased since Hydro established a local business development enterprise together with Meløy local authority. At the end of 2003, 325 people were still working with mineral fertilizer production, while the total number of employees in companies in the industrial park was nearly 650.

The process to close down operations at Hydro Aluminium Leeds Motorcast may involve the loss of up to 612 jobs. Overcapacity in the engine block market and a shortage of new orders made closure unavoidable. Extensive and open communication with the employees at an early stage was essential for ensuring that efficient operations could continue up to the closure date. Hydro is offering a considerably longer term of notice than required in order to ease the change process. Management has also contacted local regeneration agencies with a view to establishing support and retraining opportunities for employees who would like to take on alternative work once the plant has closed. Read more about Leeds Motorcast on www.hydro.com.

Health and safety

Health, safety, security and environment (HSE) is line management responsibility in Hydro. In addition, all employees are responsible for their own safety and for contributing to a good working environment. A good working environment and measures to safeguard employees' health and safety form part of the requirement for meeting our business targets. The President's Safety Award is a recognition of work to prevent accidents and injuries. Both preventive work and visible results are valued. In 2002, the prize was awarded to Hydro Alumínio Acro in Brazil. The prize for 2003 was awarded to Hydro Technology and Projects for its execution of the Sunndal expansion project.

Safety

Total recordable injuries per million hours worked were reduced from 10.3 in 2002 to 7.0 in 2003. These figures include lost-time injuries, restricted work cases and medical treatment cases. They also include the figures from the former VAW units. Despite our progress in safety work, there were four fatal accidents in 2003, two Hydro employees and two contractor employees. This is not satisfactory.

We find that new units usually take two to three years to reach Hydro's safety level. The former VAW units have achieved major improvements in 2002 and 2003. The target for 2004 is a total amelioration of 20 percent, adjusted for the Agri demerger. Our long-term efforts to improve safety for hired contractor personnel has produced good results. The lost-time injuries registered for contractor employees was lower than for Hydro employees during the last two years.

Behavior-based safety

We have learnt from our statistics that most accidents and serious near-misses are due to behavior rather than technical faults. We are therefore promoting programs that focus on safe behavior among our employees and tools to enable our leaders to set a good example. Behavior-based training emphasizes the individual's responsibility for taking action when a potentially risky situation is discovered.

people

Accidents

Major incidents

The reporting of incidents is an important aspect of preventative safety work. All accidents are investigated to find the cause and to ascertain how to prevent a repetition. We strive particularly to improve the reporting of near-misses. This is important for identifying and rectifying dangerous circumstances as well as norms and behavior, and thus preventing the occurrence of accidents. We achieved a considerable improvement in the reporting of near-misses in 2002. This positive trend continued in 2003.

The number of major accidents reported was 11 percent lower than the year before, but the average is still one per week. We are directing more attention to the reporting of near-misses. In 2003, 17 percent more near-misses were reported. This area has previously been subject to under-reporting.

Technical safety

We work extensively to maintain technical safety at our plants through all phases of production, from planning and engineering, through start-up and operation, decommissioning and demolition. Regular risk analyses, inspections and control of critical equipment are carried out in addition to systematic maintenance of the plants. Work on developing an overall parameter for measuring technical safety continued in 2003. It will be introduced in certain factories in 2004.

Insurance payments

Insurance payments to Hydro's off and onshore activities following physical damage and consequential loss amounted to NOK 226 million, compared with NOK 582 million in 2002. These figures are based on calculations of the extent of damage and consequential loss in the year in question.

Working environment

We work systematically to reduce sick leave, and most of our operations in Norway participate in the Inclusive Working Life program. Differences in national requirements for reporting sick leave make it difficult to make comparisons across national boundaries. Sick leave is high in Norway compared with most other countries in which Hydro operates, but is still below the average for the Norwegian business sector as a whole. Sick leave in Hydro was 3.0 percent in 2003. In our Norwegian operations sick leave was 5.3 percent, the same as the year before.

We take our employees' health and working environment seriously, and our HSE guidelines encourages employees and their families to follow a safe and healthy lifestyle.

Sick leave is a key indicator of the working environment. An internal project has recommended directing greater attention to occupational illness and developing better indicators for identifying risks in the working environment. This will be followed up in 2004.

Misuse of intoxicants and increasing consumption of drugs in society as a whole is an area that requires close attention by the business sector. Hydro strives to promote an intoxication-free working environment. Routines are in place for checking personnel and their baggage in connection with travel to offshore installations.

environment

Running a healthy, responsible business means integrating society's needs for our products with considerations for the natural environment. Our ambition is to be one of the best companies in the world in terms of processing natural resources with the least possible negative impact on the environment.

We recognize our responsibility for our products throughout the value chain: from the supply of raw materials and transport; to use, recycling and handling of waste. We shall strive to ensure that the environmental impact of our products in a life-cycle perspective is minimal.

The environment - a global challenge

Hydro's presence in a large number of countries requires that we take global, regional and local issues into consideration: global climate change, regional water resources, preservation of bio-diversity and local pollution are all on our agenda. We apply the same basic principles regardless of where in the world we operate.

Whenever we take over plants that do not meet our environmental standards, we endeavor to achieve rapid improvement. We comply with our own and the local authorities' environmental requirements whenever we build new plants, and we strive to influence our suppliers to improve their environmental performance.

Consumption of resources and management of waste

We continue our efforts to produce more with a lower consumption of resources. Long-term work on optimizing production has made us able to use less raw materials and energy, and to reduce emissions, discharges and waste. We work continuously on reducing the waste from our own production, and promote increased recovery and recycling of light metals.

Global energy consumption is mainly based on non-renewable fossil fuels that release greenhouse gases during consumption. We strive to utilize resources as efficiently as possible in our oil and gas operations through the application of advanced technology that has the least possible environmental impact. Hydro meets all the requirements set by the authorities for this type of operation. We also generate hydroelectric power and are involved in the development of technology for energy production from other renewable sources. We are engaged in wind and wave power projects and in trials involving hydrogen an energy carrier (see page 19).

We continue to develop our production methods and products to ensure that emissions and discharges throughout the life-cycle are as low as possible. Aluminium is well suited to applications in the transport sector. Low weight means greater transport capacity and lower consumption of fuel. Primary production of aluminium is energy and resource intensive; however the recycling of aluminium gives savings of up to 95 percent in comparison. It is, therefore, an ambition to increase the proportion of recycled aluminium.

Greenhouse gases and climate policies

As a major industrial player, we acknowledge that the risk of long-term climate changes makes it necessary to reduce emissions of greenhouse gases. We are involved in international efforts to develop global frameworks based on flexible mechanisms, such as trading in emissions quotas.

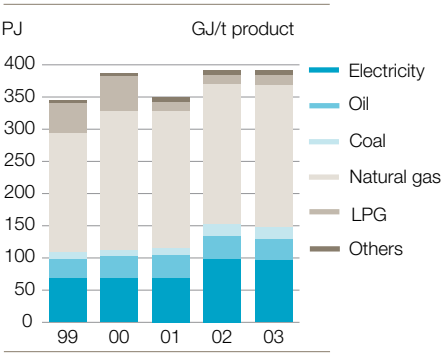
These systems support cost-efficient measures to reduce emissions, allowing the development of best practice and the best available technology in the short term, and the development of sustainable systems and infrastructure in the long term. We are committed to being at the forefront of the development of frameworks, reducing our own emissions and developing sustainable energy and materials systems.

We develop new technology, both in-house and in collaboration with other oil and gas companies, for the production of electricity and hydrogen from natural gas. This

environment

Aluminium is an ideal material for the transport sector. Its low weight means greater transport capacity and lower consumption of fuel. Innovative collision protection saves lives. Today Hydro is a major producer of bumpers; we work closely with several leading automotive producers on the development of advanced systems that promote safety in automobiles.

Total energy consumption



Consumption of resources

1,000 tonnes	
Alumina	2,347
Phosphate rock	1,153
Potassium chloride/sulfate	830
Dolomite	628
Sodium chloride (salt)	438
Magnesite	174
Aluminum fluoride	19

involves the separation of CO_2 for storage in permanent geological formations. We are also engaged in the development of hydrogen as an energy carrier for future use in transport systems. More details of this work can be found under Oil & Energy (pages 16–19).

Hydro's emissions of greenhouse gases calculated according to ownership in 2003 totaled around 27.7 million tonnes CO_2 equivalents. This is a reduction of around 13 percent in relation to 1990. Systematic operational improvements and the introduction of new technology have brought emissions per produced unit down to the lowest level in the industries in which we operate. Emissions have remained stable in recent years despite higher production levels and increased emissions from late-phase oil operations. Reduced emissions of fluorocarbons are planned from 2006, when SF_6, which is used as blanket gas in magnesium casting, will be replaced.

Most of our investments are long term. All major investments are evaluated in the light of the forecast CO_2 charge, with a view to promoting future-oriented solutions with the lowest possible emissions of greenhouse gases.

Quota trade in greenhouse gases

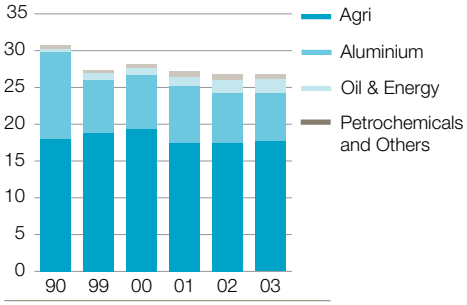
About three quarters of Hydro's emissions are in the EU and Norway, where trading in emissions quota is expected to start from 2005. These systems will probably be less extensive than previously assumed, and are expected to cover less than 5 percent of Hydro's emissions in the period 2005-2007. The direct costs involved in these systems during this period will therefore be limited. It is expected that the systems will be extended in the Kyoto period 2008-2012 to encompass all the six most important greenhouse gases, and may then cover most of Hydro's emissions.

The EU quota trading regime in the period 2005-2007 will primarily cover the energy sector. Electricity prices may be affected by quota trading, which could have a negative impact on the competitive situation for primary aluminum production in Europe.

We are developing our understanding of the commercial opportunities quota trading offers, and are looking into how we shall meet our commitments and handle trade and portfolio management. We take the expected CO_2 charge into consideration in all major investments, and apply foresight in our

Total greenhouse gas emissions

million tonnes CO_2-equivalents (CO_2-e)



choices of solutions with lower emissions of greenhouse gases.

Other emissions and discharges

We have introduced purification technology and other measures over the years that have resulted in major reductions in emissions and discharges and we continue our efforts to reduce further the environmental impact of our activities.

The oil content of produced water from our operations on the Norwegian Continental Shelf has been reduced, and environmentally hazardous chemicals have been virtually eliminated. Planned measures, some of which have been implemented, will reduce damage to the marine environment in 2005 by 80 percent compared to 2002. We believe that these measures will enable us to meet the authorities' requirement for zero environmentally harmful discharges in 2005.

Our in-house developed pre-bake technology is regarded as state-of-the-art in terms of energy efficiency, emissions and discharges, and working environment. Production using Søderberg technology involves higher emissions of fluorides, dust and PAH. The Oslo-Paris Convention has set targets for 2007 and 2010 that we will not be able to meet without major investments. We have therefore decided to close down the Søderberg units in Årdal and Høyanger in 2006. See also page 35.

Bio-diversity

Hydro's diverse operations brings us into contact with vulnerable environments. Our ambition is to minimize our impact on bio-diversity. We recognize the importance of maintaining eco-systems to safeguard quality of life for the present and future generations, and we strive to contribute to better understanding of the effects of our operations on bio-diversity. A corporate policy on maintaining bio-diversity will be completed in the first half of 2004. Hydro's oil and gas operations involve activities in or close to vulnerable areas. Extensive preliminary studies are therefore essential to ensure that we take proper consideration of the environment. Our reports from operations on the Norwegian Continental Shelf show that we proceed within responsible boundaries in this area.

Our aluminum operation owns interests in bauxite mines and alumina production in areas with vast numbers of different species. Here we are involved in projects to safeguard bio-diversity. Forests are replanted after bauxite recovery and the original species are reintroduced to restore the environment as far as possible.

Economic factors

Allocations for future environmental clean-up measures amounted to NOK 461 million as of 31 December 2003, compared with NOK 795 million as of 31 December 2002. The actual costs were NOK 53 million in 2003 and NOK 115 million in 2002. (Cf. Note 21 to the financial statements).

Apart from dedicated projects, environmental improvements are an integrated element in our investments and operations. We do not therefore specify a separate environmental item in our total investments and costs.

Management

Eivind Reiten
has been Hydro's President and Chief Executive Officer since 2001. He studied economics at Oslo University, graduating in 1978. He worked in Norway as junior executive officer in the Norwegian Ministry of Fisheries, as secretary to the parliamentary group of the Center Party, State Secretary in the Ministry of Finance, and as Fisheries Minister before joining Hydro in 1986. He started out in Agri before being appointed head of Hydro Energy. In 1990, he was recalled to the government as Petroleum and Energy Minister. From 1992 to 1996, he headed Hydro's Refining and Marketing Division before assuming responsibility in 1996 for Metal Products in Hydro Aluminium. From 1999, until he became President and CEO, he was Executive Vice President responsible for Hydro's Light Metals business.

Alexandra Bech Gjørv
has been Executive Vice President responsible for Leadership and Culture since 2002. She studied law at the University of Oslo and later in the United States. She has previously been an associate in the Oslo law firm Schjødt, foreign legal consultant at Edwards & Angell in Boston and legal counsel at Hydro's New York office. She was appointed Company Secretary in Hydro in 1995, and Vice President for Strategy and Organizational Development in Hydro Automotive Structures in 1998. In 2000 she became Senior Vice President, Corporate Human Resources.

John Ove Ottestad
has been Executive Vice President and Chief Financial Officer since 2002. He is a chartered engineer and graduated in 1973 from the Norwegian Institute of Technology, where he studied physics. He was a research scientist at SINTEF before joining Hydro's Oil and Gas Division in 1975. He worked in Corporate Financial Planning and was head of Hydro Innovation from 1985 to 1987, when he was appointed Vice President of the Magnesium Division. He was head of the Refining and Marketing Division from 1996 to 1999, when he was appointed head of Corporate Mergers and Acquisitions.

Tore Torvund
has been Executive Vice President responsible for Oil & Energy since 2000. He is a chartered engineer and studied petroleum technology at the Norwegian Institute of Technology, graduating in 1976. He joined Hydro as a reservoir engineer in Hydro and subsequently worked for Elf Aquitaine, first in Stavanger, and later in Paris. In 1982, he was appointed Petroleum Technology Manager on Hydro's Oseberg project and was later made Project Manager. In 1990, he was appointed Vice President Drilling Operations and subsequently headed Operations in Bergen. He was President of the Exploration and Production Division from 1996 to 2000.

Jon-Harald Nilsen
has been Executive Vice President with responsibility for Aluminium since 2001. He graduated from the Norwegian School of Economics and Business Administration in 1975 and worked initially in export sales of dairy products at Bergensmeieriet. He then joined Hydro Karmøy in 1977 and worked in finance and marketing. In 1982, he was appointed Manager of Financial Planning and Control on the Oseberg project before being appointed Marketing Director at Karmøy, and Senior Vice President, Sales and Marketing Primary Products, in Hydro Aluminium. He became Senior Vice President, Metal Trading, in 1991. He later became Senior Vice President, Commercial Area, before becoming President of Metal Products, Hydro Aluminium, in 1999.

Corporate governance

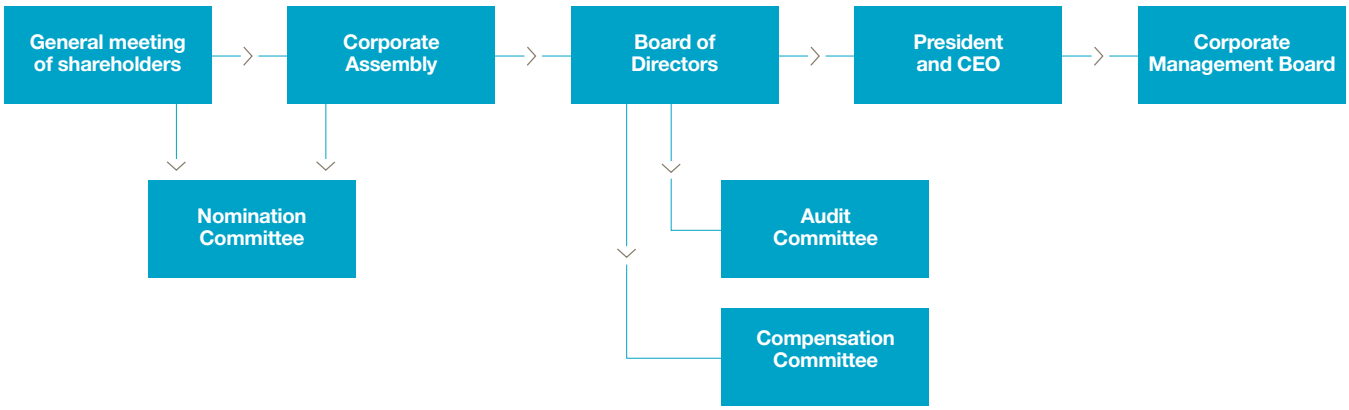
Hydro regards corporate governance as not simply a matter of compliance with rules and regulations. Sound and transparent corporate governance contributes to value creation, drives performance, builds respect and promotes ethical and sustainable business conduct. The group's governance structure is based on Norwegian corporate law (Allmenaksjeloven).

Hydro's primary listing is on the Oslo Stock Exchange. This listing is governed by Norwegian securities legislation. Our shares are also listed on five other stock exchanges, of which the New York Stock Exchange (NYSE) is the foremost. Hydro adheres to requirements applicable in the countries where Hydro shares are listed, and implements corporate governance initiatives deemed beneficial to the company's development.

We continually assess our corporate governance structure to ensure it is in accordance with good international practice. In 2002 and 2003, we closely monitored the development of regulations issued by the US Securities and Exchange Commission (SEC) under the Sarbanes-Oxley Act, and the amendments to the NYSE listings standards. Hydro has implemented the new US legal requirements to the extent they apply to non-US companies listed in the US. In implementing these new US requirements, Hydro has, among other things, established a Disclosure Committee that is responsible for reviewing all financial and related information before it is made public. Also as a consequence of new US requirements, the CEO and the CFO certify the appropriateness of Hydro's results and financial statements to the SEC.

Hydro's corporate directives

The Hydro principles of leadership and governance are laid down in Hydro's corporate directives, that are mandatory for all parts of the organization. The document structure and most of the documents have been revised in 2003. The Board of Directors approved in June 2003 a new Code of Conduct that applies to all Hydro employees throughout the world, as well as to Board members of Hydro and its subsidiaries. The main purpose of the Code of Conduct is to ensure that all persons acting on behalf of Hydro perform their activities in an ethical manner and in accordance with applicable laws and Hydro standards. Employees are encouraged to discuss concerns or complaints with regard to breaches of Code of Conduct or any Hydro policy, with their leader or other relevant representatives within their own organization. When this is deemed inappropriate, concerns and complaints may be raised directly with the head of Internal Audit, or with the Board's Audit Committee should they relate to accounting matters. Such reports may be given anonymously and in any language.



Governance structure and management

General Meeting of Shareholders

All shareholders are entitled to submit items to the agenda, meet, speak and vote at the General Meetings of shareholders. In accordance with Norwegian corporate law, the physical presence of the shareholders or their authorized representatives is required in order to vote. Shares must be registered with the Norwegian Registry of Securities if the holders want to vote for their shares at the shareholders' meeting. The Annual General Meeting is normally held in May. Notice of the meeting is sent to all shareholders individually, or to their depository banks. The General Meeting of Shareholders elects the shareholders' representatives to the Corporate Assembly, and approves the annual result and any proposed dividend payment. In accordance with Norwegian legislation, shareholders consider and vote on the appointment of the external auditor based on the Corporate Assembly's proposal, and approve the remuneration to be paid to the external auditor.

Nomination Committee

The Nomination Committee consists of four members – two of whom are elected directly by the shareholders, one elected by and among the shareholders' representatives in the Corporate Assembly, and the chairperson of the Corporate Assembly. The committee nominates candidates to the Corporate Assembly to be elected by the shareholders at the General Meeting, and candidates to the Board of Directors to be elected by the Corporate Assembly. The Nomination Committee held eight meetings in 2003, inter alia to nominate members to the Board of Directors and the Nomination Committee of the new Agri company, Yara, at the request of Hydro's Board of Directors.

Corporate Assembly

The Corporate Assembly consists of 21 members. The shareholders elect 14 members, while seven (one-third, according to Norwegian legislation) are elected by and among the employees of the group's companies in Norway. The Corporate Assembly elects the Board of Directors, determines remuneration to the Board and nominates the external auditor. At the request of the Board, the Corporate Assembly adopts resolutions in matters concerning investments that are substantial in relation to the company's resources, or concerning such rationalization of, or changes in, operations as will entail a major change in or redeployment of the labor force. The Corporate Assembly will advise the shareholders at the Annual General Meeting on the approval of the company's accounts and dividend distribution as proposed by the Board, and can advise the shareholders to reduce the dividend proposed. The Corporate Assembly met four times in 2003.

Board of Directors

The Board of Directors consists of nine members. Three members (one-third, according to Norwegian legislation) are elected by and among the employees of the group's companies in Norway.

Neither the President and CEO nor any other member of the executive management is a director of the Board. According to Norwegian corporate law, the (non-executive) Board of Directors has the overall responsibility for management of the company, while the President and CEO is responsible for day-to-day management. The Board supervises day-to-day management as carried out by the President and CEO, and the activities of the company in general, as well as ensure that appropriate steering and control systems are in place. The Board's internal rules of procedure establish in more detail the Board's role in relation to the management of

Corporate governance

the company as well as the other corporate bodies. The President and CEO's authority and responsibilities is carefully defined in order to allow the Board of Directors to concentrate on the company's strategy and organization.

The Board's work follows an annual plan and in 2003 the Board performed a self-evaluation, reviewing its own routines and processes and the co-operation with the company's management. The Board held 13 meetings in 2003.

Board Committees

The Norwegian legal and regulatory corporate governance structure with respect to a Norwegian company's board of directors, which includes requirements for employee-elected board members, requires the entire board to be involved in deliberation and decision-making. Indeed, the Norwegian Public Limited Companies Act stipulates that a board of directors may not adopt a resolution without members of the board having been given an opportunity, to the extent possible, to participate in the discussion of the matter in question (unless the matter is one in which a board member has a major personal or financial interest). Consequently, the formation and delegation of certain responsibilities of the board of directors of a Norwegian company to one or more committees of the board has not historically been as common as it may be for companies in other jurisdictions. Hydro's Board of Directors has, however, decided to form two subcommittees.

Compensation Committee

The Compensation Committee consists of three members elected by and among the members of the Board. The committee prepares matters concerning the compensation of the President and CEO, which shall be decided by the Board of Directors; and is to assist the CEO with executive management review and compensation matters to be decided by the CEO. The subcommittee held six meetings in 2003.

Audit Committee

The Audit committee consists of three members elected by and among the members of the Board. The Committee acts as a preparatory body related to the Board's supervisory role with respect to financial control and external audit. As of 1 March 2004, the Committee satisfied the SEC's independence requirements. The SEC requires information on whether companies registered on US exchanges have a financial expert (as defined by the SEC rules) in their audit committee. These criteria are particularly difficult to satisfy for foreign companies such as Hydro, which present their accounts directly in accordance with US GAAP and not according to their native country's GAAP combined with a US GAAP reconciliation. However, if Hydro had presented its primary accounts and disclosures in accordance with Norwegian GAAP, bridged by US GAAP reconciliation statements, the committee would have represented financial expert competence, as defined by the SEC. The specific criteria applicable in Hydro's situation, making thorough knowledge of US GAAP a prerequisite, have led the Board of Directors to conclude that the Committee in 2003 did not have an "audit committee financial expert" as defined by the SEC rules. However, the Committee does meet the financial competence requirements of the NYSE. The Committee held nine meetings in 2003.

President and CEO

The President and CEO constitute a formal corporate body according to Norwegian corporate law. The CEO is responsible for day-to-day management of the company. In Hydro, the division of functions and responsibilities has been defined in greater detail in the rules of procedures established by the Board.

Corporate Management Board

In accordance with rules of procedure established by the Board of Directors, the President and CEO shall have a Corporate Management Board (CMB) to assist him in discharging specialized management tasks. The CMB consists of executive vice presidents especially responsible for the two core business areas, in addition to the CFO and the Chief Officer of Leadership and Culture. The members of the CMB have a collective duty to promote Hydro's strategic, financial and other objectives, as well as to safeguard the company's assets, organization and reputation. The CMB convenes once a week at the minimum.

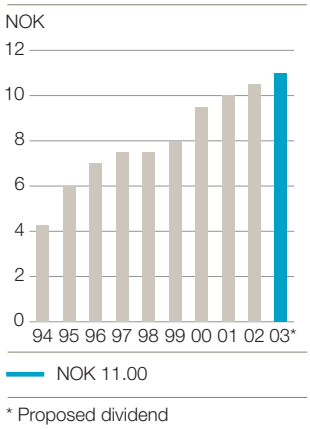
Remuneration to management and corporate bodies

The Board of Directors determines the remuneration to the President and CEO based on a proposal from the Compensation Committee. The Board also decides on the terms of, and participation in, the company's share incentive plans for officers and certain key employees in the company. The President and CEO decides the compensation to other members of the Corporate Management Board after consultation with the Compensation Committee. Remuneration to the Corporate Assembly and the Nomination Committee is determined by the General Meeting, while the Corporate Assembly determines the remuneration to the Board. The actual payments to the management and the company's corporate bodies in 2003 are further described on pages 133.

The Hydro share

The year 2003 was a good one on the stock market. Hydro's share price increased considerably in value, rising by NOK 100 which, when the dividend is included, represents a return of 36 percent.

Dividend per share



* Proposed dividend

Hydro has one class of share, and by the end of 2003 there were 256,712,000 outstanding shares. Hydro shares totaling NOK 361 billion were traded on the Oslo Stock Exchange, which represented more than 22 percent of the total turnover on the exchange. In addition, Hydro is quoted on the New York, London, Paris, Frankfurt and Stockholm stock exchanges. Hydro decided in 2003 to de-list the share in Zurich, while in 2004 it will also be de-listed in Stockholm.

Dividend

The basis for Hydro's dividend policy is the principle that long-term returns to shareholders should reflect the value created in the company. Shareholders' returns consist of dividends and share price development. Hydro's intention is that dividends should show a steady development in line with the growth in the company's results, while taking into consideration opportunities for adding value through profitable new investments.

Over time, the value creation will be reflected to a greater extent through share price development than through dividend distributions. Hydro's Board of Directors considers it appropriate that dividends over a period of several years average roughly 30 percent of the company's net income.

Hydro pays a dividend once a year. The dividend is linked to the previous year and is paid to those who are registered as shareholders at the time of the Annual General Meeting, usually held in May. Payment is made approximately two weeks later. For non-Norwegian shareholders, tax is deducted at source in line with the tax agreements existing between Norway and the shareholder's home country.

Purchase of own shares

In periods when earnings are high, Hydro will consider a share buy-back in addition to ordinary dividend payments. Such considerations will be made in the light of alternative investment opportunities available to the company and its financial situation.

In 2003, the Annual General Meeting authorized buy-back of up to 2,808,810 Hydro shares in the market. The intention was to cancel the shares through a capital reduction. It was a prerequisite that the Norwegian state's ownership share should not be changed. The state agreed to participate by redemption and cancellation of a proportional number of shares. In redeeming the shares, Hydro will pay to the Norwegian state a price equal to the volume-weighted average of the price Hydro paid for the shares purchased in the market, with interest equivalent to NIBOR plus 1 percent, to compensate the state for receiving payment for its shares at a later date than those who sold their shares in the market. During the autumn of 2003, the company purchased 1,484,300 of its own shares at an average price of NOK 373.85. At the Extraordinary General Meeting held on 15 January it was resolved to cancel these shares, together with 1,157,922 shares held by the Norwegian state.

Hydro has also previously purchased its own shares with the intention of using them in connection with possible business transactions and employee incentive schemes. At the end of 2003, this shareholding comprised 8,400,350 shares.

Finance and credit rating

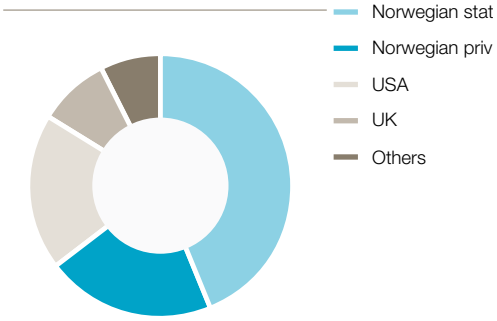
In order to achieve the greatest possible value creation over time, and to strike a balance with Hydro's operational risk exposure, it is necessary to have adequate access to financial resources. A condition for this is that the company's financial position secures access to loan capital on attractive terms. Hydro's objective is therefore to maintain a credit rating at the leading agencies, Standard & Poor's and Moody's, of respectively A and A2. Hydro also intends net interest-bearing

The Hydro share

Ownership structure, 31 December 2003

Number of shares	Number of shareholders	Percentage of share capital
1 – 100	24,882	0.3%
101 – 1,000	14,038	1.6%
1,001 – 10,000	1,784	1.9%
10,001 – 100,000	375	4.5%
100,001 – 1 million	131	14.0%
Over 1 million	22	77.7%
Total	**41,232**	**100.0%**

Distribution of shares



Total: 266,596,650 shares

debt over time to be equivalent to half of the company's equity capital including minority interests. This will assist the company in maintaining its credit rating. When calculating this ratio, consideration is given to off-balance sheet pension obligations and operational leasing commitments.

Shareholders and voting rights

At the end of 2003, Hydro had 41,232 registered shareholders. The Norwegian state was the largest of these with a shareholding of 43.8 percent. Other Norwegian shareholders owned 20.8 percent, while 35.4 percent were registered as belonging to foreign shareholders.

All shares basically carry one vote. It is, however, a requirement of Norwegian legislation that one can only vote for shares registered in one's name. Shares registered with a fund manager have to be re-registered before the Annual General Meeting in order to obtain voting rights.

Hydro's 20 biggest shareholders

Shareholder	No. of shares	Ownership interest (%)
Norwegian state	116,832,770	43.82
Morgan Guaranty Trust	12,565,237	4.71
Norsk Hydro ASA	9,884,650	3.70
Folketrygdfondet	9,639,875	3.61
State Street Bank	9,141,315	3.42
JPMorgan Chase Bank	9,126,667	3.42
JPMorgan on behalf of EuroPacific Growth Fund	5,338,400	2.00
Mellon Bank	5,200,350	1.95
JPMorgan on behalf of New Perspective Fund, Inc	4,464,000	1.67
Euroclear Bank	4,045,642	1.51
Fundamental Investor	2,934,600	1.10
The Northern Trust Company	2,840,702	1.06
JPMorgan Chase Bank	2,591,333	0.97
Vital Forsikring	2,343,501	0.87
Capital World Growth and Income Fund, Inc	1,461,100	0.54
Storebrand Livsforsikring	1,394,951	0.52
SIS Segaintersettle	1,347,849	0.50
HSBC Bank	1,258,744	0.47
DNB Norge	1,216,249	0.45
Gjensidige NOR Sparebank	1,197,260	0.44

Source: Norwegian Securities Registry (VPS) as at 31 December 2003

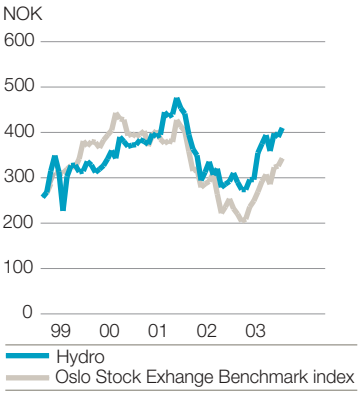
Consequences of the demerger of Agri for shareholders

Hydro's Extraordinary General Meeting resolved on 15 January 2004 to demerge Agri. The new company is called Yara International ASA and is planned for listing on the Oslo stock exchange from 25 March 2004. On the same day, Hydro shareholders will receive one Yara share for every Hydro share they hold. The share allocation comprises 80 percent of the total number of Yara shares. Norwegian shareholders will not incur a tax liability. Tax will not be affected until the Yara shares are sold for a profit or loss. The distribution of the initial value for tax purposes, including RISK adjustment, is 91.5 percent Hydro and 8.5 percent Yara (only relevant for Norwegian taxpayers).

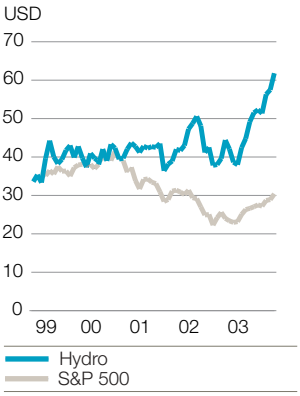
Information to financial markets

We give a high priority to providing financial markets with information and wish to maintain an open dialog with market participants, so that all equally receive sufficient information ensuring a fair valuation of the share.

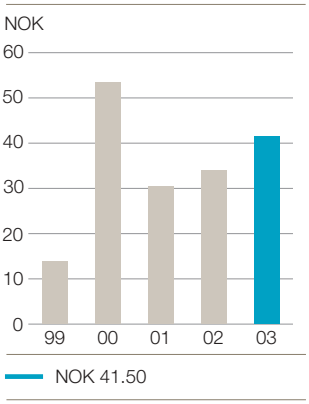
Hydro's share price on Oslo Stock Exhange



Hydro's share price on New York Stock Exchange



Earnings per share



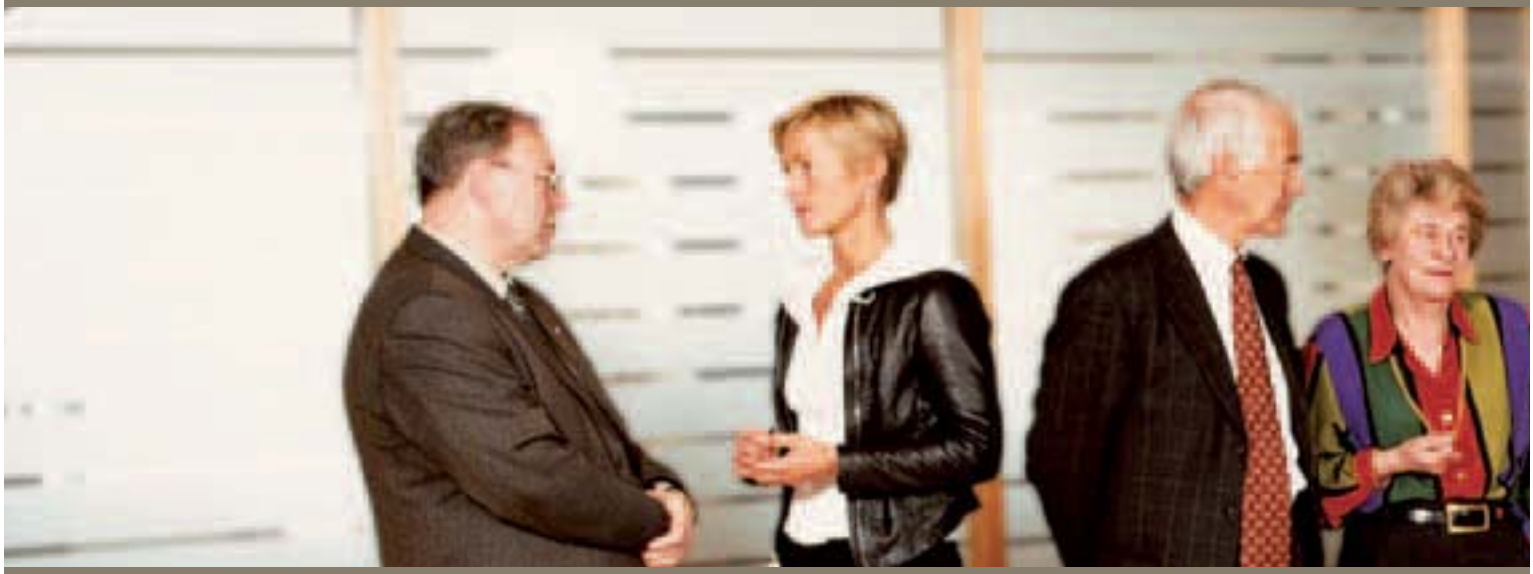
Information of a share price-sensitive nature is conveyed by press releases. All important information about Hydro is published on a continuous basis on www.hydro.com, where it is also possible to register as a subscriber to our press release service. Hydro publishes results each quarter and hosts regular meetings for investors in Europe and the USA.

Most brokers in Oslo and London publish equity research reports on Hydro.

Key figures	2003	2002	2001	2000	1999
Earnings per share	**41.50**	34.00	30.50	53.40	13.90
Share price high, Oslo	**415.00**	441.00	404.00	415.00	371.00
Share price low, Oslo	**262.00**	273.00	310.00	296.50	245.00
Share price average, Oslo	**340.00**	349.60	370.80	353.90	312.40
Share price year-end, Oslo	**410.50**	310.50	376.00	373.00	336.00
Share price high, NYSE	**$61.80**	$52.30	$44.65	$45.25	$46.37
Share price low, NYSE	**$36.10**	$37.13	$35.35	$35.69	$32.42
Share price average, NYSE	**$48.16**	$43.85	$41.18	$40.11	$39.92
Share price year-end, NYSE	**$61.80**	$44.41	$42.00	$42.06	$42.75
Dividend per share	**11.00** [1]	10.50	10.00	9.50	8.00
Dividend growth	**5%**	5%	5%	19%	7%
P/E [2]	**9.64**	9.13	12.33	6.99	24.17
Debt/equity ratio [3]	**0.38**	0.60	0.34	0.44	0.67
Credit rating, S&P	**A**	A	A	A	A
Credit rating, Moody's	**A2**	A2	A2	A2	A2
Beta [4]	**0.84**	0.94	1.18	1.01	1.09
Pay-out ratio [5]	**26%**	31%	33%	18%	58%
Pay-out ratio, five years avg.	**28%**	31%	31%	30%	32%
Equity per share	**343.10**	294.10	290.30	274.00	227.30
Outstanding shares, average	**257,528,511**	257,799,411	258,434,202	261,620,982	247,045,270
Outstanding shares, year-end	**256,712,000**	257,960,532	257,634,172	259,986,070	261,705,562
Non-Norwegian ownership, year-end	**35%**	36%	34%	36%	34%

1) Proposed dividend
2) Shareprice at year-end divided by earnings per share
3) Net interest-bearing debt/equity, adjusted for pension obligations (after tax) and operational lease commitments
4) Change in share price compared with Oslo Benchmark Index (measured for rolling 48 months)
5) Dividend per share divided by earnings per share

Hydro's Board of Directors



1 Odd Semstrø m **2** Elisabeth Grieg **3** Borger A. Lenth **4** Anne C. Hø eg Rasmussen
5 Geir Nilsen **6** Egil Myklebust **7** Ingvild Myhre **8** Steinar Skarstein **9** Hå kan Mogren

Egil Myklebust
has been a member of the Board of Directors since 1992 and chairperson since 2001. He was Hydro's President and CEO from 1991 to 2001. Myklebust also chairs the Board of SAS and is deputy chairperson on the Board of Directors of Norske Skog ASA. He sits on the boards of the University of Oslo and Sandvik AB. He has previously been employed in Hydro's legal office, as Company Secretary and as head of Human Resources. From 1987 to 1991, Myklebust was General Director of both the Federation of Norwegian Employers and the Confederation of Norwegian Business and Industry.

He is also a member of the Hydro Board's Compensation Committee. Myklebust has announced that he will be stepping down from Hydro's Board in spring 2004.

Borger A. Lenth
has been a member of the Board of Directors for two periods, from 1990 to 1992 and from 1998, and has been deputy chairperson since 2001. A lawyer, Lenth was CEO of Christiania Bank from 1991 to 1997, prior to which he was secretary general of the Norwegian Ministry for Overseas Aid and head of NORAD and Eksportfinans. Lenth is chairman of the Board of Directors of Treschow Fritzøe AS and of Bolig og Næringsbanken ASA, and is deputy chairman of the boards of Kommunal Landspensjonskasse (KLP) and Norfund.

He chairs the Board's Audit Committee.

Anne Cathrine Hø eg Rasmussen
has been a member of the Board since 1998. She is a lawyer who also sits on the Board of Directors of Akzo Nobel Car Refinishes AS, Technip Norge Offshore AS, Technip Geoproduction Norge AS and Organon AS.

She heads the Board's Compensation Committee.

Ingvild R. Myhre
has been a member of the Board since 2001. She is CEO of Telenor Mobil AS, deputy chairperson of the Norwegian Defence Research Establishment, and sits on the boards of Flytoget AS, the Narvik Science Park, Norges Handels- og Sjøfartstidende and Dagens Næringsliv.

She is a member of the Board's Compensation Committee.

Elisabeth Grieg
has been a member of the Board since 2001. She is co-owner of the Grieg Group and the CEO of Grieg International AS. She is also a member of the Board of the Norwegian Shipowners' Association, council member of Det norske Veritas and member of the Corporate Assembly of Orkla AS.

She is a member of the Board's Audit Committee.

Hå kan Mogren
has been a member of the Board since 2001. He chairs the Board of Affibody AB and The Swedish-American Foundation. Mogren is also deputy chairperson of Gambro AB and AstraZeneca PLC. He also sits on the boards of Investor AB, Remy/Cointreau, Danone-gruppen, and the Marianne and Marcus Wallenberg Foundation.

Geir Nilsen
has been a member of the Board since 2003. Geir Nilsen is employed in Hydro as Maintenance Manager and represents the employees by virtue of his full-time position in the Norwegian Federation of Trades Union (LO).

Odd Semstrø m
has been a member of the Board since 1997. He represents the employees through his full-time position in the Norwegian Federation of Trades Union (LO). Semstrøm is employed as an electrician at the Hydro's aluminium plant in Årdal.

Steinar Skarstein
has been a Board member since 2003. Skarstein is employed in Hydro as a technical consultant and is also a representative of NITO, the Norwegian Society of Engineers. He is a member of the Board's Audit Committee.

Annual report

The Board of Directors' strategy process reached a major milestone in June 2003 with the decision to spin off Agri and prepare for its establishment as a separate listed company. Hydro will in future concentrate on developing its strengths with Oil & Energy and Aluminium as its core areas.

A comprehensive review of the company's business portfolio was completed in June 2003. The Board concluded that Hydro and the company's shareholders would be best served by establishing Agri as an independent listed company, Yara. This will enable Hydro to concentrate all its financial and management resources on the major development potential inherent in its core areas, Oil & Energy and Aluminium.

It will equally enable Yara's management to focus exclusively on the further development of the global fertilizer company. Following the successful implementation of Agri's improvement program, Yara has a sound platform for profitable growth as a leading global company in the industry. As an independent company,Yara will enjoy direct access to capital markets and be more favorably positioned to add value through organic growth or participation in the restructuring of the global fertilizer industry.

In developing a plan for the demerger, the Board has emphasized the importance of ensuring that Hydro's shareholders obtain a share of the value that Yara represents. Hydro's Board of Directors has proposed allocating the major part of the company directly to shareholders by means of a demerger in which each Hydro shareholder will receive one Yara share for every Hydro share held. 80 percent of Yara shares will be allocated directly to Hydro shareholders. The remaining 20 percent will be sold with the aim of creating a natural shareholder structure and smoothly functioning market for the Yara share following its introduction on the Oslo stock exchange. Hydro's General Meeting approved the demerger on 15 January 2004 and the stock exchange listing of Yara is expected to take place on 25 March 2004.

In the course of its 2003 strategic review the Board completed an assessment of Oil & Energy's international activities. A greater share of future international growth will come from the purchase of proved resources enabling Hydro to utilize its technological expertise to create added value. Exploration projects carrying a lower risk will be given priority. At the same time, the company will continue to work to strengthen its position in the downstream European energy market. Oil & Energy will also work to exploit the potential of wind and hydrogen power.

Hydro continues to enhance its position as one of the three globally leading integrated aluminium companies, taking determined steps in selected markets and product and technology areas. The Board is closely monitoring Aluminium's ability to add value through operational improvement, strategic positioning and active portfolio management.

Profitability in 2003 developed satisfactorily and CROGI, (Cash Return On Gross Investments) based on normalized prices and exchange rates, was nine percent, which is well within the target of 8.5 to 9.5 percent. CROGI, measured in realized prices, was 9.8 percent, an improvement from 8.5 percent in the previous year. Hydro will henceforth replace CROGI by RoaCE (Return on average Capital Employed) as its profitability measure. The company will also emphasize operating income, earnings per share and cash flow as important profitability indicators.

Hydro's financial position was further strengthened in 2003. At the end of the year, the debt/equity ratio was 0.38, well within the Board's target of 0.5.

Hydro's oil and gas production nearly doubled from 1998, reaching 530,000 barrels of oil equivalents per day in 2003. The 2003 goal was

510,000 barrels of oil equivalents. Of the company's total production, 57,700 barrels per day come from its international operations in Angola, Canada, Libya and Russia.

The Hydro-operated Grane and Fram Vest fields came on stream in 2003 following successful developments. The Board is pleased that the company continues to demonstrate an ability to carry out demanding development projects on or ahead of schedule, and on or below budget.

As operator for the Ormen Lange development, Hydro is responsible for the biggest gas development in Norway, which has been budgeted at NOK 66 billion. The plan for development and operation was submitted in 2003. On completion in 2007, the field will produce around 20 percent of the gas exported by Norway.

In Angola, one of the core areas for the company's international oil activity, the Board has approved participation in the development of the Dalia and Rosa fields on Block 17. Hydro holds a ten percent interest in these fields. Production from the Jasmin field on the same block started up in 2003.

Through its acquisition of the sales and marketing unit of the Dutch gas company Duke Energy, and the establishment of a joint venture with Wingas in the UK, Hydro enhanced its position in the downstream energy market in Europe.

After completing an earlier expansion of the Alunorte alumina refinery in Brazil, the Board resolved that Hydro should participate in a further extension project that will provide access to more than 1.4 million tonnes of alumina per year from the refinery. Full production is expected in the second quarter of 2006. In addition, Hydro entered into a agreement in 2003 with Comalco of Australia, for the supply of 300,000 tonnes of alumina per year from 2005 onwards, rising to 500,000 tonnes in the period 2006 to 2030. These developments are in line with Hydro's strategy of securing long-term contracts to cover its metal plants' alumina requirements in excess of the equity interest in alumina production.

The Board resolved to build a new chlorine plant at Rafnes, in Norway, which will double production capacity to 260,000 tonnes. The investment, though necessitated by environmental considerations, is expected to make the petrochemicals operation more competitive, thereby securing the basis for future petrochemical activity in the Grenland region, regardless of ownership considerations.

The company sold, as part of its portfolio optimization process, several of its wholly and partly owned businesses in 2003. Divestments include license interests on the Norwegian Continental Shelf, an interest in the Scanraff refinery in Sweden, the Swedish company Carmeda AB and VAW Flexible Packaging. In addition, Treka A/S of Denmark - in which Hydro owns 68.8 percent – sold the Swedish company Svenska Foder AB. All in all, Hydro disposed of businesses for a total of NOK 9.8 billion in 2002 and 2003.

In addition, the company approved the sale of its 10 percent share in the Snøhvit field, due to be finalized in 2004.

"The Hydro Way" will give Hydro a more distinct identity. The Board of Directors is determined to ensure that the company and its employees, in all their activities, live up to the values and the standards reflected in "The Hydro Way." The company's new identity is captured in the form of a dynamic new logo.

The Board continually strives to align its governance with sound international practice and regulations in countries where Hydro shares are listed. It has focused in particular on ensuring that its governance standards meet the requirements for non-American companies listed in the USA as stipulated in the Sarbanes-Oxley Act.

In 2003, the company revised several of its steering documents and the Board focused especially on laying down new guidelines for all Hydro's employees and board members worldwide. The main objective is to ensure that all of those representing Hydro carry out their work in an ethically responsible manner in line with the company's standards.

Board developments in 2003

Chairperson Egil Myklebust announced in November 2003 that he would not stand for re-election when his current period of office expires in spring 2004. Myklebust stated that he has been a member of Hydro's Board of Directors for 12 consecutive years – the last three as chairperson – and that the time is now right for a change. The electoral committee has put forward Jan Reinås as the new chairperson. Reinås, an economist by training, was CEO of Norske Skog from 1993 to 2004. He was previously CEO of Scandinavian Airlines System (SAS).

Per Wold and Gudmund Per Olsen also stepped down from Hydro's Board of Directors in 2003. The Board thanks both of them for their many years' of valuable and committed work. Geir Nilsen and Steinar Skarstein were elected to the Board by the company's employees.

The Board held 13 meetings in 2003, while the Board's compensation and audit committees held six and nine meetings respectively. The Board continued its process of refining the corporate governance

Annual report

structure. It has closely monitored developments in the securities legislation and standards for listed companies, particularly with a view to ensuring responsible and open management control structures. The Board believes such structures are a prerequisite for trust. The status of the development of the company's governance structure is described in more detail on pages 42–44 of this annual report. In 2003, the Board of Directors also reviewed its own working methods, priorities and cooperation with corporate management.

Financial results

Hydro's net income in 2003, prior to the effect of a change in accounting principles, amounted to NOK 10,687 million (NOK 41.50 per share), compared with NOK 8,765 million (NOK 34.00 per share) in 2002. 2003 was a very good year for Hydro, with the company's core business areas posting improved results compared with 2002. The most substantial improvement came from a significant increase in oil and gas production together with somewhat higher oil and gas prices. The fertilizer business also improved its results due to higher product prices and productivity gains. The improvement programs carried out by Aluminium generated considerable savings for the year, although the weaker US dollar had a negative influence on earnings for Aluminium and the other business areas.

Hydro's return on invested capital was in line with the target set for the year. The company's financial position is strong, reflecting a high cash flow from operations and the sale of businesses. Hydro's debt/equity ratio, defined as net interest bearing debt divided by equity plus minority interest, and including net unfunded pension obligations, after tax, and the present value of operational leasing obligations, improved from 0.60 at the end of 2002, to 0.38 at the end of 2003. This is well within the target of 0.50.

Operating income of NOK 24,258 million was 22 percent higher than in 2002. Earnings before interest, tax depreciation and amortization (EBITDA) increased by 21 percent. The improvement was due to good market conditions for many products and also the efficient implementation of improvement programs.

Results from affiliated companies increased by NOK 1,196 million to NOK 1,229 million. The 2002 result included unrealized currency losses of NOK 461 million in alumina activities in Brazil, compared with currency gains of NOK 218 million in 2003. Adjusted for this, the improvement was NOK 517 million, which is largely due to the improved results for affiliated Agri companies, as a result of high prices for ammonia and urea.

Net financial income in 2003 was NOK 201 million, compared with NOK 1,935 million in 2002. Currency effects influenced net financial income considerably. Net currency gains in 2003 amounted to NOK 1,035 million compared with NOK 3,262 million in 2002. The currency gains mainly reflect the weakness of the US dollar, which has over the past two years provided substantial currency gains on the company's dollar-denominated debt.

The provision for current and deferred taxes in 2003 was NOK 13,937 million, approximately 57 percent of pre-tax income. The tax percentage was strongly influenced by the effect of changes in the Norwegian tax regulations relating to the costs of removing oil and gas installations from the Norwegian continental shelf. In addition, the tax percentage included a positive non-recurring effect of NOK 139 million resulting from a tax settlement in Norway. Adjusted for these effects, the tax percentage amounted to 62 percent of pre-tax income in 2003, compared with a 60 percent in 2002. The high tax percentage in both 2003 and 2002 is due to the substantial share of earnings deriving from oil and gas activities on the Norwegian continental shelf which are subject to a marginal tax rate of 78 percent.

Cash provided by operations amounted to NOK 24.6 billion, an increase of 13 percent compared with 2002. Total investments in 2003 amounted to NOK 18.9 billion, including the non-recurring effect of an accounting amendment relating to installation removal obligations. Adjusted for this, investments amounted to NOK 17 billion, somewhat lower than expected, partly attributable to savings achieved in development projects. Following the acquisition of VAW in 2002, Hydro established a goal to dispose of non-core business assets totaling NOK 10 billion. At the end of 2003, disposals had been completed or agreed for approximately NOK 9.8 billion.

According to Section 3-3 of the Norwegian Accounting Act, we confirm that the accounts are prepared on the assumption of a going concern.

For a more detailed description of the company's operations and their locations, please refer to the core business sections of this report.

Oil & Energy

Operating Income in NOK million	**2003**	2002	2001
Exploration and Production	**18,500**	13,137	16,910
Energy and Oil Marketing	**2,668**	2,784	2,267
Eliminations	**(25)**	26	-
Hydro Oil & Energy	**21,143**	15,947	19,177

Operating income for Oil & Energy was NOK 21,143 million, an increase of NOK 33 percent compared with 2002. Hydro's production of oil and gas in 2003 averaged 530,000 barrels of oil equivalents per

day (boepd), an increase of 50,000 boepd compared with 2002. The more than 10 percent increase resulted from new fields coming on stream on both the Norwegian continental shelf and internationally, good production regularity and greater volumes sold to customers in continental Europe. The oil price in US dollar terms was USD 28.70 per barrel, a 16 percent increase compared to 2002. Measured in Norwegian kroner, the oil price was roughly four percent higher than in 2002. The price of gas for 2003 was about seven percent higher than in 2002.

Production of electrical power was 7.5 TWh, 27 percent lower than in 2002, and about 12 percent lower than normal. Prices were slightly higher than in 2002, following a steep fall from the very high price level experienced at the beginning of the year.

Exploration activities were considerably lower than in 2002. related costs here amounted to NOK 1,557 million, about 2 billion less than in 2002. In 2003, 13 exploration wells were completed, with three of them resulting in discoveries. Hydro was awarded nine licenses in the North Sea, six of them as operator, in the "Awards in Predefined Areas" programs in 2003. Hydro also signed an agreement to sell its share of the Snøhvit and Gjøa fields on the Norwegian continental shelf. Both of these transactions will be recorded after the agreement has been approved by the Norwegian authorities.

Hydro's remaining proved oil and gas reserves were 2,449 million barrels of oil equivalents (mboe) at the end of 2003. The reserve replacement ratio for 2003 was 216 percent and 141 percent for the three-year average. The increase in reserves resulted from the reclassification of technical resources to proved reserves in Norway, in particular Ormen Lange (336 mboe) and Oseberg Vestflanken, as well as revisions of reserves relating to producing fields.

Aluminium

Operating Income in NOK million	**2003**	2002	2001
Metals	**2,293**	1,690	372
Rolled Products	**132**	(295)	58
Extrusion and Automotive	**98**	14	(228)
Other and eliminations	**(67)**	289	(17)
Hydro Aluminium	**2,456**	1,698	185

Aluminium's operating income was NOK 2,456 million, an increase of NOK 758 million. The results for both 2003 and 2002 were influenced by non-recurring items, and as well as the impact of the VAW acquisition in March 2002. Adjusted for this, the result was about NOK 143 million lower than in 2002. Margins, excluding the effect of hedge programs, were approximately NOK 560 million lower than in 2002. Margins for Rolled Products and Extrusion improved, but were lower for Metals and Automotive. The aluminium price expressed in Norwegian kroner was seven percent lower than in 2002, resulting in substantially lower margins in Metals. The negative effect was offset by hedge programs and better trading results. The start-up of new production capacity, primarily the expansion of the Sunndalsøra plant and extensions to auto component production plants, impacted positively. Since most of the production plants are located in Europe, with costs denominated in Norwegian kroner and Euros, while product prices are largely settled in US dollars, the weakness of the dollar compared with other European currencies had a negative effect on the result.

Aluminium carried out programs in 2001 and 2002 aimed at improving operating income by reducing annual costs by NOK 2.5 billion compared with the combined cost level for VAW and Hydro Aluminium in 2001. This goal has now been achieved and the effect for the whole of 2004 is expected to be in line with the target of NOK 2.5 billion. Total program-related costs were NOK 1,166 million, about NOK 400 million lower than the original cost estimate.

Agri

Operating Income in NOK million	**2003**	2002	2001
Hydro Agri	**2,800**	2,207	2,114

Operating income for 2003 was NOK 2,800 million, NOK 593 million higher than in the previous year.

Prices for nitrogen fertilizer increased strongly compared with 2002. The average price for urea in US dollars climbed 36 percent compared with 2002 to USD 148 per tonne. The ammonia price increased 85 percent compared with 2002, when measured in US dollar terms, while the positive nitrogen price trend also influenced European nitrate prices. Compared with 2002, the price of complex fertilizer (NPK) in Europe was about 20 percent higher in US dollars, while the increase measured in Euro was about two percent. Higher prices in US dollars increased operating income by about NOK 2,600 million. The strength of the Norwegian kroner and Euro against the US dollar had a negative impact of some NOK 750 million on operating income. Higher oil and gas prices resulted in higher costs of about NOK 1,200 million, compared with 2002, for Agri's production plants in Europe.

Agri's total sales volume was largely unchanged from 2002. Sales of own produced products from Europe increased by seven percent. Total sales in Europe increased by roughly four percent, while sales in other markets were somewhat lower as a result of the sale in 2002 of

Annual report

Farmland Hydro, which operated mainly in the low margin phosphate fertilizer market.

Other Activities

Petrochemicals

Petrochemicals incurred an operating loss of NOK 8 million, compared with an operating loss of NOK 35 million in 2002. EBITDA was positive at NOK 401 million, representing an improvement of NOK 81 million compared with 2002. The improvement mainly resulted from higher volumes and somewhat better product prices in Norwegian kroner for S-PVC and caustic soda, partly offset by higher raw material costs. Results from non-consolidated investees were approximately NOK 60 million higher than in 2002, mainly due to product prices in Asia, which is the main market for the affiliated Qatar Vinyl Company.

In March 2003, the Board of Directors resolved to build a new chlorine plant at Rafnes at an estimated investment cost of NOK 1 billion. The expansion project commenced in May and is proceeding according to schedule. Start-up is scheduled for autumn 2005.

Treka

Treka's activities now consist of the fish feed producer Biomar. Difficult conditions in the fish farming industry in 2003 resulted in losses on bad debt, as well as write-downs of goodwill and intangible assets, of about NOK 570 million.

Market conditions and prospects for 2004

The general world economic situation is expected to improve in 2004, especially in the US, and somewhat less so in Europe. Oil and gas prices in 2003 were high and are expected to remain at a relatively high level in 2004 as well, due to OPEC. Prices for mineral fertilizers increased in 2003, while aluminium prices were fairly stable before starting to increase towards the end of the year and during early 2004. Downstream aluminium markets were weak. An improved aluminium supply and demand balance is expected in 2004, although prospects are uncertain for the downstream market.

Health, safety and environment

Hydro continued and improved its systematic work in the area of health, security, safety and environment (HSE) in 2003 as well. The improvements achieved are the result of long term and continuous efforts throughout the organization. There were, however, four fatal accidents during the year, involving two of our own employees and two contractual employees.

Steering documents are revised and regular audits and assessments are undertaken of our units' HSE efforts. Results and problem areas are reported on a monthly basis, and experiences are shared systematically throughout the company. Health, safety and environment is one of the main elements in Hydro's leadership development programs.

Hydro's main indicator for monitoring safety is the rate for total recordable injuries per million hours worked (TRI). The improvement in 2003 was more than 30 percent, which far exceeds the target of 20 percent. It was also important to see that units previously belonging to VAW and Technal reported the greatest improvements, even though they still lag somewhat behind in the overall statistics. Our intention in 2004 is a further 20 percent reduction in total injuries. The number of lost-time injuries affecting the company's contractors was also reduced in 2003.

The number of serious accidents decreased further in 2003, although the figure is still too high. A greater focus given to the reporting of near misses has delivered results in terms of accident prevention.

Sick leave increased slightly to about three percent. There were, however, major differences between different locations. In Norway, a number of the group's companies have signed agreements aimed at making the labor market more inclusive. Our efforts to reduce sick leave will continue and we will direct particular attention to occupational illness.

Emissions and discharges from production were mostly within the concession limits. There were, however, some accidental emissions, and efforts aimed at avoiding them will continue to be given special attention.

Environmental measures in an international company such as Hydro must address global, regional and local problems. The challenges range from global climate changes and regional water resources to biological diversity and local pollution problems. Hydro continues to improve its production processes in order to optimize the use of material and energy resources, and reduce emissions and waste.

As a major user of chemicals, we closely monitor our consumption of them. Continuous efforts are made in our production processes to replace chemicals that carry higher risk. Systematic and dedicated measures are implemented in order to reduce climate gas emissions by developing new production process technology. The company is widely involved in work at national and international levels aimed at finding cost-efficient solutions. New Hydro's guidelines for preserving biological diversity will be completed in 2004.

For a more in-depth discussion of environmental issues, please refer to pages 37–39 of this report and our website www.hydro.com.

Employees

At the end of 2003, Hydro had 42,911 employees compared to 49,712 the year before. Most of the reduction was due to the sale of businesses, including Flexible Packaging with 4,400 employees. In addition, efficiency improvement measures were implemented throughout the company. Some 7,600 employees will be transferred to Yara following the demerger of Agri.

Hydro operates in accordance with internationally acknowledged methods of organizational development. This means that particular attention is given to the systematic development of individual employees to prepare them and the organization for new demands. Working conditions in the company are also subject to certain requirements.

To attract the best people Hydro is determined to develop and leverage its organizational diversity, which the company regards as an important source of innovation and sound decision-making. Emphasis is therefore given to ensuring that groups at all levels represent diversity in terms of experience, age, gender and background.

The proportion of women managers in the Norwegian part of the organization is 17 percent, while the proportion of women in the company as a whole is 22 percent. Nine different nationalities are represented in the company's most senior management ranks. In leading management positions women feature most prominently in staffs, while the proportion of women in operative management positions is still low. More in-depth information regarding the company's challenges in connection with diversity and equality is given on pages 32–36 of this report.

There has been a positive and constructive cooperation between management and the employees regarding the strategic adjustments completed or begun during 2003. This applies to both the acquisition and divestment of businesses, efficiency measures and, not least, in connection with the Agri demerger. The Board of Directors thanks all the employees for their efforts and contributions during the past year.

Norsk Hydro ASA

Norsk Hydro ASA (the parent company) had a profit before tax of NOK 1,692 million in 2003, compared with NOK 6,088 million in 2002. Net income was NOK 1,686 million, compared with NOK 6,282 million in 2002.

Dividend

The Board proposes a dividend of NOK 11.00 per share, totaling a payment of NOK 2,811 million. This involves the application of NOK 1,125 million from retained earnings. Distributable equity as of 31 December 2003 was NOK 20,475 million, after declared dividend.

Oslo, 2 March, 2004

Egil Myklebust
Chairperson

Borger A. Lenth
Vice chairperson

Elisabeth Grieg
Board member

Håkan Mogren
Board member

Ingvild Myhre
Board member

Geir Nilsen
Board member

Anne Cathrine Høeg Rasmussen
Board member

Odd Semstrøm
Board member

Steinar Skarstein
Board member

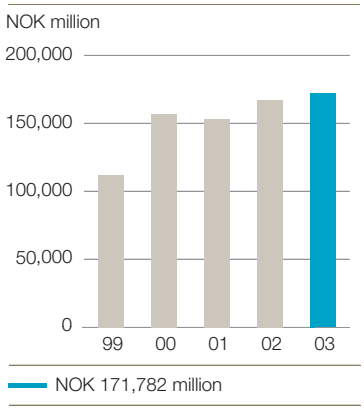
Eivind Reiten
President and CEO

Financial information

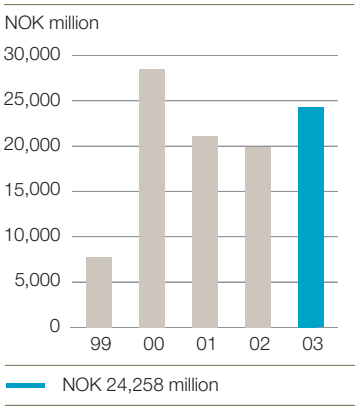
Contents

Financial review

Operating Revenues



Operating Income



Financial review

Amounts in NOK million	**2003**	2002	2001
Operating revenues	**171,782**	167,040	152,999
Operating costs and expenses	**(147,524)**	(147,199)	(131,916)
Operating income before financial items and other income	**24,258**	19,841	21,083
Non-consolidated investees	**1,229**	33	566
Finacial income (expense), net	**201**	1,935	(762)
Other income (expense), net	**(1,212)**	219	578
Income before taxes and minority interest	**24,476**	22,028	21,465
Income tax expense	**(13,937)**	(13,278)	(13,750)
Minority interest	**148**	15	177
Income before cumulative effect of change in accounting principle	**10,687**	8,765	7,892
Cumulative effect of change in accounting principle	**281**	-	-
Net income	**10,968**	8,765	7,892
Earnings per share before change in accounting principle (NOK)	**41.50**	34.00	30.50
Earnings per share (NOK)	**42.60**	34.00	30.50

This discussion should be read in conjunction with the information contained in the Company's consolidated financial statements and the related notes included in this annual report. In order to fully understand the discussion below pertaining to the Company's business model and related strategies, the reader is encouraged to review Hydro's annual report on Form 20-F for the year ended December 31, 2003 filed with the US Securities and Exchange Commission (the SEC). The Form 20-F is available directly on the SEC's electronic system (EDGAR) which can be accessed through the SEC's website at www.sec.gov and also on Hydro's internet site.

Summary of key developments in 2003

Hydro's net income in 2003 was NOK 10,968 million (NOK 42.60 per share) compared with NOK 8,765 million (NOK 34.00 per share) in 2002. The result reflects overall improvements in Hydro's main business areas compared to the prior year. Market conditions have been good for many of the Company's products, although the weaker US dollar had a negative influence on all business areas. The positive developments also reflect the efficient implementation of improvement programs.

The most substantial improvement related to a significant increase in oil and gas production together, with somewhat higher oil and gas prices. For 2003, total oil and gas production was 530,000 boe per day representing an increase of 10 percent compared with 2002.

Improvement programs carried out by Aluminium generated considerable savings for the year. Programs initiated in 2001 and 2002 were completed and are expected to achieve targeted reductions of annual costs of NOK 2.5 billion, with full effect from 2004, compared to the combined cost level of the VAW and Hydro Aluminium businesses in 2001. The accumulated cost of the program was NOK 1,166 million (NOK 176 million for 2003) which was NOK 397 million below the original cost estimate. Markets for semi-fabricated aluminium products were weak during the year, but there are some signs of improvement. The competitive position for Hydro's European aluminium smelters is challenging and the Company plans to continue working to improve the cost position of these plants.

The fertilizer business also improved its results due to higher product prices and productivity gains. A strong development in nitrogen fertilizer prices led to significantly higher results for the year, despite negative currency effects and higher energy costs.

The Ormen Lange project is on schedule. The Plan for Development and Operation (PDO) was submitted to the Norwegian authorities at the beginning of December 2003. The field is expect-

ed to produce significant new volumes of gas, which are planned for sale in the UK gas market. The field is expected to come on stream in autumn 2007.

Hydro's Extraordinary General Meeting resolved on 15 January 2004 to demerge Hydro Agri. The new company will be named Yara International ASA, and will be listed on the Oslo Stock Exchange. The company will have approximately 7,600 employees and will be headquartered in Oslo where it will be among the larger public companies in Norway. Yara has the right to use Hydro's former viking ship logo, which is an important fertilizer brand. Every Hydro shareholder, as of the listing date, will obtain one Yara share for each Hydro share held. In the demerger, 80 percent of the Yara shares will be distributed to Hydro's shareholders. Provided that prevailing market conditions permit, Hydro intends to sell the remaining 20 percent of the Yara shares in an offering at the time of the consummation of the demerger. The Yara shares to be offered by Hydro have not been and will not be registered under the U.S. Securities Act of 1933, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the U. S. Securities Act.

Operating Results

The change in operating income and the most important items affecting the change follows:

Amounts in NOK million	
Operating income 2003	24,258
Operating income 2002	19,841
Change in Operating Income	4,417
Prices and currency, E & P[1)]	1,870
Margin including currency effects [2)]	(695)
Volume	3,580
Fixed costs	(326)
Depreciation	(945)
Production and exploration costs, E & P [1)]	1,540
Infrequent items and restructuring costs	245
Trading and unrealized LME effects, Aluminium	475
New / disposed business	135
Other	(1,462)
Total change in operating income	4,417

1) Exploration and Production
2) Including negative variance for elimination of unrealized gain/loss on internal electricity contracts of NOK 729 million for 2003

Operating income for Oil and Energy in 2003 amounted to NOK 21,143 million, approximately 33 percent higher than in 2002. Production of oil and gas increased by 10 percent compared to 2002. The positive effect of higher oil prices in US dollars during 2003 was offset somewhat by the decline in the US dollar/Norwegian kroner exchange rate. However, oil prices measured in Norwegian kroner were 4 percent higher than in the previous year. Exploration costs of NOK 1,577 million were charged to income in 2003, a reduction of approximately NOK 2 billion compared with 2002.

Operating income for Aluminium in 2003 was NOK 2,456 million, approximately 45 percent higher than in 2002. However, excluding new business and infrequent items, operating income for Aluminium declined NOK 143 million. Margins, excluding the effect of hedge programs, were approximately NOK 560 million lower compared with 2002. Margins improved for Rolled Products and Extrusion but were weaker for Metals and Automotive. During 2003, aluminium prices measured in Norwegian kroner fell by seven percent compared with 2002. As a result, margins were substantially weaker in Metals compared to 2002 reducing results by approximately NOK 760 million. The decline was offset by contribution from hedges and higher trading results. However, higher fixed cost and depreciation from ramp up of new production capacity and unrealized losses on LME contracts, more than offset the savings from improvement programs and the contribution from increased volumes.

Operating income for Agri was NOK 2,800 million, NOK 593 million higher than the year before. Higher fertilizer prices measured in US dollars improved operating income by approximately NOK 2,600 million. Price gains were partly offset by the negative effect of increased raw material and energy costs of approximately NOK 1,200 million. The strengthening of European currencies against the US dollar affected operating income negatively for 2003 by approximately NOK 750 million. Total sales volumes for Agri were unchanged for the year as a whole. Sales of own produced products were up six percent for the year. Due to the strong increase in prices, many customers made their purchases early in the season. However, prices are expected to decline somewhat and high volumes sold in the first half of the fertilizer season may impact sales volumes negatively in the remainder of the season (first half of 2004).

Operating income relating to Other activities reflects losses on bad debts and write downs of goodwill and intangible assets amounting to approximately NOK 570 million relating to the fish feed operations included in Treka.

Corporate and Eliminations incurred an operating loss of NOK 1,727 million in 2003 compared to a loss of NOK 24 million in the previous year. The loss primarily reflects higher pension costs and the elimination of unrealized gains on internal power purchase contracts. In addition, the 2003 result includes costs of NOK 130 million linked to the demerger of Hydro Agri, charged during the fourth quarter.

Costs relating to pensions and related employers' social security costs, charged to Corporate and Eliminations amounted to approximately NOK 1,146 million compared to NOK 312 million in 2002.

The increase in 2003 primarily reflected increased pension obligations and a reduction in plan assets during 2002. The increase in 2003 also included a non-recurring charge of roughly NOK 230 million, including employers' social security costs, due to a settlement loss incurred in connection with a reduction in the number of members in certain pension plans in Norway. The reduction in the number of members results from workforce reductions and early retirement programs.

Hydro Energy is responsible for ensuring the supply of electricity for the company's own consumption, and has entered into power purchase contracts in the market and sales contracts with other units in the Group. These contracts are recognized at market value in Hydro Energy. For other Hydro units, the related internal purchase contracts are regarded as normal purchase contracts and are not recognized at market value. During the year, the estimated market value of the external power purchase contracts decreased with a corresponding increase in the contract value of internal sales contracts for Hydro Energy. The elimination of the unrealized gains included in Hydro Energy's results relating to internal sales contracts resulted in a charge to Corporate and Eliminations of NOK 141 million compared with a gain of NOK 588 million in 2002. The total negative variance relating to these contracts for 2003 was NOK 729 million. The power purchase contracts have a duration of up to 10 years and can result in significant unrealized gains and losses, impacting the results in future periods. This will depend on trends in forward prices for electricity and changes in the contract portfolio.

Earnings from non-consolidated investees amounted to NOK 1,229 million for the year compared to NOK 33 million in 2002. A currency loss of NOK 461 million relating to alumina operations in Brazil influenced the result in 2002, compared to a currency gain of NOK 218 million in 2003. Excluding these effects, earnings improved by NOK 517 million for the year primarily due to stronger results from non-consolidated investees which are part of the Agri business area reflecting high ammonia and urea prices.

Other income (expense), net for 2003 reflected a loss of NOK 1,212 million. The loss included a charge of NOK 2,207 million resulting from new Norwegian tax regulations relating to the removal costs for oil and gas installations on the Norwegian continental shelf. In accordance with earlier regulations, removal costs could not be deducted when calculating taxable income. Instead, the Norwegian state assumed a portion of the removal costs by means of a special removal grant for each license calculated on the basis of the average tax rate incurred by the participating companies over the license period. The new rules permit removal costs to be deducted from taxable income. The amendment resulted in a charge in the second quarter representing the estimated value of existing grants. The charge had no cash effect. At the same time, a deferred tax asset representing the value of the new tax deductions (calculated at 78 percent of the accrued asset removal obligation), was included as a reduction to the tax provision for the second quarter in the amount of NOK 2,380 million. Other income also includes a gain of NOK 490 million on the sale of Hydro's share in Skandinaviska Raffinaderi AB, the Scanraff oil refinery and a gain of NOK 326 million resulting from the disposal of Hydro's ownership interest in Sundsfjord Kraft ANS.

Net financial income for 2003 was NOK 201 million, including a foreign exchange gain of NOK 1,035 million. During the course of 2003, the US dollar fell by four percent against the Norwegian krone, and weakened considerably against other currencies (roughly 17 percent against the Euro, and 25 percent against the Australian dollar). The US dollar movements have resulted in gains on Hydro's net US dollar denominated debt for the year as a whole. The weakness of the Norwegian krone has, however, resulted in losses on Hydro's net Euro denominated debt for 2003. Financial income for 2002 was NOK 1,935 million including a net foreign currency exchange gain of NOK 3,262 million.

The provision for current and deferred taxes for 2003 amounted to NOK 13,937 million, approximately 57 percent of pre-tax income. The tax provision has been strongly influenced by the effects of amendments to the Norwegian tax regulations relating to the future costs of removing oil and gas installations on the Norwegian continental shelf after production has ceased. In addition, the tax provision for the third quarter included a one time positive effect of NOK 139 million relating to the final conclusion of an outstanding tax ruling in Norway. Excluding these effects, tax expense amounted to 62 percent of pre-tax income for 2003.

The high tax percent in both 2003 and 2002 results because oil and gas activities in Norway, which account for a relatively large part of earnings, are charged a marginal tax rate of 78 percent.

Non-GAAP Measures of Financial Performance

Within this discussion, Hydro refers to certain non-GAAP financial measures which are an integral part of Hydro's steering model, Value Based Management, reflecting Hydro's focus on cash flow based indicators, before and after taxes. These non-GAAP financial measures are:

- EBITDA
- Gross Cash Flow
- Gross Investment
- Cash return on Gross Investment (CROGI)

Hydro's management makes regular use of these cash flow-based indicators to measure performance in its operating segments, both in absolute terms and comparatively from period to period. Management views these measures as adding to the understanding-, for management and for investors-, of:

- The rate of return on investments over time, in each of its capital intensive businesses
- The operating results of its business segments
- Cash flow generation of its business segments

A reconciliation of Operating income to EBITDA for each of Hydro's operating segments is presented in the following table:

Operating income - EBIT - EBITDA 2003

Amounts in NOK million	**Operating income (loss)**	Non-cons. Investees	Interest Income	Selected financial income	Other income	**EBIT**	Depr. and amort.	**EBITDA**
Exploration and Production	**18,500**	29	32	4	-	**18,565**	9,059	**27,624**
Energy and Oil Marketing	**2,668**	81	35	(24)	816	**3,576**	650	**4,226**
Eliminations	**(25)**	(3)	-	-	-	**(28)**	4	**(24)**
Hydro Oil & Energy	**21,143**	107	67	(20)	816	**22,113**	9,713	**31,826**
Metals	**2,293**	379	3	53	-	**2,728**	1,570	**4,298**
Rolled Products	**132**	(14)	18	(5)	-	**131**	704	**835**
Extrusion and Automotive	**98**	68	22	(8)	-	**180**	1,252	**1,432**
Other and eliminations	**(67)**	-	-	1	-	**(66)**	(1)	**(67)**
Hydro Aluminium	**2,456**	433	43	41	-	**2,973**	3,525	**6,498**
Hydro Agri	**2,800**	610	192	(8)	-	**3,594**	1,154	**4,748**
Other activities	**(414)**	83	164	245	162	**240**	900	**1,140**
Corporate and eliminations	**(1,727)**	(4)	723	20	(2,190)[1]	**(3,178)**	2,219[1]	**(959)**
Total	**24,258**	1,229	1,189	278	(1,212)	**25,742**	17,511	**43,253**

1) Includes non-cash charge relating to an expected state grant pertaining to an asset removal obligation of NOK 2,207 million.

EBITDA and reconciliation to net income

Hydro defines EBITDA as "Income/(loss) before tax, interest expense, depreciation, amortization and write-downs". EBITDA is intended to be an approximation of cash flow from operations before tax. EBITDA is a measure that includes in addition to "Operating income", "Interest income and other financial income", results from non-consolidated investees and gains and losses on sales of activities classified as "Other income, net" in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values in non-consolidated investees. Hydro's definition of EBITDA may differ from that of other companies.

The EBITDA figures by core business area are presented in the table below, in addition to the reconciliation from EBITDA to income before taxes and minority interest.

1) EBITDA: Earnings Before Interest, Taxes, Depreciation and Amotization. EBITDA information by segment in each of the core business areas, as well as explanation of the financial performance of each segment, is included in the presentation of the business areas.
2) Includes write-downs of property, plant, and equipment included in restructuring costs of NOK 261 million for 2001.
3) The amount relates to the reversal of an expected state grant pertaining to an asset removal obligation.

Reconciliation to net income

Amounts in NOK million	**2003**	2002	2001
Hydro Oil & Energy	**31,826**	25,340	27,604
Hydro Aluminium	**6,498**	4,334	2,543
Hydro Agri	**4,748**	3,945	4,402
Other Activities	**1,140**	1,044	1,215
Corporate and Eliminations	**(959)**	995	1,993
Total EBITDA[1]	**43,253**	35,658	37,757
Depreciation, depletion and amortization[2]	**(15,093)**	(13,912)	(12,534)
Amortization of excess values in non-consolidated investees	**(211)**	(235)	(149)
Other income (expense) non-cash[3]	**(2,207)**	-	-
Interest expense	**(2,912)**	(3,189)	(3,721)
Capitalized interest	**715**	607	685
Net foreign exchange gain/(loss)	**1,035**	3,262	(416)
Other financial items	**(104)**	(163)	(157)
Income before tax and minority interest	**24,476**	22,028	21,465
Income tax expense	**(13,937)**	(13,278)	(13,750)
Minority interest	**148**	15	177
Income before cumulative effect of change in accounting principle	**10,687**	8,765	7,892
Cumulative effect of change in accounting principle	**281**	-	-
Net income	**10,968**	8,765	7,892

Another cash flow based indicator used by Hydro to measure its performance is cash return on gross investment (CROGI). CROGI is defined as gross cash flow after taxes, divided by average gross investment. "Gross cash flow" is defined as EBITDA less total tax expense. "Gross investment" is defined as total assets (exclusive of deferred tax assets) plus accumulated depreciation and amortization, less all short-term interest free liabilities except deferred taxes. CROGI has been Hydro's main financial return metric since 2000 and is used by management to measure financial performance at the operating segment level and the Group level.

In 2003, CROGI was 9.8 percent compared with 8.5 percent in 2002. CROGI for Hydro in total and each of the business areas is presented in the table below:

CROGI	**2003**	2002	2001
Hydro Oil & Energy	**13.0 %**	12.1 %	13.2 %
Hydro Aluminium	**8.6 %**	7.1 %	5.7 %
Hydro Agri	**11.7 %**	9.4 %	9.6 %
Hydro	**9.8 %**	8.5 %	9.4 %

The CROGI calculations for each of the Business Areas is presented on pages 141–145 in this annual report, in addition to the reconciliation from "Net income" to "Gross Cash Flow" and reconciliation of "Total Assets" to "Gross Investment".

EBITDA and Gross Cash Flow should not be construed as an alternative to operating income, income before taxes and net income as an indicator of Hydro's results of operations in accordance with generally accepted accounting principles. Nor are EBITDA and Gross Cash Flow an alternative to cash flow from operating activities in accordance with generally accepted accounting principles. Hydro's management make regular use of measures calculated according to generally accepted accounting principles in addition to non-GAAP financial measures described above when measuring financial performance.

CROGI Based on Normalized Prices

Hydro also measures CROGI based on a set of long-term prices assumptions (referred to as a normalized price set). This is in order to avoid placing undue importance on such variables as historically high or low prices of its commodity products, and the effects of changes in currency exchange rates. As described in the section entitled "Risk Management" the development of Hydro's results are primarily affected by the price developments of Hydro's main products (oil, aluminium and fertilizer) in addition to the US dollar exchange rate and the euro exchange rate against the Norwegian kroner. For the purpose of measuring normalized CROGI Hydro uses the following prices:

- Oil price 18 US dollar per barrel
- Aluminium price (London Metal Exchange) 1,500 US dollar per tonne
- CAN 27 fertilizer price 113 US dollar per tonne
- US dollar – Norwegian kroner exchange rate 8.00
- Euro – Norwegian kroner exchange rate 7.60 (8.00 from 2004)

In addition, items defined as "Other income, net" and "Restructuring costs" according to generally accepted accounting principles are excluded when calculating normalized CROGI.

Hydro's management views normalization as a tool to measure underlying financial performance consistently over time and against the Group's business plans that are prepared according to the assumed price set above for each financial year. By keeping certain primary commodity prices and exchange rates constant Hydro increase the focus on operating cost and efficiency improvements. Hydro believes that otherwise, such a focus would be more difficult to maintain in periods characterized by high commodity prices and favorable exchange rates. "Other income (expense), net " and "Restructuring costs" are normalized to zero, as these items are infrequent in nature and therefore could result in an incorrect picture of the underlying development in financial performance. During the 2000 to 2003 period when Hydro has employed normalization as a tool in measuring financial performance the normalization procedures have resulted on average in lower normalized earnings compared to earnings according to realized prices. Normalized results should not be construed as an alternative to measuring financial performance based upon realized commodity prices and exchange rates. Hydro's management reviews both realized results and normalized results. Typically normalized results receive more attention when realized prices and exchange rates are above the normalized price set. For an overview of how Hydro manages commodity price risk and foreign currency exchange rate risk please refer to the "Risk Management" section of this financial review.

CROGI based on normalized prices was approximately 9 percent in 2003 which was in line with the target set for the year of normalized CROGI of 8.5 to 9.5 percent. In 2003, normalized CROGI improved for all business areas compared to the previous year. Normalized CROGI for Hydro in total and each of the business areas is presented in the table below:

Normalized CROGI	**2003**	2002	2001
Hydro Oil & Energy	**9.9 %**	9.6 %	9.4 %
Hydro Aluminium	**10.0 %**	9.1 %	6.2 %
Hydro Agri	**11.3 %**	11.2 %	10.6 %
Hydro	**9.0 %**	9.0 %	8.5 %

The normalized CROGI calculations for each of the business areas are presented on pages 141–145 in this annual report in addition to the reconciliation from normalized EBITDA, "Gross Cash Flow" and "Gross Investment" to actual EBITDA, "Gross Cash Flow" and "Gross Investment".

The following table presents a reconciliation of operating income to gross cash flow and total assets to gross investments for the Group as a whole:

Cash Return on Gross Investment

Amounts in NOK million	**2003**	2002	2001
Operating income	**24,258**	19,841	21,083
Equity in net income of non-consolidated investees	**1,229**	33	566
Interest income and other financial income	**1,467**	1,418	2,847
Other income, net	**(1,212)**	219	578
EBIT	**25,742**	21,511	25,074
Depreciation and amortization	**17,511**	14,147	12,683
EBITDA	**43,253**	35,658	37,757
Income tax expense	**(16,144)**	(13,278)	(13,750)
Gross Cash Flow	**27,109**	22,380	24,007

Amounts in NOK million	**2003**	2002	2001
Cash and cash equivalents	**15,249**	5,965	27,148
Other liquid assets	**1,581**	2,647	2,421
Accounts receivable, less allowance	**27,271**	25,280	23,372
Inventories	**17,350**	17,232	15,793
Prepaid expenses and other current assets	**12,965**	13,055	9,482
Non-consolidated investees	**12,711**	11,499	9,687
Property, plant and equipment	**114,998**	112,342	95,277
Accumulated depreciation and amortization	**115,197**	101,908	97,929
Prepaid pension, investments and other non-current assets	**14,387**	15,082	11,636
Other current liabilities	**(42,890)**	(38,331)	(32,245)
Other	**(1,230)**	(1,282)	(1,664)
Gross Investment	**287,589**	265,397	258,836
Cash Return on Gross Investment (CROGI)	**9.8 %**	8.5 %	9.4%

Non-recurring or Infrequent Items

Hydro also identifies items of a non-recurring or infrequent nature in discussing operating results. These items reflect activities or events which management believes are not indicative of expected trends and outcomes arising from normal, recurring business operations. Generally such items arise as a result of very substantial initiatives including major turnarounds and other transforming events or material events and transactions which are not expected to occur often in the normal course of business. Non-recurring or infrequent items include but are not limited to :

- costs related to major improvement programs (which will vary from period to period and in certain periods may be insignificant, but which are identified nonetheless to enable investors to understand the total impact of such programs)
- material changes in the value of assets or liabilities related to infrequent events or major, unusual circumstances
- material gains or losses related to infrequent or non-recurring events or transactions

In general, Hydro excludes these items from financial measures calculated and presented in accordance with GAAP. This is not done with respect to other smaller, less comprehensive cost reduction programs, efficiency initiatives and business expansion activities which are viewed as normal, recurring activities and do not take away from investors' understanding of the underlying business performance.

Hydro's Critical Accounting Policies

In December 2001, the SEC issued Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies," referred to as FR 60, suggesting that companies provide additional disclosure and commentary on those accounting policies considered most critical. FR 60 considers an accounting policy to be critical if it is important to a company's financial condition and results and requires significant judgment and estimates on the part of management and its application. In December 2003, the SEC issued FR 72 which included additional guidance relating to critical accounting estimates. In this release, the SEC indicated that companies should consider providing enhanced discussion and analysis of critical accounting estimates

that provides greater insight into the quality and variability of information regarding financial condition and operating performance.

Hydro's consolidated financial statements and supplementary information were prepared in accordance with generally accepted accounting principles in the US (US GAAP) and in Norway (N GAAP). Note 1 in the Notes to the consolidated financial statements describes Hydro's significant accounting policies. Inherent in many of the accounting policies is the need for management to make estimates and judgments in the determination of certain revenues, expenses, assets, and liabilities. The following accounting policies represent the more critical areas that involve a higher degree of judgment and complexity which, in turn, could materially impact Hydro's financial statements if various assumptions were changed significantly. Hydro's senior management has discussed estimates underlying certain of its critical accounting policies with its independent auditors.

Hydro believes that the following represents its critical accounting policies as contemplated by FR 60.

Oil and Gas Exploration Costs

Hydro uses the "successful efforts" method of accounting for oil and gas exploration and development cost. Oil and gas exploration costs, excluding exploratory well costs, are charged to expense as incurred. Drilling costs for exploratory wells are capitalized until a determination can be made as to whether proved reserves exist. Costs related to acquisition of exploration rights are allocated to the relevant geographic areas and are charged to operating expense if no proved reserves are determined to exist. If proved reserves are determined to exist, the acquisition costs, and cost of exploration wells are amortized to become part of the cost of oil and gas produced. Management interprets geological information in order to make a judgment on the existence of proved reserves.

A determination that proved reserves do not exist can result in a reduction to long-term assets and an increase in operating costs. Each block or area is assessed separately. The amount of the impact depends on the level of current drilling activity and the amount of exploration costs currently capitalized. During 2003, exploration activity (expenditures) totaled NOK 1,609 million, of which NOK 120 million was capitalized during the year. Including capitalized exploration costs and acquisition costs from prior periods, NOK 1,577 million was expensed during the year. At the end of 2003, NOK 1,023 million of such costs were capitalized pending the evaluation of drilling results and planned development, of which NOK 33 million relates to acquisition costs.

Proved Oil and Gas Reserves

Proved reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Reserves are revised as oil and gas are produced and additional data become available. Future changes in proved oil and gas reserves can materially impact unit-of-production rates for depreciation, depletion, amortization, decommissioning and removal provisions as well as for impairment testing for upstream assets.

Downward revisions in reserve estimates or decline in oil price can result in higher depreciation and depletion expense in future periods. If the changes were significant enough that the estimated future cash flows from the remaining reserves were insufficient to recover the unamortized capitalized costs, a write-down of the assets' book value would result. Conversely, upward revisions in reserve estimates can result in lower future depreciation, depletion and amortization. Depreciation, depletion and amortization related to oil and gas producing activities in 2003, 2002 and 2001 were NOK 9,114, NOK 8,553 million and NOK 7,423 million respectively.

Commodity Instruments and Risk Management Activities

Hydro's revenues, operating results, financial condition and ability to borrow funds or obtain additional capital depend substantially on prevailing commodity prices for oil, aluminium, and the US dollar exchange rate. The historical volatility in these commodity prices materially affects Hydro's financial condition, liquidity, ability to obtain financing, and operating results. Depressed prices can have a negative impact on Hydro's financial results. The majority of Hydro's oil and aluminium production is sold at market prices. To mitigate unwanted price exposure and to protect against undesirable price developments, Hydro utilizes physical and financial commodity instruments on a limited bases. Entering into such positions requires management to make judgments about market conditions and future price expectations. Certain commodity instruments are deemed to be derivatives under US GAAP, and required to be recognized at fair value with changes in the fair value impacting earnings. When market prices are not directly observable through market quotes, the estimated fair value must be calculated using valuation models, relying on internal assumptions as well as observable market information. Such assumptions includes forward curves, yield curves and interest rates. The use of models and assumptions are in accordance with prevailing guidance from the FASB and valuations are based on the company's best estimates. However, changes in valuations will likely occur and such changes may have a material impact on the estimated fair value of derivative contracts, in particular long-term contracts, resulting in corresponding gains and losses affecting future periods' income statements. It is important to note that use of such instruments may prohibit Hydro from being able to realize the full benefit of a market improvement. To further understand Hydro's sensitivity to these factors please refer above to the "Indicative income statement sensitivities" table on page 83.

Asset Retirement Obligations

Hydro has adopted as of January 1, 2003 SFAS 143, "Accounting for Asset Retirement Obligations". Among other things, SFAS 143 requires significant changes in the accounting for asset retirement obligations such as abandonment of oil and gas production platforms, facilities and pipelines. Specifically, the fair value of a liability relating to an asset retirement obligations is required to be recorded when incurred. Furthermore, the liability is to be accreted for the change in its present value each reporting period.

Hydro's asset retirement obligations consist mainly of accruals for removal and decommissioning of oil and gas installations on the Norwegian Continental Shelf. Norwegian regulations and the OSPAR convention (convention for the protection of the marine environment of the north-east Atlantic) regulate which installations must be disposed of and which can be abandoned. The OSPAR convention has imposed a general ban on sea disposal of offshore installations and requires removal and recycling unless exceptions are made which allow abandonment of specific installations.

The OSPAR convention does not cover pipelines and cables. Report No. 47 (1999-2000) to the Storting (Norwegian Parliament) on the disposal of disused pipelines and cables includes general guidelines that permission to leave such facilities in place should be granted if they do not result in any inconvenience or safety hazards.

A termination and removal plan for each field must be approved by the Norwegian authorities. The asset retirement obligation is estimated as the present value of the future expected decommissioning and removal costs based on an expected retirement concept and timing. The timing of retirement activities is normally assumed to be the end of production. Retirement activities relating to fields where Hydro has an ownership interest are expected to begin relatively far into the future. There is substantial uncertainty in the scope and timing of future termination and removal activities. Changes to technology, Norwegian regulations and other factors may affect the timing and scope of retirement activities. Such changes may substantially alter the book value of property, plant and equipment, asset retirement obligations and future operating costs.

Impairment of Long-Lived Assets

Hydro adopted as of January 1, 2002 SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets." Under SFAS 144, management is required to assess the conditions that could cause an asset to become impaired and require a write-down upon determination of impairment for long-lived assets held by the Company. These conditions include whether a significant decrease in the fair value of the asset(s) has occurred, changes in the Company's business plan for the asset(s) have been made, or whether a significant adverse change in the local business and legal climate has arisen. The amount of such an impairment charge is based on the estimated fair value of the asset compared to its carrying value. Fair value measurements include assumptions made regarding future cash flows associated with the asset under evaluation.

Impairment charges result in a decrease to property, plant and equipment on the balance sheet and an increase in operating costs.

Contingencies and Environmental Liabilities

Contingencies and environmental liabilities are recorded when such items are asserted, or are probable of assertion, and the amount of potential loss can be reasonably estimated. Evaluation of contingencies requires management to make assumptions about the probability that contingencies will be realized and the amount or range of amounts that may ultimately be incurred. Environmental liabilities require interpretation of scientific and legal data, in addition to assumptions about probability and future costs. Changes in these assumptions can affect the timing and amounts of recorded liabilities and costs.

Business Combinations

In accounting for the acquisition of businesses, Hydro is required to determine the fair value of assets, liabilities, and intangible assets at the time of acquisition. Purchase accounting is subject to a number of assumptions including useful lives of assets, discount rates in different environments, replacement costs and timing of certain future cash flows.

The most recent significant acquisition was the purchase of VAW for a purchase price of EUR 1,911 million (NOK 14.9 billion). A specification of the allocation of this purchase price to assets and liabilities acquired can be found in Note 2 to the consolidated financial statements.

Goodwill and Intangible Assets

Under SFAS 142, "Goodwill and Other Intangible Assets," implemented in 2002, goodwill and certain intangible assets are no longer systematically amortized, but reviewed at least annually for impairment.

The largest portion of goodwill was recorded in the North America sector of the Extrusion and Automotive sub-segment. Management assessed the fair value of the sector's goodwill to the carrying value of the sector's net assets. Assumptions related to certain cash flow forecasts and the discount rate was made reflecting the sector's industry. Total goodwill evaluated for impairment during 2003 was approximately NOK 1,100 million. Intangible assets determined to have indefinite useful lives are not amortized until a finite life can be estimated. Such assessment requires management to look at the legal, regulatory, competitive, and contractual factors to determine whether the useful life of the asset acquired was considered to be indefinite. Currently, Hydro has intangible assets with a carrying value of NOK 5 million deemed to have indefinite life. Goodwill and intangible assets are included in prepaid pension, investments, and other non-current assets.

Income Taxes

Hydro calculates deferred income tax expense based on the difference between the tax assets' carrying value for financial reporting purposes and their respective tax basis that are considered temporary in nature. This computation requires management's interpretation of complex tax laws and regulations in many tax jurisdictions where Hydro operates. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Management's judgment may change and consequently such may effect the results for each reporting period.

Employee Retirement Plans

Hydro's employee retirement plans consist primarily of defined benefit pension plans. As of December 31, 2003, the projected benefit obligation (PBO) associated with Hydro's defined benefit plans was

NOK 29.2 billion. The fair value of pension plan assets was NOK 18.7 billion, resulting in a net unfunded obligation relating to the plans of NOK 10.5 billion. In addition, termination benefit obligations and other pension obligations amounted to NOK 1.5 billion, resulting in a total net unfunded pension obligation of NOK 12 billion. Hydro's net pension cost for 2003 amounted to NOK 2.5 billion. Cash outflows from operating activities in 2003 regarding pensions amounted to NOK 2 billion. The discount rate used for determining pension obligations and pension cost is based on the yield from a portfolio of long-term corporate bonds having one of the two highest ratings given by a recognized rating agency. Hydro provides defined benefit plans in several countries and in various economic environments that will affect the actual discount rate applied. Almost two-thirds of Hydro's projected benefit obligation relate to Norway. The discount rate applied for Norwegian plans as of December 31, 2003 is six percent. Measurement of pension cost and obligations under the plans requires a number of assumptions and estimates to be made by management. These include future salary levels, inflation, discount rates, years of future service, and rate of return on plan assets. Changes in these assumptions can influence the funded status of the plan as well as the net periodic pension expense. The PBO is sensitive to changes in assumed discount rates and assumed compensation rates. Based on indicative sensitivities, a one percentage point reduction or increase in the discount rate will increase or decrease the PBO in the range of 15 to 20 percent. A one percentage point reduction or increase in compensation rates for all plan member categories will decrease or increase the PBO in the range of 15 to 20 percent. It should be noted that changes in the aforementioned parameters and changes in the PBO, will affect net periodic pension cost in subsequent periods, both the service cost and interest cost components, in addition to amortization of unrecognized net gains or losses, if any.

Business Segment Information

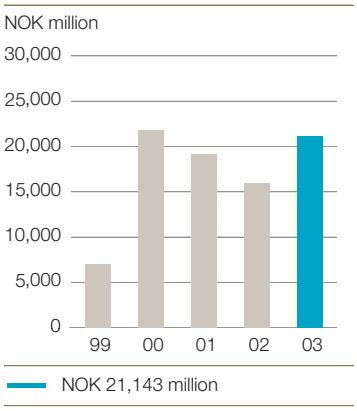
Hydro's operating segments consist of the three core business areas Oil and Energy, Aluminium and Agri. Each business area is divided into sub-segments representing different parts of the value chain follows:

Oil and Energy:	Exploration and Production
	Energy and Oil Marketing
Aluminium:	Metals (Primary Metals and Metal Products)
	Rolled Products
	Extrusion and Automotive (including the North America sector)
Agri:	Agri (Fertilizer and Industrial Gases and Chemicals)

In addition, Hydro is in the petrochemicals business and is engaged in other activities. A discussion of the operating results for each of the sub-segments within Hydro's core business areas, as well as for Other Activities, follows.

Hydro Oil & Energy

Operating Income



Amounts in NOK million	**2003**	2002	2001
Operating Revenues	**59,959**	55,845	52,180
Operating Income	**21,143**	15,947	19,177
EBITDA	**31,826**	25,340	27,604
Gross Investment	**150,417**	140,119	128,705
CROGI	**13.0 %**	12.1 %	13.2 %
Number of employees	**3,465**	4,039	3,891

Hydro Oil & Energy consists of the sub segments "Exploration and Production" and "Energy and Oil Marketing".

Summary of key developments in 2003

Hydro Oil & Energy's operating income in 2003 was NOK 21,143 million, an increase of 33 percent compared to 2002. The most significant developments that influenced Hydro Oil and Energy's operating income in 2003 were as follow:

Oil and gas production increased by 10 percent to 530,000 boe per day (boed). The increase came both from Norwegian and international fields. During 2003 a number of new fields commenced production, Grane being the most important.

Oil and gas prices have been high throughout the year. Oil prices increased in 2003 reaching an average realized oil price of US dollar 28.7, up 16 percent from US dollar 24.7 in 2002. However the depreciation of the US dollar against NOK offset much of the effect of the price increase. Realized oil prices measured in NOK increased by approximately 4 percent compared to the previous year. Realized gas prices increased by approximately 7 percent.

Exploration costs in 2003 were NOK 1,577 million, a reduction of 56 percent compared to the previous year. The decline reflects a 32 percent reduction in the level of exploration activity for 2003 compared to the previous year in addition to a lower level of previously capitalized exploration and acquisition cost expensed in the period. There were 13 exploration wells drilled and completed in

2003 resulting in three discoveries. In addition, two discoveries were announced in Angola during the first quarter based on exploration activity in 2002.

Hydro's remaining proved oil and gas reserves were 2,449 million barrels of oil equivalents (mboe) at the end of 2003, compared to 2,225 mboe at the end of 2002. Hydro's reserve replacement ratio for 2003 was 216 percent, including reserves of 1.5 mboe relating to sold interests in the Brage and Njord fields. The reserve replacement ratio was 217 percent excluding purchases and sales of license interests. The increase in the reserves resulted from the inclusion of new fields in Norway, in particular Ormen Lange (SEC reserves; 336 mboe) and Vestflanken, as well as revisions of reserves relating to producing fields. Reserve life (defined as the number of years of production from proved reserves at the present production level) was 13 years at the end of 2003; comprised of 7 years for oil and 29 years for gas.

Hydro continued activities to optimize its license portfolio during the year. In 2003, approval was received from the Norwegian authorities for the sale of interests in the Brage and Njord fields. In addition, Hydro entered into an agreement for the sale of its interest in the Gjøa field. The sale was approved by the authorities in January 2004 and is expected to result in a tax-free gain of NOK 280 million that will be reflected in the results in the first quarter of 2004. In January 2004, the Company signed an agreement to sell its 10 percent share in the Snøhvit field to Statoil. The transaction will be reflected in the results following approval by the Norwegian authorities and is expected to result in an after tax gain of roughly NOK 100 million. At the same time an agreement was reached for the purchase of a two percent share in the Kristin field. After approval by the Norwegian authorities, Hydro will own 14 percent of the field, improving its position in the Norwegian Sea Area on the NCS. Both agreements reflect Hydro's strategy to optimize its oil and gas portfolio. Approval of the agreements by the Norwegian authorities is expected during 2004.

During 2003, Hydro sold its interest in the company that owns the Scanraff refinery in Sweden (Scandinaviske Raffinaderi AB). The transaction resulted in a gain of NOK 490 million that is reflected in the results of 2003.

Operating cost per barrel for Hydro's oil and gas production was NOK 84 per boe in 2003 compared to NOK 100 per boe in 2002. The main reason for the reduction was lower exploration costs compared to 2002. In addition, increased production resulted in lower costs per barrel due to greater economies of scale. During 2003 Hydro rationalized parts of its administrative and exploration organizations including manning reductions of approximately 60 people and a substantial reduction in the use of external consultants. This was in addition to the 535 employees that were transferred to Statoil as of 1 January 2003 in connection with the transfer of operatorship on the Tampen fields. Operating costs excluding exploration were NOK 76 per boe in 2003 compared to NOK 79 per boe in 2002, well below the announced target of NOK 82 per boe.

Power production in 2003 was 27 percent lower than 2002 and lower than normal from hydro powered production plants. Prices in the Nordic electric power market were NOK 0.29 per kWh, compared to NOK 0.20 in the prior year.

The change in 2003 Operating Income compared to the prior year and the most important items affecting the change are included in the table below.

Amounts in NOK million	**2003**
Operating income 2003	21,143
Operating income 2002	15,947
Change in Operating Income	5,196
Prices and currency for E&P	
- oil	4,110
- gas	485
- currency	(2,835)
- put options	110
	1,870
Margin	205
Volume	2,515
Fixed costs	10
Depreciation	(640)
Production costs	(440)
Exploration costs	1,980
Other	(304)
Total change in Operation income	5,196

The main reasons underlying the material variances are described in the summary above.

Exploration and production

Amounts in NOK million	**2003**	2002	2001
Operating Revenues	**37,904**	32,970	32,426
Operating Income	**18,500**	13,137	16,910
EBITDA	**27,624**	21,593	24,312
Gross Investment	**124,655**	115,938	106,382
CROGI	**13.7 %**	12.2 %	13.7 %
Number of employees	**2,800**	3,372	3,213

Exploration and Production (E&P) includes Hydro's oil and gas exploration activities, field development activities and oil and gas production activities. Hydro currently has production of oil and gas in Norway, Canada, Angola, Libya and Russia. Effective 1 January 2003, Hydro's gas transportation assets were transferred from the Exploration and Production sub-segment to the Energy and Oil Marketing sub-segment. All prior periods have been reclassified for comparative purposes.

Market Conditions

Oil prices increased in 2003 reaching an average realized oil price of US dollar 28.7, up 16 percent from US dollar 24.7 in 2002. The

higher oil prices were mainly due to political turmoil in Venezuela affecting the oil industry in particular; the onset of war in Iraq; a very cold winter in the US; high US natural gas prices and the beginning of a global economic recovery creating increased demand for crude oil. These circumstances were in addition to OPEC actions to maintain high oil prices levels. However the depreciation of the US dollar against NOK offset much of the effect of the price increase. Expressed in Norwegian kroner the oil price went up from NOK 194 in 2002 to NOK 203 in 2003, an increase of 4 percent. The average realized gas price in 2003 was NOK 1.03 per standard cubic meter, up 7 percent from NOK 0.95 per standard cubic meter in 2002. The increase reflects higher prices of oil products (gas prices in long term contracts are to a large extent linked to the price of oil products with a lag of approximately six months).

Revenues

Operating revenues for E&P in 2003 were NOK 37,904 million, an increase of 15 percent from the previous year. In addition to the higher price levels experienced for oil and gas, the increase reflects substantial growth in total production volumes. During 2003, average production increased from 480,000 boed in 2002 to 530,000 boed. The increase of approximately 10 percent was well above the forecast for the year and in line with a targeted 8 percent compound annual growth rate for the 2001-2007 period. Oil production increased by 7 percent and accounted for 74 percent of the total production compared to 77 percent in 2002. Gas production increased to a total of 7.8 billion standard cubic meters, an increase of 22 percent compared to 6.4 billion standard cubic meters in 2002. Oil and gas production reached a record level in fourth quarter with an average production of 596,000 boed.

Hydro experienced production growth both from Norwegian and international fields in 2003. New fields coming on stream in Norway included the Grane, Mikkel, Fram and the satellite Vigdis extension. In addition, Jasmim in Angola and the Murzuq A Field in Libya started production in fourth quarter of 2003. Production also increased from fields coming on stream in recent years including Tune, Snorre B, Åsgard, Oseberg Sør, Girassol and Terra Nova.The increased interests in Hydro operated Oseberg, Tune and Grane fields purchased from the Norwegian State on 10 May 2002 also contributed to the growth with a full year effect in 2003. International production outside the Norwegian Continental Shelf (NCS) accounted for 11 percent of the total production, up from 10 percent in 2002. Planned maintenance stops caused a production loss (or delayed production) of 12,000 boed compared to 9,000 boed in 2002.

Because the Energy and Oil Marketing sub segment purchases and sells Hydro's Norwegian equity production of oil, about 68 percent of Exploration and Production's revenues in 2003 resulted from internal sales. Equity production of gas and international oil production are sold by Energy and Oil Marketing on behalf of Exploration and Production and account for the majority of the external revenues.

Operating Costs

Operating costs for E&P were NOK 19,404 million in 2003, a decrease of 2 percent compared to the previous year.

Hydro's average production cost, defined as the cost of operating fields, including CO_2 emission tax, insurance, gas purchased for injection and lease costs for production installations (but excluding transportation and processing tariffs, operating cost of transportation systems and depreciation), was NOK 21 per boe in 2003, compared to NOK 23 per boe in 2002. The main reasons underlying the cost reduction were increased production, better productivity and the implementation of extensive cost control measures within Hydro's portfolio of producing fields.

Depreciation, including accruals for abandonment and well closure costs and write-downs (but excluding depreciation on transportation systems), averaged NOK 46 per boe, the same level as in 2002. However, total depreciation costs increased in 2003 as a result of higher production levels. Total exploration costs including appraisal costs of discoveries amounted to NOK 1,577 million in 2003 compared to NOK 3,558 million in 2002. The decline compared to 2002 resulted from lower exploration activity and a substantially lower level of previously capitalized exploration and acquisition cost expensed during the period. Cost relating to exploration activity in 2003 was NOK 1,609 million, compared to NOK 2,376 million in the previous year. Seventy-three percent of the exploration activity was dedicated to areas outside the NCS, mainly in Angola, Canada, Iran and the Gulf of Mexico. Out of a total of 13 exploration wells drilled and completed during 2003, one discovery was made in Gulf of Mexico and two discoveries were made in Norway. In addition, two wells were in the process of being drilled at year-end. Cost of NOK 1,489 million relating to current year exploration activities was expensed due to unsuccessful efforts in Angola, Canada and Norway. NOK 88 million relating to costs capitalized in previous years was also expensed.

Operating Income

Operating income in 2003 was NOK 18,500 million, a 41 percent increase from the previous year. As discussed above, the main reasons underlying the increase were higher production volumes, lower exploration costs and higher oil and gas prices.

EBITDA

EBITDA in 2003 was NOK 27,624 million, an increase of NOK 6,031 million compared to 2002.

Outlook

Hydro will continue to focus its exploration and production strategy for the coming years on growing Hydro's exploration and production activities, balancing the portfolio and continuing to focus on cost improvements to improve profitability.

Following a review of the extensive drilling program completed during 2001-2003, Hydro plans to take measures to reduce the risk profile of its exploration activities. Hydro will evaluate purchasing discovered petroleum resources in areas where Hydro's particular strengths in drilling, reservoir management and field development

can add greater value. For 2004 Hydro will scale back exploration activity to a level of around NOK 1 billion, and anticipates an annual level of NOK 1.5 billion for 2005.

Hydro's objective is to maintain its position as an efficient operator on the NCS. Hydro has targeted production cost of NOK 24 per boe for 2004. The increase of about NOK 3 per boe compared to 2003 to a large extent results from the cost of purchasing injection gas to increase the oil production on the new Grane field.

Hydro expects its oil and gas production to increase by approximately 8 percent as an annual average during the period 2001-2007 based on its current portfolio of fields in production, fields under development or fields considered for development. The production target for 2004 is 560,000 boed. Increased production from the Grane field is expected to contribute strongly to the growth in 2004.

A main focus for Hydro in 2004 is the development of the Ormen Lange gas field on the NCS. This is the largest undeveloped gas field on the NCS, at a water depth of 1,000 meters. The Plan for Development and Operation (PDO) was issued to authorities for approval on 4 December 2003 together with the plan for installation and operation of the Langeled gas export pipeline from the field to the United Kingdom. Approval of the PDO is expected in the first quarter of 2004. Hydro is the operator during the development phase of the field. Production is scheduled to begin in 2007. Total investments including the gas export pipeline is estimated to be NOK 66 billion. Hydro holds an ownership interest in the field of 18.0728 percent.

Crude oil prices have been high for the last three years and current forward market prices indicated that prices will also be high in 2004. It is expected that OPEC will manage crude production to maintain price levels within their USD 22-28 price band target for 2004. The growth in demand resulting from global GDP growth and increased demand for oil in new production and transportation systems (refineries, pipelines, terminals etc.) is expected to be balanced by growth in non-OPEC production, increased oil production from Iraq and production cuts from the remaining OPEC countries if needed.

Energy and Oil marketing

Amounts in NOK million	**2003**	2002	2001
Operating Revenues	**49,370**	45,915	45,824
Operating Income	**2,668**	2,784	2,267
EBITDA	**4,226**	3,721	3,292
Gross Investment	**25,734**	24,128	22,366
CROGI	**9.8 %**	11.2 %	10.6 %
Number of employees	**665**	667	678

Energy and Oil Marketing includes Hydro's commercial operations in the oil, natural gas and power sectors, the gas transportation operations and the operation of Hydro's power stations in Norway. Energy and Oil Marketing markets and sells refined petroleum products (gasoline, diesel and heating oil) to customers in Scandinavia and the Baltic countries. Hydro owns 100 percent of the operating unit in Sweden and 50 percent of Hydro Texaco, an oil marketing company with retail outlets in Norway, Denmark and the Baltic countries. Energy and Oil Marketing is also responsible for developing Hydro's hydrogen and renewable energy business activities such as wind power. In 2003, Hydro sold its interest in the company that owns the Scanraff refinery in Sweden (Scandinaviske Raffinaderi AB). As a result, Hydro no longer holds an interest in the refining business. Results from the operation of Scanraff are included until 17 December 2003.

Except for the operation of Hydro's own power stations, gas infrastructure activities and development activities, Energy and Oil Marketing's business mainly consists of margin-based sales and trading activities. As a result, operating revenues and costs in any given year are largely a function of volume traded and the level of prevailing market prices for crude oil, natural gas and electricity.

Market Conditions

As described under the caption "Market Conditions" for the Exploration and Production sub-segment, the price level for oil, oil products and gas has been high during 2003 and somewhat higher than in 2002.

Nordic electricity prices have been high during 2003 as a result of unusually low precipitation during autumn 2002 resulting in low reservoir levels. The situation improved in Norway and Sweden during 2003, but reservoir levels were around 20 percent lower than normal at the end of the year. Average spot prices for 2003 were NOK 0.29 per kWh, compared to NOK 0.20 per kWh in the prior year.

Operating Revenues

Energy and Oil Marketing's operating revenues for 2003 were NOK 49,370 million, up NOK 3,455 million or 8 percent from prior year.

Power production in 2003 was 7.5 TWh compared with 10.3 TWh in 2002, a reduction of 27 percent and below normal production from the hydroelectric power plants. The decrease in production from Hydro's hydroelectric power plants was expected due to low reservoir levels at the beginning of the year.

In 2003, internal sales to other business areas within Hydro amounted to NOK 5,062 million, including internal sales to Hydro Agri and Hydro Aluminium metals sub-segment of NOK 1,596 million and NOK 1,776 million, respectively. Internal sales in 2002 were NOK 3,986 million.

Operating costs

Energy and Oil Marketing's operating costs of NOK 46,702 million in 2003 were 8 percent higher than the prior year. As described above, Energy and Oil Marketing's operating costs are mainly comprised of purchases of crude oil, natural gas and electricity. Operating cost also include process costs relating to the operations of power stations, gas infrastructure and other fixed costs. There were no substantial changes in these costs in 2003 compared to the previous year.

Operating income

Energy and Oil Marketing's operating income in 2003 was NOK 2,668 million, a decrease of 4 percent compared to prior year. The main change in 2003 was a decrease in operating income from power sourcing and marketing activities which to a large extent was offset by an increase in the operating income from the gas activities.

Operating income from power sourcing and marketing activities was NOK 664 million in 2003, down NOK 521 million or 44 percent from prior year. The decrease in operating income resulted primarily from lower production, which was partly offset by higher average spot prices. In addition, unrealized gains relating to power purchase contracts increased the results for 2002 by NOK 220 million. Energy and Oil Marketing secures electricity in the market for Hydro's own consumption, for delivery to external parties and to reduce the risk of price fluctuations on its electricity portfolio. In 2002 Hydro purchased electricity contracts in the derivative market for deliveries in 2003 to compensate for the low reservoir levels and expected shortfalls in production. Spot and forward electricity prices fell in the early part of 2003 compared to an exceptionally high level at the end of 2002. As a result, a portion of the net unrealized gains relating to these contracts that were included in the results of 2002 have been reversed in 2003 as expected.

Operating income from oil trading and refining activities was NOK 406 million in 2003, an increase of 5 percent from the prior year. These activities include crude oil trading, gas liquids trading, refining activities and shipping. Strong refining margins and good trading results in the markets for gas liquids and crude oil were offset by inventory losses related to refining activity. Average refining margins for 2003 were US dollar 4.4 per barrel, compared to US dollar 2.2 per barrel in 2002. Operating income in 2003 included an inventory loss of NOK 82 million compared to an inventory gain of NOK 64 million in 2002.

Operating income from gas activities was NOK 1,795 million in 2003, up 540 million from the prior year (43 percent). Around NOK 190 million of the improved operating income came from gas sourcing and marketing activities, while the remaining improvement related to gas infrastructure activities. The improved results from gas infrastructure activities were mainly due to higher tariff revenues, and lower depreciation charges resulting from the extension of license periods for a number of gas pipelines following the establishment of Gassled in January 2003.

Oil marketing incurred an operating loss of NOK 16 million compared to operating income of NOK 68 million in 2002. The decline reflects lower margins and higher inventory losses.

EBITDA

EBITDA for 2003 was NOK 4,226 million, an increase of 14 percent compared to prior year. Hydro's share of net income from Hydro Texaco included in EBITDA was NOK 117 million in 2003, the same level as the prior year.

In 2003, Hydro sold its interest in Sundfjord Kraft ANS for 20.2 percent of the shares of SKS Produksjon AS resulting in a gain of NOK 326 million reflected in the results.

The sale of Hydro's 25 percent ownership interest in the Scanraff oil refinery in Sweden resulted in a gain of NOK 490 million reflected in the results for the year.

Outlook

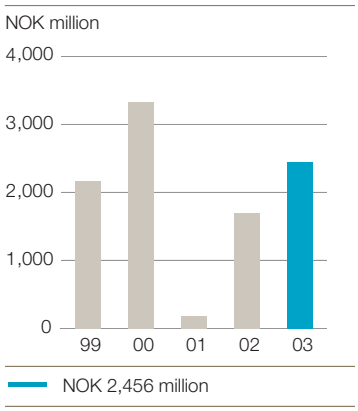
Hydro power reservoir levels were below average at year-end 2003 for Hydro-owned power stations and for the Nordic market area in general. As a result, the Company's hydro power generation in 2004 is expected to be approximately 12 percent below the normal levels. The present reservoir deficit in the Nordic market area results in an expected price level above historic average. However, this estimate is uncertain and depends on precipitation levels during the next few months. Spot and forward prices for 2004 are below the 2003 levels at present, however, the tighter Nordic power balance has increased dependence on electricity imports and energy from other sources. Lack of new capacity to cover expected annual demand growth of more than 1 percent, is expected to result in a tighter capacity balance, in the coming years. Prices in the Nordic Region will be influenced by electricity prices within the European continental market that are high mainly due to record high coal prices. Prices could increase further next year due to restrictions on greenhouse gas emissions in the European Union.

The European continental gas market continues to be dominated by long-term contracts indexed to oil products. The ongoing liberalization process of the European gas market is expected to lead to a more liquid and short-term gas market on the continent similar to what has existed in the UK for some time. New gas trading hubs are emerging, in particular at Zeebrügge in Belgium, in the Netherlands and at Emden/Bunde at the German/Dutch border. Hydro expects to be able to exploit business opportunities resulting from these developments. In 2003, Hydro strengthened its position in the continental gas market through the acquisition of Duke Energy's marketing activities in the Netherlands (Duke Energy Europe Northwest B.V). Hydro also established a joint venture, HydroWingas Ltd, with German gas supplier Wingas GmbH. HydroWingas will market gas in the UK, focusing on wholesalers and large end-users. In 2003, Hydro also signed an agreement with A.P. Møller-Mærsk A/S, a Danish company, for the purchase of 0.6 billion cubic meters of gas per year during the period 2005 to 2009 for delivery in the Netherlands. Hydro believes that the long-term fundamental conditions underlying natural gas demand in Europe are strong in part because natural gas continues to be the preferred choice for new supplies due to environmental benefits, competitive pricing and convenience of use. Hydro will continue to focus on profitable growth of its gas portfolio both upstream and downstream to capture the opportunities created by a more flexible and liquid European gas market.

Following the Scanraff sale in December 2003, Hydro no longer holds an interest in the refining business. Operating income relating to this activity was approximately NOK 200 million in 2003.

Hydro Aluminium

Operating Income



Amounts in NOK million	**2003**	2002	2001
Operating Revenues	**69,152**	65,051	51,083
Operating Income	**2,456**	1,698	185
EBITDA	**6,498**	4,334	2,543
Gross Investment	**70,357**	63,833	42,819
CROGI	**8.6 %**	7.1 %	5.7 %
Number of employees	**26,728**	27,110	16,244

The Aluminium business area is comprised of the sub-segments Metals (Primary Metals and Metal Products), Rolled Products, Extrusion and Automotive (including the North America activities).

Summary of key developments in 2003

Aluminium's major strategic drive in the last few years has been to improve competitiveness by generating greater economies of scale (through acquisition and expansions) and reducing costs.

During the first quarter of 2002, Hydro acquired VAW Aluminium AG (VAW) and the French building systems company, Technal. Hydro's consolidated results include the operating results of VAW as of 15 March 2002 and Technal, as of 26 January 2002.

Improvement programs were initiated in 2001 and 2002 to improve operating results, including reductions of annual costs, by NOK 2.5 billion compared to the combined cost level of VAW and Hydro Aluminium businesses in 2001. The target was achieved at end of the fourth quarter of 2003. This means the full year effect for 2004 will be in line with the target of NOK 2.5 billion. The accumulated cost of the program was NOK 1,166 million (NOK 176 million for 2003) which was NOK 397 million below the original cost estimate.

Since 2002, other improvement programs have been instituted. For example, Rolled Products established in 2003 an improvement program for the Holmestrand, Norway plant to reduce annual fixed costs by approximately NOK 80 million. The program includes manning reductions of 80 persons, representing approximately 16 percent of the total work force by the end of 2004. About 80 percent of the reductions were completed at the end of 2003.

Emission standards established by the Norwegian Pollution Authority require production facilities using Søderberg technology in the Høyanger and Årdal primary aluminium plants to be closed or replaced by 2006. After an extensive assessment, Hydro determined that investments to replace this capacity will not be made. The resulting closures will reduce the Company's annual primary aluminium production capacity by 72,000 tonnes. The affected parts of the facilities will be fully depreciated as of the closure date. A project to evaluate the impact of the closures on manning, restructuring and other sustainability issues relating to the locations was established. This work has now been expanded to look at the overall competitive position of Hydro Aluminium's European smelters.

Investments: Hydro Aluminium's brownfield expansion projects are all progressing according to plan and within budget. The expansion of the 50 percent-owned Søral primary aluminium plant was brought to full capacity in the first quarter of 2003. The expansion project for the aluminium plant in Sunndal, Norway, has completed the start up the first two sections of the new capacity and will phase in the remainder, with completion expected in the autumn of 2004. As a result of the Sunndal and Søral expansions Hydro's annual primary aluminium production will increase by approximately 190,000 tonnes per year in 2005 when both plants are at full production compared with 2001.

The first expansion of Alunorte, a low cost alumina refinery located in Brazil, was completed in early April. An important strategic step for Hydro Aluminium in 2003 was the decision to participate in the second expansion of Alunorte. The expansion will provide Hydro with an additional 610,000 tonnes of alumina annually beginning from the second quarter of 2006. The expansion will increase Hydro Aluminium's raw material supply secured by equity investments.

An investment in a greenfield plant for Automotive precision tubing products was approved. The plant will be built in the strategically important market of China with a start up in 2005. Total investment is estimated to be NOK 150 million.

Divestment: Aluminium disposed of its interest in the aluminium recycling plant, VAW-IMCO in Germany. The disposal had no material income statement effect.

Contracts: Hydro Aluminium's alumina balance was strengthened with a long-term supply contract with Comalco Aluminium Limited, a wholly owned subsidiary of Rio Tinto, entered into in 2003. Starting in 2005, Comalco will supply 300,000 tonnes of alumina annually to Hydro's Australian smelter operations. This increases to 500,000 tonnes annually from 2006 to 2030. The contract improves Hydro Aluminium's competitive position by securing the long-term availability of alumina in line with industrial long-term market prices.

A new long-term agreement with Talum in Slovenia will supply Hydro Aluminium with 70,000 tonnes of foundry alloy products per year starting in 2004 through 2010. The agreement enhances Hydro Aluminium's metal supplier concept built on a combination of equity primary aluminium production, recycling and remelt facilities and third party supply contracts.

Aluminium's automotive operations strengthened its position by concluding important sales contracts. Beginning in 2006, rear bumper components will be delivered for the Citroen Picasso with an expected volume of 300,000 parts annually. In addition, Hydro will deliver an estimated volume of 1.2 million parts per year related to the front and rear bumper beams, including crash boxes on the rear bumper, for Audi's redesigned A4 model starting in 2004.

Technal, one of Extrusion's three primary building system's brands, has been selected as the supplier of aluminium building solutions for several new sports stadiums in Portugal. Portugal is hosting the 2004 European Football Championship and is in process of building a number of state-of-the-art football stadiums for the event.

The change in operating income for 2003 compared to the prior year and the most important items affecting the change are included in the table below:

Amounts in NOK million	
Operating income 2003	2,456
Operating income 2002	1,698
Change in Operating Income	758
Margin	(560)
Hedging	325
Volume	860
Fixed costs	(345)
Depreciation	(515)
Infrequent items and restructuring costs	615
Trading	460
Unrealized LME-effects	(310)
New / disposed business	285
Other	(57)
Total change in Operating income	758

Variance Analysis

Aluminium's operating income for 2003 was NOK 2,456 million compared to NOK 1,698 million in the prior year. The higher result is due to the inclusion of VAW and Technal (new business) for the entire first quarter of 2003 and lower infrequent items compared to 2002. Excluding the variance for new business for the first quarter and infrequent items, operating income declined approximately NOK 143 million. The largest single variable explaining the decrease was lower aluminium prices measured in Norwegian kroner. This was marginally offset by translation effects on operating income of the strengthening of subsidiary currencies (mainly EUR) to Norwegian kroner.

Margins, excluding the effect of hedge programs, were lower and negatively impacted results by approximately NOK 560 million compared with 2002. Margins improved for Rolled Products and Extrusion but were weaker for Metals and Automotive. During 2003, aluminium prices measured in Norwegian kroner fell by seven percent compared with 2002 as a result of a lower average USD to NOK exchange rate. As a result, margins were substantially weaker in Metals compared to 2002 reducing results by approximately NOK 760 million. Realized effects of hedge programs in Metals positively impacted the results by NOK 323 million compared to 2002.

Higher volumes contributed an additional NOK 860 million to operating income compared to 2002. With the exception of North American activities, volumes increased for all sub-segments. The ramp up of new capacity in Metals, Automotive and, to a lesser extent, in Rolled Products was the fundamental reason for the improvement.

During 2003, new production capacity was also the major reason for higher fixed cost and depreciation that more than offset the savings from improvement programs. Fixed costs measured in NOK for European subsidiaries were negatively impacted by a stronger EUR to NOK. However, for operating income as a whole this currency translation effect was positive.

Metals' realized results of trading activities were higher mainly due to currency gains on EUR denominated revenues measured in NOK. This was largely offset by lower unrealized results from the mark to market adjustments on Aluminium's LME derivative portfolio compared with 2002.

In order to better understand Hydro Aluminium's underlying performance, operating income has been adjusted for certain items referred to as infrequent items (see discussion under Non-recurring or Infrequent Items included on page 62 of this report).

Net infrequent charges [1] (including restructuring) impacting operating income for 2003 were NOK 94 million compared with NOK 708 million for 2002 [2].

EBITDA for 2003 was NOK 2,164 million higher than the same period last year largely due to the inclusion of VAW for the entire period of 2003 and due to lower infrequent and restructuring items. Results from non-consolidated investees included unrealized currency gains on USD-denominated loans held by a Brazilian compa-

1) The major infrequent items for 2003 were NOK 140 million (USD 20 million) related to the loan loss provision on a subordinated loan provided to Goldendale Aluminium Inc., demanning and rationalization costs of approximately NOK 90 million, the reversal of an environmental accrual of NOK 59 million and the reversal of an accrual on a litigation settlement of NOK 77 million. Infrequent charges split by segment for 2003 were: Metals a gain of NOK 19 million; Rolled Products a charge of NOK 71 million; and Extrusion and Automotive a charge of NOK 42 million.

2) Infrequent charges (including restructuring) for 2002 mainly relate to manning reductions in connection with the improvement programs, VAW integration cost and higher cost of goods sold from VAW inventories due to the fair value adjustment as of the acquisition date. Metals downwardly revised restructuring accruals related to Magnesium NOK by 10 million. Infrequent charges split by segment for 2002 were: Metals NOK 348 million; Rolled Products NOK 223 million and Extrusion and Automotive NOK 137 million.

ny, Alunorte, of NOK 218 million for 2003 compared to a loss of NOK 461 million for 2002. Excluding the new business, the currency effects on Alunorte and infrequent items, EBITDA increased NOK 288 million reflecting higher pre-tax cash flows from new capacity and higher trading results.

Outlook

Economic indicators are increasingly positive for 2004, however, they continue to lead physical indicators (such as increased order and shipment levels). Europe market sentiment is positive but lags in relation to US indicators. The outlook for Asia remains strong.

Hydro management expects that Western World shipments of primary aluminium will increase about five percent, equivalent to an estimated 1,000,000 tonnes in 2004 compared to 2003. Western World production, net of announced closures, is expected to increase by 500,000 tonnes in 2004. This is expected to improve the market balance. In the beginning of 2004, there has been a tight supply relative to demand for alumina which has resulted in a substantial increase in alumina prices in the spot market. In addition, electricity prices in the North Western US also remain relatively high. Due to both of these factors, the likelihood of significant restarts in closed production in the North Western US is reduced. Furthermore, if alumina spot prices remain at levels similar to those in early 2004, this may reduce incentives for starting up additional new capacity in China. China is dependent upon imports of this raw material.

According to CRU International Ltd. (CRU), consumption of flat rolled products, extruded and automotive products is expected to grow compared to 2003. Growth projections for 2004 vary both by product and market, but range between 2 to 3.5 percent for North America and Western Europe.

Hydro obtains most of its alumina from companies in which it has an equity investment or on long-term contracts, usually based upon an LME price formula. Kaiser Aluminum filed motions at the end of January, 2004 in a US bankruptcy court seeking to reject or nullify certain alumina supply agreements. Neither Hydro nor any of its subsidiaries were named in the suit. However, one of Hydro's Australian subsidiaries has an alumina supply agreement with Kaiser through 2005. Should Kaiser fail to deliver under contract terms, the alumina costs for the subsidiary could increase.

Due to cost levels and currency developments, Aluminium's European smelters face challenges in reaching acceptable profitability. Hydro is in process of reviewing the competitive position of these smelters and other individual under-performing units to identify improvement measures.

Due to low volume and declining profitability at the Casting plant in Leeds, UK, Aluminium's automotive sector entered into a consultation period starting September 18 with employees to evaluate a potential closure of the plant. The consultation period ended in December with a conclusion that the future of the plant was unlikely to be secured. A decision is expected in the first half of 2004. A decision to close the plant, would most likely result in closure in early 2005. The plant employs around 600 people.

It is not possible at this time to predict the possible improvement potential, timing or associated rationalization costs that maybe incurred as a result of the smelter improvement project and on-going reviews of under-performing units. However, it is probable that rationalization costs could be incurred in 2004 related to one or more of these programs.

Metals

Amounts in NOK million	**2003**	2002	2001
Operating Revenues	**39,923**	39,646	31,475
Operating Income	**2,293**	1,690	372
EBITDA	**4,298**	2,703	1,766
Gross Investment	**38,896**	34,905	26,330
CROGI	**9.8 %**	7.1 %	6.0 %
Number of employees	**6,276**	6,284	4,561

Market conditions

Western World shipments of primary metal grew an estimated 4.6 percent for 2003 compared to the same period last year. This was an increase from 2.6 percent in 2002 versus 2001 when industrial activity was at a low level. For 2003, most of the shipment growth is believed to be attributable to strong demand in Asia while growth in Western Europe and North America were modest for the year. China's internal consumption continued to grow rapidly in 2003. However, new Chinese capacity coming on stream outpaced internal consumption. China increased its net primary exports to the Western World by an estimated 100,000 tonnes in 2003 to a total of about 350,000 tonnes. China continued to have net imports of scrap, aluminium semi-finished products (mainly rolled and extruded products) and finished products of approximately 600,000 tonnes in 2003.

Western World Production increased approximately 3.0 percent (520,000 tonnes) due to new capacity net of closures. In 2003, Alcoa reported the closure of 95,000 tonnes of production in its West Ferndale smelter in the US.

Reported inventories at the end of the year were about three percent (100,000 tonnes) higher than at the end of 2002. There is uncertainty in the trends for unreported inventories, however, indications are that they increased more than reported inventories. The average market price for aluminium (LME 3 monthly average) was USD 1,428 per tonne for 2003, which was USD 63 per tonne higher compared with 2002.

Revenues

Metals revenues were positively impacted by the consolidation of VAW for the full first quarter of 2003 compared with 15 days in the first quarter of 2002. Volumes for Hydro Aluminium's primary metal increased 18 percent to a total of 1,473,000 tonnes in 2003 compared to the same period of 2002. This reflected both the inclusion of VAW for the entire first quarter of 2003 as well as new capacity from Sunndal.

Excluding the variance for VAW for the first quarter, operating revenues declined approximately 10 percent or NOK 4 billion. Lower realized prices measured in Norwegian kroner more than offset higher volumes from the Sunndal expansion.

Hydro realized an aluminium price of USD 1,440 per tonne for 2003 compared to USD 1,372 per tonne for the same period of 2002. Measured in Norwegian kroner, however, the realized aluminium price declined by over seven percent. The realized NOK/USD exchange rate was NOK 7.25 for 2003 (NOK 8.21 in 2002). The realized price includes the effect of hedges.

Realized effects of hedge programs [3], which are comprised of LME future contracts and US dollar forward contracts, positively impacted the results by about NOK 476 million in 2003 (NOK 153 million in 2002) of which about NOK 240 million related to Sunndal in 2003. LME future contracts relating to the Sunndal program are spread evenly over the quarters while the amount of US dollar forward contracts vary by quarter.

Product premiums (particularly for extrusion ingot) were noticeably higher in USD but less pronounced stated in Norwegian kroner.

Operating costs

Excluding the VAW variance for the first quarter, raw material and energy cost (variable costs) declined in spite of higher volumes from new capacity mainly due to the effect of reduced alumina cost (measured in NOK) and a one-off positive adjustment to tolling fees for raw materials of NOK 34 million. Fixed cost [4] and depreciation rose compared to 2002 reflecting the new capacity. Depreciation also included a write down of assets of NOK 20 million.

Operating income

Operating income for 2003 amounted to NOK 2,293 million compared to NOK 1,690 million in the prior year. Excluding VAW activities for the first quarter, restructuring and infrequent items, operating income weakened NOK 69 million. Changes in product prices and currency rates resulted in a reduction in margins of about NOK 760 million compared with 2002. However, this was mitigated by positive effects from certain hedge programs (NOK 323 million) and improved trading results (NOK 460 million). Trading results improved mainly due to currency gains. Improvement resulting from higher sales volumes was offset by higher fixed cost and depreciation.

EBITDA

EBITDA for 2003 was NOK 4,298 million. Excluding VAW activities for the first quarter, infrequent items and currency effects for Alunorte, EBITDA was NOK 139 million higher than the corresponding period of 2002. Improved volumes, results of hedging programs and trading more than offset the fall in margins and higher fixed cost.

Rolled Products

Amounts in NOK million	**2003**	2002	2001
Operating Revenues	**18,377**	14,790	4,228
Operating Income	**132**	(295)	58
EBITDA	**835**	258	162
Gross Investment	**12,645**	11,937	2,626
CROGI	**6.4 %**	3.5 %	5.8 %
Number of employees	**4,259**	4,306	766

Market conditions

Difficult market conditions continued in Europe. According to CRU, consumption of flat rolled products in Europe was almost unchanged compared to 2002. Average capacity utilization for the European industry improved marginally but remained relatively low at about 83 percent.

The North American market had an increase in consumption of about one percent for the year as a whole compared to 2002. Capacity utilization for the US industry improved about two percent to approximately 74 percent. The stronger EURO compared to USD was a disadvantage to producers outside the US for export sales. The EUR/USD exchange rate impacts export pricing of flat rolled products in Asia, South and North America which are typically based on a USD formula and put pressure on margins.

Litho and foil are higher margin products. Automotive flat rolled products, especially body-in white parts, are important to the industry as these products are expected to have attractive growth rates. Many flat rolled products are relatively mature in European and North American markets.

Revenues

Rolled Product's revenues included consolidation of VAW for an additional $2^{1/2}$ months in 2003 compared with 2002. External shipments [5], on a proforma basis including comparable VAW figures for the full year of 2002, increased around seven percent to 893,000 tonnes. Higher volumes were in part due to the ramp up of new capacity. The total growth in shipments for 2003 over 2002 was distributed between Hydro's product groups as follows: Litho (2 percent), Foil (1 percent), Automotive (1 percent) and Strip (3 percent).

3) Both the LME and currency hedges related to the Sunndal program are designated as a cash flow hedges against production. Changes in the fair value of the contracts are included in Other Comprehensive Income while the realized amounts are included in revenues. Sunndal accounts for the largest part of the hedge program. In addition, Metals economically hedges certain revenues and raw materials in terms of LME prices with the purpose of "locking in margins" on such transactions. These positions referred to as price hedges do not qualify for hedge accounting. Realized aluminium price hedges are included in revenues or raw material costs while unrealized effects are included at the Hydro Aluminium level under "Other and eliminations." Related currency effects are classified as financial items and excluded from operating income. Price hedges are excluded from the numbers for the hedge programs disclosed above.

4) Fixed cost exclude variable production inputs (such as raw materials & energy), depreciation and miscellaneous gains & losses on disposals of assets.

5) Excludes wire rod shipments.

Operating revenues, excluding the VAW variance for the first quarter, increased approximately three percent or about NOK 450 million. This was mainly due to a volume increase of around five percent that was partially offset by the impact of lower EUR revenues for USD denominated export sales. Hydro's Rolled Products exports about 19 percent of its sales to Asia, South and North America. The EUR strengthened 20 percent to the USD in 2003.

Rolled Products major activities are denominated in EUR and all sales revenues are price hedged in terms of aluminium prices and foreign currency using commodity and financial instruments. Realized gains related to aluminium price hedges are included in revenues while currency effects are included in financial items.

Operating costs

Excluding the VAW variance for the first quarter and infrequent items, Rolled Products variable cost, fixed cost and depreciation increased primarily as a result of increased volumes.

Rolled Products' cost structure varies with changes in the aluminium price and its product mix. On average, the metal price comprised about 60 percent of total cost while other materials and energy account for about 20 percent of the total. Higher variable costs due to increased sales volumes were largely offset by lower aluminium prices stated in EUR and lower losses on inventory.

Rolled Products' sales prices are based on margin over metal price. The production process requires a long lead time of between two to three months. Therefore, cost of goods sold (and margins) are impacted by variances in inventory values resulting from changing aluminium prices. Falling prices in EUR increase cost (reduce margins) while increasing prices have the opposite effect. In 2003, the loss on inventory was approximately NOK 120 million compared with approximately NOK 200 million in 2002.

Fixed cost and depreciation rose compared to 2002 reflecting the new capacity (Automotive line in Germany) and investment in Malaysia) which more than offset savings from improvement programs and the reversal of an accrual for a resolved claim of NOK 52 million.

Operating income

Operating income for 2003 was NOK 132 million compared to a loss of NOK 295 million in the same period last year. Approximately NOK 10 million of the increase in operating income results from the inclusion of the activities of former VAW, which were not consolidated for the entire year of 2002. Excluding infrequent items, operating income was NOK 203 million, an improvement of NOK 275 million. Improved margins positively impacted results by approximately NOK 240 million compared with 2002. Increased shipments contributed around NOK 195 million to results but this was largely offset by increased fixed cost and depreciation.

EBITDA

EBITDA for Rolled Products for 2003 was NOK 835 million compared to NOK 258 million for 2002. Excluding infrequent items, EBITDA was NOK 906 million (NOK 481 million in 2002), an improvement of NOK 425 million. Approximately NOK 112 million of this improvement results from the inclusion of the activities of former VAW, which were not consolidated for the entire period of 2002. The remainder of the improvement was principally due to higher margins and shipments.

Extrusion and Automotive

Amounts in NOK million	**2003**	2002	2001
Operating Revenues	**24,529**	24,245	22,487
Operating Income	**98**	14	(228)
EBITDA	**1,432**	1,084	632
Gross Investment	**18,737**	16,846	14,011
CROGI	**7.9 %**	7.0 %	4.5 %
Number of employees	**16,193**	16,520	10,917

Market conditions

The overall market for general extrusion in Europe showed improvement towards the end of the year but apparent consumption was a modest increase of one percent for 2003 as a whole (CRU). The building and construction market in Germany remained difficult resulting in pressure on volumes. For extruded products in North America, CRU reported a reduction in apparent consumption in 2003 of about one percent. Global light vehicle sales were reported to be approximately 0.5 percent higher than in 2002. However, Western European and North American automotive markets, which are the most relevant to Hydro, lagged behind the global averages with a reduction in light vehicle sales of two and one half percent, respectively.

Revenues

Operating revenues included the consolidation of VAW and Technal for the full year of 2003 compared with the period after the acquisition dates in the first quarter of 2002.

Excluding the variance in the first quarter from VAW and Technal (new business), revenues declined about three percent (NOK 700 million). This was due in part to negative translation effects. North American revenues fell in NOK as a result of the 12 percent lower NOK / USD exchange rate in 2003 compared to 2002. This was largely offset by the opposite translation effect on revenues of a stronger EUR to NOK for European subsidiaries. Automotive revenues and sales volumes increased compared to 2002, principally due to the ramp up of shipments on new contracts. Higher volumes offset the lower revenues from price pressure on heat transfer and crash management components, although margins were negatively affected. Extrusion's revenues were somewhat lower. Although European extrusion shipments were somewhat higher, shipments declined for Hydro's Building systems operations due to low demand in the European construction industry. In North America, revenues fell as shipment volumes declined from own production (lower demand) and third party trading (which was largely discontinued) in 2003 compared to the same period last year.

Operating costs

Excluding new business and infrequent items, variable costs declined while fixed cost and depreciation increased. In total, cost development in 2003 benefited from movement in currencies in translation (the opposite effect as variance for revenues) compared with 2002.

Variable costs increased for Automotive, driven by higher volumes, but declined for Extrusion and North America. Fixed costs increased in 2003 due to higher activity in Automotive and net translation effects that were partially offset by cost reduction from improvement programs in North America. Depreciation expense increased due to start up of new automotive production lines and North American remelt operations and write downs of NOK 79 million relating to Automotive fixed assets

Operating income

Operating income for 2003 was NOK 98 million compared to NOK 14 million in the prior year. Excluding the variance relating to VAW and Technal, for the first quarter of 2003 and infrequent items, operating income was NOK 148 million (NOK 151 million). Slightly higher margins and improved volumes contributed positively to results. This positive effect was offset by the higher fixed costs and depreciation expense. Operating income benefited somewhat from translation effects compared with 2002.

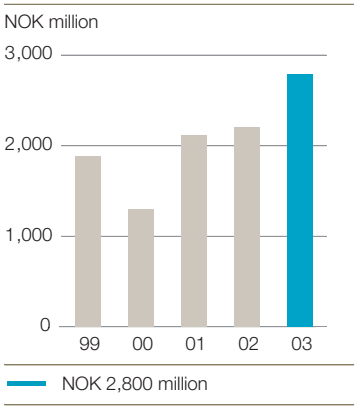
Operating income for Extrusion improved in a difficult market. North American operations have made substantial improvements in press productivity (11% improvement compared to the previous year from the transfer of best practices from the European extrusion system), on time delivery and cost control measures which have compensated for decline in results in 2003 from lower demand. Despite a substantial contribution to operating income from new volumes, Automotive's operating income declined in 2003 as a result of weaker margins, higher fixed cost and increased depreciation. Programs are on-going to reduce costs and improve or exit under-performing units (also see Outlook).

EBITDA

EBITDA for Extrusion and Automotive for 2003 was NOK 1,432 million compared to NOK 1,084 million for 2002. Excluding new business in the first quarter and infrequent items, EBITDA was NOK 1,390 million an improvement of NOK 191 million. Higher volumes and margins more than offset the impact of higher fixed cost. Extrusion activities and higher cash flows from Automotive's new capacity were the main contributors.

Hydro Agri

Operating Income



Amounts in NOK million	**2003**	2002	2001
Operating Revenues	**38,174**	33,348	37,407
Operating Income	**2,800**	2,207	2,114
EBITDA	**4,748**	3,945	4,402
Gross Investment	**35,049**	30,739	36,513
CROGI	**11.7 %**	9.4 %	9.6 %
Number of employees	**7,338**	7,371	7,841

Summary of Key Developments

Agri's operating income increased by approximately 27 percent from 2002 to 2003. Operating results were positively influenced by substantial price increases on most fertilizers products and ammonia. The effects of higher prices more than compensated for negative effects relating to currency developments and high energy costs. Both urea and ammonia prices increased, reflecting an improved global market balance. European fertilizer prices for all major nitrogen products were strongly influenced by a high international urea price.

In 2003, sales volumes were relatively unchanged compared to the prior year, despite the termination of the Farmland/Hydro marketing agreement in conjunction with the sale of Agri's interest in Farmland/Hydro. Sales volume in Europe increased by 4 percent, while volumes outside Europe improved slightly excluding the effects of the divestment of Farmland/Hydro.

The industrial gas and chemicals operations experienced volume growth in all core segments in 2003. Strongest improvements were achieved within technical nitrates and nitrogen chemicals. As a result of record high ammonia prices margins were put under pressure and the operating result decreased.

Much of Agri's business is denominated in or heavily influenced by the USD. As a result, currency changes have a direct impact on revenues and costs. The pricing of the majority of Agri's products (including its European operations) is directly linked to the USD.

Fixed costs in Europe are, to a large extent, linked to NOK and the EUR. Excluding cost saving and efficiency programs, this implies that an appreciation of the European currencies against the USD could reduce the competitiveness of the European fertilizer business.

The analyses of variances between 2003 and 2002 discussed below, include certain assumptions with regard to currencies, prices, volumes, gas costs and other factors, primarily to isolate effects of currency movements, which is considered necessary to better understand the development in the business. These assumptions are actively used by management to follow up the business.

Amounts in NOK million	
Operating income 2003	2,800
Operating income 2002	2,207
Change in Operating Income	593
Margin	645
Volume	150
Fixed costs	(190)
Depreciation	40
Other	(52)
Total change in Operating income	593
Variance affecting EBITDA	210
Change in EBITDA	803
Currency effect [1]	850
Total change in EBITDA calculated with stable currency rates	1,653
Volume	150
Prices/ Margins including effects on share of net income of non-consolidated investees [2]	2,600
Price effect from natural long position [3]	300
Energy cost	(1,200)
Pension cost	(100)
Interest income and other financial items	(50)
Other	(47)
Total change in EBITDA calculated with stable currency rates	1,653

The strengthening of European currencies against the US dollar affected operating income negatively for 2003 by approximately NOK 750 million and EBITDA by approximately NOK 850 million compared to last year.

Increased nitrogen prices in US dollars improved operating income by approximately NOK 2600 million and EBITDA by approximately NOK 2,900 million. Part of the positive price effect on EBITDA and operating income, estimated at NOK 300 million, resulted from Agri's natural long position (own produced products) in a rising market.

1) Currency effects on all line items in the table have been isolated by applying constant exchange rates (i.e. 2003 exchange rates) on 2002 financial figures
2) Includes the net effect of price fluctuations on non-consolidated investees where the variable cost is directly linked to the price development for urea and ammonia
3) Increased margins from long positions and timing of trade related to the natural long position in a rising market

Price gains were partially offset by the negative effects of increased raw materials and energy costs of approximately NOK 1,200 million and predominantly relate to operations in Europe. Higher oil prices during the first several months of 2003 resulted in an increase of approximately 40 percent in the cost of ammonia production for 2003 compared to the previous year. Other raw material costs were stable.

Market conditions

Both urea and ammonia prices increased, reflecting an improved global market balance. The urea price increase was supported by increasing global consumption, continued production capacity cutbacks in the United States because of high natural gas prices, and production stoppages caused by production problems in Indonesia, Algeria, Venezuela and Alaska. The increasing nitrogen fertilizer price trend also affected European nitrate prices, which continued to rise through second half of 2003.

The closure of manufacturing capacity in Europe in 2000 and 2001, together with European producer's further capacity reductions in 2002, contributed positively to the supply/demand balance in key European markets in 2003, resulting in improved prices for key products in these markets.

In 2003, the average price for ammonia was USD 203 per tonne (fob Caribbean), up approximately 85 percent compared to 2002. Ammonia prices reached an average fourth quarter price of USD 240 (fob Caribbean) an historically high level, for many of the same reasons as the urea price increase discussed above.

Total nitrogen deliveries from industry and importers in West Europe were up approximately 7 percent from 2002 to 2003. The annual increase in volumes for 2003 compared to 2002 should be viewed in connection with low sales in the second half of 2002, when some sales were delayed into 2003. In addition, due to the strong increase in prices at the end of 2003, many customers made their purchases early in 2003/2004 season.

West European fertilizer imports increased as a result of increased relative attractiveness of the West European market. The import market share in West Europe reached a level of approximately 26 percent close to the situation two years ago.

Revenues

Operating revenues increased by 14 percent from 2002 to 2003, primarily as a result of increased prices for most fertilizer products and also as a result of increased ammonia trading.

An analysis of the operating revenues for each of the principal geographical areas and other key business units in Agri is presented in the table below:

Amounts in NOK million	**2003**	2002
Fertilizer activities		
Europe	**13,654**	12,179
Outside Europe	**14,843**	14,165
Ammonia Trade and Shipping	**5,240**	2,926
Industrial Gas and Chemicals	**4,437**	4,078
Total	**38,174**	33,348

Fertilizer Europe

Total nitrogen deliveries in West Europe were up approximately 6 percent for the full year. There were positive sales volume developments for Agri in the UK and Ireland, helped by the closure of the IFI fertilizer plant in Ireland (autumn 2002).

Fertilizer outside Europe

Outside Europe, Agri's sales volume increased slightly for the year as a whole excluding the effect of the Farmland/Hydro divestment in 2002. During 2003, Brazil became, for the first time, Agri's largest country in terms of revenues and fertilizer sales volume with sales of more than 2 million tonnes. Agri's ability to import products into the US market improved as a result of increased gas costs for the domestic industry. Africa experienced a volume decline as a result of a difficult political situation in some key markets.

Sales of own produced products in markets outside of Europe is important as it allows for better capacity utilization of Agri's distribution and production system. It also smoothens seasonal demands as overseas markets often take products outside of the European fertilizer season. This provides optimization opportunities between geographic markets enabling Agri to prioritize markets based on overall profitability. Growing Agri's third party product (TPP) business (including joint ventures and blending operations) and the continued positive development of key strategic alliances enables Agri to better utilize the capacity of its extensive overseas marketing and distribution network.

Ammonia trade and shipping

Average ammonia prices increased by approximately 85 percent from 2002 reflecting higher natural gas prices in the US. Ammonia prices are strongly influenced by the natural gas price in the US with lower gas prices normally resulting in higher production of ammonia. Agri's ammonia production and consumption in Europe is largely balanced. However, significant volumes are traded, partly to optimize logistics and partly to benefit from market opportunities. Price changes relating to ammonia sold from Agri's plants in Trinidad and Qatar are not reflected in operating revenues because these operations are included in results from non-consolidated investees. Volumes sold in these areas in 2003 were in line with 2002.

Industrial gases and chemicals

Revenues from industrial gas and chemicals activities increased approximately 8 percent in 2003. The main improvements were achieved within activities related to environmental products, nitrogen chemicals and technical ammonium nitrates. Volume of technical ammonium nitrates for civil explosives increased by approximately 19 percent compared to prior year mainly due to increased market share in Europe and higher sales in Africa and Latin America. Volumes of environmental process chemicals (i.e., Nutriox for water treatment and Reduktan for removal of NO_X emission) increased by approximately 10 percent. The increase relates primarily to higher coal consumption for power generation in Europe, increasing the demand for Reduktan and the abnormal hot summer in Central and South Europe growing the demand for Nutriox.

Operating Costs

Natural gas is the most important raw material used in the production of ammonia, nitrogen fertilizer and technical products. Most of Agri's natural gas requirements are purchased from external suppliers. A significant part of the gas used is purchased under long-term contracts with pricing mechanisms linked to the development in market prices for gas. Natural gas prices are closely linked to developments of the crude oil price. However, due to contract terms and Agri's distribution system, gas price changes in Europe are normally reflected in reported earnings with a time lag of approximately 4-5 months.

Productivity in Agri increased as a result of improvements in the European production system, increasing production by almost 600 kilo tonnes of finished fertilizers compared to 2002. The improvement contributed to a 6 percent reduction in fixed costs per tonne for the year. Total fixed costs for Agri were unchanged in nominal terms on a comparable basis despite a substantial increase in pension costs. An increase in net operating capital in 2003 of NOK 913 million resulted from significantly higher prices. Net operating capital days was reduced by approximately 13 percent through completion of several improvement projects in addition to an extraordinary low level of stocks in Europe during spring 2003.

Operating Income

Operating income was NOK 2,800 million, compared to NOK 2,207 million in 2002, an increase of approximately 27 percent. The positive development in nitrogen fertilizer prices led to strong results despite negative currency effects and higher energy costs.

EBITDA for 2003 was NOK 4,748 million compared to NOK 3,945 million in the prior year

Outlook

Market indicators suggest a continued growth in world demand for fertilizer in 2004. This trend is expected to continue with growth outside Europe, mainly in Asia and Latin America.

The fertilizer industry expects consumption in West Europe to show a moderate declining trend for the coming years. This mainly relates to increased efficiency in the application of fertilizer, economic uncertainty relating to the farmers' economy, environmental pressure to reduce the usage of mineral fertilizers and developments with the European Union's (EU) Common Agricultural Policy (CAP). Since 1999, changes in the CAP have led to reduced price supports within the EU, but higher area payments. The economic consequence of this policy change may result in a reduction of agricultural input factors such as fertilizer. Other factors, such as increased focus on the protein content of grain and improved prices for agricultural products may have positive effects.

For nitrogen fertilizer, it is difficult to estimate whether the utilization rate will increase or decrease in 2004 and 2005. More capacity will come on stream, and higher than average consumption growth rates are required to increase the utilization rate. It is expected that

oil prices will remain at a high level, resulting in high gas costs in Europe. Due to the time lag discussed above, Agri's energy costs in the first half of 2004 is expected to be on the same level as in the first half of 2003.

Ammonia prices correlated strongly with US natural gas prices from 1999 through first half of 2003. Since then, the correlation ceased as continued production curtailments in the USA have supported the ammonia market. The correlation may be restored if and when currently idle capacity in the USA is brought back into production, or if/when expected new ammonia capacity begins production in 2005.

The price level for nitrates and other fertilizers in West Europe is expected to continue to correlate strongly with the movements in international fertilizer prices.

Grain prices, particularly in the USA, but also elsewhere, increased substantially through 2002 and 2003. Global production of grain lags consumption and this may not yet be fully reflected in price developments. In 2003, grain inventories were also reduced. The expected need for increased grain production is positive for the demand outlook for fertilizer.

Other activities

Petrochemicals

Petrochemicals' operating revenues increased by 3 percent in 2003 compared to 2002. The increase was primarily due to somewhat higher product prices in NOK and higher volumes. Hydro's average realized price for caustic soda and S-PVC was approximately 3 and 7 percent higher, respectively, in 2003 than in 2002.

In 2003, Petrochemicals incurred an operating loss in the amount of NOK 8 million, representing an improvement of NOK 27 million compared with 2002. EBITDA was NOK 401 million, an improvement of NOK 81 million compared to 2002. The positive development mainly resulted from higher volumes and somewhat improved product prices in Norwegian kroner for S-PVC and caustic soda, partly offset by higher purchased raw material costs. Results from non-consolidated investees were approximately NOK 60 million higher compared to the same period of 2002, mainly due to higher product prices in Asia, which is the main market for the Qatar Vinyl Company.

In March 2003 Norsk Hydro's Board of Directors approved the construction of a new chlorine plant at Rafnes in Norway. The investment is estimated to cost approximately NOK 1 billion. The expansion project started in May, and is progressing according to plan. Start-up is expected in the autumn of 2005.

After seven years of poor financial performance, the global petrochemical industry is expected to improve. Poor financial performance has resulted in a lack of reinvestment in petrochemical facilities. Additionally, significant industry consolidation has occurred as producers searched for ways to reduce cost, and rationalize inefficient facilities. Global economic recovery is in its early stages and increased demand for petrochemicals is expected to follow. The average growth rate for the industry as a whole was around 4 percent at the beginning of 2004 which is also the expected average growth for the year. Growth in Europe is expected to be 2 percent for 2004. Growth in demand is expected to improve the market balance and result in higher prices and margins.

Treka

Treka consists solely of the fish feed producer Biomar. Difficult conditions in the fish farming industry resulted in losses on bad debts during the year. During 2003 approximately NOK 570 million relating to losses on bad debts and write downs of goodwill and intangible assets were charged to results.

Pronova

During 2003, Pronova sold their Swedish subsidiary Carmeda AB resulting in a gain of NOK 139 million.Pronova also signed an agreement in the fourth quarter to sell 80.1 percent in Pronova Biocare for NOK 165 million. The sale is expected to result in a pre-tax gain of approximately NOK 100 million which will be included as income in the first quarter of 2004.

Liquidity and capital resources

Amounts in NOK million	**2003**	2002	2001
Cash flow provided by (used for):			
Operations	**24,578**	21,785	26,172
Investments	**(7,840)**	(36,446)	(14,681)
Financing	**(8,233)**	(5,995)	(5,990)
Increase (decrease) in cash and cash equivalents	**9,284**	(21,183)	5,382
Return on Shareholders' equity	**13.4 %**	11.6 %	10.8 %
CROGI	**9.8 %**	8.5 %	9.4 %
Net interest-bearing debt/equity ratio[1)]	**0.38**	0.60	0.34

1) Net interest-bearing debt divided by shareholders' equity plus minority interest, adjusted for unfunded pension obligation and present value of future obligations on operating leases, both after tax.

Cash flow

Hydro has historically financed its operations primarily through cash generated by operating activities. In 2003, net cash generated by the Company's operations of approximately NOK 24.6 billion was more than sufficient to fund the net cash used in investing activities of approximately NOK 7.8 billion. Of the residual, approximately NOK 5 billion was used to repay interest bearing debt and approximately NOK 3.2 billion was used for dividends and share repurchases, leaving approximately NOK 9.3 billion (including foreign currency effects on cash flows) to increase the Company's cash balance reducing the Company's net interest bearing debt.

Cash from Operations

Cash provided by operating activities of NOK 24,578 million for the year represented an increase of 13 percent from 2002. The

improvement was mainly due to higher earnings resulting from the significant increase in oil and gas production together with higher oil and gas prices. Higher product prices in the fertilizer business as well as productivity gains in both the Aluminium and the Fertilizer business, also contributed to the improvement in cash generated from operating activities.

Investing Activities

Net cash used in investing activities in 2003 was NOK 7,840 million compared to NOK 36,446 million in 2002. The decline in cash used for investing activities for the year was primarily due to decreased spending on purchases of other long-term investments of NOK 17,087 million, lower purchases of property, plant and equipment of NOK 4,106 million, and higher proceeds from the sale of long-term assets of NOK 5,084 million. The sizeable reduction in purchases of long-term investments from 2002 to 2003 reflects the significant acquisitions that took place in 2002, principally the VAW and Technal acquisitions, and the purchase of assets from the Norwegian State's Direct Financial Interest (SDFI). See the "Capital Expenditures" section below for an analysis of expenditures for property, plant and equipment and long-term investments.

Financing Activities

In 2003, NOK 8,233 million was used in financing activities, compared to NOK 5,995 million in 2002. Principal repayments of NOK 5,342 million in 2003, including repayments of debt relating to VAW and Treka, were NOK 1,146 million higher than in 2002. In addition, repurchase of ordinary shares of NOK 555 million and dividends of NOK 2,711 million together were NOK 690 million higher than in 2002. In January 2004, an extraordinary General Meeting approved a capital reduction by cancellation of 1,484,300 treasury shares acquired in 2003 as part of a share buyback program approved by the 2003 Annual General Meeting. The extraordinary General Meeting also authorized the redemption of 1,157,922 shares owned by the Norwegian State for an amount of NOK 445 million payable in March 2004. There was no repurchase of shares in 2002.

Cash and cash equivalents was NOK 15,249 million at the end of 2003 compared to NOK 5,965 million for 2002. The main reasons for the increase are described above.

Hydro anticipates that cash from operations, its cash holdings and proceeds from Yara debt repayment will be sufficient to meet its planned capital expenditures and operational requirements in 2004. Hydro's capital expenditures for 2004 are estimated to be approximately NOK 19 billion (excluding exploration activities).

Short and long-term borrowings

At year-end 2003, short-term bank loans and the current portion of long-term debt in Hydro amounted to NOK 6.8 billion, down from the 2002 level of 9.3 billion.

Hydro's long-term interest bearing debt at the end of 2003 was NOK 28.6 billion, compared to NOK 30.9 billion at the end of 2002. During 2003, an early repayment of USD 195 million (NOK 1.4 billion) of long-term debt was made and NOK 1.2 billion became current and was reclassified to short-term liabilities. Hydro repaid maturing loans of GBP 100 million (NOK 1.2 billion) and NOK 500 million during the year. No new loans were issued in 2003. As of December 31, 2003 the fair value of Hydro's long-term debt, including the current portion, was NOK 34.9 billion, and the carrying value was NOK 29.8 billion.

Approximately two-thirds of Hydro's long-term debt as of year-end 2003 was denominated in US dollars. Substantially all of Hydro's long-term debt carry fixed interest rates. The weighted average interest rate on all long-term debt was approximately 6.9 percent at year-end 2003. The average maturity of the Company's outstanding long-term debt was approximately 14 years, with approximately 13 percent of the long-term debt falling due within the next five years and the remainder thereafter. (See Note 19 in Notes to the consolidated financial statements for more comprehensive information on the composition of long-term debt).

Following the demerger of Agri, Hydro may consider some adjustments to its debt portfolio through early repayments or repurchases of parts of the outstanding loans. During the first quarter of 2004 Hydro has provided notice of prepayment of loans with an original maturity in 2005 – 08 of approximately NOK 2 billion.

Substantially all of Hydro's indebtedness is situated in the parent company, Norsk Hydro ASA. In general, the terms of each of the debt agreements and indentures governing the indebtedness contain cross-default provisions under which a default under any other loan, indebtedness or other obligation for borrowed money on the part of Hydro would trigger a default under that debt agreement or indenture. The cross-default provisions are generally limited to borrowing obligations of Norsk Hydro ASA or any of its "Principal Subsidiaries" (defined to mean a company or other entity (i) which is fully consolidated in the consolidated balance sheet of the Company or in which the Company owns more than 50 percent of the issued share capital, (ii) the gross assets of which represent more than 10 percent of the consolidated gross assets of the Company and its subsidiaries (taken as a whole) and (iii) which is incorporated in the Kingdom of Norway and require that the indebtedness in default under another agreement or indenture be greater than USD 25 million.

Substantially all of Hydro's debt is unsecured. However, the agreements and indentures contain provisions restricting the pledging of assets to secure future borrowings without granting equivalent status to existing lenders. The debt agreements and indentures contain no financial ratio covenants and no provisions connected to Hydro's credit rating or value of underlying assets. None of the agreements give the lenders a right to put the loan and demand repayment prior to its scheduled maturity. However, certain agreements allow for Hydro's early redemption or repayment of the indebtedness at certain specified premiums, plus accrued and unpaid interest.

At December 31, 2003, Hydro's senior unsecured debt was rated "A2" by Moody's and "A" with negative outlook from Standard & Poors. In determining the rating, the rating agencies have not factored in the Norwegian State's 43.8 percent equity interest in the Company. The factors given significant weight in determining Hydro's current credit rating include: the diversification of the Com-

pany's portfolio; the cash flow generated from the oil and gas activities; the strong position in aluminum and agricultural products; and a sound financial profile. The ratings also, however, reflect the commodity characteristics of most of the Company's products, and consequently, the exposure to market price fluctuations and economic cyclicality, as well as the forthcoming demerger and listing of the Agri business.

Hydro announced its intention to demerge Hydro Agri in June 2003, which resulted in Moody's amending Hydro's rating outlook from negative to stable. On November 28, 2003, following Hydro's announcement regarding the proposed Agri Transaction, Moody's reaffirmed Hydro's A2 rating with stable outlook, and Standard & Poor's stated that the ratings and outlook on Hydro (A with negative outlook) remained unchanged following clarification of the Company's plans to divest from its agricultural business.

Net interest bearing debt (short- and long-term interest bearing debt, including the current portion of long-term debt, less cash and cash equivalents and other liquid assets) at the end of 2003 was NOK 18.5 billion, compared to NOK 31.5 billion at the end of 2002. The Company's net interest bearing debt to equity (including minority interests) ratio was 0.21 at year-end 2003. Including net unfunded pension obligations, after tax, and the present value of operating leasing obligations, net interest bearing debt divided by equity was 0.38, which was well within the stated target of 0.5.

As part of the demerger of the Agri business, which is scheduled to take place in the first quarter of 2004, Agri (Yara) has assumed a liability to pay to Hydro a net interest bearing debt which at year end 2003 amounted to approximately NOK 7.5 billion. Yara's repayment of this debt is expected to be effected on completion of the demerger from the proceeds of debt financing to be arranged through financial institutions prior to the consummation of the demerger. In addition, Hydro holds 20 percent of the shares in Yara, which it intends, as part of the demerger process, to sell in an offering at the time of the demerger, subject to prevailing market conditions. As a consequence of these transactions, Hydro's net interest bearing debt will be further reduced from the year-end 2003 level at the end of first quarter 2004.

As of December 31, 2003, Hydro had unused short-term credit facilities totaling approximately NOK 3.2 billion. The Company also has committed agreements for long-term stand-by credit facilities totaling approximately USD 2 billion (NOK 13.5 billion). There were no borrowings under these agreements as of December 31, 2003. Hydro also has in place a shelf registration in the US under which it may raise up to an aggregate of USD 1.5 billion in debt securities. There are no substantial restrictions on the use of borrowed funds under Hydro's material credit and debt facilities.

Employee retirement plans

As of December 31, 2003, the projected benefit obligation (PBO) associated with Hydro's defined benefit plans was NOK 29.2 billion. The fair value of pension plan assets was NOK 18.7 billion, resulting in a net unfunded obligation relating to the plans of NOK 10.5 billion. In addition, termination benefit obligations and other pension obligations amounted to NOK 1.5 billion, resulting in a total net unfunded pension obligation of NOK 12 billion. For further information see note 20 included in the footnotes to the consolidated financial statements.

In 2003, the net unfunded pension obligation increased by NOK 1.9 billion. Unrecognized net losses and prior service costs increased by NOK 1 billion from NOK 8.3 billion at the end of 2002 to NOK 9.3 billion at the end of 2003. The increase includes NOK 600 million relating to certain plans reported in line item "Termination benefits and other" in prior periods. The remaining increase is mainly attributable to remeasurement of obligations at year-end applying a lower discount rate.

Hydro's net pension cost for 2003 amounted to NOK 2.5 billion. Cash outflows from operating activities in 2003 regarding pensions amounted to NOK 2 billion.

The discount rate used for determining pension obligations and pension cost is based on the yield from a portfolio of long-term corporate bonds having one of the two highest ratings given by a recognized rating agency. Hydro provides defined benefit plans in several countries and in various economic environments that will affect the actual discount rate applied. Almost two-thirds of Hydro's projected benefit obligation relate to Norway. The discount rate applied for Norwegian plans as of December 31, 2003 is six percent.

Contractual obligations, Commitments and Off Balance Sheet Arrangements

A summary of Hydro's total contractual obligations and commercial commitments to make future payments is presented below. For further details see Notes 7, 19, 22 and 23 in Notes to the consolidated financial statements.

		Payments due by Period			
Amounts in NOK million	Total	Less than 1 year	1-3 years	4-5 years	Thereafter
Long-term debt [1]	29,658	1,201	2,084	1,087	25,286
Capital lease obligations [1]	152	40	46	20	46
Operating lease obligations [2]	7,257	1,188	1,980	1,573	2,516
Unconditional purchase obligations [2]	55,717	7,310	10,819	7,900	29,688
Total contractual cash obligations	92,784	9,739	14,929	10,580	57,536

Comprised of the following:

1) Liabilities recorded on the balance sheet NOK 29,810 million
2) Commitments not recorded on the balance sheet NOK 62,974 million

In addition, Hydro is contingently liable for guarantees made directly by the parent company or made on behalf of subsidiaries in the normal course of business (see footnote 22 on page 119 of this report). Hydro grants guarantees at approximate market based

fees to enable subsidiary companies to obtain credit or engage in contracts of a greater magnitude than would otherwise be possible without such guarantees. Hydro makes such guarantees to facilitate transactions which are considered necessary to reach its business objectives.

Following describes guarantees outstanding as of 31 December 2003:

Hydro has guaranteed NOK 54 million of debt issued on behalf of non-consolidated investees and is contingently liable for NOK 85 million of discounted bills.

Hydro is also contingently liable to various tax authorities for NOK 1,352 million relating to the non-taxable treatment on gains on internal sales of non-current assets and subsidiaries. Gains on such sales could become taxable if certain assets were sold outside the group. Hydro controls whether such assets are offered for sale outside of the Group.

Guarantees in connection with the sale or divestment of companies amounted to NOK 7,900 million. The amount reflects the maximum contractual amount that Hydro could be liable for in the event of certain defaults or the realization of specific uncertainties. Hydro has, in addition to this amount, certain guarantees relating to sales or divestment of companies that are unspecified in amount. Hydro believes that the likelihood of any material liability arising from guarantees relating to sales of companies is remote. Historically, we have not made any significant indemnification payments under such guarantees and no amount has been accured in the accompanying consolidated financial statements.

In additions to guarantees relating to the sale or divestment of companies, Hydro has guaranteed certain recoverable reserves of crude oil in the Veslefrikk field as part of an asset exchange between Hydro and Petro Canada. In 1996, Hydro entered into a strategic alliance with Petro-Canada that entailed a swap of certain Hydro interests in licenses on the NCS in exchange for the right to participate in oil production from proven fields and explore for further oil discoveries on the Grand Bank.

Under the guarantee, Hydro is obligated to deliver indemnity reserves to Petro Canada in the event that recoverable reserves are evaluated to be lower than a specified amount. An evaluation of the recoverable reserves was completed in 2002 in accordance with the agreement which resulted in a compensation by Hydro to Petro Canada. The agreement with Petro Canada was renegotiated in 2002 with the possibility of making a new evaluation of the reserves in 2008, 2014 and the end of the field's productive lifetime. The agreement includes the possibility of recovery by Hydro of earlier compensation if new evaluations indicate improvements in the estimated recoverability. The guarantee is not applicable in cases of force majeure, the failure of the field operator to comply with appropriate field practices and other instances. As of 31 December 2003, the remaining volume covered under the guarantee was 1.2 million Sm^3 of crude oil, equivalent to approximately NOK 1,465 million calculated at current market prices.

Outstanding commercial guarantees made on behalf of subsidiaries amounted to NOK 10,545 million. Such guarantees include advance payment guarantees, bid bonds, performance bonds, stand-by letters of credit and payment guarantees. Certain of these guarantees are obtained from external banks and covered by Hydro by a counter indemnity to such banks. Hydro's contingent liability relating to commercial guarantees is linked to the performance of its subsidiaries under various contracts. However, a certain portion of the guarantees are payable on demand. Therefore, there is a certain amount of litigation risk in the event of unfair calls relating to such guarantees.

Because the payment of commercial guarantees is related to events directly or indirectly controlled by Hydro, the Company considers its risk related to such instruments to be limited. As a result these guarantees do not pose material risk to the Company's future liquidity, capital resources and results of operations. Since Hydro is, in effect, guaranteeing its own performance relating to commercial guarantees, they are not considered off balance sheet arrangements as defined by SEC regulations.

None of the contingent amounts described above are recorded on the balance sheet as of 31 December 2003.

Contractual commitments for investments in property, plant and equipment, and other future investments as of December 31, 2003 amounted to NOK 17.7 billion.

Minority interest and Shareholders' equity

Minority interest decreased by approximately 42 percent to NOK 660 million in 2003. The divestment of Flexible Packaging in 2003 contributed to sizeable reduction in minority interest. Shareholders' equity was NOK 88,080 million at the end of 2003, an increase of around 16 percent compared to 2002. Net income in 2003 of NOK 10,968 million contributed substantially to higher shareholders' equity. Foreign currency translation adjustments of NOK 4,856 million in 2003 also contributed to higher shareholders' equity. The depreciation of Norwegian kroner against a majority of currencies during 2003 resulted in translation gains.

Investments

Investments in 2003 amounted to NOK 18.9 billion. The amount includes NOK 1.9 billion resulting from Hydro's adoption of Financial Accounting Standard No. 143, relating to asset retirement obligations. The amount has no cash effect. Excluding this effect, investments were NOK 17 billion for 2003. Just over half of the investment amount related to oil and gas operations. Investments were slightly lower than planned partly because of savings in development projects.

Investments in Exploration and Production in 2003 were NOK 10,270 million. The largest investments for Exploration and Production related to new and existing fields; of which Grane, Kristin and Snøhvit were the most important. The major investments in Aluminium in 2003 included the expansion activities pertaining to the smelters in Sunndal, Norway, where phase II was completed and phase III is under construction, and in Alouette in Canada. An expansion of the alumina refinery, Alunorte in Brazil was also completed during the year. The investments in Extrusion and Automotive related to the construction of a new casting line in Dillingen in Germany.

Investments [1]

Amounts in NOK million	**2003** [2]	%	2002	%	2001	%
Exploration and Production	**10,270**	54	14,074	31	9,533	58
Energy and Oil Marketing	**989**	5	622	1	557	3
Eliminations	**-**	-	-	-	-	-
Hydro Oil & Energy	**11,259**	60	14,696	32	10,090	62
Metals	**3,572**	19	12,728	28	1,872	11
Rolled Products	**466**	2	7,437	16	201	1
Extrusion and Automotive	**1,543**	8	5,153	11	1,454	9
Other and eliminations	**-**	-	-	-	-	-
Hydro Aluminium	**5,581**	30	25,318	55	3,527	22
Hydro Agri	**1,127**	6	1,543	3	797	5
Other Activities	**852**	5	3,115	7	1,372	8
Corporate and eliminations	**81**	0	1,044	2	542	3
Total	**18,900**	100	45,716	100	16,328	100

1) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangibles, long-term advances and investments in non-consolidated investees.

2) Includes non-cash increase in investment from effect of change in accounting principle (FAS143), of NOK 1,932 million.

Investments in Exploration and Production in 2002 were NOK 14,074 million. The purchase of assets from SDFI and investments related to new and existing fields, mainly the development of the Grane field, were the most important investment projects for Exploration and Production in 2002. The largest investments for Hydro Aluminium included the VAW acquisition, the acquisition of Technal and the expansion activities relating to the aluminium smelter in Sunndal, Norway and the alumina refinery in Alunorte in Brazil.

Investments, including new and existing fields, in Exploration and Production in 2001 were NOK 9,533 million. Grane, Tune, Snorre Phase 2 and Terra Nova were the four most important development projects for Exploration and Production in 2001. The largest investments for Metals in 2001 included the expansion activities relating to the alumina refinery and ownership interest in Alunorte in Brazil, the construction activities related to the remelt plant in Azuqueca, Spain and the modernization and expansion activities relating to the Company's aluminum smelter in Sunndal. Investments for Extrusion and Automotive related primarily to the acquisition of Aldural in Argentina and rationalizing existing business activities including a new press in Italy.

Material commitments for capital expenditures

Contractual commitments for investments in property, plant and equipment relating to land-based activities and oil and gas field activities and transport systems at the end of 2003 were NOK 2,756 million and NOK 13,555 million respectively. Additional authorized future investments representing projects formally approved by the Board of Directors or management were NOK 1,908 million relating to land-based activities and NOK 12,453 million relating to oil and gas field activities and transport systems. Hydro's long-term committed stand-by facilities of approximately USD 2 billion as well as cash holdings and expected cash flow from operations are expected to provide adequate reserves to fund these expenditures.

Research and development

Hydro engages in research and development (R&D) in order to maintain its competitive position and to develop new products and processes. Hydro spent approximately NOK 850 million, NOK 815 million and NOK 796 million during 2003, 2002 and 2001 respectively, on such activities. As part of its R&D activities, Hydro continues to focus on ecological issues including life cycle analyses and energy efficiency studies relating to products produced by the Company.

Hydro maintains major research centers in Porsgrunn and Bergen in Norway, with a combined staff of 379 as well as smaller research groups in several other locations. The Bergen facility is dedicated to the Group's oil and gas activities. Research centers for Hydro Aluminium are located in Karmøy, Årdal, Raufoss Sunndal and Porsgrunn in Norway; in Bonn and Ulm in Germany; in Tønder, Denmark and in Michigan, US.

The following highlights major contributors to total R&D costs incurred in 2003.

Hydro Oil and Energy incurred R&D costs in 2003 totaling approximately NOK 194 million compared to NOK 143 million in the previous year. Exploration and Production accounted for most of this amount. R&D expenditures were primarily dedicated to exploration technology, virtual reality, increased oil recovery, multiphase transportation, well technology, deepwater technology, subsea solutions and health, safety and environmental issues, all with the purpose of reducing field development and operating costs. Hydrogen as future energy carrier, renewable energy and reduction

of emissions of carbon dioxide were also part of Hydro Oil and Energy's R&D programs in 2003.

Hydro Aluminium's R&D is oriented toward the core activities of its business. Hydro Aluminium incurred a total of NOK 459 million in 2003 in R&D cost compared with NOK 408 million in R&D costs in 2002. Metals, Extrusion and Automotive, and Rolled Products incurred NOK 168 million (NOK 99 million in 2002), NOK 240 million (NOK 265 million) and NOK 51 million (NOK 44 million), respectively. R&D activities are strongly focused on core products and production processes. Hydro Aluminium's R&D organization consists of an international network covering Europe, North America and Asia.

Hydro Agri engages in R&D in order to maintain its competitive position and to develop new products and processes. Hydro Agri spent approximately NOK 118 million in 2003 compared to NOK 152 million in the prior year. R&D activities in 2003 relating to fertilizer operations included process and technology developments aimed at optimization and cost reduction, and product R&D targeting new, innovative products and strategies for customers in selected markets. R&D activities relating to industrial products have focused on application and product development, including projects relating to environmental issues.

Risk management

Indicative price and currency sensitivities

The development of Hydro's result is primarily effected by price developments of Hydro's main products oil and aluminium in addition to foreign currency fluctuation of the most significant currency, the US dollar, against the Norwegian krone. For an indication of the sensitivity regarding prices and foreign currency fluctuation for 2004, please refer to the table below. The sensitivity analysis is based on 2004 expected production volumes as well as normalized prices indicated below. The table illustrates the Income Statement's sensitivity before and after tax.

- Oil price 18 US dollar per barrel
- Aluminium price (London Metal Exchange) 1,500 US dollar per tonne
- CAN 27 fertilizer price 113 US dollar per tonne
- US dollar – Norwegian kroner exchange rate 8.00
- Euro – Norwegian kroner exchange rate 7.60 (8.00 from 2004)

Indicative price and currency sensitivities

Price sensitivity[1)]	Pre tax	After tax	Change
Oil price (bbl)	1,450	390	1 USD
Aluminium price (tonne)	875	615	100 USD
USD sensitivity [1) 2)]			
USD sensitivity Oil & Energy	2,900	785	1 NOK
USD sensitivity Aluminium	2,100	1,475	1 NOK
USD sensitivity before financial items	5,000	2,260	1 NOK
USD sensitivity financial items [3)]	(2,500)	(1,400)	1 NOK
USD sensitivity, NET	2,500	860	1 NOK

1) Reference prices: Oil 18 USD/bbl, Aluminium 1,500 USD/tonne and NOK/USD echange rate 8.0.
2) USD sensitivity estimates assuming USD/NOK changes, all other currencies fixed against NOK.
3) Excluding cash flow and equity hedge total exposure USD 1,100 million and USD 350 million debt in USD-based subsidiaries

Risk Management

Risk management in Hydro is based on the principle that risk evaluation is an integral part of all business activities. Therefore responsibility for risk management is placed within the Company's business areas. Each business area has policies and procedures in place for monitoring risks, assessing appropriate risk levels, and mitigating risk.

However, overall and aggregated risk positions are also assessed at the Group level, most notably in the following categories:

- Business Strategy and Management - including events that may impact the Company's reputation and brand;
- Financial Risks – including events that may have impact on net interest-bearing debt/equity ratio, liquidity and credit rating;
- Commercial Risks – mainly comprising fluctuations in commodity prices, currencies and interest rates;
- Operational and Human Resource Risks - comprises continuity risk and risks related to non-performance of employees;
- Health, security, safety, environmental issues and potential impact on communities.

The discussion below is limited to financial and commercial risks with a focus on commodity prices, foreign exchange rates and interest rates.

Financial and Commercial Risk Management – A Commercial Risk Board headed by the Company's Chief Financial Officer meets regularly to assess and monitor the financial and commercial risks of the Group. The execution of the management approach to these risks includes establishing and maintaining policies and procedures as well as monitoring risk exposures and positions.

The overall objective of financial and commercial risk management is to safeguard Hydro's ability to continuously meet its cash commitments. Shortfalls in operational cash flow due to unfavourable developments in prices of main products, raw materials and/or

exchange rates could substantially impact Hydro's financial position. Cash commitments are risk evaluated against cash flow from operations. Probabilities of not meeting set financial targets are monitored. Simulations of cash flow scenarios, using a 3-year rolling horizon, are carried out for this purpose. The outcome of this analysis is reported to management on a quarterly basis.

The primary focus in managing financial and commercial risk includes identifying and monitoring the Company's main risk exposures; quantifying the potential impact on key financial ratios and proposing corrective actions when deemed appropriate.

The overall management of Hydro's financial and commercial risk profile is therefore to a large extent focused on financial policies. This implies prioritizing maintaining the financial strength of the Group including establishing a debt to equity ratio target of 0.5; maintaining satisfactory liquid reserves, and maintaining a good overall credit standing.

Use of Derivatives - Mitigating financial and commercial risk exposures through the use of derivative instruments is done only to a limited extent. For this purpose, Hydro utilizes financial derivatives as well as commodity derivatives for crude and other oil and gas products, aluminium, and electricity. The most common use of derivatives relates to currency and aluminium forwards as part of day-to-day operational hedging of the Company's aluminium operations.

Accounting for Derivative contracts - For accounting purposes, unless otherwise indicated below, derivative financial and commodity instruments are evaluated against current market values (marked-to-market) with the resulting gain or loss reflected in earnings. This is because the manner in which derivative instruments are used does not meet the criteria for hedge accounting treatment established by Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities". This can result in volatility in earnings since the associated gain or loss on the related physical transactions may be reported in earnings in different periods.

Commodity price risk

A substantial portion of Hydro's revenue is derived from the sale of commodities such as crude oil, aluminium, and fertilizers. Hydro also produces, purchases and sells natural gas, electricity and petrochemical products. The prices of these commodities can be volatile, creating fluctuations in Hydro's earnings. As described above, the Company's main strategy to manage this exposure relates to maintaining a strong financial position to be able to meet fluctuations in prices and earnings. Natural hedging positions are established to the extent possible and economically viable.

However derivatives are used in special situations to mitigate price movements and to participate in limited speculative trading within strict guidelines defined by management. The following highlights Hydro's main commodity price risks.

Oil

Hydro produces and sells crude oil and gas liquids. Hydro utilizes futures and swaps to mitigate unwanted price exposure for a portion of its crude oil portfolio production. From time to time financial options are used for the same purpose.

For the purpose of protecting against the risk of low oil prices, in 2002 Hydro purchased average rate put options (Asian options) to sell 10 million barrels of oil in the first half of 2003 for an average strike price of US dollar 17 per barrel. The options expired on June 30, 2003. At the end of 2003 Hydro has no hedging program in place for the purpose of protecting against the risk of low oil prices.

Natural gas

Hydro is a producer, consumer, buyer and seller of natural gas. The internal consumption of natural gas will decrease significantly with the demerger of the Agri activity.

The majority of Hydro's equity gas production is sold to European counterparties based on long-term gas supply contracts. Contract prices are mainly indexed to oil prices. Hydro is also participating in limited speculative trading as described above.

In order to reduce the risk in the natural gas portfolio against unfavorable fluctuations in gas and oil prices, Hydro utilizes instruments such as forwards and swaps to mitigate unwanted price exposures for a portion of its natural gas portfolio.

Electricity

Hydro is a producer and consumer of electricity. Hydro's consumption of electricity exceeds its production both in Norway and in Continental Europe. The deficit is principally covered through long-term purchase contracts with other producers and suppliers to secure electricity in the market for Hydro's own consumption and delivery commitments.

In order to manage and hedge the risks of unfavorable fluctuations in electricity prices and production volume, Hydro utilizes both physical contracts and financial derivative instruments such as futures, forwards and options. These are traded either bilaterally or over electricity exchanges such as the Nordic power exchange ("Nord Pool"). Hydro also engages in third party trading by offering power portfolio management services and participating in limited speculative trading.

Aluminium

Hydro is a leading producer of primary aluminium and fabricated aluminium products. The primary aluminium smelters are located in Norway, Germany, Australia, Slovakia and Canada. Downstream activities are mainly located in Europe, the Americas and Asia. To support the metal supplier concept, Hydro also engages in trading of aluminium and related raw material.

Aluminium Production is based on two basic raw materials, aluminium oxide (alumina) and electricity. Hydro is producing alumina in joint venture plants in Brazil and Jamaica, covering approximately 50 % of required volumes. The remaining needs are covered through long-term contracts. Availability of electricity is secured through own production and contracts with external suppliers.

The main purpose of Hydro's sourcing and trading activity is to

obtain raw materials for Hydro's smelters. A natural extension of this is to also be an external supplier of raw materials used in the aluminium production process and aluminium metal products. In addition the trading contributes to optimize capacity utilization and to reduce logistical costs, as well as strengthening market positions by providing customers with flexibility in pricing and sourcing. Hydro also has considerable activities relating to remelting and long-term commercial agreements to secure sourcing of casthouse products. When considering the risk profile of Hydro's aluminium activities, the significant external volumes of physical aluminium and raw materials sourced and traded are also taken into consideration.

LME future contracts: Hydro enters future contracts with the LME mainly for two purposes. The first is to achieve an average aluminium price on smelter production. Secondly, because the Company's downstream business and the sale of third party products are margin businesses, Hydro hedges metal prices when entering into customer and supplier contracts with corresponding future contracts at fixed prices (back-to-back hedging).

The majority of these contracts mature within one year. Hydro manages these hedging activities on a portfolio basis, taking LME positions based upon net exposures. Accordingly, it is difficult to meet certain hedge accounting criteria. As a result, aluminium price volatility can result in significant fluctuations in the marked-to-market adjustments for LME positions recorded to operating income

Sunndal hedging program: The expansion project at the Sunndal metal plant increased Hydro's exposure to commodity prices and foreign currency exchange rates. Accordingly, Hydro has entered into short positions using LME future contracts and US dollar forward contracts to secure an average aluminium price of approximately NOK 14,000 per tonne of a portion of the forecasted sales of primary metal production per year for the period 2003 to 2007. This hedging strategy meets certain hedging criteria in accordance with SFAS 133, and has therefore been designated as a cash flow hedge.

Hydro also has a commitment through 2009 with Aluvale to purchase a fixed tonnage of remelt ingot per year. At the end of 2002, Hydro entered into short positions using LME futures to hedge against the fluctuations in the fair value of the purchase commitment due to changes in the LME price of aluminium over the period of 2003 - 2006.

Foreign currency exchange rate risk

Prices of many of Hydro's most important products, mainly crude oil, aluminium, natural gas and magnesium, are either denominated in US dollars or are influenced by movements in the value of other currencies against the US dollar.

The cost of raw materials, including natural gas, NGLs and alumina, are affected by the US dollar price of crude oil, and variations in the US dollar exchange rates against local currencies. Hydro's primary foreign currency risk is therefore linked to fluctuations in the value of the US dollar.

Hydro also incurs cost related to production, distribution and marketing of products in a number of different currencies related to the countries of operation. As a result, the effects of changes in currency rates on the translation of local currencies into Norwegian kroner for subsidiaries outside of Norway can influence comparative results of operations.

Normally, Hydro's operating income will increase when the US dollar appreciates against European currencies and decline when the value of the US dollar falls. To reduce the long-term effects of fluctuations in the US dollar exchange rates, Hydro has issued most of its debt in US dollars (as of 31 December, 2003, approximately two thirds of Hydro's long-term debt was denominated in US dollars). When the dollar weakens, the decline in operating income is offset by unrealized currency gains and lower interest expense relating to the dollar denominated debt. Conversely, a stronger US dollar improves operating income but also results in unrealized currency losses and higher interest expense.

The remaining long-term debt was denominated in Norwegian kroner, Euro, Swedish kroner, and British pounds.

Hydro also employs foreign currency swaps and forward currency contracts to modify the currency exposures for Hydro's long-term debt portfolio. Foreign currency swaps allow Hydro to raise long-term borrowings in one currency and swap them into another with lower funding costs rather than borrowing directly in the second currency.

Forward currency contracts are entered into to safeguard cash flows for forecasted future transactions or to cover short-term liquidity needs in one currency through excess liquidity available in another currency. Using short-term forward currency swaps reduce funding costs, as it is alternative to drawing a short-term loan in one currency and investing short-term in another.

In order to reduce effects of foreign exchange rate fluctuations on reported results, Hydro has designated a portion of its foreign denominated long-term debt, including certain related balances in currencies arising from foreign currency swaps and forwards, as hedges of net foreign investments in subsidiary companies. The foreign exchange gains and losses on this debt are recorded as a separate component of shareholders' equity. The same applies to certain foreign exchange contracts designated as cash flow hedges.

Interest rate risk

Hydro is exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and fund its business operations in different currencies. Hydro maintains a high ratio of long-term, fixed-rate debt, as a proportion of its total interest bearing debt, with an even debt repayment schedule.

Hydro uses foreign exchange and interest rate swaps from time to time and other derivatives to optimize currency and interest rate exposure.

Credit risk

Internal policies limit credit risk by setting counterparty risk limits, requiring insurance of risks, and establishing procedures for monitoring exposures and settlement of accounts. The overall risk level of the Group is reduced through a diversified customer base repre-

senting various industries and geographic areas. Follow-up of timely payments of accounts receivables has been given high priority in the Hydro Group.

Credit risk arising from the inability of a counterparty to meet the terms of derivative financial instrument contracts is generally limited to amounts by which the counterparty's obligations exceed the obligations of Hydro. It is Hydro's policy to enter into derivative financial instruments only with banks with pre-approved exposure limits. Hydro's policy also requires pre-approved exposure limits for financial institutions relating to current accounts, deposits and other obligations. Therefore, counter party risk related to use of derivative financial instruments and financial operations is regarded as limited.

Hydro also has exposure to credit risk related to derivative commodity instruments. However, this risk is substantially limited since most instruments are settled through commodity exchanges. Hydro limits credit risks relating to derivative commodity contracts that not traded on exchanges by setting policies for credit ratings and limits for counterparties.

Sensitivity analysis

The indicative income statement sensitivities for Hydro's main exposures are included in the introduction to Risk Management above. The sensitivities presented for aluminium and crude oil, and the US dollar sensitivity for the Business areas exclude the effects of any hedges. The sensitivity related to outstanding derivatives as of December 31, 2003 is analyzed in following section.

In accordance with applicable requirements of the US Securities and Exchange Commission (SEC), Hydro has chosen to provide information about market risk and potential exposure to hypothetical loss from its use of derivative financial instruments and other financial instruments and derivative commodity instruments through sensitivity analysis disclosures. Such disclosures are intended to express the potential loss in fair values of market risk sensitive instruments resulting from one or more selected hypothetical changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market rates or prices over a selected period of time.

The sensitivity analysis depicted in the tables below reflects the hypothetical loss in fair values assuming a 10 percent change in rates or prices and no changes in the portfolio of instruments as of December 31, 2003 and December 31, 2002, respectively. Hydro's management cautions against relying on the information presented. This is due to the arbitrary nature of assumptions involved, the inability of such a simple analysis to model reality, continuous changes to Hydro's portfolio and the exclusion of certain of Hydro's positions necessary to reflect the net market risk of the Group. Accordingly, the information does not represent management's expectations about probable future effects on results.

The most significant limitations on the figures provided are as follows:

- The tables only include the effects of the derivative instruments discussed above and of certain financial instruments (see Footnote 3 below). It does not include any related physical positions, contracts, and anticipated transactions that many of the derivatives instruments are meant to secure. A rate or price change of 10 percent will often result in a corresponding effect to the fair value of the physical or underlying position such that the resulting gains and losses would offset.

- As allowed by the SEC regulations, Hydro has excluded accounts payable and accounts receivable from the presentation which may have had a significant effect on the foreign exchange risk figures provided.

- The computations, which provide the most negative effect to Hydro of either a 10 percent increase or decrease in each rate or price, do not take into account correlations which would be expected to occur between the risk exposure categories. For example, the effect that a change in a foreign exchange rate may have on a commodity price is not reflected in the tables.

- It is not likely that all rates or prices would simultaneously move in directions that would have negative effects on Hydro's portfolio of instruments.

The effects of these limitations on the estimates may be material.

The overall use of derivatives related to commodities has been relatively stable compared to 2002 in the business areas. Exceptions are the oil and gas area where there is currently no hedging of oil prices. However, other derivatives in oil and gas trading are used more frequently. Use of derivatives within the electricity area has decreased from year end 2002 due to the special market situation in the Nordic region at that time.

Use of financial derivatives, mainly foreign exchange forward contracts has been stable. The reduced negative fair value of financial instruments includes the effects of increased cash positions and reduction of long-term debt in various currencies.

The year-end fair values and sensitivities of derivatives are influenced by the price at which contracts are entered into and the market prices at year-end. As commodity markets, currency markets and interest rates are volatile, effects on the value of derivatives measured at year-end may be substantial. However, as explained above the underlying positions offset the effects of derivatives. When evaluating fair value and sensitivity effects on financial instruments, the long-term nature and the underlying values and exposures must be taken into consideration (see note 3 to the table below).

As of 31 December, 2003 Hypothetical loss from +/- 10% change in:

Amounts in NOK million (unaudited)	Fair value as of 31 December, 2003[1)]	Interest rates	Foreign currency exchange rates	Commodity prices	Volatitlity	Other
Derivative instruments related to:						
Commodities	719	3	79	264	-	-
Other[2)]	2,410	30	823	-	-	-
Financial instruments[3)]	(19,880)	1,870	2,261	-	-	57

As of 31 December, 2002 Hypothetical loss from +/- 10% change in:

NOK million (unaudited)	Fair value as of 31 December, 2002[1)]	Interest rates	Foreign currency exchange rates	Commodity prices	Volatility	Other
Derivative instruments related to:						
Commodities	1,419	4	123	684	6	-
Other[2)]	1,520	59	705	-	7	-
Financial instruments[3)]	(32,155)	1,353	3,197	-	-	57

1. The change in fair value due to price changes is calculated based upon pricing formulas for certain derivatives, the Black-Scholes model for options and the net present value of cash flows for certain financial instruments or derivatives. Discount rates used vary as appropriate for the individual instruments.
2. Other mainly includes forward currency contracts and currency swaps.
3. Financial instruments include cash and cash equivalents, investments in marketable securities, bank loans and other interest bearing short-term debt and long-term debt. A substantial portion of the hypothetical loss in fair value for changes in interest rates relates to Hydro's long-term fixed rate debt. As Hydro expects to hold this debt until maturity, changes in the fair value of debt would not be expected to affect earnings.

The above discussion about Hydro's risk management policies and the estimated amounts generated from the sensitivity analyses are "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected due to actual developments in the global markets. Information related to the fair values for the commodity and financial instruments and hedge accounting strategies as of December 31, 2003 can be found in Note 24 in Notes to the consolidated financial statements.

The methods used by Hydro to analyze risks discussed above should not be considered projections of future events or losses.

Consolidated income statements US GAAP

Norsk Hydro ASA and subsidiaries

Year ended 31 December, Amounts in million (except per share amounts)	Notes	**2003 NOK**	**2003 EUR*)**	2002 NOK	2001 NOK
Operating revenues	5	**171,782**	**20,468**	167,040	152,999
Raw materials and energy costs		**101,320**	**12,072**	103,711	94,741
Payroll and related costs	7, 20	**21,785**	**2,596**	20,333	17,237
Depreciation, depletion and amortization	5, 15, 16	**15,093**	**1,798**	13,912	12,273
Other	7, 25	**9,326**	**1,111**	9,253	6,744
Restructuring costs	6	**-**	**-**	(10)	921
Operating costs and expenses		**147,524**	**17,577**	147,199	131,916
Operating income	5	**24,258**	**2,891**	19,841	21,083
Equity in net income of non-consolidated investees	5, 13	**1,229**	**146**	33	566
Financial income (expense), net	8, 11, 24	**201**	**24**	1,935	(762)
Other income (expense), net	5, 9	**(1,212)**	**(145)**	219	578
Income before taxes and minority interest		**24,476**	**2,916**	22,028	21,465
Income tax expense	10	**(13,937)**	**(1,661)**	(13,278)	(13,750)
Minority interest		**148**	**18**	15	177
Income before cumulative effect of change in accounting principle		**10,687**	**1,273**	8,765	7,892
Cumulative effect of change in accounting principle		**281**	**34**	-	-
Net income	28	**10,968**	**1,307**	8,765	7,892
Earnings per share before change in accounting principle	3	**41.50**	**4.94**	34.00	30.50
Earnings per share	3	**42.60**	**5.08**	34.00	30.50

Consolidated statements of comprehensive income **)

Net income		**10,968**	**1,307**	8,765	7,892
Net unrealized gain (loss) on securities available-for-sale	3	**-**	**-**	(31)	41
Minimum pension liability adjustment	3	**(113)**	**(13)**	(323)	(397)
Net investment hedge	3	**(333)**	**(40)**	1,333	89
Cash flow hedges	3	**35**	**4**	979	136
Net foreign currency translation adjustments	3	**4,856**	**579**	(7,207)	(794)
Total other comprehensive income (loss), net of tax	3	**4,445**	**530**	(5,249)	(925)
Comprehensive income, net of tax		**15,413**	**1,837**	3,516	6,967

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2003, which was 8.3928 (unaudited).
**) Changes in shareholders' equity include net income together with other changes not related to investments by and distribution to shareholders. (See Note 3).

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheets US GAAP

Norsk Hydro ASA and subsidiaries

31 December, Amounts in million	Notes	2003 NOK	2003 EUR*)	2002 NOK
Assets				
Cash and cash equivalents		**15,249**	**1,817**	5,965
Other liquid assets	11	**1,581**	**188**	2,647
Accounts receivable, less allowances of 1,484 and 1,102		**27,271**	**3,249**	25,280
Inventories	12	**17,350**	**2,068**	17,232
Prepaid expenses and other current assets		**12,965**	**1,545**	13,055
Current deferred tax assets	10	**1,267**	**151**	2,218
Current assets	5	**75,683**	**9,018**	66,397
Non-consolidated investees	13	**12,711**	**1,515**	11,499
Property, plant and equipment, less accumulated depreciation, depletion and amortization	15	**114,998**	**13,702**	112,342
Prepaid pension, investments and other non-current assets	14, 16, 20	**14,387**	**1,714**	15,081
Deferred tax assets	10	**850**	**101**	1,892
Non-current assets	5	**142,946**	**17,032**	140,814
Total assets	5	**218,629**	**26,050**	207,211
Liabilities and shareholders' equity				
Bank loans and other interest-bearing short-term debt	17	**5,569**	**664**	7,306
Current portion of long-term debt	19	**1,242**	**148**	1,958
Other current liabilities	18	**42,890**	**5,110**	38,331
Current deferred tax liabilities	10	**638**	**76**	262
Current liabilities		**50,339**	**5,998**	47,857
Long-term debt	19	**28,568**	**3,404**	30,902
Accrued pension liabilities	20	**9,533**	**1,136**	8,385
Other long-term liabilities	21	**8,004**	**954**	6,248
Deferred tax liabilities	10	**33,445**	**3,984**	36,809
Long-term liabilities		**79,550**	**9,478**	82,344
Minority shareholders' interest in consolidated subsidiaries		**660**	**79**	1,143
Share capital	3	**5,332**	**635**	5,332
Additional paid-in capital	3	**15,071**	**1,796**	15,088
Retained earnings	3	**71,516**	**8,522**	63,260
-Treasury stock	3	**(3,523)**	**(420)**	(3,052)
Accumulated other comprehensive income (loss)	3	**(316)**	**(38)**	(4,761)
Shareholders' equity	3, 28	**88,080**	**10,495**	75,867
Total liabilities and shareholders' equity		**218,629**	**26,050**	207,211

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2003, which was 8.3928 (unaudited).

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of cash flows

US GAAP and N GAAP [1)]

Year ended 31 December, Amounts in million	Notes	**2003 NOK**	**2003 EUR*)**	2002 NOK	2001 NOK
Operating activities:					
Net income		**10,968**	**1,307**	8,765	7,892
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, depletion and amortization	5	**15,093**	**1,798**	13,912	12,273
Restructuring costs	6	**-**	**-**	(10)	921
Equity in net income of non-consolidated investees	5, 13	**(1,229)**	**(146)**	(33)	(566)
Dividends received from non-consolidated investees		**594**	**71**	414	472
Deferred taxes	10	**(1,618)**	**(193)**	(619)	(313)
Loss (gain) on sale of non-current assets		**(835)**	**(99)**	823	(937)
Loss (gain) on foreign currency transactions	8	**(1,035)**	**(123)**	(3,262)	416
Net sales (purchases) of trading securities		**245**	**29**	616	(112)
Other		**2,222** [2)]	**265**	450	773
Working capital changes that provided (used) cash:					
Receivables		**(1,216)**	**(145)**	(1,959)	3,627
Inventories		**(111)**	**(13)**	1,758	1,894
Prepaid expenses and other current assets		**1,758**	**209**	(1,777)	(355)
Other current liabilities		**(258)**	**(31)**	2,707	187
Net cash provided by operating activities		**24,578**	**2,928**	21,785	26,172
Investing activities:					
Purchases of property, plant and equipment		**(15,467)**	**(1,843)**	(19,573)	(14,348)
Purchases of other long-term investments		**(1,017)**	**(121)**	(18,104)	(1,663)
Net sales (purchases) of short-term investments		**1,142**	**136**	(1,154)	42
Proceeds from sales of property, plant and equipment		**941**	**112**	908	629
Proceeds from sales of other long-term investments		**6,561**	**782**	1,477	659
Net cash used in investing activities		**(7,840)**	**(934)**	(36,446)	(14,681)
Financing activities:					
Loan proceeds		**298**	**35**	707	408
Principal repayments		**(5,342)**	**(636)**	(4,196)	(2,865)
Ordinary shares purchased	3	**(555)**	**(66)**	-	(1,155)
Ordinary shares issued		**77**	**9**	70	92
Dividends paid	3	**(2,711)**	**(323)**	(2,576)	(2,470)
Net cash used in financing activities		**(8,233)**	**(981)**	(5,995)	(5,990)
Foreign currency effects on cash flows		**779**	**93**	(527)	(119)
Net increase (decrease) in cash and cash equivalents		**9,284**	**1,106**	(21,183)	5,382
Cash and cash equivalents at beginning of year		**5,965**	**711**	27,148	21,766
Cash and cash equivalents at end of year		**15,249**	**1,817**	5,965	27,148
Cash disbursements were made for:					
Interest (net of amount capitalized)		**1,135**	**135**	1,363	357
Income taxes		**16,211**	**1,932**	13,935	14,006

*) Presentation in euro is a convenience translation based on the exchange rate at 31 December 2003, which was 8.3928 (unaudited).

1) There are no material differences between consolidated statements of cash flows according to US GAAP and Norwegian accounting principles (N GAAP).

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

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated income statements N GAAP

Norsk Hydro ASA and subsidiaries

Year ended 31 December, Amounts NOK million	Notes	2003	2002	2001
Operating revenues	5	**171,782**	167,049	153,133
Raw materials and energy costs		**101,085**	105,438	94,194
Change in inventories of own production		**235**	(1,727)	547
Payroll and related costs	7, 20	**21,785**	20,333	17,237
Depreciation, depletion and amortization	5, 15, 16	**15,219**	14,263	12,257
Other		**9,510**	8,941	6,767
Restructuring costs	6	**-**	(10)	921
Operating costs and expenses	7	**147,834**	147,238	131,923
Operating income	5	**23,948**	19,811	21,210
Equity in net income of non-consolidated investees	5, 13	**1,191**	23	566
Financial income (expense), net	8, 11, 24	**201**	1,935	(762)
Other income (expense), net	5, 9	**(1,212)**	219	578
Income before taxes and minority interest		**24,128**	21,988	21,592
Income tax expense	10	**(13,879)**	(13,377)	(13,859)
Net income		**10,249**	8,611	7,733
Minority interest		**148**	15	177
Net income after minority interest	28	**10,397**	8,626	7,910

Oslo 2 March, 2004

Egil Myklebust, Chair

Borger A. Lenth, Deputy Chair

Elisabeth Grieg

Anne Cathrine Høeg Rasmussen

Håkan Mogren

Ingvild Myhre

Geir Nilsen

Odd Semstrøm

Steinar Skarstein

The accompanying notes are an intergral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 28 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

Eivind Reiten, President and CEO

Consolidated balance sheets N GAAP

Norsk Hydro ASA and subsidiaries

31 December, Amounts in NOK million	Notes	2003	2002
Assets			
Deferred tax assets	10	**1,110**	2,184
Other intangible assets	14, 16	**2,660**	3,038
Intangible assets		**3,770**	5,222
Property, plant and equipment	15	**114,998**	113,443
Non-consolidated investees	13	**12,661**	11,490
Prepaid pension, investments and other non-current assets	14, 16, 20	**10,299**	13,686
Financial non-current assets		**22,960**	25,176
Inventories	12	**17,350**	17,232
Accounts receivable, less allowances of 1,484 and 1,102		**27,271**	25,280
Prepaid expenses and other current assets		**12,309**	12,932
Other liquid assets	11	**1,581**	2,647
Cash and cash equivalents		**15,249**	5,965
Current assets		**73,760**	64,056
Total assets	5	**215,488**	207,897
Liabilities and shareholders' equity			
Share capital	3	**5,332**	5,332
- Treasury stock		**(198)**	(173)
Premium paid-in capital		**15,055**	15,055
Other paid-in capital		**16**	33
Total paid-in capital		**20,205**	20,247
Retained earnings incl. treasury stock	3	**66,796**	54,833
- Treasury stock		**(3,325)**	(2,879)
Total retained earnings		**63,471**	51,954
Minority shareholders' interest in consolidated subsidiaries		**660**	1,143
Shareholders' equity	3, 28	**84,336**	73,344
Accrued pension liabilities	20	**9,533**	8,385
Deferred tax liabilities	10	**32,585**	35,196
Other long-term liabilities	21	**7,996**	9,766
Long-term liabilities		**50,114**	53,347
Long-term debt	19	**28,568**	30,902
Bank loans and other interest-bearing short-term debt	17	**5,569**	7,306
Current portion of long-term debt	19	**1,242**	1,958
Dividends payable		**2,811**	2,709
Other current liabilities	18	**42,848**	38,331
Current liabilities		**52,470**	50,304
Total liabilities and shareholders' equity		**215,488**	207,897

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 28 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

1. Summary of Significant Accounting Policies

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries (Hydro) prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) are included on pages 88 to 90. The consolidated financial statements prepared in accordance with accounting principles generally accepted in Norway (N GAAP) are located on pages 90 to 92. Financial statement preparation requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

The accompanying notes include disclosures required by US GAAP as well as disclosures in accordance with N GAAP and are an integral part of both sets of financial statements. The following description of accounting principles applies to both US GAAP and N GAAP unless otherwise specified.

Note 28 provides a reconciliation and explanation of the differences between net income and shareholders' equity for US GAAP and N GAAP.

Consolidation

The consolidated financial statements include Norsk Hydro ASA and subsidiary companies where Hydro controls directly or indirectly more than 50 percent of the voting interests. In certain circumstances, Hydro may control an entity through contractual arrangements or other means. Currently, Hydro does not have any consolidated subsidiaries based on means other than majority of voting rights. All significant intercompany transactions and balances have been eliminated.

Investments in companies (non-consolidated investees) in which Hydro exercises significant influence are accounted for using the equity method. The equity method involves showing the investment at Hydro's share of the equity in the investee, including any excess values or goodwill. Hydro's share of net income, including depreciation and amortization of excess values, is included in Equity in net income of non-consolidated investees. Material unrealized profits resulting from transactions with an investee is eliminated.

Significant influence normally exists when Hydro has a substantial ownership interest of 20 to 50 percent of voting shares. Hydro uses the equity method for a limited number of investees where Hydro owns less than 20 percent of the voting rights, based on an evaluation of the governance structure in each investee. In corporate joint ventures, special voting rights in some companies give each of the partners decision rights that exceeds what normally follows from the ownership share. This may be in form of a specific number of board representatives, in the form of right of refusal for important decisions, or by requiring a qualified majority for all or most of the important decisions. Participation in joint ventures are accounted for using the equity method, except for jointly controlled assets where the partners have an undivided interest. These and other participation in joint ventures in the upstream oil- and gas business are accounted for using the pro rata method.

Hydro reviews non-consolidated investees for impairment if indications of loss in value is identified. As Hydro's non-consolidated investees generally are not listed on a stock exchange or regularly traded, our impairment review for such investees can only in rare cases be based on market prices. Impairment indications may be operating losses, or adverse market conditions. Fair value of the investment is estimated based on valuation model techniques. If it is considered probable that the fair value of the investee is below Hydro's carrying value, the investment is written down as impaired.

Business Combinations

Acquisitions are accounted for using the purchase method. See note 2 for a description of significant acquisitions and disposals during the past three years. All business combinations are accounted for as acquisitions (purchase accounting). Purchase accounting involves recording assets and liabilities of the acquired company at their fair value at the time of acquisition. Any excess of purchase price over fair value is recorded as goodwill. When the ownership interest in a subsidiary is less than 100 percent, the recorded amount of assets and liabilities acquired reflect only Hydro's relative share of excess values.

For N GAAP, consolidated assets and liabilities reflect 100 percent of the fair market value at the purchase date, except for goodwill. (There are currently no acquisitions giving rise to such differences). The relative portion of any excess value recorded relating to minority shareholders is reflected in the total Minority shareholders interest which is a component of the Group's equity.

Foreign Currency Translation

The financial statements, including any excess values, of foreign operations are translated using exchange rates at year end for the balance sheet, and average exchange rates for the income statement. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in Other comprehensive income.

Foreign Currency Transactions

Realized and unrealized gains or losses on transactions, assets and liabilities denominated in a currency other than the functional currency which do not qualify for hedge accounting treatment are included in net income.

Revenue Recognition

Revenue from sales of products, including products sold in international commodity markets, is recognized when ownership passes to the customer. Generally, this is when products are delivered or shiped. Certain contracts specify price determination in a later period. In these cases, the revenue is recognized in the period prices are determinable. Rebates and incentive allowances are deferred and recognized in income upon the realization or at the closing of the rebate period. In arrangements where Hydro acts as an agent, such as commission sales, only the net commission fee is recognized as revenue.

Revenues from the production of oil and gas are recognized on the basis of the company's net working interest, regardless of

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

whether the production is sold (entitlement method). The difference between Hydro's share of produced volumes and sold volumes is not material.

Trading of physical commodities which are not net settled is presented on a gross basis in the income statement. Activities related to the trading of derivative commodity instruments and physical commodities where net settlement occurs, are reported on a net basis, with the margin included in operating revenues.

Cash and Cash Equivalents

Cash and cash equivalents include cash, bank deposits and all other monetary instruments with a maturity of less than three months at the date of purchase.

Other Liquid Assets

Other liquid assets include bank deposits and all other monetary instruments with a maturity between three and twelve months at the date of purchase and Hydro's current portfolio of marketable equity and debt securities. The securities in this portfolio are considered trading securities and are valued at fair value. The resulting unrealized holding gains and losses are included in financial income and expense. Investment income is recorded when earned.

Inventories

Inventories are valued at the lower of cost, using the first-in, first-out method (FIFO), or net realizable value. Cost includes direct materials, direct labor and the appropriate portion of production overhead or the price to purchase inventory.

Investments

Investments include Hydro's portfolio of long-term marketable equity securities in which there is less than 20 percent ownership. The portfolio is considered available-for-sale securities and is valued at fair value. The resulting unrealized holding gains and losses, net of applicable taxes, are credited or charged to Other Comprehensive Income and accordingly do not affect net income. Other investment income is recorded when earned.

For N GAAP, investments are valued at the lower of historical cost or market value. [Note 28].

Property, Plant and Equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation, depletion and amortization. If a legal obligation for the retirement of a tangible long-lived asset is incurred, the carrying value of the related asset is increased by the estimated fair value of the asset retirement obligation upon initial recognition of the liability. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If necessary, a write-down (impairment) to fair value is recorded based upon the criteria in Statement of Financial Accounting Standards (SFAS) 144.

For N GAAP, NRS(F) Impairment of Assets, revised in 2002, requires impairment of long-lived assets to be to measured as the difference between carrying value and recoverable amount for the asset. Recoverable amount is defined as the higher of an asset's value in use estimated as discounted cash flows, and its net selling price.

Periodic maintenance and repairs applicable to production facilities are accounted for on an accrual basis. Normal maintenance and repairs for all other properties are expensed as incurred. Major replacements and renewals that materially extend the life of properties are capitalized and any assets replaced are retired.

Capitalized Interest Interest is capitalized as part of the historical cost of major assets constructed.

Leased Assets Leases which provide Hydro with substantially all the rights and obligations of ownership are accounted for as capital leases. Such leases are valued at the present value of minimum lease payments or fair value if lower, and recorded as assets under property, plant and equipment. The liability is included in long-term debt. The assets are subsequently depreciated and the related liabilities are reduced by the amount of the lease payments less the effective interest expense. Other leases are accounted for as operating leases with lease payments recognized as an expense over the lease term.

Environmental Expenditures Environmental expenditures which increase the life, capacity, or result in improved safety or efficiency of a facility are capitalized. Expenditures that relate to an existing condition caused by past operations are expensed. Liabilities are recorded when environmental assessments or clean-ups are probable and the cost can be reasonably estimated.

Exploration and Development Costs of Oil and Gas Reserves Hydro uses the "successful efforts" method of accounting for oil and gas exploration and development costs. Exploratory costs, excluding the costs of exploratory wells and acquired exploration rights, are charged to expense as incurred. Drilling costs for exploratory wells are capitalized pending the determination of the existence of proved reserves. If reserves are not found, the drilling costs are charged to operating expense. Cost relating to acquired exploration rights are allocated to the relevant areas, and charged to operating expense upon determination that proved reserves will not be found in the area. Each block or area is assessed separately, based on exploration experience and management's judgment. All development costs for wells, platforms, equipment and related interest are capitalized. Preproduction costs are expensed as incurred.

Depreciation, Depletion and Amortization Depreciation is determined using the straight line method with the following rates:

Machinery and equipment	5 – 25 percent
Buildings	2 – 5 percent
Other	10 – 20 percent

Producing oil and gas properties are depreciated as proved developed reserves are produced using the unit-of-production method calculated by individual field.

Depreciation and depletion expense includes accretion of discounted asset retirement obligations.

Intangible Assets

Intangible assets acquired individually or as a group are recorded at fair value when acquired. Intangible assets acquired in a business combination are recognized at fair value separately from goodwill when they arise from contractual or legal rights or can be separated from the acquired entity and sold or transferred. Intangible assets with finite useful lives are amortized on a straight line basis over their benefit period. Intangible assets determined to have indefinite useful lives are not amortized until a finite life can be determined. These intangible assets are subject to impairment testing on an annual basis.

Goodwill

When a business is acquired, purchase price in excess of the identified fair value of assets and liabilities is accounted for as goodwill. Under SFAS 142, goodwill is no longer systematically amortized, but reviewed at least annually for impairment. Goodwill is recorded at the reporting unit level (for Hydro this is the sector level. See note 5 for a description of sectors). The impairment test requires fair value of the sector to be compared to the carrying value of the sector.

For N GAAP, goodwill is amortized over a period not exceeding 10 years. [Note 28]

Oil and Gas Royalty

Oil and gas revenue is recorded net of royalties payable.

Shipping costs

Shipping and handling costs are included in Other operating expenses. Shipping and handling cost invoiced to customers are included in Operating revenues.

Research and Development

Research and development costs are expensed as incurred.

Other Income (Expense), net

Transactions resulting in income or expense which are material in nature and from sources other than normal production and sales operations are classified as other income and expense.

Income Taxes

Deferred income tax expense is calculated using the liability method in accordance with SFAS 109. Under this method, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis which are considered temporary in nature. Deferred income tax expense represents the change in deferred tax asset and liability balances during the year except for deferred tax related to items charged directly to equity. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective.

Hydro recognizes the effect of uplift, a special deduction for petroleum surtax in Norway, at the investment date. Deferred taxes are not provided on undistributed earnings of most subsidiaries, as such earnings are deemed to be indefinitely reinvested.

For N GAAP, Hydro follows the NRS' (The Norwegian Accounting Standards Board) standard which, like SFAS 109, is based on the liability method. [Note 28].

Derivative Instruments

Derivative financial instruments are marked to their market value with the resulting gain or loss reflected in net financial expense, except when the instruments meet the criteria for hedge accounting. See Note 24 for the balance sheet classification of these instruments.

Forward currency contracts and currency options are marked to their market value at each balance sheet date with the resulting unrealized gain or loss recorded in Financial income (expense), net.

Interest rate and foreign currency swaps Interest income and expense relating to swaps are netted and recognized as income or expense over the life of the contract. Foreign currency swaps are translated into Norwegian kroner at applicable exchange rates as of the balance sheet date with the resulting unrealized exchange gain or loss recorded in Financial income (expense), net.

Derivative Commodity Instruments Instruments are marked-to-market with their fair value recorded in the balance sheet as either assets or liabilities. Adjustments for changes in the fair value of the instruments are reflected in the current period's revenues and/or operating costs, unless the instrument is designated as a hedging instrument, and qualifies for hedge accounting.

Hedge accounting is applied when specific hedge criteria are met. The changes in fair value of these hedging instruments are offset in part or in whole by corresponding changes in the fair value or cash flows of the underlying exposures being hedged. For cash flow hedges, gains and losses on the hedging instruments are deferred in Other Comprehensive Income (OCI) until the underlying transaction is recognized in earnings. When it is determined that a forecasted hedged transaction is not probable to occur, all the corresponding gains and losses deferred in OCI are immediately recognized in earnings. Any amounts resulting from hedge ineffectiveness for both fair value and cash flow hedges are recognized in current period's earnings. For fair value hedges, both the changes in the fair value of the designated derivative instrument and the changes in the fair value of hedged item are recognized currently in earnings.

Energy contracts are accounted for according to EITF 02-3 Energy Contracts. This standard requires energy contracts that meet the definition of a derivative according to SFAS133 “Accounting for Derivative Instruments and Hedging Activities” and

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

are held for trading, be recorded in the balance sheet at fair value. Changes in the fair value are recorded to earnings for each period unless specific hedge criteria are met. Fair values are based on quoted market prices. Energy contracts that do not meet the criteria of EITF 02-3 are recorded at the lower of historical cost and fair market value. Prior to 2003, energy contracts were measured at fair value in accordance EITF 98-10 "Accounting for Contracts Invloved in Energy Trading and Risk Management Activities".

For N GAAP, commodity derivative instruments that are traded in a regulated, liquid market are marked-to-market with their fair market value recorded in the balance sheet as either assets or liabilities. Unrealized gains and losses for commodity derivative instruments that are not traded in a regulated, liquid market are netted for each portfolio and net unrealized gains are not recognized. Cash flow hedges with derivative instruments are not recognized on the balance sheet or income statement under N GAAP, until the underlying hedged transactions actually occur. [Note 28].

Certain derivative commodity instruments require daily cash settlements, principally London Metal Exchange (LME) futures and options, and oil futures. LME options also involve an initial receipt or payment of a premium and give rise to delivery of an agreed amount of cash if the option is exercised. Most other financial and commodity instruments have a cash effect at settlement date, which are included in the Statements of Cash Flows under operating activities when incurred.

Stock-based Compensation

Hydro accounts for stock based compensation in accordance with Accounting Principles Board (APB) Opinion 25 as interpreted by FIN 28 and provides disclosures required under SFAS 123. For variable awards and awards setteled in cash, compensation cost is measured at the end of each period as the amount by which the market price of the Company's shares exceeds the price of the options. For variable and cash settled awards where vesting depends on achieving a specified improvement in Hydro's share price, compensation cost is measured when it is probable the performance criteria will be met. Compensation is charged to expense over the periods the employee performs the related services.

Hydro also offers treasury shares to employees at discounted prices to encourage share ownership. Issuance of treasury shares at a discount to employees results in a charge to compensation expense based on the difference between the market value of the share at the date of issuance and the price paid by employees.

Employee Retirement Plans

Pension costs are calculated in accordance with SFAS 87 and SFAS 88. Prior service costs are amortized on a straight-line basis over the average remaining service period of active participants. Accumulated gains and losses in excess of 10 percent of the greater of the benefit obligation or the fair value of assets are amortized over the remaining service period of active plan participants.

For N GAAP, the same principle has been applied which is in accordance with the NRS 6 Pension Cost.

Change in Accounting Principles

Asset Retirement Obligations Effective 1 January 2003, Hydro adopted "Financial Accounting Standards No 143 Accounting for Asset Retirement Obligations" (SFAS 143). This Statement requires that the estimated fair value of asset retirement obligations be recorded in the Company's balance sheet in the period in which it is incurred; accordingly, obligations for oil and gas installations are recognized at the start of production. Related asset retirement costs are capitalized as part of the carrying value of the long-lived asset, while the liability is accreted for the change in its present value each reporting period, and the associated asset retirement costs are depreciated over the useful life of the related long-lived asset. As a result of the new accounting standard, a positive after-tax effect of NOK 310 million was recorded as "cumulative effect of change in accounting principles" in the Company's results of 2003. For further information see note 21.

For N GAAP, the change in accounting principle was implemented on a retrospective basis, with the effect recorded to equity. Comparable figures are restated for N GAAP purposes.

Energy contracts Effective 1 January 2003, Hydro adopted EITF 02-3 "Recognition and Reporting of Gains and Losses on Energy Contracts". This standard requires only energy contracts that meet the definition of a derivative according to SFAS133 "Accounting for Derivative Instruments and Hedging Activities" and are held for trading, be recorded in the balance sheet at fair value. Other energy contracts are recorded at the lower of historical cost and fair market value. This change applies to contracts entered into before 25 October, 2002. For contracts entered after 25 October, 2002, the regulation applied from initial recognition. As a result of the new regulation, a negative after-tax effect of NOK 29 million was recorded as "cumulative effect of change in accounting principles" in the Company's results of 2003.

Implementation of EITF 02-3 does not result in a change in accounting principle for N GAAP.

Exit costs Effective 1 January 2003, Hydro adopted Financial Accounting Standards No 146 "Accounting for Costs Associated with Exit or Disposal Activities". The standard supersedes EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)", and changed accounting for costs related to closing and restructuring an activity. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, not at the date of an entity's commitment to an exit plan. Termination benefits for involuntary termination of employees that are not required to render services beyond a minimum retention period are expensed at communication to the employees.

For N GAAP, certain costs are required to be recognized at commitment to an exit plan, and may be recognized in an earlier period than for US GAAP.

Guarantees In November 2002, FASB issued Interpretation (FIN) 45 “Guarantor´s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others”. This Interpretation clarifies certain elements related to measurement and disclosure of guarantees, including product warranties. The interpretation clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the obligations it has undertaken in issuing the guarantee, including its ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. The recognition and measurement provisions are applicable to guarantees issued or modified after December 31, 2002. The adoption of FIN 45 has not materially impacted Hydro’s results of operations and financial position.

Impairment of assets *For N GAAP, Hydro adopted the revised NRS(F) Impairment of Assets, effective 1 January 2002. Impairment tests for property, plant and equipment, goodwill and intangible assets are required to measure impairment as the difference between carrying value and recoverable amount of the asset, either as net selling price or value in use, estimated as discounted future cash flows. An impairment loss should be reversed if the impairment situation no longer exists. This represents a difference between US GAAP and N GAAP.*

Effective 1 January, 2002, Hydro adopted the Financial Accounting Standards No 141 “Business Combinations" (SFAS 141), and Statement No 142, "Goodwill and Other Intangible Assets" (SFAS 142). Under SFAS 142, goodwill is no longer systematically amortized but reviewed at least annually for impairment. Goodwill is allocated to reporting units (for Hydro this is the sector level. See note 5 for a description of sectors). At transition, impairment tests comparing the fair value of sectors with goodwill to the carrying value of the net assets of the respective sectors were performed. SFAS 142 continues the requirement to amortize intangible assets over their estimated useful life. However, if the useful life is determined to be indefinite, no amortization is recognized and the value of the intangible asset is assessed for impairment similar to goodwill. See Note 16 for further information.

For N GAAP the previous regulation regarding accounting for business combinations, intangible assets and goodwill is continued. The implementation of SFAS 141 and 142 results in differences between US GAAP and N GAAP.

Effective 1 January, 2002, Hydro also adopted the Financial Accounting Standards No 144 “Accounting for Impairment or Disposal of Long-Lived Assets”. This standard supercedes SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". SFAS 144 applies to all long-lived assets, including discontinued operations. In addition, it expands the scope for the presentation of discontinued operations to include all components of an entity with operations that are distinguishable and will be eliminated in a disposal transaction.

The change is not expected to represent differences in measurement of transactions compared to N GAAP.

Effective 1 January, 2001, Hydro adopted the Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), as amended by SFAF 138. See further discussion in Note 24.

For N GAAP there is no change in accounting principles related to SFAS 133. As result of a change in the Norwegian Accounting Act, quoted commodity instruments are marked to their market value as from 2001. Changes in fair market value is recorded in income. There were no implementation effects from this change.

Reclassifications

Certain amounts in previously issued consolidated financial statements were reclassified to conform with the 2002 presentation.

New Pronouncements

Issued in January 2003 and revised in December 2003, FASB Interpretation 46 “Consolidation of Variable Interest Entities” (FIN 46R) clarifies the application of Accounting Research Bulletin No. 51, “Consolidated Final Statements”, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support (variable interest entities or VIE’s). The Interpretation provides guidance for determining which party retains the controlling financial interest when the controlling financial interest is achieved through arrangements other that voting interests. As Hydro does not have an controlling interest in so called Special Purpose Entities, or VIE’s created since January 31, 2003, application of the Interpretation is required in its financial statement ending March 31, 2004. Hydro is currently in the process of evaluating existing arrangements that are not Special Purpose Entities to determine if they are variable interest entities.

Preliminary evaluation of the effects of this Interpretation does not indicate material differences between US GAAP and N GAAP for Hydro’s activities.

For N GAAP, NRS(F) Intangible assets was revised in 2003. Effective from 1 January 2004, it requires that intangible assets are recognized at cost if, and only if, (a) it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and (b) the cost of the asset can be measured reliably. The standard requires all expenditure on research to be recognized as an expense when incurred. The change may represent differences for development activities compared to US GAAP.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

2. Demerger, business combinations and dispositions

In November 2003, the board of directors of Hydro entered into a demerger plan, implying that the agri activities will be transferred to a newly formed company, Yara International ASA, which will be listed at the Oslo Stock Exchange. The demerger plan was approved in the extraordinary general meeting in Hydro on 15 January 2004, and will be completed at the earliest 24 March 2004, and no later than 30 June 2004. The company bases its preparation on planned completion during March 2004. The demerger will have financial effect from 1 October 2003. From this date, Yara International ASA have assumed the risk of the agri activities, contingent on completion of the demerger. In the demerger, substantial assets and liabilities, including subsidiaries and non-consolidated investees, will be transferred to Yara. As a result of the demerger, Hydro's share capital will be reduced by 8.5 percent , equal to the estimated relative value of the transferred agri activities compared to the retained activity in Hydro.

Hydro's shareholders at the demerger completion date will receive shares in Yara International ASA equal to 80 percent of the to total value of Yara, based on valuation at the time of the demerger plan (November 2003). The remaining shares in Yara International ASA will be owned by Norsk Hydro ASA. Hydro plans to sell a minimum of half, and up to the total of its share holdings in Yara at the time of demerger. The demerger will be accounted for with continuity in carrying values. Hydro will not recognize any gain, or receive any proceeds, from the demerger. Hydro will receive proceeds, and recognize gain or loss, from sale of Hydro's 20 percent ownership in Yara based on the Hydro's cost, NOK 2,048 million, from establishing the company.

The table below illustrates how assets and liabilities are distributed between Hydro and Yara as of 31 December 2003:

Amounts in NOK million	Hydro	Adjustments	Yara after demerger	Hydro after demerger
Current assets	75,683	8,173	14,161	69,695
Non-current assets	142,946	2,048	11,778	133,216
Total assets	218,629	10,221	25,.939	202,911
Current liabilities	50,339	8,173	13,929	44,583
Long-term liabilities	79,550	-	3,065	76,485
Minority interests	660	-	96	564
Shareholders' equity	88,080	2,048	8,849	81,279
Total liabilities and shareholders' equity	218,629	10,221	25,939	202,911

Hydro's net interest bearing debt as of 31 December war NOK 18.5 billion. Based on distribution of assets and liabilities between Hydro and Yara illustrated above, Hydro's and Yara's net interest bearing debt after demerger would have been NOK 10.9 billion and NOK 7.6 billion, respectively.

The following pro forma information illustrates Hydro as if the demerger had been completed at the beginning of 2002.

Amounts in NOK million	**2003**	2002
Operating revenues	**136,279**	136,114
Operating income	**21,499**	17,667
Income before tax and minority interests [1]	**20,890**	19,410
Income tax expense	**12,851**	12,420
Net income	**8,471**	7,016
Earnings per share	**32.90**	27.20

1) Income before tax and minority interests for 2003 includes a negative non-recurring item of NOK 2,207 million, and income tax expense for 2003 includes a positive non-recurring item of NOK 2,380 million, both related to changes in the tax regulation for future costs for removal of oil and gas installations on the Norwegian continental shelf after completed production.

The pro forma information is based on the following adjustments Results, assets and liabilities related to activities which, according to the demerger plan are to be transferred to Yara are excluded from the pro forma information for Hydro above. The activities to be transferred is not identical with the activities reported as the business area Hydro Agri in Hydro's segment reporting. Pro forma information is based on regulations from the US Securities and Exchange Commission (SEC). Adjustments are made for changes that are directly attributable to the transaction, are factually supportable, and have a ongoing effect. Hydro's general and overhead costs, jointly use of assets and similar previously charged to Hydro Agri, are excluded from the pro forma information only to the extent such costs will be reduced as a direct consequence of the demerger. Similarly, interest expense is reduced only to the extent they are related to external loans which will be transferred to Yara in the demerger. Following the demerger, Hydro will acquire a receivable of NOK 8.1 billion as of the demerger effective date (1 October, 2003), which falls due at the demerger completion. This receivable is included in the balance sheet information above. No pro forma adjustments for interest income related to this receivable has been included, as no decision has been made with regard to Hydro's use of the proceeds. Hydro's tax expense exclusive of demerged activities have been calculated to indicate the tax expenses related to remaining activities. All significant effects of tax consolidation with Yara have been eliminated. Generally, there is a higher degree of uncertainty for pro forma financial information than for historical financial information. The pro forma information does not necessarily reflect what the results of operations would have been had the demerger been completed at an earlier date.

Subsequent to and during the three years ended 31 December, 2003, Hydro entered into the following significant business combinations and dispositions.

2003 Acquisitions No major acquisition were agreed or completed during 2003.

2003 Dispositions During 2003, Hydro sold non-core subsidiaries and ownership interests for a total consideration of NOK 7.0 billion. The dispositions resulted in a total pretax gain of NOK 995 million. In September 2002, KFK entered into agreements to sell its Swedish feed and grain activities for approximately NOK 450 million. The sale was completed in January 2003 after approval from competition authorities. In December 2002, Hydro entered into an agreement for the sale of the Flexible Packaging unit for a total consideration of approximately NOK 3 billion. Flexible Packaging was acquired as part of the VAW acquisition in first quarter 2002, and is part of Other activities. The transaction was completed in April 2003, and did not result in any significant gain or loss. In June, Hydro transferred its interest in Sundsfjord Kraft ANS in exchange for 20.2 percent of the shares of SKS Produksjon AS resulting in a gain of NOK 326 million. In July, Hydro entered into an agreement for the sale of Carmeda AB, for approximately NOK 180 million, resulting in a gain of NOK 139 million. In September, Hydro entered into an agreement to sell its stake in Skandinaviska Raffinaderi AB (Scanraff) for approximately NOK 1.3 billion. The sale was completed in December, resulting in a gain of NOK 490 million. In December, Hydro entered into an agreement to sell 80.1 percent of Pronova Biocare for NOK 165 million. The sale was completed in January 2004, resulting in a gain of approximately NOK 100 million.

2002 Acquisitions On March 19, 2002, Hydro entered into an agreement with the Norwegian State to purchase interests in eight oil and gas licenses on the Norwegian continental shelf. This transaction increased Hydro's interests in the Oseberg, Tune and Grane fields, where Hydro is operator, to 34, 40 and 38 percent, respectively. The transaction was completed and is reflected in Hydro's operating results from the acquisition date of May 10, 2002. The agreement was effective from January 1, 2002. However, net cash flows relating to these operations prior to the acquisition date have been allocated as a reduction of the purchase price. Hydro has agreed to pay NOK 3.45 billion for the license interests.

In January, 2002, Hydro entered into an agreement to purchase all the outstanding shares of the German group VAW aluminium AG, a leading aluminium company in Europe. The acquisition was completed on March 15, 2002. VAW had operations in more than 20 countries. The major part of these activities were located in the EU in addition to important operations located in North America and the Pacific region.

The consideration for all outstanding shares, including direct acquisition costs amounted to EUR 1,911 million (NOK 14,9 billion). In addition, interest bearing debt of EUR 703 million (NOK 5,5 billion) and pension commitments of approximately EUR 410 million (NOK 3.2 billion) was assumed. The acquisition was financed by Hydro's cash holdings.

Assets acquired and liabilities assumed in the VAW acquisition have been recorded at estimated fair value. Excess values are for the most part allocated to tangible fixed assets. The allocation did not indicate material goodwill in the transaction. Because VAW's inventories have been recorded at estimated fair values as of the time of the acquisition, cost of goods sold was unusually high in the period after acquisition. The effect was approximately NOK 200 million.

Amounts in NOK million	
Preliminary allocation of purchase price	
Cash and cash equivalents	410
Other current assets	11,597
Property, plant and equipment	16,592
Other non-current assets	6,140
Short-term liabilities	(9,517)
Long-term liabilities	(10,022)
Minority interests	(356)
Estimated fair value of net assets of VAW	14,844

In November 2001, an agreement was signed to purchase the French building systems group Technal for a price of EUR 73 million (NOK 580 million) and the assumption of approximately NOK 307 million in debt. The aquisition was completed 25 January, 2002.

2002 Dispositions During 2002, Hydro sold non-core subsidiaries and ownership interests for a total consideration of NOK 2.9 billion. The dispositions resulted in a total pretax gain of NOK 219 million. In September, KFK entered into agreements to sell its Danish feed and grain activities for a total consideration of approximately NOK 2 billion, and its Swedish feed and grain activities for approximately NOK 450 million. The agreements resulted in impairment charges of approximately NOK 150 million. The sale of the Danish activities was completed in December, while the sale of the Swedish was completed in January 2003 after approval from competition authorities. In December, Hydro entered into an agreement for the sale of the Flexible Packaging unit for a total consideration of approximately NOK 3 billion. Flexible Packaging was acquired as part of the VAW acquisition in first quarter 2002, and is part of Other activities. The transaction was completed in April 2003.

2001 Dispositions Hydro concluded the sale of Hydro Seafood's activities based in UK, Hydro Seafood GSP Ltd. The sale resulted in a pretax gain of NOK 418 million. Hydro sold the remainder of its electric power grid in Norway, resulting in a pretax gain of NOK 179 million.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

Pro Forma Information (Unaudited)

The following unaudited pro forma information has been prepared assuming VAW was acquired as of the beginning of 2002.

Amounts in NOK million	2002
Assets	207,211

Amounts in NOK million	2002
Operating revenues	174,630
Operating income	20,554
EBITDA	36,878
Net income	9,125
Earnings per share in NOK	35.30

This pro forma information has been prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the transaction occurred on the date described above. The pro forma information is based on Hydro's results for 2002. For the period 1 January 2002 to Hydro's acquisition on 15 March 2002, this pro forma information is based on internal management reports for VAW. For the period previous to Hydro's acquisition, some accounting principles differ from Hydro's normal application. For example, VAW used the LIFO (last in, first out) method for inventory valuation. In general, uncertainty related to pro forma information is higher than for historic accounts.

VAW's results have been translated into Norwegian kroner at average exchange rates. Pro forma adjustments are made for fair value adjustments for assets and liabilities, depreciation and amortization of these adjustments, finance cost of the acquisition price, and deferred tax related to the above mentioned adjustments. However, no adjustment has been made for the fair valuation of inventories. Significant sales and receivables between the companies are eliminated.

The effect of the remaining acquisitions and dispositions for 2003 and 2002 is not significant.

3. Consolidated shareholders' equity

Components of Accumulated Other Comprehensive Income and Related Tax Effects

	31 December, 2003			31 December, 2002			31 December, 2001		
Amounts in NOK million	Pretax	Tax	Net	Pretax	Tax	Net	Pretax	Tax	Net
Unrealized gain (loss) on securities	**-**	**-**	**-**	(43)	12	(31)	58	(17)	41
Less: Reclassification adjustment	**-**	**-**	**-**	-	-	-	-	-	-
Net unrealized gain (loss) on securities	**-**	**-**	**-**	(43)	12	(31)	58	(17)	41
Net investment hedge	**(462)**	**129**	**(333)**	1,851	(518)	1,333	124	(35)	89
Cash flow hedge	**385**	**(112)**	**272**	1,441	(405)	1,036	188	(52)	136
Less: Reclassification of hedging gain	**(331)**	**94**	**(237)**	(79)	22	(57)	-	-	-
Net cash flow hedge	**54**	**(18)**	**35**	1,362	(383)	979	188	(52)	136
Minimum pension liability adjustment	**(182)**	**69**	**(113)**	(472)	149	(323)	(553)	156	(397)
Foreign currency translation	**4,650**	**-**	**4,650**	(7,215)	-	(7,215)	(671)	-	(671)
Loss (gain) on companies sold	**206**	**-**	**206**	8	-	8	(123)	-	(123)
Net foreign currency translation	**4,856**	**-**	**4,856**	(7,207)	-	(7,207)	(794)	-	(794)
Total accumulated other comprehensive income	**4,266**	**180**	**4,445**	(4,509)	(740)	(5,249)	(977)	52	(925)

Consolidated shareholders' equity

Amounts in NOK million except number of shares in thousands	Ordinary Shares issued Norsk Hydro ASA Number	Amount	Additional paid-in capital	Total paid-in capital	Retained earnings	Treasury Stock Norsk Hydro ASA Number	Amount	Accumulated other comprehensive income	Total shareholders' equity[1]
Balance 31 December, 2000	266,597	5,332	15,059	20,391	51,647	(6,610)	(2,224)	1,413	71,227
Net income 2001					7,892				7,892
Dividend declared and paid (NOK 9.50 per share)					(2,470)				(2,470)
Net unrealized gain on securities								41	41
Minimum pension liability								(397)	(397)
Hedge of net investment								89	89
Cash flow hedges								136	136
Purchase of treasury stock						(2,959)	(1,155)		(1,155)
Treasury stock reissued to employees			16	16		351	122		138
Treasury stock reissued for acquisition of shares in Hydro Asia Pacific			(5)	(5)		256	90		85
Foreign currency translation					1			(794)	(793)
Balance 31 December, 2001	266,597	5,332	15,070	20,402	57,070	(8,962)	(3,167)	488	74,793
Net income 2002					8,765				8,765
Dividend declared and paid (NOK 10.00 per share)					(2,576)				(2,576)
Net unrealized gain on securities								(31)	(31)
Minimum pension liability								(323)	(323)
Hedge of net investment								1,333	1,333
Cash flow hedges								979	979
Treasury stock reissued to employees			18	18		326	116		134
Foreign currency translation					1		(1)	(7,207)	(7,207)
Balance 31 December, 2002	266,597	5,332	15,088	20,420	63,260	(8,636)	(3,052)	(4,761)	75,867
Net income 2003					**10,968**				**10,968**
Dividend declared and paid (NOK 10.50 per share)					**(2,711)**				**(2,711)**
Net unrealized gain on securities									**-**
Minimum pension liability								**(113)**	**(113)**
Hedge of net investment								**(333)**	**(333)**
Cash flow hedges								**35**	**35**
Purchase of treasury stock						**(1,484)**	**(555)**		**(555)**
Treasury stock reissued to employees			**(17)**	**(17)**		**235**	**83**		**66**
Foreign currency translation					**(1)**		**1**	**4,856**	**4,856**
Balance 31 December, 2003	**266,597**	**5,332**	**15,071**	**20,403**	**71,516**	**(9,885)**	**(3,523)**	**(316)**	**88,080**

1) See note 28 for a reconciliation to N GAAP equity.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

Norsk Hydro ASA had authorized and issued 266,596,650 ordinary shares having a par value of NOK 20 per share for the years ended 31 December, 2003, 2002, and 2001. As of 31 December, 2003, 9,884,650 shares were treasury stock resulting in 256,712,000 outstanding ordinary shares (for 2002 257,960,532 outstanding ordinary shares). For N GAAP, the amount for the treasury stock of NOK 3,523 million was comprised of NOK 198 million for share capital and NOK 3,325 million for retained earnings. In January 2004, an extraordinary General Meeting approved a capital reduction by cancellation of 1,484,300 treasury shares acquired in 2003 as part of a buyback program approved by the 2003 Annual General Meeting. These shares were acquired for a market price of NOK 555 million. The General Meeting also authorized the redemption of 1,157,922 shares owned by the Norwegian State. In addition the general meeting authorized the demerger of Norsk Hydro ASA, resulting in reduction of the nominal value of each Hydro share from NOK 20 to NOK 18.30. Each shareholder will receive one share in the newly established Yara International ASA, with a par value of 1.70 for each Hydro share. All of these decisions are subject to creditors notice, and can be completed no earlier than 16 March, 2004. Remaining treasury stock may be used as consideration in connection with commercial transactions or share schemes for the employees and representatives of the Corporate Assembly and the Board of Directors. In 2003, Hydro sold 235,768 shares of its treasury stock to employees for a price of NOK 66 million. The weighted average number of outstanding shares for the year ended 31 December, 2003 was 257,528,511.

4. Stock-based Compensation

Hydro has four stock-based compensation plans, the Executive Share Option Plan established in 2001, the Executive Share Option Plan established in 2002, the Executive Share Option Plan established in 2003, all of which requires cash settlement, and a subsidized share purchase plan for permanent employees in the parent company and Norwegian subsidiaries owned more than 90 percent by Hydro.

The Executive Share Option Plans are variable plans that relates to options granted to approximately 30 persons in Hydro's top management including the president and CEO, persons in the corporate management board and others. During 2003, 99,500 options were granted. The options are vesting over a three-year performance period beginning in July 2003. During 2002, 111,000 options were granted. The options are vesting over a three-year performance period beginning in July 2002. During 2001, 92,000 options were granted. The options are vesting over a three-year performance period beginning in May 2001. The options vesting schedule is based on shareholder return, as defined in the Plan. If shareholder return is less than 12 percent, none of the options vest. If the shareholder return achieved is between 12 percent and 20 percent the corresponding percentage of options that vest increases linearly between 20 percent and 100 percent. The options are exercisable for two years following the three-year performance period. If exercised, the option holder will receive a cash bonus equal to the the difference between the market price of the shares, and the exercise price. All the options authorized for the three plans have been granted.

During 1999, 165,000 options were granted under the 1999 Plan at an exercise price of NOK 367.50. This plan expired at the end of 2002. During 2001, in addition to the Executive Share Option Plan 2001, 3,500 options were exercised under the 1999 plan. During 2002, a total of 3,300 options were exercised, and 158,200 options expired. Activity for 2003 is as follows:

Options outstanding	Number of shares	Average Strike price (in NOK)
31 December, 2002	203,000	374.80
Granted	99,500	351.50
Exercised	-	-
Expired	-	-
31 December, 2003	302,500	367.14
Options exercisable:		
31 December, 2002	-	-
31 December, 2003	-	-

As of 31 December, 2003, 99,500 options related to the Executive Share Option plan 2003, with an exercise price of NOK 351.50 were outstanding with a remaining contractual life of 4.5 years, none of which were exercisable. In addition, 111,000 options related to the Executive Share Option Plan 2002, with an exercise price of NOK 361.90 were outstanding with a remaining contractual life of 3.5 years, none of which were exercisable. 92,000 options, related to the Executive Share Option Plan 2001, with an exercise price of NOK 390.40 were outstanding with a remaining contractual life of 2.3 years, none of which were exercisable.

Hydro also has a subsidized share-purchase plan for employees in Norway. Under this plan Hydro's employees in Norway receive a NOK 1,500 share-purchase rebate to purchase shares of Norsk Hydro, which corresponds to a 20% discount from the market price. If shareholder return, as defined by the plan, meets or exceeds 12 percent in the period from 1 January to 31 December (the measurement period), employees receive an additional rebate of NOK 4,500 for a total of NOK 6,000, which corresponds to a 50 percent discount from the market price.

At 31 December 2003, the 12 percent performance target was met for the 1 January 2003 to 31 December 2003 measurement period, consequently the rebate for this award will be NOK 6,000 or 50 percent. Shares will be offered to the employees under this plan after completion of the demerger of Norsk Hydro ASA, expected in March 2004.

In 2002, Hydro modified the measurement period for the share-purchase plan for Norwegian employees so that the period would run from 1 January 2002 to 31 December 2002. 2002 was a transitional year, with the old scheme running from 1 June 2001 to 31 May 2002 and the new scheme running from 1 January 2002 to 31 December 2002. The performance target was not met for the 1 January 2002 to 31 December 2002 measurement period, consequently the rebate for this award was NOK 1,500 or 20 percent. In April 2003, 235,768 shares were awarded to employees at a per share price of NOK 223.92. Compensation expense recognized related to this award amounted to NOK 13 million. The performance criteria was met for the 1 June 2001 to 31 May 2002 measurement period. In July 2002, 323,060 shares were awarded to employees at a per share price of NOK 205.15. Compensation expense recognized in 2002 related to this award amounted to NOK 73 million.

The performance criteria was met for the 2000-2001 measurement period. In June 2001, 347,474 shares were awarded to employees at a per share price of NOK 196.90. Compensation expense recognized in 2001 related to this award was approximately NOK 68 million.

For six individuals who will be transferred to Yara in the 2004 demerger, the vesting period for their 30,000 options ends at completion of the demerger. The options may be exercised at completion date, or over a six months period from the demerger completion, provided that the plan performance target is met at exercise date or, if earlier, when the ordinary performance period expires. If exercised after the completion date, the options' strike price will be adjusted to 91.5 percent of the original price, corresponding to the demerger ratio.

5. Operating and geographic segment information

Operating segments are components of a business that are evaluated regularly by dedicated senior management utilizing financial and operational information prepared specifically for the segment for the purpose of assessing performance and allocating resources. Generally, financial information is required to be disclosed on the same basis that is used internally enabling investors to see the company through the eyes of management.

Hydro's operating segments are managed separately and each operating segment represents a strategic business area that offers different products and serves different markets. Hydro's operating segments are the three business areas Oil & Energy, Aluminium and Agri. The operating units reporting directly to the business areas are called sectors. Sectors represent various businesses within each of the business areas, and their results are reviewed by the business area management. For reporting purposes, the business areas are divided into sub-segments, each of which comprises one or more sectors. Sub-segments are not operating units, but their results are presented in order to illustrate the results of upstream and downstream activities within a value chain of Hydro's vertically integrated activities.

Oil & Energy consists of Exploration and Production, and Energy and Oil Marketing. Exploration and Production is responsible for Hydro's oil and gas exploration, field development, and operation of production and transportation facilities. Energy and Oil Marketing includes Hydro's commercial operations in the oil, natural gas and power sectors, the operation of Hydro's power stations as well as marketing and sale of refined petroleum products (gasoline, diesel and heating oil) to retail customers. Energy and Oil Marketing buys and/or markets almost all oil production from Exploration and Production, and sells the equity gas production on a commission basis. From 2003, Hydro's gas transportation activities (as an owner of interests in the major gas transportation systems on the Norwegian Continental Shelf) are reported as part of Energy and Oil Marketing. Prior periods figures have been reclassified for comparative purposes.

Aluminium consists of Metals, Rolled Products and Extrusion and Automotive. Metals' activities include the production of primary aluminium and primary magnesium, aluminium oxide, remelting of metal, and the international trading of aluminium, aluminium products and aluminium oxide. Rolled Products delivers foil, strip, sheet and plate for application in such sectors as packaging, automotive and transport industries, as well as for offset printing plates. Extrusion and Automotive is involved in the manufacture and sale of extruded aluminium products and components for the automotive industry. Hydro's aluminium activities in North America, including trading activities, is included in Extrusion and Automotive.

Agri's main activities are the production and sale of ammonia and fertilizer products, including nitrate fertilizer, complex fertilizer and urea. Most of the production takes place in Europe while trading is done worldwide. In addition, Agri markets numerous products for industrial use which mainly have their origin in Hydro's ammonia and fertilizer production. Other activities consists of Petrochemicals, Treka AS (previously A/S Korn og Foderstof Kompagniet), VAW Flexible Packaging (sold April 2003) and certain other activities. Petrochemicals is a producer of the plastic raw material polyvinyl chloride (PVC) in Scandinavia and in the UK. Treka's main activity is production and sale of fish feed, after disposing of activities related to trading of grain, feedstuffs, fertilizers and other agricultural related products in November 2002 and January 2003.

Operating Segment Information

Hydro´s steering model referred to as value-based management, reflects management's focus on cash flow-based performance indicators, before and after taxes. EBITDA [1] (defined as income/loss before tax, interest expense, depreciation, amortization, write-downs and certain other financial items) is an approximation of cash flow from operations before taxes. EBITDA is considered an important measure of performance for the company's operational areas and operating segments. EBITDA, in addition to operating income includes financial income, results from non-consolidated investee companies as well as gains and losses on sales of activities classified as "Other Income, net" in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values in non-consolidated investee companies.

Hydro also uses cash return on gross investment (CROGI) as a measure of annual rate of return on assets employed. CROGI is defined as gross cash flow after taxes, divided by average gross investment [2], while gross cash flow is defined as EBITDA less total tax expense, gross investment is defined as total assets plus accumulated depreciation, amortization and write-downs, minus short-term interest-free debt [3]. Hydro manages long-term funding and taxes on a group basis. Therefore, segment debt is defined as short-term interest free liabilities excluding corporate income taxes payable and short-term deferred tax liabilities.

Certain segment information such as EBITDA and Gross Investment are non-GAAP measures. Therefore there is no directly corresponding figure in the financial statements. A reconciliation to GAAP measures is included at page 141–145.

Intersegment sales and transfers reflect arms length prices as if sold or transferred to third parties. Results of activities considered incidental to Hydro's main operations as well as unallocated revenues, expenses, liabilities and assets are reported separately under the caption "Corporate and eliminations". These amounts principally include interest income and expenses, realized and unrealized foreign exchange gains and losses and the net effect of pension schemes. In additions, elimination of gains and losses related to transactions between the Areas. The accounting policies of the operating segments reflect those described in the summary of significant accounting policies. See Note 1.

1) EBITDA: Earnings before Interest, Tax, Depreciation and Amortization.
2) Deferred tax assets are not included in gross investment.
3) Deferred tax liabilities are not deducted from gross investment.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

	External revenues			Internal revenues			Total operating revenues		
Amounts in NOK million	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Exploration and Production [1]	**12,099**	10,136	6,992	**25,805**	22,834	25,434	**37,904**	32,970	32,426
Energy and Oil Marketing [1]	**44,308**	41,929	41,315	**5,062**	3,986	4,509	**49,370**	45,915	45,824
Eliminations [2]	**(1,576)**	(965)	(846)	**(25,739)**	(22,075)	(25,225)	**(27,315)**	(23,040)	(26,070)
Hydro Oil & Energy	**54,831**	51,100	47,461	**5,128**	4,745	4,719	**59,959**	55,845	52,180
Metals	**26,509**	26,025	24,961	**13,414**	13,621	6,514	**39,923**	39,646	31,475
Rolled Products	**17,825**	14,135	4,126	**552**	655	102	**18,377**	14,790	4,228
Extrusion and Automotive	**24,472**	24,186	21,854	**57**	59	633	**24,529**	24,245	22,487
Other and eliminations [3]	**190**	162	1	**(13,867)**	(13,792)	(7,108)	**(13,677)**	(13,630)	(7,107)
Hydro Aluminium	**68,996**	64,508	50,942	**156**	543	141	**69,152**	65,051	51,083
Hydro Agri	**37,828**	32,818	36,809	**346**	530	598	**38,174**	33,348	37,407
Other activities [4]	**10,206**	17,988	17,714	**3,807**	3,781	4,647	**14,013**	21,769	22,361
Corporate and Eliminations [2]	**(79)**	626	73	**(9,437)**	(9,599)	(10,105)	**(9,516)**	(8,973)	(10,032)
Total	**171,782**	167,040	152,999	**-**	-	-	**171,782**	167,040	152,999

	Depreciation, depletion and amortization			Other operating expenses			Operating income (loss) before fin. and other income		
Amounts in NOK million	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Exploration and Production [1]	**9,052**	8,242	7,240	**10,352**	11,591	8,276	**18,500**	13,137	16,910
Energy and Oil Marketing [1]	**591**	764	780	**46,111**	42,367	42,777	**2,668**	2,784	2,267
Eliminations [2]	**-**	-	-	**(27,290)**	(23,066)	(26,070)	**(25)**	26	-
Hydro Oil & Energy	**9,643**	9,006	8,020	**29,173**	30,892	24,983	**21,143**	15,947	19,177
Metals	**1,517**	1,117	751	**36,113**	36,839	30,352	**2,293**	1,690	372
Rolled Products	**650**	496	104	**17,595**	14,589	4,066	**132**	(295)	58
Extrusion and Automotive	**1,247**	1,010	895	**23,184**	23,221	21,820	**98**	14	(228)
Other and eliminations [3]	**-**	-	-	**(13,610)**	(13,919)	(7,090)	**(67)**	289	(17)
Hydro Aluminium	**3,414**	2,623	1,750	**63,282**	60,730	49,148	**2,456**	1,698	185
Hydro Agri	**1,133**	1,172	1,571	**34,241**	29,969	33,722	**2,800**	2,207	2,114
Other activities [4]	**892**	1,100	911	**13,535**	20,656	21,790	**(414)**	13	(340)
Corporate and Eliminations [2] [5]	**11**	11	21	**(7,800)**	(8,960)	(10,000)	**(1,727)**	(24)	(53)
Total	**15,093**	13,912	12,273	**132,431**	133,287	119,643	**24,258**	19,841	21,083

1) From 2003, Hydro's gas transportation activities are reported as part of Energy and Oil Marketing. Prior periods have been reclassified for comparative purposes.
2) Corporate and eliminations includes elimination of unrealised loss on power contracts between Energy and other units in Hydro with NOK 447 million in 2003 and NOK 588 million in 2002. In addition, NOK 21 million and NOK 26 million is eliminated within the Oil and Energy Area in 2003 and 2002, respectively.
3) Other and eliminations includes unrealized gains and losses related to LME contracts with a loss of NOK 49 million in 2003, a gain of NOK 266 million in 2002, and a loss of NOK 50 million in 2001.

	Equity in net income non-consolidated investees			Other income (expense), net			EBITDA		
Amounts in NOK million	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Exploration and Production [1]	**29**	31	35	**-**	77	-	**27,624**	21,593	24,312
Energy and Oil Marketing [1]	**81**	148	32	**816**	-	179	**4,226**	3,721	3,292
Eliminations [2]	**(3)**	-	(2)	**-**	-	-	**(24)**	26	-
Hydro Oil & Energy	**107**	179	65	**816**	77	179	**31,826**	25,340	27,604
Metals	**379**	(275)	196	**-**	-	-	**4,298**	2,703	1,766
Rolled Products	**(14)**	7	-	**-**	-	-	**835**	258	162
Extrusion and Automotive	**68**	49	(78)	**-**	-	(25)	**1,432**	1,084	632
Other and eliminations [3]	**-**	-	-	**-**	-	-	**(67)**	289	(17)
Hydro Aluminium	**433**	(219)	118	**-**	-	(25)	**6,498**	4,334	2,543
Hydro Agri	**610**	57	330	**-**	166	(53)	**4,748**	3,945	4,402
Other activities [4]	**83**	12	51	**162**	-	477	**1,140**	1,044	1,215
Corporate and Eliminations [2] [5]	**(4)**	4	2	**(2,190)**	(24)	-	**(959)**	995	1,993
Total	**1,229**	33	566	**(1,212)**	219	578	**43,253**	35,658	37,757

	Gross Cash Flow after Tax			Gross Investment			CROGI [6]		
Amounts in NOK million	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Exploration and Production [1]	**16,504**	13,610	14,097	**124,655**	115,938	106,382	**13.7**	12.2	13.7
Energy and Oil Marketing [1]	**2,436**	2,598	2,305	**25,734**	24,128	22,366	**9.8**	11.2	10.6
Eliminations [2]	**(25)**	18	-	**28**	53	(43)	**-**	-	-
Hydro Oil & Energy	**18,915**	16,226	16,402	**150,417**	140,119	128,705	**13.0**	12.1	13.2
Metals	**3,617**	2,188	1,651	**38,896**	34,905	26,330	**9.8**	7.1	6.0
Rolled Products	**792**	258	144	**12,645**	11,937	2,626	**6.4**	3.5	5.8
Extrusion and Automotive	**1,398**	1,077	632	**18,737**	16,846	14,011	**7.9**	7.0	4.5
Other and eliminations [3]	**(46)**	289	58	**79**	145	(148)	**-**	-	-
Hydro Aluminium	**5,761**	3,812	2,485	**70,357**	63,833	42,819	**8.6**	7.1	5.7
Hydro Agri	**3,853**	3,174	3,669	**35,049**	30,739	36,513	**11.7**	9.4	9.6
Other activities [4]	**1,096**	1,045	1,147	**15,828**	21,873	22,529	**5.8**	4.7	4.9
Corporate and Eliminations [2]	**(2,516)**	(1,877)	304	**15,937**	8,832	28,273	**-**	-	-
Total	**27,109**	22,380	24,007	**287,588**	265,396	258,839	**9.8**	8.5	9.4

4) Other activities consist of the following: Petrochemicals, Treka AS (previously A/S Korn- og Foderstof Kompagniet), Flexible Packaging (sold in April 2003), Pronova, the industrial insurance company, Industriforsikring, and Hydro Business Partner.

5) Corporate and Elimination's operating income (loss) and EBITDA includes a net periodic pension cost of NOK 1,146 million for 2003, NOK 312 million for 2002, and a credit of NOK 421 million in 2001.

6) CROGI: Cash Return on Gross Investment, is defined as Gross Cash Flow after Tax divided by Gross Investment. CROGI is measured in percent.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

	Current Assets [1]		Non-current Assets		Assets [1]	
Amounts in NOK million	**2003**	2002	**2003**	2002	**2003**	2002
Exploration and Production [4]	**9,036**	8,397	**65,191**	64,933	**74,227**	73,330
Energy and Oil Marketing [4]	**10,398**	15,614	**15,558**	14,456	**25,956**	30,070
Eliminations	**(2,964)**	(2,459)	**21**	25	**(2,943)**	(2,434)
Hydro Oil & Energy	**16,470**	21,552	**80,770**	79,414	**97,240**	100,966
Metals	**10,698**	9,517	**22,333**	19,979	**33,031**	29,496
Rolled Products	**6,524**	6,451	**12,115**	4,464	**18,639**	10,915
Extrusion and Automotive	**7,858**	7,852	**10,715**	9,926	**18,573**	17,778
Other and eliminations	**(1,796)**	(1,506)	**3**	22	**(1,793)**	(1,484)
Hydro Aluminium	**23,284**	22,314	**45,166**	34,391	**68,450**	56,705
Hydro Agri	**13,860**	11,473	**11,762**	11,248	**25,622**	22,721
Other activities [5]	**6,015**	10,286	**4,955**	7,508	**10,970**	17,794
Corporate and Eliminations	**16,054**	772	**293**	8,253	**16,347**	9,025
Total	**75,683**	66,397	**142,946**	140,814	**218,629**	207,211

	Non-consolidated investees, investments and advances		Segment debt [2]		Investments [3]	
Amounts in NOK million	**2003**	2002	**2003**	2002	**2003** [6]	2002
Exploration and Production [4]	**414**	566	**6,032**	5,046	**10,270**	14,073
Energy and Oil Marketing [4]	**1,971**	1,400	**8,217**	13,268	**989**	622
Eliminations	**21**	25	**(2,965)**	(2,485)	**-**	-
Hydro Oil & Energy	**2,406**	1,991	**11,284**	15,829	**11,259**	14,696
Metals	**3,384**	2,632	**5,596**	4,405	**3,572**	12,728
Rolled Products	**1,576**	1,428	**2,769**	1,602	**466**	7,437
Extrusion and Automotive	**827**	842	**4,975**	4,758	**1,543**	5,153
Other and eliminations	**-**	-	**(1,914)**	(1,648)	**-**	-
Hydro Aluminium	**5,787**	4,902	**11,426**	9,117	**5,581**	25,318
Hydro Agri	**2,498**	2,089	**6,674**	5,948	**1,127**	1,543
Other activities [5]	**957**	1,127	**2,710**	3,221	**852**	3,115
Corporate and Eliminations	**1,063**	1,390	**2,641**	(4,430)	**81**	1,044
Total	**12,711**	11,499	**34,735**	29,685	**18,900**	45,716

1) Current assets and assets exludes internal cash accounts and accounts receivable related to group relief.
2) Segment debt is defined as short-term interest from liabilities excluding income tax payable and short-term deferred tax liabilities.
3) Additions to property, plant and equipment plus long-term securities, intangible assets, long term advances and investments in non-consolidated investees.
4) From 2003, Hydro's gastransportation activities are reported as part of Energy and Oil Marketing. Prior periods have been reclassified for comparative purposes.
5) Other activities consists of the following: Petrochemicals, Treka AS (previously A/S Korn- og Foderstof Kompagniet), Flexible Packaging (sold in April 2003), Pronova, the industrial insurance company, Industriforsikring, and Hydro Business Partner.
6) Includes non-cash increase in investment from effect of change in accounting principle (SFAS 143), of NOK 1,932 million.

	Assets			Long-lived assets			Investments		
Amount in NOK million	**2003**	2002	2001	**2003**	2002	2001	**2003** [6]	2002	2001
Norway	**128,925**	116,872	115,838	**91,133**	88,558	80,871	**12,734**	17,294	8,630
Germany	**20,975**	24,402	3,028	**12,569**	13,146	1,260	**903**	14,752	141
France	**5,685**	5,094	6,221	**1,832**	1,617	1,531	**334**	922	272
The Netherlands	**5,612**	3,241	6,396	**1,745**	1,448	1,126	**650**	410	439
Sweden	**5,488**	6,919	7,394	**1,748**	2,079	1,949	**296**	512	477
Denmark	**4,412**	6,460	8,516	**2,113**	2,182	3,428	**355**	438	1,000
Great Britain	**4,095**	4,142	6,563	**1,546**	1,552	1,826	**145**	272	200
Italy	**3,759**	3,279	3,153	**1,222**	1,036	749	**124**	499	50
Spain	**1,749**	1,429	920	**658**	590	300	**47**	381	197
Other	**2,825**	2,208	4,567	**928**	819	551	**158**	483	110
Total EU	**54,600**	57,174	46,758	**24,361**	24,469	12,720	**3,012**	18,669	2,886
Other Europe	**1,313**	1,278	848	**946**	908	210	**55**	642	28
Total Europe	**184,838**	175,324	163,444	**116,440**	113,935	93,801	**15,801**	36,605	11,544
USA	**5,748**	5,894	7,681	**2,255**	2,457	2,102	**390**	1,399	312
Asia	**5,749**	5,465	5,012	**3,727**	3,621	2,891	**360**	1,373	805
Other Americas	**5,934**	5,099	6,584	**4,342**	3,792	4,286	**366**	1,290	770
Africa	**6,087**	5,771	6,126	**3,659**	3,506	4,176	**831**	670	1,874
Canada	**7,492**	7,057	8,908	**6,443**	6,173	7,149	**868**	1,794	987
Australia and New Zeland	**2,781**	2,601	167	**2,300**	2,255	144	**284**	2,585	36
Total outside Europe	**33,791**	31,887	34,478	**22,726**	21,804	20,748	**3,099**	9,111	4,784
Total	**218,629**	207,211	197,922	**139,166**	135,739	114,549	**18,900**	45,716	16,328

	Operating revenue		
Amounts in NOK million	**2003**	2002	2001
Norway	**17,086**	18,888	12,758
Great Britain	**22,531**	18,435	20,787
Germany	**20,357**	19,348	18,942
France	**15,385**	14,509	12,155
Sweden	**10,828**	10,375	11,425
Italy	**8,854**	7,895	6,801
Spain	**6,336**	4,798	3,757
The Netherlands	**5,313**	5,113	3,291
Denmark	**2,529**	6,002	7,262
Other	**9,821**	10,347	9,088
Total EU	**101,954**	96,822	93,508
Switzerland	**5,306**	6,529	6,063
Other Europe	**6,581**	6,799	5,529
Total Europe	**130,927**	129,038	117,858
USA	**15,490**	14,931	16,584
Asia	**9,836**	8,978	6,479
Other Americas	**7,069**	6,198	6,035
Africa	**4,200**	4,088	4,156
Canada	**3,302**	3,193	1,419
Australia and New Zeland	**958**	614	467
Total outside Europe	**40,855**	38,002	35,141
Total	**171,782**	167,040	152,999

The identification of assets, long-lived assets and investments is based upon location of operation. Included in long-lived assets are investments in non-consolidated investees; property, plant and equipment (net of accumulated depreciation) and non-current financial assets.

Operating revenues are identified by customer location.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

6. Restructuring Costs

In October of 2001 Hydro discontinued production of primary magnesium in Norway. As a result, Hydro closed the Porsgrunn magnesium production facilities in March of 2002, and started the clean up and dismantling work. Dismantling and clean-up work is expected to be finalized in 2004. As part of the closure of the magnesium plant facilities, restructuring costs totaling NOK 921 million were recognized at the end of 2001; of this amount, NOK 261 million was charged as an impairment loss on the plant facilities, the remaining NOK 660 million of restructuring costs included termination costs for customer and supplier agreements, work-force reduction costs, and dismantling and clean-up costs. At the same time NOK 40 million related to write down of inventories due to obsolences was expensed. Hydro recorded additional restructuring costs of NOK 59 million related to work-force reduction in 2002. The initial restructuring accrual was reduced by NOK 69 million during 2002 due to the reversal of certain accruals relating to contract termination costs that were lower than originally anticipated.

The following table summarizes the types and amounts recognized as accrued expenses for the restructuring together with changes in the accrual for the twelve-month period ended 31 December 2002, and the period ended 31 December, 2003.

Amounts in NOK million	Demolition cost	Workforce severance	Shutdown cost of operation	Contracts termination	Total
31 December, 2001	316	130	98	116	660
Additions (deductions) [1]	-	59	-	(69)	(10)
Payments	(41)	(171)	(98)	(47)	(357)
31 December, 2002	275	18	-	-	293
Payments	(131)	(18)	-	-	(149)
31 December, 2003	144	-	-	-	144

1) Charged to restructuring costs in the income statement.

7. Operating costs and expenses

Operating costs include research and development, operating lease expense and payroll and related costs as follows:

Amounts in NOK million	2003	2002	2001
Research and development expense	850	815	796
Operating lease expense: [1]			
Drilling rigs, ships, office space	1,323	1,715	1,489
Office space leased from Hydro's independent pension trust	210	206	211
Total	1,533	1,921	1,700
Payroll and related costs:			
Salaries	15,921	15,561	13,306
Social security costs	2,697	2,398	1,927
Social benefits	687	788	503
Net periodic pension cost (Note 20)	2,480	1,586	1,501
Total	21,785	20,333	17,237

1) Total minimum future rentals of NOK 7,257 million are due under non-cancelable operating leases as follows (in NOK million): 2004 - 1,188; 2005 - 1,059; 2006 - 921; 2007 - 873; 2008 - 700; and thereafter - 2,516.

Estimating earnings relating to research and development costs incurred is considered impracticable for the years ended 31 December, 2003, 2002, 2001. See also financial review page 82.

8. Financial income and expense

Amounts in NOK million	**2003**	2002	2001
Interest income	**1,147**	1,515	2,762
Net gain (loss) on securities	**183**	(269)	(113)
Dividends received	**137**	172	198
Interest income and other financial income	**1,467**	1,418	2,847
Interest expense	**(2,912)**	(3,189)	(3,721)
Capitalized interest	**715**	607	685
Net foreign exchange gain (loss)	**1,035**	3,262	(416)
Other, net	**(104)**	(163)	(157)
Interest expense and foreign exchange gain (loss)	**(1,266)**	517	(3,609)
Net financial income (expense), net	**201**	1,935	(762)

9. Other income and expense

For the year 2003, other items resulted in a loss of NOK 1,212 million. The loss included a charge of NOK 2,207 million resulting from new Norwegian tax regulations relating to the removal costs for oil and gas installations on the Norwegian continental shelf. In accordance with earlier regulations, removal costs could not be deducted when calculating taxable income. Instead, the Norwegian state assumed a portion of the removal costs by means of a special removal grant. The new rules permit removal costs to be deducted from taxable income. The amendment resulted in a charge in the second quarter representing the estimated value of existing grants. At the same time, a deferred tax asset representing the value of the new tax deductions, was included as a reduction to the tax provision for the second quarter in the amount of NOK 2,380 million. Further other income consisted of a gain on the sale of Hydro's share in Skandinaviska Raffinaderi AB, the Scanraff oil refinery of NOK 490 million. The remaining NOK 505 million consisted of a non cash gain from the transfer of the Company's interest in the Sundsfjord power plant (NOK 326 million), gain on the disposal of Carmeda AB (NOK 139 million) and sale of the Formats activity (NOK 40 million).

Other income of NOK 219 million in 2002 consisted of a gain on the sale of Hydro's interest in the oil company Pelican AS with NOK 77 million, the remaining NOK 142 million related primarily to earnings from the divestment of the following activities in the Agri area: KA Rasmussen, parts of the formate activity and the reorganizing of the Vlaardingen operations in the Netherlands into a new joint venture company.

In 2001, other income and expense of NOK 578 million consisted of: Gain on sale of Hydro Seafood UK of NOK 418 million, gain on sale of transmission grid assets of NOK 179 million, gain on sale of Singapore Polymer Corporation of NOK 59 million, loss on sale of Oleochemicals of NOK 53 million and charges of NOK 25 million relating to the sale of Fundo a.s. in 2000.

10. Income taxes

Amounts in NOK million	**2003**	2002	2001
Income before taxes and minority interest:			
Norway	**20,043**	17,876	18,763
Other countries	**4,433**	4,152	2,702
Total	**24,476**	22,028	21,465
Current taxes:			
Norway	**13,853**	12,766	13,631
Other countries	**1,702**	1,131	432
Current income tax expense	**15,555**	13,897	14,063
Deferred taxes:			
Norway	**(1,568)**	(510)	(576)
Other countries	**(50)**	(109)	263
Deferred tax expense (benefit)	**(1,618)**	(619)	(313)
Total income tax expense	**13,937**	13,278	13,750

Components of deferred income tax expense

Amounts in NOK million	**2003**	2002	2001
Deferred tax expense (benefit), excluding items below	**534**	654	(230)
Benefits of tax loss carryforwards	**57**	(495)	2
Tax expense (benefit) allocated to other comprehensive income	**180**	(740)	52
Effect of tax law changes	**(16)**	125	78
Non-recurring effect of tax law changes relating to the removal cost for oil and gas installations	**(2,380)**	-	-
Net change in valuation allowance	**7**	(163)	(215)
Deferred tax expense (benefit) - US GAAP	**(1,618)**	(619)	(313)
Adjustments to N GAAP:			
Tax effects of differences between US GAAP and N GAAP (Note 28)	***(58)***	*99*	*109*
Deferred tax expense (benefit) - N GAAP	***(1,676)***	*(520)*	*(204)*

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2003**	2002	2001
Expected income taxes at statutory tax rate[1]	**6,853**	6,168	6,010
Petroleum surtax[2]	**9,980**	8,665	9,138
Uplift benefit[2]	**(990)**	(1,034)	(800)
Hydro-electric power surtax[3]	**152**	217	190
Tax law changes	**(16)**	125	78
Non-recurring effect of tax law changes relating to the removal cost for oil and gas installations	**(2,380)**	-	-
Losses and other deductions with no tax benefit	**296**	517	549
Non-deductible expenses	**59**	79	28
Foreign tax rate differences	**249**	127	62
Tax free income	**(734)**	(363)	(395)
Dividend exclusion	**(7)**	(60)	(22)
Losses and other benefits not previously recognized	**(180)**	(581)	(637)
Other, net	**655**	(582)	(451)
Income tax expense - US GAAP	**13,937**	13,278	13,750
Effective tax rate - US GAAP	**56.9 %**	60.3 %	64.1 %
Tax effect of differences between US GAAP and N GAAP (Note 28)	***(58)***	*99*	*109*
Income tax expense - N GAAP	***13,879***	*13,377*	*13,859*
Income before taxes - N GAAP	***24,128***	*21,988*	*21,592*
Effective tax rate - N GAAP	***57.5 %***	*60.8 %*	*64.2 %*

1) Norwegian nominal statutory tax rate is 28 percent.
2) Income from oil and gas activities on the Norwegian Continental Shelf is taxed according to the Petroleum Tax Law. This stipulates a surtax of 50 percent after deducting uplift, a special deduction for surtax, in addition to normal corporate taxation of 28 percent.
3) A surtax of 27 percent is applied to taxable income, with certain adjustments, for Norwegian hydro-electric power plants. The surtax comes in addition to the normal corporate taxation. Tax depreciation, including that from the upward revision of basis under the new law, is deductible for both corporate tax and surtax purposes.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

The tax effects of temporary differences and tax loss carryforwards giving rise to deferred tax assets and liabilities were as follows as of 31 December, 2003 and 2002.

	US GAAP Deferred Tax			
	Assets	Liabilities	Assets	Liabilities
Amounts in NOK million	**2003**	**2003**	2002	2002
Short-term:				
Marketable securities	**14**	**-**	93	(11)
Inventory valuation	**154**	**(350)**	121	(273)
Accrued expenses	**2,059**	**(1,551)**	2,700	(1,127)
Unrealized exchange (gains) losses	**119**	**(282)**	80	(80)
Uplift benefit	**795**	**-**	844	-
Other	**2**	**(207)**	41	(298)
Long-term:				
Unrealized exchange (gains) losses	**339**	**(1,016)**	156	(1,435)
Property, plant and equipment	**7,253**	**(37,067)**	4,007	(31,962)
Capitalized interest	**-**	**(3,575)**	-	(3,665)
Exploration drilling costs	**-**	**(2,440)**	-	(2,661)
Other non-current assets	**371**	**(713)**	147	(630)
Accrued expenses	**1,358**	**(859)**	703	(1,047)
Pensions	**1,606**	**(1,535)**	1,543	(1,486)
Deferred (gains) losses on sales	**229**	**(1,734)**	161	(1,632)
Uplift benefit	**1,573**	**-**	1,545	-
Abandonments and decommissioning accruals	**3,598**	**-**	871	-
Cash Flow Hedges	**-**	**(452)**	-	(425)
Other	**648**	**(1,230)**	554	(622)
Total tax loss carryforwards	**2,609**	**-**	2,727	-
Subtotal	**22,727**	**(53,011)**	16,293	(47,354)
Total valuation allowance	**(1,682)**	**-**	(1,900)	-
Gross deferred tax assets and liabilities	**21,045**	**(53,011)**	14,393	(47,354)
Adjustments for N GAAP: (Note 28) Short and long-term: Unrealized gains	***-***	***491***	*-*	*(51)*
Gross deferred tax assets and liabilities, N GAAP	***21,045***	***(52,520)***	*14,393*	*(47,405)*
Net - N GAAP	***1,110***	***(32,585)***	*2,184*	*(35,196)*

Deferred income taxes have not been provided for on undistributed earnings of foreign subsidiaries, amounting to NOK 16,838 million, since those earnings are considered to be indefinitely invested. No deferred income taxes have been recognized on undistributed earnings of Norwegian subsidiary which can be remitted tax-free as dividends.

At the end of 2003, Hydro had tax loss carryforwards of NOK 8,181 million, primarily in Norway, Germany, Canada, Italy, Jamaica, United Kingdom and Malaysia. Carry forward amounts expire as follows:

Amounts in NOK million	
2004	333
2005	173
2006	474
2007	256
2008	135
After 2008	2,921
Without expiration	3,889
Total tax loss carryforwards	8,181

11. Other liquid assets

Amounts in NOK million	**2003**	2002
Bank time deposits	**32**	1,161
Marketable equity securities	**550**	551
Debt securities and other	**999**	935
Total other liquid assets	**1,581**	2,647

The net change in unrealized gains on securities for the years ended 31 December 2003, 2002 and 2001 was a net gain of NOK 283 million, a net loss of NOK 259 million and a net loss of NOK 22 million, respectively. Total cost of marketable equity securities and debt securities and other was NOK 1,601 million and NOK 1,822 million as of 31 December, 2003 and 2002, respectively.

12. Inventories

Amounts in NOK million	**2003**	2002
Finished goods	**9,055**	8,804
Work in progress	**2,626**	2,734
Raw materials	**5,669**	5,694
Total inventories	**17,350**	17,232

13. Non-Consolidated investees

Amounts in NOK million	Hydro Texaco	Scanraff	Alunorf	Alunorte	Søral	Alu-chemie	Meridian	Qafco	Noretyl	Other	Total
Balance 01.01.2002	854	297	-	1,170	600	29	628	1,266	512	4,331	9,687
Investments (sale), net		159	1,468	137			(5)			1,207	2,966
Change in long-term advances, net		145				107				857	1,109
Transfers (to) from other investments										(109)	(109)
Hydro's share of net income (loss)	115		47	(291)	75	2	19	121	72	109	269
Amortization and write-down			(40)	(21)						(174)	(235)
Dividends and other payments received by Hydro	(1)	(23)			(100)	(3)	(5)	(95)		(187)	(414)
Foreign currency translation and other	(49)	(90)	(47)	(459)			(142)	(290)		(697)	(1,774)
Balance 31.12.2002	**919**	**488**	**1,428**	**536**	**575**	**135**	**495**	**1,002**	**584**	**5,337**	**11,499**
Changes in 2003:											
Investments (sale), net	66	(343)		58						496	277
Change in long-term advances, net		(330)				323			500	(74)	419
Transfers (to) from other investments										(7)	(7)
Hydro's share of net income (loss)	116		41	305	92		51	290	62	484	1,441
Amortization and write-down	(66)		(55)	(20)					-	(71)	(212)
Dividends and other payments received by Hydro	(54)		(6)		(99)	(3)	(9)	(121)	(709)	(298)	(1,299)
Foreign currency translation and other	76	185	168	23		5	49	(50)	-	137	593
Balance 31.12.2003	**1,057**	**-**	**1,576**	**902**	**568**	**460**	**586**	**1,121**	**437**	**6,004**	**12,711**
Accumulated additional amortization N GAAP[1)]							*(48)*			*(2)*	*(50)*
Balance 31.12.2003 N GAAP	***1,057***	***-***	***1,576***	***902***	***568***	***460***	***538***	***1,121***	***437***	***6,002***	***12,661***

1) Amortization N GAAP 2003 amounts to NOK 38 million.

Specification of Non-consolidated Investees

Amounts NOK million, except ownership	Percentage owned by Hydro	Investments in and advances to investees		Hydro's current receivable (payable), net with investees	
	2003	2003	2002	2003	2002
Hydro Texaco	50.0 %	1,057	919	(61)	(61)
Scanraff	-	-	488	-	12
Alunorte	34.0 %	902	536	(116)	(47)
Søral	49.9 %	568	575	(137)	(103)
Aluchemie	21.2 %	460	135	-	(4)
Meridian	49.0 %	586	495	8	62
Qafco	25.0 %	1,121	1,002	(378)	(142)
Alunorf	50.0 %	1,576	1,428	27	(115)
Noretyl	50.0 %	437	584	47	(179)
Others		6,004	5,337	(186)	(127)
Total		12,711	11,499	(796)	(704)

A description of significant investees' business, majority owners and the nature of related party transactions with Hydro including amounts if material follow:

Hydro Texaco a.s operates 893 gasoline stations and 162 diesel stations in Norway, Denmark and the Baltics. Hydro and ChevronTexaco Corp. each own 50 percent in the joint venture. Hydro sells and purchases oil related products with the joint venture at market prices. Sales from Hydro Texaco to Hydro amounted to NOK 428 million, NOK 510 million and NOK 558 million in 2003, 2002 and 2001, respectively. Sales from Hydro to Hydro Texaco amounted to NOK 1,003 million, NOK 674 million and NOK 1,194 million in 2003, 2002 and 2001, respectively. Hydro Texaco is part of Energy and Oil Marketing.

In December 2003, Hydro sold its 25 percent share and its accompanying petroleum stocks at Skandinaviska Raffinaderi AB (Scanraff) in Sweden to the Swedish oil company Preem Petroleum AB. The net result from the transaction was NOK 490 million. After the sale Hydro will meet its requirements for refined products to its Swedish retail marketing by means of a long-term supply agreement at market prices with Preem Petroleum AB.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

Aluminium Norf GmbH (Alunorf) is the world largest rolling mill located in Germany nearby other Hydro facilities. Alunorf is jointly owned by Hydro and Alcan (50 percent each). Hydro's shares in Alunorf were part of the VAW acquisition in 2002. Each partner supplies Alunorf with ingots, which are transformed to flat rolled coils and delivered to the partners. Sales from Alunorf to Hydro amounted to NOK 1,301 million in 2003 and NOK 1,941 million in 2002. Hydro sells alloys to Alunorf, operating revenues from sales to Alunorf were not material to Hydro Aluminium. Alunorf is part of Rolled Products.

Alumina do Norte do Brasil S.A. (Alunorte) is an alumina refinery located in Brazil. Hydro's owner share is at present 34 percent. Hydro purchased alumina from Alunorte amounting to NOK 907 million, NOK 433 million and NOK 734 million in 2003, 2002 and 2001, respectively. Alunorte is part of Metals.

Sør-Norge Aluminium AS (Søral), part of Metals, is a Norwegian primary aluminium manufacturer. Søral sells 50 percent of its production to each major owner at current market prices. The other 50 percent owner of Søral is an unaffiliated company. Sale of aluminium from Søral to Hydro amounted to NOK 949 million, NOK 847 million and NOK 1,018 million in 2003, 2002 and 2001, respectively. Sales from Hydro to Søral amounted to NOK 356 million, NOK 363 million and NOK 350 million in 2003, 2002 and 2001, respectively.

Aluminium & Chemie Rotterdam B.V (Aluchemie) is an anode producer located in the Netherlands. Hydro's share is at present 21.21 percent. Hydro purchased anodes from Aluchemie amounting to NOK 285 million in 2003 and NOK 263 million in 2002. Sales from Hydro to Aluchemie amounted to NOK 50 million in 2003 and NOK 47 million in 2002. Aluchemie is part of Metals.

Meridian Technologies Inc. (Meridian), part of Extrusion and Automotive, is a Canadian company owned 51 percent by Teksid S.p.A. (a subsidary of the Fiat group) and 49 percent by Hydro. Meridian provides magnesium die-casting products to the automobile industry. Meridian purchases alloyed magnesium from Hydro. Sales from Hydro to Meridian amounted to NOK 198 million, NOK 249 million and NOK 152 million in 2003, 2002 and 2001, respectively.

Qatar Fertiliser Company S.A.Q. (Qafco) owns and operates a fertilizer complex for which Hydro provides marketing support and technical assistance. Hydro has a 25 percent ownership in Qafco, the remaining 75 percent of Qafco is owned by Qatar Petroleum, which is owned by the State of Qatar. Qafco operates three separate lines for production of ammonia and urea, a fourth is currently under construction. The expansion is scheduled for completion in June 2004. Hydro purchased urea from Qafco amounting to NOK 1,524 million, NOK 944 million, NOK 876 million in 2003, 2002 and 2001, respectively.

Hydro and Borealis own Noretyl AS as a joint venture (50-50 percent). Noretyl is part of Petrochemicals. Hydro paid processing fees to Noretyl for refining NGL of NOK 245 million, NOK 242 million and NOK 250 million in 2003, 2002 and 2001 respectively.

Non-consolidated investees split by segment can be found in Note 5.

Non-consolidated investees – 100 percent basis

The following table sets forth summarized unaudited financial information of Hydro's non-consolidated investees on a 100 percent combined basis. Hydro's share of these investments, which is also specified below, is accounted for using the equity method.

Income Statement Data (unaudited)

Amounts in NOK million	**2003**	2002	2001
Operating revenues	**33,868**	35,204	36,772
Operating income	**5,763**	4,534	6,507
Income before taxes and minority interest	**5,538**	1,772	3,475
Net income	**4,677**	1,240	2,771
Hydro's share of net income	**1,441**	269	714

Balance Sheet Data (unaudited)

Amounts in NOK million	**2003**	2002	2001
Current assets	**19,647**	14,805	17,205
Non-current assets	**39,714**	38,218	40,066
Assets	**59,361**	53,023	57,271
Current liabilites	**10,850**	9,548	11,589
Non-current liabilities	**17,396**	16,600	15,321
Minority interest	**658**	6	27
Shareholders' equity	**30,457**	26,869	30,334
Liabilites and shareholders' equity	**59,361**	53,023	57,271
Hydro's investments and advances	**12,711**	11,499	9,687

14. Prepaid pension, investments and non-current assets

Amounts in NOK million	**2003**	2002
Goodwill for consolidated subsidiaries, less accumulated amortization	**1,133**	1,217
Intangible assets, less accumulated amortization	**1,799**	1,967
Total intangible assets	**2,932**	3,184
Prepaid pension (Note 20)	**5,080**	4,989
Available-for-sale securities at fair value[1)]	**19**	19
Other investments at cost	**2,484**	2,948
Non-current assets	**3,872**	3,941
Total prepaid pension, investments and non-current assets	**11,455**	11,897
Total - US GAAP[1)]	**14,387**	15,081
Total prepaid pension, investments and non-current assets	***11,455***	*11,897*
Adjustments [2)] (Note 28)	***(1,156)***	*(303)*
Total prepaid pension, investments and non-current assets - N GAAP	***10,299***	*11,594*

1) As of 31 December, 2003 and 2002, available-for-sale securities at cost amounted to NOK 4 million. Unrealized holding gain as of 31 December, 2003 and 2002, was NOK 15 million.
2) The difference consists of fair value adjustment for cash flow hedge instruments, unrealized gain on available for sale securities, and unrealized gain on freestanding derivatives.

15. Property, plant and equipment

	Land-based Activities						
Amounts in NOK million	Land	Machinery and Equipemnt	Buildings	Plant under construction	Other	E&P[1]	Total
Cost:							
Cost 31.12.2002	1,580	59,169	17,017	6,721	774	126,299	211,560
Implementation effect SFAS 143, Asset Retirement Obligations [4]	-	14	-	-	-	1,918	1,932
Cost 1.1.2003 including SFAS 143 implementation	1,580	59,183	17,017	6,721	774	128,217	213,492
Additions at cost	15	1,877	258	5,180	-	8,638	15,968
Retirements	(324)	(3,959)	(940)	(210)	-	(2,692)	(8,125)
Transfers	9	4,703	1,164	(5,878)	-	2	-
Foreign currency translation	174	3,524	736	128	-	1,036	5,598
Balance 31.12.2003	**1,454**	**65,328**	**18,235**	**5,941**	**774**	**135,201**	**226,933**
Depreciation:							
Balance 31.12.2002	-	(34,935)	(8,064)	-	(302)	(55,917)	(99,218)
Implementation effect SFAS 143, Asset Retirement Obligations [4]	-	(2)	-	-	-	(829)	(831)
Accumulated depreciation 1.1.2003 including SFAS 143 implementation	-	(34,937)	(8,064)	-	(302)	(56,746)	(100,049)
Depreciation, depletion and amortization[2]	(21)	(4,323)	(655)	-	(37)	(9,113)	(14,149)
Retirements	-	2,186	431	-	-	2,237	4,854
Foreign currency translation and transfers		(1,956)	(291)	-	-	(344)	(2,591)
Balance 31.12.2003	**(21)**	**(39,030)**	**(8,579)**	**-**	**(339)**	**(63,966)**	**(111,935)**
Net Book Value:							
Balance US GAAP 31.12.2002	1,580	24,234	8,953	6,721	472	70,382	112,342 [3]
Balance N GAAP 31.12.2002 [4]	*1,580*	*24,246*	*8,953*	*6,721*	*472*	*71,471*	*113,443 [3]*
Balance 31.12.2003	**1,433**	**26,298**	**9,656**	**5,941**	**435**	**71,235**	**114,998 [3]**

1) Includes land-based activities and transportation systems for Exploration and Production (E&P).

2) Impairment losses for 2003, 2002 and 2001 were NOK 115 million, NOK 398 million and NOK 396 million, respectively. In 2001, additional impairment losses of NOK 261 million was recorded as restructuring cost. The fair value of the impaired asset was generally estimated by discounting the expected future cash flows of the individual assets. During the three years ended 31 December 2003, impairment was generally indicated as the result of current period cash flow losses, combined with a history of losses, or a significant change in the manner in which the asset is to be used.

3) Includes NOK 218 million and NOK 173 million related to capital leases for 2003 and 2002 respectively.

4) N GAAP balance for 31.12.2002 has been restated to include the implementation of FAS 143 Asset Retirement Obligations

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

16. Goodwill and intangibles

Intagible Assets

Amounts in NOK million	Finite Useful Life	Indefinite Useful Life	Total
Cost:			
Cost 31.12.2002	3,284	5	3,289
Additions at cost	111	-	111
Disposals	(175)	-	(175)
Foreign currency translation and transfers	269	-	269
Accumulated amortization 31.12.2003	(2,038)	-	(2,038)
Net book value 31.12.2003	**1,451**	**5**	**1,456**

Amortization of intangibles of NOK 429 million and NOK 397 million were recorded for 2003 and 2002, respectively. In addition, 2003 figures includes impairment loss of NOK 43 million.

Estimated amortization expense, in million NOK for the next five years is 2004 - 403, 2005 - 315, 2006 - 271, 2007 - 169 and 2008 - 50.

Pro Forma information

The following table reconciles the reported Earnings Before Interest Expenses and Taxes (EBIT), reported net income, and reported earnings per share to that which would have resulted for the year ended December 31, 2001 assuming SFAS 142 were adopted on January 1, 2001.

Amounts in NOK million, except per share data	**2003**	2002	2001
Reported earnings before interest expenses and taxes (EBIT)	**25,742**	21,511	25,074
Goodwill amortization	**-**	-	178
Pro forma EBIT	**25,742**	21,511	25,252
Net income	**10,968**	8,765	7,892
Goodwill amortization (after tax)	**-**	-	178
Pro forma net income	**10,968**	8,765	8,070
Reported earnings per share	**42.60**	34.00	30.50
Goodwill amortization per share	**-**	-	0.70
Pro forma earnings per share	**42.60**	34.00	31.20

Goodwill

Amounts in NOK million	Extrusion and Automotive	Other	Total
Balance at December 31, 2002	1,018	199	1,217
Adjustments:			
Goodwill acquired	26	43	69
Impairment loss	-	(166)	(166)
Currency translation effect	12	24	36
Other	-	(23)	(23)
Balance at December 31, 2003	**1,056**	**77**	**1,133**
Accumulated additional amortization N GAAP[1)]	*(259)*	*(13)*	*(272)*
Foreign currency translation N GAAP	*2*	*(2)*	-
Balance at December 31, 2003 N GAAP	**799**	**62**	**861**

1) Amortization N GAAP 2003 amounts to NOK 125 million.

Original cost of goodwill for 2003 was NOK 1 809 million. Accumulated amortization of goodwill for N GAAP amounted to NOK 948 million. Hydro incurred in 2003 a NOK 166 million goodwill impairment charge in “Other Activities” related to Treka.

17. Bank loans and other interest bearing short-term debt

Amounts in NOK million	Weighted Average Interest Rates **2003**	2002	**2003**	2002
Bank loans and overdraft facilities	**3.2 %**	4.7 %	**1,735**	3,011
Commercial paper	**8.5 %**	3.5 %	**2**	20
Other	**2.2 %**	4.3 %	**3,832**	4,275
Total bank loans and other interst-bearing short-term debt			**5,569**	7,306

As of 31 December, 2003, Norsk Hydro ASA had unused short-term credit facilities with various banks totalling approximately NOK 3,173 million. The interest rate for withdrawals under these facilities is based on the interbank interest rate for the relevant currency plus a margin depending on the currency.

18. Other current liabilities

Amounts in NOK million	**2003**	2002
Accounts payable	**17,871**	14,732
Income taxes payable	**8,155**	8,646
Payroll and value added taxes	**3,703**	3,106
Accrued liabilities	**10,811**	8,839
Other liabilities	**2,350**	3,008
Total other current liabilities	**42,890**	38,331

19. Long-term debt

Substantially all unsecured debenture bonds and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bondholders and lenders. Certain of the debenture bond agreements contain provisions allowing Hydro to call the debt prior to its final redemption date at certain specified premiums.

Long-term debt payable in various currencies

Amounts in million	Weighted Average Interest Rates	Denominated Amount **2003**	Balance in NOK **2003**	2002
USD	7.4 %	**2,935**	**19,558**	20,390
NOK	6.0 %	**1,580**	**1,580**	2,180
GBP	6.5 %	**225**	**2,672**	3,641
EUR	6.3 %	**400**	**3,362**	2,915
Other			**21**	17
Total unsecured debenture bonds:			**27,193**	29,143
USD	4.5 %	**2**	**10**	81
SEK	5.5 %	**1,000**	**926**	795
EUR	2.5 %	**69**	**585**	479
Other			**215**	142
Total unsecured bank loans			**1,736**	1,497
Capital lease obligations			**152**	122
Mortgage loans			**42**	1,400
Other long-term debt			**687**	698
Outstanding debt			**29,810**	32,860
Less: Current portion			**(1,242)**	(1,958)
Total long-term debt			**28,568**	30,902

As of 31 December, 2003 the fair value of long-term debt, including the current portion, was NOK 34,896 million and the carrying value was NOK 29,810 million.

Foreign currency swaps are not reflected in the table above. (See Note 24).

Payments on long-term debt fall due as follows

Amounts in NOK million	Debentures	Bank loans	Capital lease and other	Total
2004	1,007	53	181	1,241
2005	505	512	332	1,349
2006	505	94	182	781
2007	5	505	72	582
2008	5	487	33	525
Thereafter	25,166	85	81	25,332
Total	27,193 [1]	1,736 [2]	881	29,810

1) Of which Norsk Hydro ASA is responsible for NOK 27,061 million.
2) Of which Norsk Hydro ASA is responsible for NOK 1,356 million.

Norsk Hydro ASA has entered into long-term committed stand-by credit facility agreements with several international banks for a total amount of USD 2,025 million. Of this amount, USD 350 million expires in 2007, USD 1,450 million in 2009 and the remainder in 2010. There are no borrowings under these facilities as of 31 December, 2003. Average commitment fee on these facilities is 0.15 percent.

20. Employee retirement plans

Pension Benefits

Norsk Hydro ASA and many of its subsidiaries have defined benefit retirement plans that cover substantially all of their employees. Plan benefits are generally based on years of service and final salary levels. Some subsidiaries have defined contribution or multiemployer plans.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

Net periodic pension cost

Amounts in NOK million	2003	2002	2001
Defined benefit plans:			
Benefits earned during the year, net of participants' contributions	**747**	610	543
Interest cost on prior period benefit obligation	**1,526**	1,314	1,087
Expected return on plan assets	**(1,087)**	(1,265)	(1,373)
Recognized loss (gain)	**326**	58	(11)
Amortization of prior service cost	**148**	145	151
Amortization of net transition asset	**(5)**	(58)	(57)
Curtailment loss	**20**	119	117
Settlement loss (gain)	**199**	(4)	1
Net periodic pension cost	**1,874**	919	458
Defined contribution plans	**36**	48	57
Multiemployer plans	**39**	21	8
Termination benefits and other	**531**	598	978
Total net periodic pension cost	**2,480**	1,586	1,501
Change in the additional minimum pension liability included within other comprehensive income	**182**	472	553

Change in projected benefit obligation (PBO)

Amounts in NOK million	2003	2002
Projected benefit obligation at beginning of year	**(23,714)**	(17,620)
Benefits earned during the year	**(766)**	(627)
Interest cost on prior period benefit obligation	**(1,526)**	(1,314)
Actuarial loss	**(1,776)**	(2,722)
Plan amendments	**(18)**	49
Benefits paid	**1,001**	912
Curtailment loss	**(16)**	(39)
Settlements	**445**	8
Special termination benefits	**(73)**	(187)
Business combinations	**-**	(2,993)
Divestments	**303**	6
Inclusion of plans reported in line item "Termination benefits and other" in prior year	**(2,131)**	-
Foreign currency translation	**(962)**	813
Projected benefit obligation at end of year	**(29,233)**	(23,714)

Change in pension plan assets

Amounts in NOK million	2003	2002
Fair value of plan assets at beginning of year	**15,122**	16,876
Actual return on plan assets	**1,880**	(1,119)
Company contributions	**1,070**	648
Plan participants' contributions	**20**	17
Benefits paid	**(704)**	(686)
Settlements	**(445)**	(8)
Divestments	**-**	(9)
Inclusion of plans reported in line item "Termination benefits and other" in prior year	**1,457**	-
Foreign currency translation	**319**	(597)
Fair value of plan assets at end of year	**18,719**	15,122

Status of pension plans reconciled to balance sheet

Amounts in NOK million	2003	2002
Defined benefit plans:		
Funded status of the plans at end of year	**(10,514)**	(8,592)
Unrecognized net loss	**7,953**	6,854
Unrecognized prior service cost	**1,344**	1,398
Unrecognized net transition asset	**-**	(6)
Net prepaid (accrued) pension recognized	**(1,217)**	(346)
Termination benefits and other	**(1,460)**	(1,516)
Total net prepaid (accrued) pension recognized	**(2,677)**	(1,862)
Amounts recognized in the balance sheet consist of:		
Prepaid pension	**5,080**	4,989
Accrued pension liabilities	**(9,533)**	(8,385)
Intangible asset	**343**	283
Accumulated other comprehensive income	**1,433**	1,251
Net amount recognized	**(2,677)**	(1,862)

Plans in which the accumulated benefit obligation exceeds plan assets:

Amounts in NOK million	2003	2002
Projected benefit obligation	**15,876**	11,075
Accumulated benefit obligation (ABO)	**13,658**	9,693
Plan assets	**6,082**	3,380

Weighted-average assumptions used to determine net periodic pension cost

	2003	2002	2001
Discount rate	**6.5 %**	6.7 %	7.1 %
Expected return on plan assets	**7.6 %**	8.0 %	8.0 %
Rate of compensation increase	**3.4 %**	2.9 %	3.0 %

Weighted-average assumptions used to determine pension obligation at end of year

	2003	2002
Discount rate	**5.8 %**	6.6 %
Rate of compensation increase	**3.4 %**	3.4 %

Investment profile plan assets

	2003	2002
Asset category		
Equity securities	**34 %**	30 %
Debt securities	**39 %**	39 %
Real estate	**15 %**	19 %
Other	**12 %**	12 %
Total	**100 %**	100 %

Management of plan assets must comply with applicable laws and regulations in the countries where Hydro provides funded defined benefit plans. Within constraints imposed by laws and regulations, and given the assumed pension obligations and future contribution rates, the majority of assets are managed actively to obtain a long-term rate of return that at least reflects the chosen investment risk.

Based on the current portfolio of plan assets the expected rate of return on plan assets is determined to be approximately one percentage point above the yield on a portfolio of long-term corporate bonds that receive one of the two highest ratings given by a recognized rating agency.

Hydro expects to contribute NOK 800 million to its pension plans in 2004.

In 2003, Hydro performed SFAS 87 valuations for certain defined benefit plans that were reported in line item “Termination benefits and other” in prior year. The immediate impact of applying SFAS 87 provisions on these plans resulted in an increased projected benefit obligation (PBO) of NOK 2,131 million, and increased pension plan assets of NOK 1,457 million. The difference between the plans’ funded status according to SFAS 87 and what was recognized in the balance sheet, has been offset as unrecognized net loss and unrecognized prior service cost with NOK 537 million and NOK 65 million, respectively. Prior year financial statements have not been restated.

In 2003, Hydro incurred a settlement loss of NOK 199 million, and in 2002, Hydro incurred a curtailment loss of NOK 119 million. These charges include settlement and curtailment losses resulting from an agreement between Hydro and an external party, to transfer Hydro’s operatorship of certain licenses on the Norwegian continental shelf to the external party, including the transfer of employment for 535 employees, as of 1 January, 2003.

In 2001, Hydro's Norwegian activities incurred termination benefit costs of NOK 654 million and a curtailment loss of NOK 116 million. These charges included costs to improve competitiveness for certain Norwegian operations, and curtailment loss resulting from the termination of primary production of magnesium in Norway.

Effective 1 January, 2000, certain Norwegian plans amended their plan benefit formulas as to provide for indexation of pension benefits. The resulting prior service cost of NOK 1,654 million is being amortized on a straight-line basis over the employees' average remaining service period.

Other Retirement Benefits

Hydro has unfunded retiree medical and life insurance plans for certain of its employees outside Norway. In 2003, the net periodic post retirement income was NOK 12 million. In 2002 and 2001, the net periodic post retirement cost was NOK 19 million and NOK 46 million, respectively. The post retirement liability was NOK 204 million and NOK 226 million as of 31 December, 2003 and 2002, respectively.

21. Contingencies and other long-term liabilities

Hydro is subject to changing environmental laws and regulations that in the future may require the company to modernize technology to meet more stringent emissions standards or to take actions for contaminated areas. As of 31 December, 2003 and 2002, Hydro had accrued NOK million 461 and NOK 795 million, respectively, for corrective environmental measures. The corresponding expense was NOK 53 million in 2003 compared to NOK 115 million and NOK 58 million in 2002 and 2001, respectively.

Hydro's future expenses for these corrective environmental measures are affected by a number of uncertainties including, but not limited to, the method and extent of corrective action. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Hydro's major production facilities and product storage terminals. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

Hydro is involved in or threatened with various other legal, tax and environmental matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position. Total, the operator for the Kharyaga field, has received from the Ministry of Taxes and Revenues of the Russian Federation, a claim for tax and the state's share of the revenues from oil extracted under the Petroleum Sharing Agreement for the field. Hydros share of the claim is approximately 30 million US dollar. Both Hydro and Total are considering the claim unjustified, and have taken legal actions to get this confirmed as well as to avoid collection of the claim.

The EFTA Surveillance Authority (“ESA”) has opened a formal investigation procedure against Norway to establish whether or not the former zero-rate electricity tax applicable to Norwegian industry is compatible with the state aid rules of the European Economic Area Agreement (the “EEA Agreement”). From 1 January 2004 the zero-rate is extended to all Norwegian business. ESA advised the Norwegian government that the government may be required to

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

recover asserted state aid from the recipients should ESA find a measure to be incompatible with the EEA Agreement. The Norwegian government has claimed that the electricity fee system is of a general nature and not covered by the EEA state aid rules. Should ESA decide to order the Norwegian government to recover the the value of the zero rate tax for the relevant years, the decision may be appealed to the EFTA Court. We will vigorously oppose, and believe that the Norwegian government will also oppose, any unfavorable decision related to the past. We intend to make use of all remedies available, both at the EFTA and the national level. Although no assurances can be provided as to the ultimate outcome of this matter, our management does not believe that the resolution of this matter will have a material adverse effect on our results of operations or financial position.

Other long-term liabilities

Amounts in NOK million	**2003**	2002
Insurance premiums and loss reserves	**109**	842
Accruals abandonment costs and decommissioning costs offshore	**-**	2,131
Asset retirement obligations (SFAS 143)	**5,162**	-
Postretirement benefits other than pensions	**204**	226
Derivatives	**335**	336
Other	**2,194**	2,713
Total US GAAP	**8,004**	6,248
Adjustment to N GAAP		
Cash Flow hedge (Note 28)	***(8)***	*1,100*
Restating asset retirement obligations (Note 28)	**-**	*2,418*
Total N GAAP	***7,996***	*9,766*

Effective 1 January, 2003, Hydro adopted SFAS 143 "Accounting for Asset Retirement Obligations". Hydro's asset retirement obligations covered by FAS 143 are associated mainly with the removal and decommissioning of oil- and gas offshore installations. The obligations are imposed and defined by legal requirements in Norway as well as the OSPAR convention (The Convention for the Protection of the Marine Environment of the North-East Atlantic). The fair value of the obligations is recognized in the balance sheet in the period in which it is incurred, i.e. when the oil- and gas installations are constructed and ready for production, and the obligation amount is adjusted for accretion and estimate changes in subsequent periods until settlement.

Asset Retirement Obligations

Amounts in NOK million	
Implementation FAS 143 1.1.2003	4,549
Incurred this year	463
Revisions in estimates	22
Disposals	(30)
Settlements	(83)
Accretions	306
Currency translation	22
Total asset retirement obligations 31.12.2003	5,249

Of which:	
Short term asset retirement obligations 31.12.2003	87
Long term asset retirement obligations 31.12.2003	5,162

Pro Forma information

According to the standard, previous years have not been restated. The following table reconciles the reported net income, reported earnings per share and asset retirement obligations to that which would have resulted for the earlier years assuming SFAS 143 were adopted 1 January 2001.

Amounts in NOK million, except per share data	**2003**	2002	2001
Net income	**10,968**	8,765	7,892
Depreciation change (after tax)	**-**	(56)	47
Pro forma net income	**10,968**	8,709	7,939
Reported earnings per share	**42.60**	34.00	30.50
Depreciation change earnings per share	**-**	(0.20)	0.20
Pro forma earnings per share	**42.60**	33.80	30.70
Pro forma Asset Retirement Obligation, 1 January	**4,549**	4,268	4,028

22. Secured debt and guarantees

Amounts in NOK million	**2003**	2002
Amount of secured debt	**42**	65
Assets used as security:		
Plant and equipment, etc.	**57**	134
Buildings	**54**	280
Other	**2**	13
Total	**113**	427
Guarantees (off-balance sheet):		
Non-consolidated investee debt	**54**	96
Contingency for discounted bills	**85**	160
Tax guarantees	**1,352**	936
Sales guarantees	**7,900**	3,900
Commercial guarantees	**10,545**	6,563
Total	**19,936**	11,655

The amouts in the table above represents the maximum potential amount of future payments related to the guarantees. Guarantees of non-consolidated investee debt relates to guarantees covering credit facilities with external banks. Tax guarantees includes guarantees to tax authorities regarding the non-taxable treatment on gains on internal sales of assets. Gains on such sales could become taxable if certain assets were sold outside the group.

Guarantees in connection with the sale of companies, referred to as sales guarantees in the table above, reflect the maximum contractual amount that Hydro could be liable for in the event of certain defaults or the realization of specific uncertainties. Hydro has, in addition to what is included in the table above, certain guarantees relating to sales of companies that are unlimited in amount. Hydro believes that the likelihood of any material liability arising from guarantees relating to sales of companies is remote.

In addition to the sales guarantees discussed above, Hydro has, following the asset exchange between Hydro and Petro-Canada in 1996, guaranteed that the total recoverable reserves attributable to Petro-Canada's working interest in the Veslefrikk field shall not be less than a certain quantified amount of crude oil. If less, Hydro has an obligation to deliver indemnity volumes to Petro-Canada. During 2002 there was a new evaluation of reserves in accordance with the agreement which resulted in compensation to Petro-Canada. The agreement was renegotiated in 2002 and is open for the possibility of re-evaluating the reserves in 2008, 2014 and at the end of the field's lifetime. The guarantee does not apply in cases of force majeure, the failure of the operator to comply with good oil field practices, etc. As of 31 December, 2003, the remaining guaranteed volume was 1.2 million Sm3 of crude oil, equivalent to approximately NOK 1,465 million. As of 31 December, 2002, the remaining guaranteed volume was 1.3 million Sm3 of crude oil, equivalent to approximately NOK 1,760 million.

Commercial guarantees consist of advance payment guarantees, bid bonds, stand-by letters of credit and payment guarantees. Guarantees are issued in the normal course of business. Commercial guarantees are issued mainly by Norsk Hydro ASA on behalf of its subsidiaries. Certain commercial guarantees are obtained from external banks and covered by Norsk Hydro ASA by a counter indemnity guarantee to the external banks. A certain portion of these guarantees are payable on demand while the remainder is dependant upon performance by the guaranteed entity (i.e delivery of goods or services by a vendor). In addition, Hydro would also have recourse in the case of payment made on demand in connection with non performance by a guaranteed entity.

23. Contractual and other commitments for future investments and operations

As of 31 December, 2003:		Investments	
Amounts in NOK million	2004	Thereafter	Total
Contract commitments for investments in property, plant and equipment:			
Land based	2,596	160	2,756
Oil and gas fields and transport systems	4,927	8,628	13,555
Total	7,523	8,788	16,311
Additional authorized future investments in property, plant and equipment:			
Land based	1,283	625	1,908
Oil and gas fields and transport systems	754	11,699	12,453
Total	2,037	12,324	14,361
Contract commitments for other future investments:	589	840	1,429

Additional authorized future investments include projects formally approved for development by the Board of Directors or management given the authority to approve such investments. General investment budgets are excluded from these amounts.

Hydro has entered into take-and-pay and long-term contracts providing for future payments to secure pipeline and transportation capacity, processing services, raw materials and electricity and steam. In addition, Hydro has entered into long-term sales commitments to deliver goods. This principally relates to obligations to deliver gas from fields on the Norwegian Continental Shelf for a total amount of NOK 155.6 billion.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

The non-cancelable future fixed and determinable obligation as of 31 December, 2003 is as follows

Take-and-pay and Long-term contracts

Amounts in NOK million	Transport and Other	Raw materials	Energy related	Sale commitments
2004	626	4,222	2,462	(10,601)
2005	402	2,973	2,348	(10,236)
2006	739	2,275	2,082	(10,919)
2007	667	1,223	2,335	(11,022)
2008	613	877	2,185	(10,838)
Thereafter	5,141	5,641	18,906	(120,978)
Total	8,188	17,211	30,318	(174,594)

Terms of certain of these agreements include additional charges covering variable operating expenses in addition to the fixed and determinable component shown above, including contracts to purchase 23.5 million tonnes of alumina over the next 26 years where the variable part of the prices are normally linked to the London Metal Exchange quoted prices.

In addition, Hydro has entered into a contract to purchase 15 million tonnes of ammonia over the next 20 years following commercial production with variable prices referenced to fertilizer publications.

Hydro has also entered "take-and-pay" and other long terms contracts as part of shareholders agreement in non-consolidated investees, including contracts to purchase 17 million tonnes of alumina over the next 8 years. These commitments are not included in the figures above.

The total purchases under the take-and-pay agreements and long-term contracts were as follows (in NOK million):
2003 – 5,410; 2002 – 4,511; 2001 – 2,687 and 2000 – 2,523

24. Derivative instruments and risk management

Hydro is exposed to market risks from commodity pricing, currency exchange rates and interest rates. Market risk exposures are evaluated based on a portfolio view in order to take advantage of offsetting positions and to manage risk on a net exposure basis. Mitigating financial and commercial risk exposures through the use of derivative instruments is done only to a limited extent. Such derivative transactions are accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended. All derivative instruments are reported on the balance sheet at fair value with changes in the fair values of derivative instruments recorded to earnings unless specific hedge criteria are met.

Commodity Price Risk Exposure

A substantial portion of Hydro's revenue is derived from the sale of commodities such as crude oil, aluminium, and fertilizers. Hydro also produces, purchases and sells natural gas, electricity and petrochemical products. The prices of these commodities can be volatile, creating fluctuations in Hydro's earnings. The Company's main strategy to manage this exposure relates to maintaining a strong financial position to be able to meet fluctuations in prices and earnings. Natural hedging positions are established to the extent possible and economically viable. Derivatives are used in special situations to mitigate price movements and to participate in limited speculative trading within strict guidelines defined by management. The following highlights Hydro's main commodity price risks.

Oil

Hydro produces and sells crude oil and gas liquids. Hydro utilizes futures and swaps to mitigate unwanted price exposure for a portion of its crude oil portfolio production. From time to time financial options are used for the same purpose. At the end of 2003 Hydro has no hedging program in place for the purpose of protecting against the risk of low oil prices.

Natural gas

Hydro is a producer, consumer, buyer and seller of natural gas. The majority of Hydro's equity gas production is sold to European counterparties based on long-term gas supply contracts. Contract prices are mainly indexed to oil prices. In order to reduce the risk in the natural gas portfolio against unfavorable fluctuations in gas and oil prices, Hydro utilizes instruments such as forwards and swaps to mitigate unwanted price exposures for a portion of its natural gas portfolio. Hydro is also participating in limited speculative trading.

Electricity

Hydro is a producer and consumer of electricity. Hydro's consumption of electricity exceeds its production both in Norway and in Continental Europe. The deficit is principally covered through long-term purchase contracts with other producers and suppliers to secure electricity in the market for Hydro's own consumption and delivery commitments.

In order to manage and hedge the risks of unfavorable fluctuations in electricity prices and production volume, Hydro utilizes both physical contracts and financial derivative instruments such as futures, forwards and options. These are traded either bilaterally or over electricity exchanges such as the Nordic power exchange, "Nord Pool". Hydro also engages in third party trading by offering power portfolio management services and participating in limited speculative trading.

Aluminium

Hydro is a producer of primary aluminium and fabricated aluminium products. Hydro enters future contracts with the London Metal Exchange (LME) mainly for two purposes. The first is to achieve an average LME price on smelter production. Secondly, because the Company's downstream business and the sale of third party products are margin businesses, Hydro hedges metal prices when entering into customer and supplier contracts with corresponding

future contracts at fixed prices (back-to-back hedging). The majority of these contracts mature within one year. Hydro manages these hedging activities on a portfolio basis, taking LME positions based upon net exposures. Accordingly, it is difficult to meet certain hedge accounting criteria. As a result, aluminium price volatility can result in significant fluctuations in the marked-to-market adjustments for LME positions recorded to operating income.

The following types of commodity derivatives were recorded at fair value on the balance sheet as of 31 December, 2003 and 2002. Contracts that are designated as hedging instruments in cash flow and fair value hedges are not included.

Amount in NOK million	**2003**	2002
Assets:		
Put options, crude oil	**-**	1
Swaps and futures, crude oil	**2**	44
Electricity contracts	**1,171**	1,935
Natural gas contracts	**218**	457
Futures, swaps and options, Aluminium	**286**	543
Forwards, urea	**10**	-
Total Commodity Derivative Assets	**1,687**	2,980
Liabilities:		
Swaps and futures, crude oil	**2**	32
Electricity contracts	**620**	1,123
Natural gas contracts	**201**	440
Futures, swaps and options, Aluminium	**172**	214
Total Commodity Derivative Liabilities	**995**	1,809

The presentation of fair values for electricity and natural gas contracts shown in the table above includes the fair value of derivative instruments such as futures, forwards and swaps in conjuction with fair values of physical contracts.

Foreign Currency Risk Exposure

Prices of many of Hydro's most important products, mainly crude oil, aluminium, natural gas, fertilizier and magnesium, are either denominated in US dollars or are influenced by movements in the value of other currencies against the US dollar. To reduce the long-term effects of fluctuations in the US dollar exchange rates, Hydro has issued most of its debt in US dollars (as of 31 December, 2003, approximately two thirds of Hydro's long-term debt is denominated in US dollars). The remaining long-term debt is denominated in Norwegian kroner, Euro, Swedish kroner, and British pounds.

Hydro employs foreign currency swaps and forward currency contracts to modify the currency exposures for Hydro's long-term debt portfolio. Foreign currency swaps allow Hydro to raise long-term borrowings in one currency and swap them into another with lower funding costs rather than borrowing directly in the second currency. Forward currency contracts are entered into to safeguard cash flows for forecasted future transactions or to cover short-term liquidity needs in one currency through excess liquidity available in another currency.

Hydro also incurs cost related to production, distribution and marketing of products in a number of different currencies related to the countries of operation. As a result, the effects of changes in currency rates on the translation of local currencies into Norwegian kroner for subsidiaries outside of Norway can influence comparative results of operations.

In order to further mitigate its exposure to foreign currency risk, Hydro has designated a portion of its foreign-denominated long-term debt, including certain related balances in currencies arising from foreign currency swaps and forwards, as hedges of net foreign investments in subsidiary companies. The foreign currency effects of these hedges reflected in the cumulative translation section of shareholders' equity produced a NOK 333 million after-tax loss during the year ended 31 December, 2003 and NOK 1,333 million after-tax gain during the year ended 31 December, 2002; partly offsetting a foreign currency translation gain of NOK 4,856 million and a loss of NOK 7,207 million in shareholders' equity for 2003 and 2002 respectively.

The following types of financial derivatives were recorded at fair value on the balance sheet as of 31 December, 2003 and 2002. Currency contracts that are designated as hedging instruments in cash flow hedges are not included.

Amount in NOK million	**2003**	2002
Assets:		
Currency forwards and swaps	**980**	691
Liabilities:		
Currency forwards and swaps	**123**	188

The currency contracts listed below were outstanding as of 31 December, 2003.

Currency	Nominal value in currency	Fair value in NOK	Maturity by nominal amount in currency	
Amount in million			Within one year	Later
Buying currency				
AUD	239	1,154	164	75
CAD	156	752	38	118
EUR	251	2,083	195	56
NOK	5,622	5,607	5,622	-
USD	138	793	74	64
Other	-	75	-	-
Selling currency				
CAD	(150)	(770)	(150)	-
DKK	(1,070)	(1,203)	(1,070)	-
GBP	(45)	(532)	(45)	-
JPY	(6,692)	(390)	(5,642)	(1,050)
NOK	(978)	(977)	(978)	-
SEK	(1,700)	(1,566)	(1,700)	-
USD	(544)	(3,568)	(381)	(163)
Other	-	(601)	-	-

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

Interest Rate Exposure

Hydro is exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and fund its business operations in different currencies. Hydro maintains a high ratio of long-term, fixed-rate debt, as a proportion of its total interest bearing debt, with an even debt repayment schedule. Hydro uses foreign exchange and interest rate swaps from time to time and other derivatives to optimize currency and interest rate exposure. Fair values of interest rate derivatives at 31 December, 2003 and 2002 were immaterial.

Cash Flow Hedges

The expansion project at the Sunndal metal plant increased Hydro's exposure to commodity prices and foreign currency exchange rates. Accordingly, Hydro has entered into short positions using LME future contracts and US dollar forward contracts to secure an average aluminium price of approximately NOK 14,000 per tonne of a portion of the forecasted sales of primary metal production per year for the period 2003 to 2007. As of 31 December, 2003, Hydro had sold forward about 426,000 tonnes (480,000 tonnes in 2002) of primary aluminium at an average price of approximately US dollar 1,500 per tonne. In addition Hydro has secured the exchange rate against the US dollar at about NOK 9.3 per US dollar for the same tonnage. Gains and losses on these derivatives are recorded to OCI and are to be reclassified into operating revenues when the corresponding forecasted sale of aluminium is recognized. No amount of ineffectiveness was recognized in 2003 and 2002 since the critical terms of the derivatives and the forecasted aluminium sales are substantially similar. A gain after tax of NOK 261 million is expected to be reclassified from OCI into earnings during the period ending 31 December, 2004. A gain after tax of NOK 172 million was reclassified from OCI into earnings during 2003. No amount was reclassified from OCI to earnings during 2002. As of 31 December, 2003 the maximum length of time over which the Company is hedging its exposure to the variability in cash flows is four years.

In 2003, a major aluminium expansion project at the Alouette plant in Canada increased Hydro's exposure to Canadian dollar. Hydro's investment in the plant is in US dollar however approximately 78 percent of the expected payments for the expansion project in Canada is committed in Canadian dollar. Hydro has entered into currency forward contracts to sell US dollar and buy Canadian dollar as part of a cash flow hedge of forecasted CAD payments for the period 2003-2006. The notional amount of the contracts is approximately CAD 158 million at year end (CAD 206 million at inception of project in 2003) at an average rate of 1.56 CAD per USD. Gains and losses on these derivatives are recorded in OCI and are to be reclassified into earnings in the same periods during which the hedged forecasted transaction affects earnings (that is, when the plant is to be depreciated). No amount of ineffectiveness was recognized in 2003 since the critical terms of the derivatives and the forecasted payments are substantially similar. No amount is expected to be reclassified from OCI into earnings during the period ending 31 December, 2004. As of 31 December, 2003, Hydro is hedging its exposure to the variability in cash flows until March 2006.

In 2001, Hydro terminated a hedging program that included LME future contracts designated as cash flow hedges of primary aluminium sales for 2001-2003. At 31 December, 2001, the after tax gains on the LME futures of NOK 98 million (USD 13 million) were deferred in OCI. During 2002 a gain after tax of NOK 57 million (USD 7 million) was reclassified from OCI to Operating revenues. During 2003 a gain after tax of NOK 41 million (USD 6 million) was reclassified from OCI to Operating revenues.

Fair Value Hedges

Hydro also has a 10-year commitment with Aluvale to purchase a fixed tonnage of remelt ingot per year. At the end of 2002, Hydro entered into short positions using LME futures to hedge against the fluctuations in the fair value of the purchase commitment due to changes in the LME price of aluminium over the period of 2003 - 2006. Gains and losses on these futures contracts are recognized in Operating costs and expenses offsetting the gain and loss recorded for the firm commitment in the same period. The critical terms of the LME futures and the related purchase commitments are essentially the same; as a result no hedge ineffectiveness was reflected in earnings in 2003 and 2002.

The following fair values were recorded on the balance sheet for hedging instruments as of 31 December, 2003 and 2002.

Amounts in NOK million	**2003**	2002
Assets:		
Fair value hedging instruments, aluminium	**2**	15
Cash flow hedging instruments, aluminium	**-**	380
Cash flow hedging instruments, currency	**1,518**	1,102
Total	**1,520**	1,497
Liabilities:		
Cash flow hedging instruments, aluminium	**48**	-
Total	**48**	-

Fair Value of Derivative Instruments

Fair market values of derivative financial instruments such as currency forwards and swaps are based on quoted market prices. Fair market value of aluminium futures and option contracts are based on quoted market prices obtained from the London Metals Exchange. The fair values other commodity over-the-counter contracts and swaps are based on quoted market prices, estimates obtained from brokers, and other appropriate valuation techniques. Where long-term physical delivery commodity contracts are recorded at fair value under the requirements of FAS133, such fair market values are based on quoted forward prices in the market and assumptions of forward prices and margins where market prices are not available.

See Note 19 for fair value information of long-term debt.

Credit Risk Management

Credit risk arising from the inability of a counterparty to meet the terms of derivative financial instrument contracts is generally limited to amounts by which the counterparty's obligations exceed the obligations of Hydro. It is Hydro's policy to enter into derivative financial instruments only with banks with pre-approved exposure limits. Hydro's policy also requires pre-approved exposure limits for financial institutions relating to current accounts, deposits and other obligations. Therefore, counter party risk related to use of derivative financial instruments and financial operations is regarded as limited.

Hydro also has exposure to credit risk related to derivative commodity instruments. However, this risk is substantially limited since most instruments are settled through commodity exchanges. Hydro limits credit risks relating to derivative commodity contracts that are not traded on exchanges by setting policies for credit ratings and limits for counterparties.

Concentration of credit risk is not considerated significant since Hydro´s customers represents various industries and geographic areas.

25. External audit remuneration

Deloitte Statsautoriserte Revisorer AS (Deloitte) is the principal auditor of Norsk Hydro ASA and the Norwegian subsidiaries. Certain portions of audits are performed by Ernst & Young and other firms. The following table shows total audit and non-audit fees for the fiscal years 2003 and 2002.

2003 Amounts in NOK thousand	Audit fees	Audit related fees	Other non-audit fees	Tax fees	Total
Deloitte Norway [1]	26,257	1,839	8,069	400	36,565
Deloitte Abroad	32,728	2,911	1,863	3,828	41,330
Total Deloitte	58,985	4,750	9,932	4,228	77,895
Ernst & Young	16,998	1,797	7,808	5,198	31,801
Others	11,096	2,941	1,296	2,677	18,010
Total fees	87,079	9,488	19,036	12,103	127,706

2002 Amounts in NOK thousand	Audit fees	Audit related fees	Other non-audit fees	Tax fees	Total
Deloitte Norway	19,336	5,092	10,157	485	35,100
Deloitte Abroad	27,588	9,505	14,419	8,915	60,427
Total Deloitte	46,954	14,597	24,576	9,400	95,527
Ernst & Young	15,682	405	4,213	842	21,142
Others	3,735	6,812	554	200	11,301
Total fees	66,371	21,814	29,343	10,442	127,970

1) Approximately NOK 4 million is related to Agri-demerger

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

26. Related parties

The Norwegian State owned as of 31 December, 2003 116,832,770 ordinary shares, representing 43.8 percent of the total number of ordinary shares issued, representing 45.5 percent of the shares outstanding as of the same date. There are no different voting rights associated with the ordinary shares held by the State.

Transactions with related parties

On March 19, 2002, Hydro entered into an agreement with the Norwegian State to purchase interests in eight oil and gas licenses on the Norwegian continental shelf. This transaction increased Hydro's interests in the Oseberg, Tune and Grane fields, where Hydro is operator, to 34, 40 and 38 percent, respectively. The transaction was completed and is reflected in Hydro's operating results from the acquisition date of May 10, 2002. The agreement was effective from January 1, 2002. However, net cash flows relating to these operations prior to the acquisition date have been allocated as a reduction of the purchase price. Hydro has agreed to pay NOK 3.45 billion for the license interests.

Transactions with non-consolidated investees are described in Note 13 Non-Consolidated Investees.

Members of the board of directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for in the company's articles of association and Norwegian law. The company has no significant contracts in which a board member has a material interest.

Loans given to members of the Board and their number of shares owned as of 31 December, 2003 are:

	Loans outstanding [1) 2)]	Number of shares
Egil Myklebust	4,565 [3)]	4,244
Elisabeth Grieg	-	5,460
Borger A. Lenth	-	144
Geir Nilsen	118	27
Anne Cath. Høeg Rasmussen	-	1,014
Odd Semstrøm	45	101
Steinar Skarstein	-	172

1) Amounts in NOK thousands
2) All loans to directors and executive officers (members of the corporate management board) were entered into prior to 30 July 2002. Hydro has not materially modified or renewed any of the loans extended to or for its directors or executive officers since that date.
3) In October 2000, an interest-only loan of NOK 2,200,000 was given. The interest rate as of 31 December 2003 was 3.75 percent. In addition, there is a loan with 26.5 years remaining and with an outstanding amount of NOK 2,115,000 as of 31 December 2003. Other loans of NOK 250,000 carries interest of 4.25 percent. All loans are secured.

Members, observers and deputy members of the corporate assembly owning ordinary shares as of 31 December, 2003 are:

	Number of shares
Frank Andersen	99
Frank A. Bakke	884
Erna Flattum Berg	107
Sven Edin	223
Anne-Margrethe Firing	167
Odd Arne Fodnes	144
Billy Fredagsvik	37
Solveig Alne Frøynes	81
Oddny Grebstad	97
Sónia F.T. Gjesdal	166
Westye Høegh	19,000
Kjell Kvinge	171
Sylvi A. Lem	152
Stig Lima	59
Jon-Arne Mo	23
Bjørn Nedreaas	88
Anne Merete Steensland	2,272
Wolfgang Ruch	175
Sven B. Ullring	100
Morten Ødegård	5
Ingar Aas-Haug	26
Kjell Aamot	30
Svein Aaser	1,872

Loans to senior management as of 31 December, 2003 and their ownership of shares and options (see Note 4, page 102) are:

	Loans outstanding [1) 2)]	Number of shares	Options
Eivind Reiten	-	7,813	30,000
Alexandra Bech Gjørv	-	872	16,000
John O. Ottestad	591	8,210	16,000
Jon-Harald Nilsen	195	242	21,000
Tore Torvund	414	3,584	21,000

Outstanding loan particulars: [2)]	Interest	Loans Repayment	Amount [1)]
John O. Ottestad	4.25-5.00 %	3-13 years	591
Jon-Harald Nilsen	4.25 %	8 years	195
Tore Torvund	4.25-5.00 %	4-13 years	414

27. Supplementary oil and gas information (Unaudited)

Costs Incurred on Oil and Gas Properties

Exploration costs and costs related to property acquisition

	Norway			International			Total		
Amounts in NOK million	**2003**	2002	2001	**2003**	2002	2001	2003	2002	2001
Capitalized at beginning of year	**837**	977	874	**442**	1,749	309	**1,279**	2,726	1,183
Costs incurred during the year	**437**	662	928	**1,172**	1,714	1,090	**1,609**	2,376	2,018
Acquisition cost [1]	**-**	-	-	**-**	35	1,234	**-**	35	1,234
Expensed	**(437)**	(649)	(770)	**(1,140)**	(2,909)	(630)	**(1,577)**	(3,558)	(1,400)
Transferred to development	**(185)**	(78)	(52)	**(26)**	(25)	(125)	**(211)**	(103)	(177)
Disposals	**(19)**	(75)	(3)	**(78)**	(9)	(124)	**(97)**	(84)	(127)
Foreign currency translation	**-**	-	-	**20**	(113)	(5)	**20**	(113)	(5)
Capitalized at end of year	**633**	837	977	**390**	442	1,749	**1,023**	1,279	2,726

1) 2001 mainly related to Africa and USA.

Costs related to Development, Transportation Systems and Other

	Norway			International			Total		
Amounts in NOK million	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Net book value at beginning of year	**61,822**	56,711	58,472	**7,162**	8,117	6,360	**68,984**	64,828	64,832
Implementation SFAS 143 Assets Retirement Obligation	**1,021**	-	-	**68**	-	-	**1,089**	-	-
Cost incurred during the year [1]	**7,288**	6,923	5,591	**1,199**	1,299	2,172	**8,487**	8,222	7,763
Acquisition cost [2]	**-**	5,460	-	**-**	-	-	**-**	5,460	-
Transferred from exploration cost	**185**	78	52	**26**	25	125	**211**	103	177
Amortization	**(7,525)**	(7,278)	(7,098)	**(1,589)**	(1,275)	(326)	**(9,114)**	(8,553)	(7,424)
Disposals	**(119)**	(72)	(306)	**(4)**	(2)	1	**(123)**	(74)	(305)
Foreign currency translation	**-**	-	-	**678**	(1,002)	(215)	**678**	(1,002)	(215)
Net book value at end of year	**62,672**	61,822	56,711	**7,540**	7,162	8,117	**70,212**	68,984	64,828

1) In 2003, NOK 686 million, NOK 281 million and NOK 239 million of development cost related to activities in Angola, Canada and Russia respectively. NOK 236 million and NOK 61 million relates to accruals in Norway and International regarding assets retirement obligations (SFAS 143). This is a result of changes in estimates and new accruals in connection with fields set in production during the year. In 2002, NOK 508 million, NOK 254 million and NOK 501 million of development cost related to activities in Angola, Canada and Russia respectively. In 2001, NOK 903 million, NOK 742 million and NOK 441 million of development costs related to activities in Angola, Canada and Russia respectively.

2) In 2002, NOK 5,460 million relates to the aquisition of shares in SDFI.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

Results of Operations for Oil and Gas Producing Activities

As required by SFAS 69, the revenues and expenses included in the following table reflect only those relating to the oil and gas producing operations of Hydro.

The "results of operations" should not be equated to net income since no deduction nor allocation is made for interest costs, general corporate overhead costs, and other costs. Income tax expense is a theoretical computation based on the statutory tax rates after giving effect to the effects of uplift and permanent differences only.

	Norway			International			Total		
Amounts in NOK million	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Sales to unaffiliated customers	**6,672**	6,693	5,486	**4,061**	3,520	1,133	**10,733**	10,213	6,619
Intercompany transfers	**25,531**	21,532	24,915	**-**	-	-	**25,531**	21,532	24,915
Total revenues	**32,203**	28,225	30,401	**4,061**	3,520	1,133	**36,264**	31,745	31,534
Operating costs and expenses:									
Production costs	**3,591**	3,554	3,494	**425**	406	206	**4,016**	3,960	3,700
Exploration expenses	**437**	649	770	**1,140**	2,909	630	**1,577**	3,558	1,400
Depreciation, depletion and amortization	**7,378**	6,826	6,738	**1,597**	1,315	360	**8,975**	8,141	7,098
Transportation systems	**1,257**	1,629	1,379	**125**	139	125	**1,382**	1,768	1,504
Total expenses	**12,663**	12,658	12,381	**3,287**	4,769	1,321	**15,950**	17,427	13,702
Results of operations before taxes	**19,540**	15,567	18,020	**774**	(1,249)	(188)	**20,314**	14,318	17,832
Current and deferred income tax expense	**(14,802)**	(11,733)	(13,916)	**(414)**	374	(21)	**(15,216)**	(11,359)	(13,937)
Results of operations	**4,738**	3,834	4,104	**360**	(875)	(209)	**5,098**	2,959	3,895

Proved Reserves of Oil and Gas

Proved reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are expected to be recovered from undrilled production wells on exploration licenses. Reserves are expected to be revised as oil and gas are produced and additional data become available. International reserves under PSA contracts (production sharing agreement) are shown net of Royalties and Government's share of Profit Oil.

Proved Developed and Undeveloped Reserves of Oil and Gas

	Norway			International			Total		
	Oil	Natural gas		Oil	Natural gas		Oil	Natural gas	
	mmboe [1]	billion Sm^3 [2]	billion cf [2]	mmboe [1]	billion Sm^3 [2]	billion cf [2]	mmboe [1]	billion Sm^3 [2]	billion cf [2]
As of 31 December, 2000[6]	820	169.7	6,004	156	-	-	976	169.7	6,004
Revisions of previous estimates[3]	87	0.3	11	16	-	-	103	0.3	11
Purchase (sale)/exchange of reserves in place[4]	(1)	-	-	-	-	-	(1)	-	-
Extensions and new discoveries[5]	33	4.6	162	27	-	-	60	4.6	162
Production for the year	(114)	(5.4)	(191)	(6)	-	-	(120)	(5.4)	(191)
As of 31 December, 2001[6] [7]	825	169.2	5,986	193	-	-	1,018	169.2	5,986
Revisions of previous estimates [3]	46	(0.2)	(7)	(19)	-	-	27	(0.2)	(7)
Purchase (sale)/exchange of reserves in place[4]	109	12.1	428	-	-	-	109	12.1	428
Extensions and new discoveries [5]	20	12.7	449	16	-	-	36	12.7	449
Production for the year	(117)	(6.4)	(227)	(18)	-	-	(135)	(6.4)	(227)
As of 31 December, 2002 [6] [7]	883	187.4	6,629	172	-	-	1,055	187.4	6,629
Revisions of previous estimates [3])	**64**	**(6.2)**	**(218)**	**11**	**-**	**-**	**75**	**(6.2)**	**(218)**
Purchase (sale)/exchange of reserves in place[4]	**(2)**	**-**	**-**	**-**	**-**	**-**	**(2)**	**-**	**-**
Extensions and new discoveries [5]	**30**	**51.8**	**1,833**	**24**	**-**	**-**	**54**	**51.8**	**1,833**
Production for the year	**(123)**	**(7.8)**	**(275)**	**(21)**	**-**	**-**	**(144)**	**(7.8)**	**(275)**
As of 31 December, 2003 [6] [7]	**852**	**225.2**	**7,969**	**186**	**-**	**-**	**1,038**	**225.2**	**7,969**
Proved developed reserves:									
As of 31 December, 2000	555	103.0	3,644	33	-	-	588	103.0	3,644
As of 31 December, 2001	564	103.7	3,669	62	-	-	626	103.7	3,669
As of 31 December, 2002	559	124.8	4,416	93	-	-	652	124.8	4,416
As of 31 December, 2003	**690**	**124.8**	**4,415**	**88**	**-**	**-**	**778**	**124.8**	**4,415**

1) Includes crude oil and NGL/Condensate. 1 Sm^3 Oil/Condensate = 6.2898 boe. 1 tonne NGL = 11.9506 boe
2) Sm^3 = Standard cubic meter at 15 degrees Celcius. cf = cubic feet at 60 degrees Fahrenheit. 1 Sm^3 gas at 15 degrees Celcius = 35.3826 cubic feet gas at 60 degrees Fahrenheit.
3) The revision of previous estimates relates to new information from current year´s drilling operations and additional data which is now available.
4) In 2003 the decrease in reserves was due to sale of shares in the Brage and Njord fields in Norway to Offshore Engineering Resources AS. In 2002 the change in reserves was due to aquisition of SDFI assets and sale of the small field Varg in Norway. In 2001 the decrease was due to the sale of Glitne in Norway.
5) In 2003, extensions and new discoveries for oil were related to the Oseberg Vestflanken and Oseberg Sør fields in Norway, the Dalia and Rosa/Lirio fields in Angola and the Mabruk and Murzuq fields in Libya. Extensions and new discoveries for gas were related to the Ormen Lange, Oseberg Vestflanken and Oseberg Sør fields in Norway. In 2002, extensions and new discoveries for oil were related to the Snøhvit and Vigdis fields in Norway, the Hibernia and Terra Nova fields in Canada, the Murzuq field in Libya and the Jasmim field in Angola. Extensions and new discoveries for gas were related to the Snøhvit, Vigdis, Byggve and Skirne fields in Norway. In 2001, extensions and new discoveries for oil were related to the Kristin, Mikkel and Sigyn fields in Norway, Rosa/Lirio and Jasmim fields in Angola. Extensions and new discoveries for gas were also related to the Kristin, Mikkel and Sigyn fields in Norway.
6) Reserve estimates in Norway are made before royalties of approximately 0.8, 1.6 and 2.1 million barrels of oil equivalents for 2003, 2002 and 2001, respectively.
7) In 2003, reserve estimates includes 186 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. In 2002, reserve estimates included 172 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. In 2001, reserve estimates included 193 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. The increase in 2003 is dominated by the new reserves in the Dalia field in Angola.

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

US GAAP Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows of Hydro's proved reserves of oil (including natural gas liquids and condensate) and gas is prepared in compliance with SFAS 69.

Future net cash flows are based on numerous assumptions which may or may not be realized. The Management of Hydro cautions against relying on the information presented because of the highly arbitrary nature of assumptions involved and susceptibility of estimates to change as new and more accurate data become available. The individual components of future net cash flows shown below were computed using prices, production costs, development costs, royalty levels, foreign exchange rates, statutory tax rates and estimated proved reserve quantities at the respective year ends.

Standardized Measure of Discounted Future Net Cash Flows

	Norway			International			Total		
Amounts in NOK million	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Future cash inflows	**392,700**	351,200	308,600	**35,200**	34,800	31,200	**427,900**	386,000	339,800
Future production costs	**(91,600)**	(81,000)	(59,600)	**(7,800)**	(6,400)	(9,400)	**(99,400)**	(87,400)	(69,000)
Future development costs	**(45,900)**	(27,200)	(22,800)	**(7,100)**	(6,300)	(7,700)	**(53,000)**	(33,500)	(30,500)
Future income tax expense	**(185,400)**	(175,600)	(166,100)	**(4,400)**	(6,800)	(3,200)	**(189,800)**	(182,400)	(169,300)
Future net cash flows	**69,800**	67,400	60,100	**15,900**	15,300	10,900	**85,700**	82,700	71,000
Less: 10% annual discount for estimated timing of cash flows	**(30,900)**	(26,400)	(27,300)	**(5,800)**	(4,900)	(4,700)	**(36,700)**	(31,300)	(32,000)
Standardized measure of discounted future net cash flows	**38,900**	41,000	32,800	**10,100**	10,400	6,200	**49,000**	51,400	39,000

Major Sources of Changes in the Standardized Measure of Discounted Future Net Cash Flows

Amounts in NOK million	**2003**	2002	2001
Net changes in prices and production costs	**(800)**	23,700	(29,900)
Sales and transfers of oil and gas produced, net of production costs	**(30,900)**	(26,200)	(27,300)
Extensions, unitizations, discoveries and improved recovery, net of related costs	**21,500**	5,500	5,700
Purchase/Exchange of interests in fields	**-**	15,900	-
Sale/Exchange of interests in fields	**(100)**	(300)	(200)
Changes in estimated development costs	**(15,700)**	(8,300)	(7,900)
Development costs incurred during the year	**7,400**	7,600	7,500
Net change in income taxes	**5,000**	(11,100)	28,900
Accretion of discount	**4,300**	3,700	4,700
Revisions of previous reserve quantity estimates	**6,700**	1,900	7,000
Other	**200**	-	200
Total change in the standardized measure during the year	**(2,400)**	12,400	(11,300)

Development costs for the years 2004, 2005 and 2006 are estimated to NOK 9,500 million, NOK 10,700 million and NOK 8,500 million respectively.

Average Sales Price and Production Cost per Unit

The following table presents the average sales price (including transfers) and production costs per unit of crude oil and natural gas, net of reductions in respect of royalty payments:

	Norway			International			Total		
Amounts in NOK	**2003**	2002	2001	**2003**	2002	2001	**2003**	2002	2001
Average Sales Price									
crude oil (per barrel)	**204.01**	194.33	217.32	**197.08**	193.74	215.03	**202.90**	194.24	217.20
natural gas (per Sm^3)	**1.03**	0.95	1.21	**-**	-	-	**1.03**	0.95	1.21
Average production cost (per boe)	**20.80**	22.50	23.60	**20.20**	23.10	38.00	**20.70**	22.60	24.10

28. Summary of differences in accounting policies and reconciliation of US GAAP to N GAAP

The financial statements prepared in accordance with accounting principles generally accepted in Norway presented on pages 90-92, differ in certain respects from US GAAP. Currently the differences are immaterial for Norsk Hydro. A reconciliation of net income and shareholders' equity from US GAAP to Norwegian principles (N GAAP) and a description of these differences follow. The lines with a note reference reflect the variance between the US GAAP balance in that note and the N GAAP balance.

Reconciliation of US GAAP to N GAAP

Net income:

Amounts in NOK million	Notes	2003	2002	2001
Operating revenues US GAAP		**171,782**	167,040	152,999
Adjustments for N GAAP:				
Change in unrealized losses (gains) commodity derivative instruments		**-**	9	134
Operating revenues N GAAP		**171,782**	167,049	153,133
Operating costs and expenses US GAAP		**147,524**	147,199	131,916
Adjustments for N GAAP:				
Change in unrealized gains (losses) commodity derivative instruments		**187**	(129)	180
Amortization goodwill	16	**125**	161	-
Restatement of change in accounting principle	15, 21	**-**	7	(173)
Other adjustments		**(2)**	-	-
Operating income before financial and other income - N GAAP		**23,948**	19,811	21,210
Equity in net income of non-consolidated investees - US GAAP		**1,229**	33	566
Adjustments for N GAAP:				
Amortization goodwill non-consolidated investees:		**(38)**	(10)	-
Financial income (expense), net		**201**	1,935	(762)
Other income, net		**(1,212)**	219	578
Income before taxes and minority interest - N GAAP		**24,128**	21,988	21,592
Income tax expense US GAAP		**(13,937)**	(13,278)	(13,750)
Adjustments for N GAAP:	10	**58**	(99)	(109)
Net income - N GAAP		**10,249**	8,611	7,733
Minority interest		**148**	15	177
Net income after minority interest - N GAAP		**10,397**	8,626	7,910

Shareholders' equity:

Amounts in NOK million	Notes	2003	2002	2001
Shareholders' equity US GAAP		**88,080**	75,867	74,793
Unrealized gains commodity derivative instruments – current and long-term (a)		**(147)**	36	(106)
Cash Flow hedge – current and long-term (a)		**(1,600)**	(1,548)	(188)
Unrealized gain on securities (b)	13	**(15)**	(15)	(58)
Accumulated amortization goodwill (c)	13, 16	**(322)**	(154)	-
Deferred tax assets and liabilities – current and long-term (d)	10	**491**	(51)	96
Dividends payable (e)		**(2,811)**	(2,709)	(2,576)
Minority Interest (f)		**660**	1,143	1,051
Restatement of change in accounting principle (g)	15, 21	**-**	775	366
Shareholders' equity N GAAP		**84,336**	73,344	73,378

Notes to the consolidated financial statements

Norsk Hydro ASA and subsidiaries

Explanation of major differences between N GAAP and US GAAP

(a) Derivative commodity contracts: Under N GAAP, unrealized gains and losses for commodity derivative instruments that are not hedge designated, and that are not traded on a liquid, regulated market, are netted for each portfolio and net unrealized gains are not recognized. For US GAAP, unrealized gains and losses are recorded to operating revenue for sales contracts or operating cost for purchase contracts. The instruments are accounted for as assets or liabilities at fair value.

For N GAAP, cash flow hedges with derivative instruments are not recognized on the balance sheet or income statement, until the underlying hedged transactions actually occur. Under US GAAP, such instruments are accounted for as assets or liabilities as appropriate, at their fair value. Gains and losses on the hedging instruments are deferred in Other Comprehensive Income until the underlying transaction is recognized in earnings

(b) Unrealized holding gain (loss) on securities: Under N GAAP, Hydro's long-term marketable equity and debt securities are carried at the lower of historical cost or market value. Under US GAAP, securities are carried at fair value (market) and unrealized holding gains or losses are included in other comprehensive income, net of tax effects, for available-for-sale securities.

(c) Amortization of goodwill: Goodwill is amortized under N GAAP. Beginning 1 January, 2002, US GAAP does not allow amortization of goodwill, but requires that goodwill must be reviewed at least annually for impairment.

(d) Deferred taxes: Under N GAAP, deferred taxes are recorded based upon the liability method similar to US GAAP. Differences occur primarily because items accounted for differently under US GAAP also have deferred tax effects. Under N GAAP, deferred tax assets and liabilities for each tax entity are netted and classified as a long-term liability or asset. A reconciliation of the current and long-term temporary differences giving rise to the N GAAP deferred tax asset and liability is provided in Note 10.

Classification between current and long-term for US GAAP is determined by the classification of the related asset or liability giving rise to the temporary difference. For each tax entity, deferred tax assets and liabilities are offset within the respective current or long-term groups and presented as a single amount.

(e) Dividends payable: For N GAAP, dividends proposed at the end of the year which will be declared and paid in the following year are recorded as a reduction to equity and as debt. For US GAAP, equity is reduced when dividends are declared.

(f) Minority Interest: For N GAAP, shareholders' equity is presented including minority interest. In US GAAP shareholders' equity is presented excluding minority interest.

(g) Change in accounting principle: Hydro implemented SFAS 143, Asset Retirement Obligations, 1 January, 2003. For N GAAP, previous periods are restated as if FAS 143 was implemented 1 January, 2001. For USGAAP, the total effect of the implementation is included in the 2003 financial statements.

Financial statements Norsk Hydro ASA

Income statements

Amounts in NOK million	Notes	2003	2002
Operating revenues		**1,695**	2,689
Raw materials and energy costs		**143**	1,201
Change in inventories of own production		**8**	(2)
Payroll and related costs	2, 3	**2,264**	989
Depreciation, depletion and amortization	4	**41**	43
Other		**1,842**	1,732
Total operating costs and expenses		**4,298**	3,963
Operating income		**(2,603)**	(1,274)
Financial income (expense), net	5	**4,295**	3,994
Other income	5	**-**	3,368
Income before taxes		**1,692**	6,088
Income tax expense	6	**(6)**	194
Net income		**1,686**	6,282
Appropriation of net income and equity transfers:			
Dividend proposed		**(2,811)**	(2,709)
Retained earnings		**1,125**	(3,573)
Total appropriation		**(1,686)**	(6,282)

Statements of cash flows

Net income	**1,686**	6,282
Depreciation, depletion and amortization	**41**	43
Loss (gain) on sale of non-current assets	**719**	(3,257)
Other adjustments	**(4,850)**	(8,924)
Net cash used in operating activities	**(2,404)**	(5,856)
Investments in subsidiaries	**(2,737)**	(3,386)
Sale of subsidiaries	**1,139**	21,801
Net sale (purchases) of other investments	**1,406**	(1,847)
Net cash provided by (used in) investing activities	**(192)**	16,568
Dividends paid	**(2,711)**	(2,576)
Other financing activities, net	**14,789**	(30,383)
Net cash provided by (used in) financing activities	**12,078**	(32,959)
Foreign currency effects on cash flow	**471**	(196)
Net increase (decrease) in cash and cash equivalents	**9,953**	(22,443)
Cash and cash equivalents 01.01	**2,797**	25,240
Cash and cash equivalents 31.12	**12,750**	2,797

The accompanying notes are an integral part of the financial statements.

Balance sheets

Amounts in NOK million	Notes	31 December, 2003	2002
Assets			
Intangible assets		**2**	2
Property, plant and equipment	4	**245**	263
Shares in subsidiaries	7	**35,475**	34,200
Intercompany receivables		**42,417**	35,502
Non-consolidated investees	8	**623**	988
Prepaid pension, investments and other non-current assets	2, 9	**5,620**	6,806
Total financial non-current assets		**84,135**	77,496
Inventories	9	**19**	51
Accounts receivable, less allowances of 28 and 36		**62**	83
Intercompany receivables		**33,536**	29,846
Prepaid expenses and other current assets		**1,911**	3,564
Cash and cash equivalents		**12,750**	2,797
Current assets		**48,278**	36,341
Total assets		**132,660**	114,102
Liabilities and shareholders' equity			
Paid-in capital:			
Share capital 266,596,650 at NOK 20	11	**5,332**	5,332
Treasury stock 9,884,650 at NOK 20		**(198)**	(173)
Paid-in premium		**15,055**	15,055
Other paid-in capital		**16**	33
Retained earnings:			
Retained earnings		**23,986**	25,115
Treasury stock		**(3,325)**	(2,879)
Shareholders' equity	11	**40,866**	42,483
Deferred tax liabilities	6	**868**	921
Other long-term liabilities		**2,702**	2,241
Long-term liabilities		**3,570**	3,162
Intercompany payables		**771**	1,315
Other long-term interest-bearing debt		**27,414**	28,457
Long-term debt		**28,185**	29,772
Bank loans and other interest-bearing short-term debt	9	**3,354**	3,677
Dividends payable		**2,811**	2,709
Intercompany payables		**49,158**	27,908
Current portion of long-term debt		**1,004**	1,770
Other current liabilities		**3,712**	2,621
Current liabilities		**60,039**	38,685
Total liabilities and shareholders' equity		**132,660**	114,102

Hydro Annual Report 2003

Financial statements Norsk Hydro ASA

1. Summary of significant accounting policies

The financial statements of Norsk Hydro ASA are prepared in accordance with accounting principles generally accepted in Norway (N GAAP).

Hydro's general accounting policies are presented in Note 1 to the consolidated financial statements on pages 93-97. See Note 28 on pages 129 and 130 for an additional clarification of the major differences in accordance with N GAAP compared with US GAAP.

Shares in subsidiaries and non-consolidated investees are in Norsk Hydro ASA's financial statements presented according to the cost method. Group relief received is included in dividends from subsidiaries.

For information about risk management in Norsk Hydro ASA see Note 24 in Notes to the consolidated financial statements and the Risk Management discussion in the Operating and Financial Review and Prospects section of this report. The information given in Note 19 in Notes to the consolidated financial statements on payments on long-term debt also applies to Norsk Hydro ASA.

Norsk Hydro ASA provides financing to most of the subsidiary companies in Norway as well as abroad. All employees working for Norsk Hydro Produksjon AS are employed by Norsk Hydro ASA.

2. Employee retirement plans

Norsk Hydro ASA is affiliated with the Hydro Group's Norwegian pension plans that are administered by Norsk Hydro's independent pension trust. Norsk Hydro ASA's employee retirement plans covered 12,953 participants as of 31 December, 2003 and 14,538 participants as of 31 December, 2002.

Net periodic pension cost

Amounts in NOK million	**2003**	2002
Defined benefit plans:		
Benefits earned during the year	**421**	362
Interest cost on prior period benefit obligation	**697**	620
Expected return on plan assets	**(532)**	(674)
Recognized net loss	**256**	61
Amortization of prior service cost	**68**	77
Amortization of net transition asset	**(6)**	(45)
Curtailment loss	**69**	160
Settlement loss	**341**	-
Net periodic pension cost	**1,314**	561
Termination benefits and other	**209**	218
Total net periodic pension cost	**1,523**	779

Change in projected benefit obligation (PBO)

Amounts in NOK million	**2003**	2002
Projected benefit obligation at beginning of year	**(11,046)**	(8,509)
Benefits earned during the year	**(421)**	(362)
Interest cost on prior period benefit obligation	**(697)**	(620)
Actuarial loss	**(797)**	(1,800)
Plan amendments	**(12)**	63
Benefits paid	**342**	334
Curtailment loss	**(19)**	(26)
Settlements	**732**	44
Special termination benefits	**(43)**	(170)
Projected benefit obligation at end of year	**(11,961)**	(11,046)

Change in pension plan assets

Amounts in NOK million	**2003**	2002
Fair value of plan assets at beginning of year	**7,651**	8,085
Actual return on plan assets	**954**	(614)
Company contributions	**700**	500
Benefits paid	**(300)**	(294)
Settlements	**(621)**	(26)
Fair value of plan assets at end of year	**8,384**	7,651

Status of pension plans reconciled to balance sheet

Amounts in NOK million	**2003**	2002
Defined benefit plans:		
Funded status of the plans at end of year	**(3,577)**	(3,395)
Unrecognized net loss	**4,879**	5,103
Unrecognized prior service cost	**630**	735
Unrecognized net transition (asset) obligation	**2**	(4)
Net prepaid pension recognized	**1,934**	2,439
Termination benefits and other	**(631)**	(644)
Total net prepaid pension recognized	**1,303**	1,795

Amounts recognized in the balance sheet consists of

Amounts in NOK million	**2003**	2002
Prepaid pension	**3,707**	3,808
Accrued pension liabilities	**(2,404)**	(2,013)
Net amount recognized	**1,303**	1,795

Assumptions used to determine net periodic pension cost

	2003	2002
Discount rate	**7.0 %**	7.5 %
Expected return on plan assets	**8.0 %**	8.5 %
Expected salary increase	**4.0 %**	3.5 %
Expected pension increase	**3.5 %**	2.5 %

Assumptions used to determine pension obligation at end of year

	2003	2002
Discount rate	**6.0 %**	7.0 %
Expected salary increase	**4.0 %**	4.0 %
Expected pension increase	**3.5 %**	3.5 %

Investment profile plan assets

	2003	2002
Asset category		
Equity securities	**27 %**	26 %
Debt securities	**36 %**	36 %
Real estate	**21 %**	24 %
Other	**16 %**	14 %
Total	**100 %**	100 %

See Note 20 in Notes to the consolidated finacial statements for further information.

3. Remunerations and other

Remuneration of the members of the corporate assembly and the board of directors was NOK 457,500 and NOK 2,557,000, respectively. The president's salary and other benefits, excluding bonuses, totaled NOK 4,493,000 in 2003 and NOK 4,432,000 in 2002.

The president is entitled to retire at 62 years of age with a pension benefit representing 65 percent of his salary. The company's employment contract with the president provides that, in the event that employment terminates, he has the right to salary and the accrual of pension rights for a three year period. The company's obligation can be reduced by salary received or pension rights accrued from other sources. His employment can, under certain conditions, continue after retirement as president.

Egil Myklebust retired as president in May 2001. He continued to be employed by the company in accordance with his employment contract from 1991. Total salary and other benefits, exclusive of remuneration as Board Chair, amounted to NOK 3,362,000 for 2003 and NOK 3,676,000 for 2002. In addition he has pension rights in accordance with Hydro's normal pension scheme with a 65 year retirement age and a pension based on 65 percent of basis salary.

On 14 June 2002, the Board approved a new stock option plan for corporate officers and certain key employees, in addition to expanding the existing subsidized share-purchase plan for employees. Refer to note 4 in Notes to the consolidated financial statements for a description of stock based compensation.

In addition, there is established a stronger element of performance rewards in Hydro's compensation system: a bonus linked to achieving performance goals in the business plans for various units in Hydro. The bonus is limited to a maximum of one month's salary per year for employees. For approximately 100 managers with substantial responsibility for performance, the bonus is limited to a maximum of two months salary. For top management – around 30 persons – the bonus is limited to a maximum of three months salary. For the president the upper limit of the bonus is six months salary. Performance goals established eliminates effects of price variations of the company's main products and foreign exchange fluctuations. It is the actual improvements of Hydro's activities that will be measured and rewarded.

Bonus to the Corporate Management Board for 2002 paid in 2003

	Amount in NOK
Eivind Reiten	630,000
Tore Torvund	465,000
Jon-Harald Nilsen	592,000
Thorleif Enger [1)]	572.000
John O.Ottestad	315,000
Alexandra Bech Gjørv	255,000

1) Thorleif Enger was a member og the Corporate Management Board until August 2003.

Partners and employees of Hydro's appointed independent auditors, Deloitte Statsautoriserte Revisorer AS (Deloitte), own no shares in Norsk Hydro ASA or any of its subsidiaries. Fees in 2003 to Deloitte for ordinary audit were NOK 12,167,000 for Norsk Hydro ASA and NOK 14,090,000 for the Norwegian subsidiaries. Fees for audit-related services were NOK 742,000 for Norsk Hydro ASA and NOK 1,097,000 for the Norwegian subsidiaries. Fees for other services were NOK 921,000 for Norsk Hydro ASA and NOK 171,000 for the Norwegian subsidiaries. Deloitte Consulting AS, an affiliate company of Deloitte in Norway, has provided services to Hydro in the amount of NOK 7,377,000.

For 2003, the estimated adjustment to the tax basis (consolidated RISK) of shares for shareholders in Norsk Hydro ASA is a positive amount of NOK 20.85 per share.

In 2003, the average number of employees in the Group was 46,312, compared to 42,615 for 2002. The corresponding figure for the parent company was 6,984 employees in 2003 versus 8,309 in 2002. A substantial part of the employees in Norsk Hydro ASA are engaged in activities for other Group companies. The costs for these employees are accounted for on a net basis reducing Payroll and related costs.

Amounts in NOK million	2003	2002
Payroll and related costs:		
Salaries	**4,394**	4,974
Social security costs	**716**	797
Social benefits	**87**	201
Net periodic pension cost (Note 2)	**1,523**	779
Internal invoicing of payroll related costs	**(4,455)**	(5,762)
Total	**2,265**	989

Total loans to the company's employees as of 31 December, 2003 were NOK 836 million. All loans were given in accordance with general market terms.

Financial statements Norsk Hydro ASA

4. Property, plant and equipment

Amounts in NOK million	Machinery, etc	Buildings	Plant under construction	Other	Total
Cost 31.12.2002	313	106	45	19	483
Additions at cost	21	9	48	-	78
Retirements	(125)	(14)	(4)	(1)	(144)
Transfers	4	20	(24)	-	-
Accumulated depreciation 31.12.2003	(117)	(43)	-	(12)	(172)
Net book value 31.12.2003	**96**	**78**	**65**	**6**	**245**
Depreciation in 2003	**(24)**	**(5)**	**-**	**(12)**	**(41)**[1)]

1) Includes impairment loss of NOK 12 million.

5. Finanicial income and expense and other income

Amounts in NOK million	**2003**	2002
Dividends from subsidiaries	**3,625**	3,405
Non-consolidated investees	**(83)**	61
Interest from group companies	**3,614**	3,856
Other interest income	**384**	781
Interest paid to group companies	**(1,131)**	(1,432)
Other interest expense	**(2,184)**	(2,430)
Other financial income (expense), net	**70**	(247)
Financial income (expense), net	**4,295**	3,994

There was no "Other income" in 2003. "Other income" for 2002 was NOK 3,368 million, whereof NOK 3,342 million relates to the sale of Norsk Hydro Sverige AS to Norsk Hydro Produksjon AS.

6. Income taxes

The tax effect of temporary differences resulting in the deferred tax assets (liabilities) and the change in temporary differences are:

	Temporary differences			
Amount in	Tax effected		Change	
NOK million	**2003**	2002	**2003**	2002
Short-term items	**(183)**	36	**(695)**	(57)
Write-down on shares	**(624)**	(633)	**31**	68
Prepaid pension	**(1,038)**	(1,066)	**185**	(356)
Pension liabilities	**673**	564	**418**	399
Other long-term	**304**	178	**377**	239
Deferred tax liabilities	**(868)**	(921)		
Change for year			**316**	293

Reconciliation of nominal statutory tax rate to effective tax rate

Amount in NOK million	**2003**	2002
Income (loss) before taxes	**1,692**	6,088
Expected income taxes at statutory tax rate	**474**	1,704
Tax free income	**(10)**	(1,027)
Dividend exclusion	**(724)**	(702)
Non-deductible expenses and other, net	**266**	(169)
Income tax expense	**6**	(194)
Effective tax rate	**0.35%**	(3.19%)

See Note 10 in Notes to the consolidated financial statements for further information.

7. Shares in subsidiaries

Company name:		Percentage of shares owned by Norsk Hydro	Total share capital of the company (1,000's)		Book value 31.12.2003 (in NOK 1,000's)
Oil & Energy:	Norsk Hydro Kraft OY	100	EUR	34	269
	Norsk Hydro Technology Ventures AS	100	NOK	6,000	70,150
	Norsk Hydro Electrolysers AS	100	NOK	4,000	4,300
Aluminium:	Hydro Aluminium AS	100	NOK	2,167,001	4,866,019
	Norsk Hydro Magnesiumgesellschaft mbH [1]	2	EUR	512	179
	Hydro Aluminium Acro [2]	24.3	BRL	64,179	50,391
Agri:	Hydro Agri Hellas S.A.	100	EUR	1,264	7,437
	Djupvasskaia AS	100	NOK	1,000	3,523
	Hydro Agri Argentina S.A.	100	USD	33,012	108,702
	Hydro Agri Colombia Ltda.	100	COP	4,842,549	16,749
	Hydro Agri Russland AS	50	NOK	21,200	21,200
	Hydro Agri Venezuela C.A.	60	VEB	363,000	125
	Hydro Nordic, S.A.	100	GTQ	8,500	24,259
	Hydroship a.s	100	NOK	280,000	280,000
	Hydroship Services AS	100	NOK	1,039	1,039
	Norensacados C.A.	60	VEB	15,000	140
	Norsk Hydro (Far East) Ltd.	100	HKD	50	-
	Ceylon Oxygen Ltd.	70.85	LKR	67,500	18,912
	Hydro Agri Russia as	100	NOK	3,750	3,750
	Hydro Gas and Chemicals AS	100	NOK	15,100	49,416
	Hydro Agri Norge AS	100	NOK	400,000	1,057,569
	Hydro Agri Rus Ltd.	100	RUB	54,158	-
	Fertilizer Holdings AS	100	NOK	10,000	400,000
	Yara North America, Inc.	100	USD	1,000	467,947
	Norsk Hydro Asia Pte. Ltd.	100	SGD	243,145	1,114,364
	Yara International ASA	100	NOK	108,610	2,048,050
Other activities:	Hydro Pronova AS	100	NOK	59,644	846,634
	Industriforsikring AS	100	NOK	20,000	20,000
	Norsk Bulk AB	100	SEK	102	2,551
	Retroplast AS	100	NOK	100	18,876
	Grenland Industriutvikling AS	100	NOK	26,750	110,950
	Hydro Porsgrunn Eiendomsforvaltning AS	100	NOK	2,500	5,500
	Hydro IS Partner AS	100	NOK	5,000	5,000
Corporate:	Norsk Hydro Plastic Pipe AS	100	NOK	10,000	91,472
	Norsk Hydro Brasil Ltda.	100	BRL	46,976	135,544
	Norsk Hydro Danmark AS	100	DKK	1,002,000	4,515,523
	Hydro Aluminium Deutschland GmbH [3]	23.2	EUR	56,242	10,143
	Norsk Hydros Handelsselskap AS	100	NOK	1,000	1,000
	Norsk Hydro Produksjon AS	100	NOK	200,000	18,811,324
	Norsk Hydro Russland AS	100	NOK	19,000	19,000
	Norsk Hydro North America, Inc.	100	USD	29,000	81,960
	Hydro Aluminium Holding Pte. Ltd.	100	SGD	46,920	185,532
Total					35,475,499

The foreign currency designation indicates country of domicile. Percentage of shares owned equals percentage of voting shares owned. A number of the above-mentioned companies also own shares in other companies as specified in their annual reports.

1) The company is owned 98 percent by Hydro Aluminium Deutschland GmbH and 2 percent by Norsk Hydro ASA.
2) The company is owned 68.3 percent by Norsk Hydro Brasil Ltda., 7.4 percent of a subsidiary of Norsk Hydro Produksjon AS and 24.3 percent by Norsk Hydro ASA.
3) The company is owned 76.8 percent by Norsk Hydro Deutschland GmbH & CoKG., which is a subsidiary of Norsk Hydro Produksjon AS and 23.2 percent by Norsk Hydro ASA.

Financial statements Norsk Hydro ASA

8. Shares in non-consolidated investees

The most significant investments in non-consolidated investees for Norsk Hydro ASA are (amounts in NOK million):

Name	Percentage owned (equals voting rights)	Country	Book value as of 31 December, 2003	Long-term advances[1]	Total
Compania Industrial de Resinas Sinteticas - CIRES SA	26.2 %	Portugal	100	-	100
Phosyn Plc.	35.0 %	Great Britain	19	-	19
Suzhou Huasu Plastics Co. Ltd.	31.8 %	China	67	48	115
Qatar Fertilizer Company (S.A.Q.)	25.0 % [2]	Qatar	43	-	43
Other			78	268	346
Total			**307**	**316**	**623**

1) Including advances to associated companies indirectly owned by Norsk Hydro ASA.
2) Including 15 percent owned by Norsk Hydro Holland BV.

9. Specification of balance sheet items

Amounts in NOK million	**2003**	2002
Prepaid pension, investments and other non-current assets:		
Other investments	**967**	1,054
Prepaid pension	**3,707**	3,808
Other non-current assets	**946**	1,944
Total	**5,620**	6,806
Inventories:		
Raw materials	**3**	3
Finished goods	**16**	48
Total	**19**	51
Bank loans and other short-term interest-bearing debt:		
Bank overdraft	**1,075**	1,522
Other interest-bearing debt	**2,279**	2,155
Total	**3,354**	3,677

10. Guarantees

Norsk Hydro ASA provides guarantees arising in the ordinary course of business including stand-by letters of credit, letters of credit, performance bonds and various payment or financial guarantees. See Note 22 in Notes to the consolidated financial statements for further information about guarantees.

Amounts in NOK million	**2003**	2002
Guarantees (off-balance sheet):		
Non-consolidated investees' debt	**54**	96
Tax guarantees	**1,352**	936
Sales guarantees	**1,176**	1,176
Commercial guarantees	**11,627**	8,171
Total	**14,209**	10,379

11. Number of shares outstanding, shareholders, equity reconciliation etc

The share capital of the company is NOK 5,331,933,000. It consists of 266,596,650 ordinary shares at NOK 20 per share. As of 31 December, 2003 the company had purchased 9,884,650 treasury stocks at a cost of NOK 3.5 billion. For further information on these issues see Note 3 in Notes to the consolidated financial statements.

Shareholders holding one percent or more of the total 256,712,000 shares outstanding as of 31 December, 2003 are according to information in the Norwegian securities' registry system (Verdipapirsentralen):

Name	Number of shares
Ministry of Trade and Industry	116,832,770
Morgan Guaranty Trust Co. of NY [1]	12,565,237
Folketrygdfondet	9,639,875
State Street Bank & Trust [2]	9,141,315
JP Morgan Chase Bank [2]	9,126,667
JP Morgan Chase Bank [2]	5,338,400
Mellon Bank [2]	5,200,350
JP Morgan Chase Bank [2]	4,464,000
Euroclear Bank S.A./N.V. [2]	4,045,642
Fundamental Investors, INC	2,934,600
The Northern Trust co.	2,840,702
JP Morgan Chase Bank [2]	2,591,333

1) Representing American Depositary Shares.
2) Client accounts and similar.

Change in Shareholders' equity

Amounts in NOK million	Paid-in capital	Retained earnings	Total Shareholders' equity
Balance 31 December, 2002	20,247	22,236	42,483
Net income	-	1,686	1,686
Dividend proposed	-	(2,811)	(2,811)
Purchase of treasury stock	(30)	(525)	(555)
Treasury stock sold to employees	(12)	78	66
Dividende paid in excess of dividend proposed for 2002	-	(3)	(3)
Balance 31 December, 2003	20,205	20,661	40,866

Independent auditors' report

To the annual general meeting of Norsk Hydro ASA

Independent auditors' report for N GAAP financial statements for 2003

We have audited the financial statements of Norsk Hydro ASA and its subsidiaries as of 31 December, 2003, showing a profit of NOK 1,686 million for the parent company and a profit of NOK 10,249 million for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income. Financial statements comprise the balance sheet, the statement of income, the statement of cash flows, the accompanying notes and the group accounts. These financial statements, which are presented in accordance with accounting principles generally accepted in Norway, are the responsibility of the Company's Board of Directors and the Company's President. Our responsibility is to express an opinion on these financial statements and on certain other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards generally accepted in Norway. Auditing standards generally accepted in Norway require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards generally accepted in Norway, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements, as shown on page 90–92 and page 131, are prepared in accordance with the law and regulations and present fairly, in material respects, the financial position of the Company as of 31 December, 2003 and the results of its operations and its cash flows for the period ended 31 December 2003, in accordance with accounting principles generally accepted in Norway;
- the Company's management has fulfilled its duty to maintain the Company's accounting process in such a proper and well-arranged manner that the accounting process is in accordance with the law and accounting practices generally accepted in Norway; and
- the information in the Board of Directors' report, as shown on page 50–55, concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income is consistent with the financial statements and complies with the law and regulations.

Oslo, Norway, 2 March, 2004
Deloitte Statsautoriserte Revisorer AS

Aase Aa. Lundgaard – State Authorized Public Accountant, (Norway)

To the annual general meeting of Norsk Hydro ASA

Independent auditors' report for US GAAP financial statements

We have audited the consolidated balance sheets of Norsk Hydro ASA and subsidiaries as of 31 December, 2003 and 2002, and the related consolidated income statements, statements of comprehensive income, and cash flows for each of the three years in the period ended 31 December, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements on pages 88–90 present fairly, in all material respects, the financial position of the Company as of 31 December, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended 31 December, 2003 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company changed it's method of accounting for asset retirement obligations in 2003 and goodwill and other intangible assets in 2002 to conform to newly adopted accounting principles.

Oslo, Norway, 2 March, 2004
Deloitte Statsautoriserte Revisorer AS

Aase Aa. Lundgaard – State Authorized Public Accountant, (Norway)

Corporate assembly

Corporate assembly

The following were members of Norsk Hydro's corporate assembly at the end of 2003:

Sven B. Ullring (leder)
Svein Steen Thomassen (nestleder)
Ellen Holager Andenæs
Frank A. Bakke
Solveig Alne Frøynes
Aase Gudding Gresvig
Westye Høegh
Idar Kreutzer
Kjell Kvinge
Sylvi A. Lem
Karen Helene Midelfart
Jon-Arne Mo
John-Arne Nilsen
Nils-Egel Nilsen
Anne Merete Steensland
Rune Strande
Sigurd Støren
Siri Teigum
Lars Tronsgaard
Kjell Aamot
Svein Aaser

Observers:

Frank Andersen
Sónia F. T. Gjesdal
Ingar Aas-Haug

Deputy members:

Erna Flattum Berg
Sven Edin
Anne-Margrethe Firing
Odd Arne Fodnes
Billy Fredagsvik
Oddny Grebstad
Stig Lima
Line Melkild
Bjørn Nedreaas
Wolfgang Ruch
Sten-Arthur Sælør
Terje Venold
Morten Ødegård

Statement of the corporate assembly to the Annual general meeting of Norsk Hydro ASA

The board of directors' proposal for the financial statements for the financial year 2003 and the Auditors' report have been submitted to the corporate assembly. The corporate assembly recommends that the directors' proposal regarding the financial statements for 2003 for the parent company, Norsk Hydro ASA, and for Norsk Hydro ASA and its subsidiaries be approved by the annual general meeting, and that the net income for 2003 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, 16 March, 2004
Sven Ullring

Non-GAAP financial measures

In this Annual Report, Hydro refers to certain non-GAAP financial measures which are an integral part of Hydro's steering model, Value Based Management, reflecting Hydro's focus on cash flow based indicators, before and after taxes. These non-GAAP financial measures are:

- EBITDA
- Gross Cash Flow
- Gross Investment
- Cash Return on Gross Investment (CROGI)

Hydro's management makes regular use of these cash flow-based indicators to measure performance in its operating segments, both in absolute terms and comparatively from period to period. Management views these measures as providing a better understanding, - for management and for investors -, of:

- The rate of return on investments over time, in each of its capital intensive businesses
- The operating results of its business segments
- Cash flow generation of its business segments

Hydro defines EBITDA as "Income/(loss) before tax, interest expense, depreciation, amortization and write-downs", and the measure is intended to be an approximation of cash flow from operations before tax and interest expense. EBITDA is a measure that includes in addition to "Operating income", "Interest income and other financial income", results from non-consolidated investees and gains and losses on sales of activities classified as "Other income, net" in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values in non-consolidated investees. Hydro's definition of EBITDA may differ from that of other companies. Specifically Hydro has chosen to include interest income in EBITDA, as a noteworthy part of Agri's earnings have historically come from interest income on accounts receivable, reflecting Agri's credit policies towards its customers.

Gross Cash Flow is defined as EBITDA less total tax expense. In order to calculate Gross Cash Flow per operating segment, tax is also calculated for the operating segments. Tax is calculated by dividing each operating segment into the main tax regimes, in which the segments operate, and applying the applicable statutory tax rates in those tax regimes to the taxable income/loss included in EBITDA. Taxable income /loss is typically "Operating income", "Interest income and other financial income" and "Other income, net". This "taxable income" for each operating segment is multiplied with the applicable average tax rate. For the sub-segment Exploration and Production an average tax rate of 60 percent is applied. An average tax rate of 50 percent is used for our Energy and Oil Marketing sub-segment. An average tax rate of 30 percent is being used for all other operating segments. This method represents an approximation to a tax expense for the operating segment. It does not, however, necessarily capture the effects of tax consolidation across the operating segments, which is permissible in certain countries where Hydro operates. Such effects are included at the Group level under the line "Corporate and Eliminations" in Hydro's segment disclosures. The allocated tax expense for the segments plus the tax expense reported under "Corporate and Eliminations" equals the total USGAAP tax expense for the Group as presented in the income statement.

As Hydro is subject to significantly different tax regimes in its operating segments, e.g. Norwegian surtax on petroleum and power production, management believes financial performance must also be measured on an after tax basis, in order to achieve comparability between Hydro's operating segments.

Gross Investment is defined as total assets (exclusive of deferred tax assets) plus accumulated depreciation and amortization, less all short-term interest-free liabilities except deferred taxes.

CROGI is defined as Gross Cash Flow divided by average Gross Investment. CROGI has been Hydro's main financial return metric since 2000 and is used by management to measure financial performance at the operating segment level and the Group level.

EBITDA and Gross Cash Flow should not be construed as an alternative to operating income, income before taxes and net income as an indicator of Hydro's results of operations in accordance with generally accepted accounting principles. Nor are EBITDA and Gross Cash Flow an alternative to cash flow from operating activities in accordance with generally accepted accounting principles. Hydro's management make regular use of measures calculated according to generally accepted accounting principles in addition to non-GAAP financial measures described above when measuring financial performance.

The CROGI calculations per operating segment is presented on page 142–145, in addition to the reconciliation from Net income to Gross Cash Flow and reconciliation of "Total Assets" to "Gross Investment"

Hydro also measure CROGI based on a long-term price set, also referred to as a normalized price set. This is in order to not place undue importance on such variables as historically high or low prices of its commodity products, and the effects of changes in currency exchange rates. As described in the section entitled "Risk Management" in Hydro's Annual Report, the development of Hydro's results are primarily affected by the price developments of Hydro's main products: oil, aluminium and fertilizer in addition to the US dollar exchange rate and the euro exchange rate against the Norwegian kroner. For the purpose of measuring CROGI on a normalized price set Hydro employs the following price set:

- Oil price 18 US dollar per barrel
- Aluminium price (London Metal Exchange) 1,500 US dollar per tonne
- CAN 27 fertilizer price 113 US dollar per tonne
- US dollar – Norwegian kroner exchange rate 8.00
- Euro – Norwegian kroner exchange rate 7.60 (8.00 from 2004)

In addition, items reported as "Other income, net" and "Restructuring costs" according to generally accepted accounting principles are set to zero when calculating normalized CROGI.

Hydro's management views normalization as a tool to measure underlying financial performance consistently over time and against the Group's business plans that are prepared according to the

Non-GAAP financial measures

assumption set above for each financial year. By keeping certain main commodity prices and exchange rates constant Hydro increase the focus on operating cost and efficiency improvements. Such a focus would be more challenging to maintain in periods with high commodity prices and favorable exchange rates. “Other income, net ” and “Restructuring costs” are normalized to zero, as these items are infrequent in nature and could result in an incorrect picture of the underlying development in financial performance. During the 2000 to 2003 period when Hydro has employed normalization as a tool in measuring financial performance the normalization procedures have resulted on average in lower normalized earnings compared to earnings according to realized prices. Normalized results should not be construed as an alternative to measuring financial performance based upon realized commodity prices and exchange rates. Hydro’s management reviews both realized results and normalized results. Typically normalized results receive more attention when realized prices and exchange rates are above the normalized price set. For an overview of how Hydro manages commodity price risk and foreign currency exchange rate risk please refer to the “Risk Management” section in Hydro’s Annual Report.

The normalized CROGI figures by operating segment are presented on page 142–145, in addition to the reconciliation from normalized EBITDA, Gross Cash Flow and Gross Investment to actual EBITDA, Gross Cash Flow and Gross Investment.

CROGI in 2003 was 9.8 percent compared with 8.5 percent in 2002. Based on normalized prices, CROGI in 2003 was approximately 9 percent compared to approximately 9 percent in 2002

New financial return metric from 2004

CROGI (Cash Return on Gross Investment) has been Hydro’s financial metric since 2000. CROGI is a cash based return metric and has proved to be of significant value during the Agri turnaround and the integration processes in Aluminium. The fact that Hydro has divested non-core assets for approximately NOK 25 billion and that Agri will be listed on the Oslo Stock Exchange as a separate company in 2004, will result in a relatively larger share of Hydro’s earnings coming from the Oil and Energy activities going forward. In the oil industry most companies use Return on average Capital Employed (RoaCE). From 2004 and onwards Hydro’s management has decided to adopt RoaCE as Hydro’s financial performance metric.

RoaCE facilitates benchmarking with Hydro’s peers. It is important to note however, that RoaCE is, similar to all other financial metrics, influenced by a company’s accounting principles which can result in significant differences when comparing RoaCE for different companies. This is particularly important when comparing companies with an active acquisition history.

Although RoaCE will be used to measure and follow up overall financial performance, its introduction will not change Hydro’s financial steering model. Hydro will still focus on cash generation through asset productivity, capital discipline and reductions in operating capital. Hydro is committed to its 10 percent real internal rate of return after tax (IRR) requirement for new investment projects.

Beginning 2004, Hydro will discontinue reporting CROGI and its components Gross Cash Flow and Gross Investment. EBITDA will continue to be reported because this is considered an important metric representing an approximation of cash flow from operations before tax. RoaCE will be reported on an annual basis together with its components “Earnings after tax” and “Capital Employed”.

“Earnings after tax” is defined as “Operating income” plus “Equity in net income in non-consolidated investees” plus “Other income, net” less “Income tax expense”. Because RoaCE represents the return to the capital providers before dividend payments and interest payments, the income tax expense included in Earnings after tax does not include the effect of items reported as “Financial income and expense”. Income tax will be calculated for each operating segment in a similar manner as described above for “Gross Cash Flow”. Normally, income tax expense will be based on “Operating income” and “Other income, net”. Income tax expense will represent a relatively larger share of the numerator in RoaCE compared to the numerator in CROGI. Because Hydro’s operating segments are subject to significantly different tax regimes, management believes that allocating income tax expense to each operating segment is necessary to measure financial performance consistently.

Capital employed is defined as “Shareholders’ Equity” plus “Minority interest” plus “Long-term and short-term interest-bearing debt” less “Cash and cash equivalents” less “Other liquid assets”. Hydro manages its cash balances and funding through a central treasury function within its Corporate Center. As a result the allocation of funding between equity and net interest-bearing debt is not always representative at the operating segment level. Therefore, when calculating RoaCE at the operating segment level, Hydro will define capital employed as “Total assets” less “Cash and cash equivalents” less “Other liquid assets” less “Short-term and long-term interest free liabilities” (including deferred tax liabilities). The two different approaches described above yield the same value for capital employed.

The RoaCE figures by operating segment are presented on page 146–150, in addition to reconciliations for, “Net income” to “Earnings after tax” and for “Total Assets” to “Capital Employed”.

RoaCE in 2003 was 9.4 percent compared with 7.6 percent in 2002. Hydro management’s use of RoaCE should not be construed as an alternative to operating income, income before taxes and net income as an indicator of Hydro’s results of operations in accordance with generally accepted accounting principles. Management will continue to make regular use of measures calculated according to generally accepted accounting principles in addition to RoaCE described above when measuring financial performance.

Hydro will also report RoaCE on a normalized basis according to same normalization principles as described in the CROGI discussion above. Based on normalized prices, RoaCE in 2003 was approximately 6.9 percent compared to approximately 7.1 percent in 2002. The normalized RoaCE figures by operating segment are presented on page 146–150, in addition to the reconciliation from normalized “Earnings after tax” and “Capital Employed” to actual “Earnings after tax” and “Capital Employed”.

Cash Return on Gross Investment – Hydro

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Operating income	**24,258**	19,841	21,083
Equity in net income of non-consolidated investees	**1,229**	33	566
Interest income and other financial income	**1,467**	1,418	2,847
Other income/expense, net	**(1,212)**	219	578
EBIT	**25,742**	21,511	25,074
Depreciation and amortization	**17,511**	14,147	12,683
EBITDA	**43,253**	35,658	37,757
Income tax expense	**(16,144)**	(13,278)	(13,750)
Gross Cash Flow	**27,109**	22,380	24,007

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Current assets [1)]	**74,416**	64,179	78,217	80,113
Non-consolidated investees	**12,711**	11,499	9,687	7,211
Property, plant and equipment	**114,998**	112,342	95,277	95,025
Prepaid pension, investments and other non-current assets	**14,387**	15,081	11,636	10,983
Other current liabilities	**(42,890)**	(38,331)	(32,245)	(33,171)
Accumulated depreciation and amortization	**115,197**	101,907	97,930	92,385
Other	**(1,231)**	(1,281)	(1,663)	-
Gross Investment	**287,588**	265,396	258,839	252,546

	2003	2002	2001
Cash Return on Gross Investment (CROGI)	**9.8 %**	8.5 %	9.4 %

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Reported EBITDA	**43,253**	35,658	37,757
Normalization Other income	**1,212**	(219)	(578)
Normalization Restructuring accruals	**-**	(10)	660
Normalization Price, currency and interest income	**(10,457)**	(5,256)	(13,489)
Normalized EBITDA	**34,008**	30,173	24,350
Normalized Income tax expense	**(9,101)**	(6,787)	(4,505)
Normalized Gross Cash Flow	**24,907**	23,386	19,845

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Reported Gross Investment	**287,588**	265,396	258,839	252,546
Normalization currency rates (translation effects)	**(2,403)**	8,862	(3,985)	(5,156)
Normalization current tax payable and cash and cash equivalents	**(7,109)**	3,158	(17,697)	(9,252)
Normalized Gross Investment	**278,076**	277,416	237,157	238,138

	2003	2002	2001
Normalized Cash Return on Gross Investment (CROGI)	**9.0 %**	9.0 %	8.5 %

1) Excluding Current deferred tax assets

Non-GAAP financial measures

Cash Return on Gross Investment – Oil & Energy

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Operating income	**21,143**	15,947	19,177
Equity in net income of non-consolidated investees	**107**	179	65
Interest income and other financial income	**47**	125	144
Other income/expense, net	**816**	77	179
EBIT	**22,113**	16,328	19,565
Depreciation and amortization	**9,713**	9,012	8,039
EBITDA	**31,826**	25,340	27,604
Income tax expense	**(12,911)**	(9,114)	(11,202)
Gross Cash Flow	**18,915**	16,226	16,402

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Current assets [1)]	**15,564**	20,204	11,473	12,950
Non-consolidated investees	**2,406**	1,991	2,095	1,402
Property, plant and equipment	**74,460**	73,223	70,146	68,667
Prepaid pension, investments and other non-current assets	**1,294**	1,362	1,654	1,362
Other current liabilities	**(11,493)**	(16,589)	(8,732)	(9,133)
Accumulated depreciation and amortization	**68,186**	59,928	52,069	45,360
Gross Investment	**150,417**	140,119	128,705	120,608

	2003	2002	2001
Cash Return on Gross Investment (CROGI)	**13.0 %**	12.1 %	13.2 %

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Reported EBITDA	**31,826**	25,340	27,604
Normalization Other income	**(815)**	(77)	(179)
Normalization Price and currency	**(10,058)**	(7,796)	(11,965)
Normalized EBITDA	**20,953**	17,467	15,460
Normalized Income tax expense	**(6,479)**	(4,596)	(3,916)
Normalized Gross Cash Flow	**14,474**	12,871	11,544

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Reported Gross Investment	**150,417**	140,119	128,705	120,608
Normalization currency rates (translation effects)	**(499)**	1,596	(2,404)	(222)
Normalized Gross Investment	**149,918**	141,715	126,301	120,386

	2003	2002	2001
Normalized Cash Return on Gross Investment (CROGI)	**9.9 %**	9.6 %	9.4 %

1) Excluding Current deferred tax assets

Cash Return on Gross Investment – Aluminium

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Operating income	**2,456**	1,698	185
Equity in net income of non-consolidated investees	**433**	(219)	118
Interest income and other financial income	**84**	129	149
Other income/expense, net	**-**	-	(25)
EBIT	**2,973**	1,608	427
Depreciation and amortization	**3,525**	2,726	2,116
EBITDA	**6,498**	4,334	2,543
Income tax expense	**(737)**	(522)	(58)
Gross Cash Flow	**5,761**	3,812	2,485

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Current assets [1)]	**22,925**	21,362	16,021	17,868
Non-consolidated investees	**5,787**	4,902	3,288	2,498
Property, plant and equipment	**29,504**	26,496	11,770	11,206
Prepaid pension, investments and other non-current assets	**3,880**	4,437	2,958	2,611
Other current liabilities	**(11,666)**	(10,080)	(8,610)	(8,351)
Accumulated depreciation and amortization	**21,158**	17,997	19,055	18,897
Other	**(1,231)**	(1,281)	(1,663)	-
Gross Investment	**70,357**	63,833	42,819	44,729

	2003	2002	2001
Cash Return on Gross Investment (CROGI)	**8.6 %**	7.1 %	5.7 %

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Reported EBITDA	**6,498**	4,334	2,543
Normalization Other income	**-**	-	25
Normalization Restructuring accruals	**-**	(10)	660
Normalization Price and currency	**1,491**	1,427	(545)
Normalized EBITDA	**7,989**	5,751	2,683
Normalized Income tax expense	**(1,190)**	(867)	(44)
Normalized Gross Cash Flow	**6,799**	4,884	2,639

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Reported Gross Investment	**70,357**	63,833	42,819	44,729
Normalization currency rates (translation effects)	**(977)**	3,027	(1,913)	(753)
Normalized Gross Investment	**69,380**	66,860	40,906	43,976

	2003	2002	2001
Normalized Cash Return on Gross Investment (CROGI)	**10.0 %**	9.1 %	6.2 %

1) Excluding Current deferred tax assets

Non-GAAP financial measures

Cash Return on Gross Investment – Agri

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Operating income	**2,800**	2,207	2,114
Equity in net income of non-consolidated investees	**610**	57	330
Interest income and other financial income	**184**	235	422
Other income/expense, net	**-**	166	(53)
EBIT	**3,594**	2,665	2,813
Depreciation and amortization	**1,154**	1,280	1,589
EBITDA	**4,748**	3,945	4,402
Income tax expense	**(895)**	(771)	(733)
Gross Cash Flow	**3,853**	3,174	3,669

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Current assets [1)]	**13,672**	11,355	14,427	16,047
Non-consolidated investees	**2,498**	2,089	2,519	2,394
Property, plant and equipment	**7,189**	7,006	7,982	9,294
Prepaid pension, investments and other non-current assets	**960**	785	748	1,523
Other current liabilities	**(6,872)**	(6,223)	(6,385)	(6,923)
Accumulated depreciation and amortization	**17,602**	15,727	17,222	17,759
Gross Investment	**35,049**	30,739	36,513	40,094

	2003	2002	2001
Cash Return on Gross Investment (CROGI)	**11.7 %**	9.4 %	9.6 %

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Reported EBITDA	**4,748**	3,945	4,402
Normalization Other income	**-**	(166)	53
Normalization Price and currency	**170**	1,116	369
Normalized EBITDA	**4,918**	4,895	4,824
Normalized Income tax expense	**(1,024)**	(910)	(859)
Normalized Gross Cash Flow	**3,894**	3,985	3,965

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Reported Gross Investment	**35,049**	30,739	36,513	40,094
Normalization currency rates (translation effects)	**(664)**	3,522	339	(2,436)
Normalized Gross Investment	**34,385**	34,261	36,852	37,658

	2003	2002	2001
Normalized Cash Return on Gross Investment (CROGI)	**11.3 %**	11.2 %	10.6 %

1) Excluding Current deferred tax assets

Reconciliation of Net income to Gross Cash Flow – Hydro

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Net income	**10,968**	8,765	7,892
Cumulative effect of change in accounting principle	**(281)**	-	-
Minority interest	**(148)**	(15)	(177)
Interest expense and foreign exchange gain (loss)	**1,266**	(517)	3,609
Depreciation and amortization	**15,304**	14,147	12,683
Gross Cash Flow	**27,109**	22,380	24,007

Reconciliation of Total assets to Gross Investment – Hydro

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Total assets	**218,629**	207,211	197,922	196,354
Deferred tax assets	**(2,117)**	(4,110)	(3,105)	(3,022)
Other current liabilities	**(42,890)**	(38,331)	(32,245)	(33,171)
Accumulated depreciation and amortization	**115,197**	101,907	97,930	92,385
Other	**(1,231)**	(1,281)	(1,663)	-
Gross Investment	**287,588**	265,396	258,839	252,546

Non-GAAP financial measures

Return on average Capital Employed – Hydro

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Operating income	**24,258**	19,841	21,083
Equity in net income of non-consolidated investees	**1,229**	33	566
Other income/expense, net	**(1,212)**	219	578
Earnings before tax	**24,275**	20,093	22,227
Income tax expense	**(14,159)**	(12,400)	(14,700)
Earnings after tax	**10,116**	7,693	7,527

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Current assets [1]	**58,853**	57,785	50,754	57,538
Non-consolidated investees	**12,711**	11,499	9,687	7,211
Property, plant and equipment	**114,998**	112,342	95,277	95,025
Prepaid pension, investments and other non-current assets [2]	**15,237**	16,973	12,635	12,323
Other current liabilities [3]	**(43,528)**	(38,593)	(32,569)	(33,429)
Other long-term liabilities [4]	**(50,982)**	(51,442)	(41,232)	(38,808)
Capital employed	**107,289**	108,564	94,552	99,860

	2003	2002	2001
Return on average Capital Employed (RoaCE)	**9.4 %**	7.6 %	7.7 %

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Reported Earnings before tax	**24,275**	20,093	22,227
Normalization Other income	**1,212**	(219)	(578)
Normalization Restructuring costs	**-**	(10)	922
Normalization Price and currency	**(10,137)**	(4,564)	(11,732)
Normalized Earnings before tax	**15,350**	15,300	10,839
Normalized Income tax expense	**(7,544)**	(7,709)	(5,576)
Normalized Earnings after tax	**7,806**	7,591	5,263

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Reported Capital Employed	**107,289**	108,564	94,552	99,860
Normalization currency rates (translation effects)	**232**	6,512	(1,940)	(3,195)
Normalized current tax payable	**3,035**	2,104	4,507	6,108
Normalized Capital Employed	**110,556**	117,180	97,119	102,773

	2003	2002	2001
Normalized Return on average Capital Employed (RoaCE)	**6.9 %**	7.1 %	5.3 %

1) Excluding Cash and cash equivalents and Other liquid assets, but including Deferred tax assets
2) Including Deferred tax assets
3) Including Deferred tax liabilities
4) Including Accrued pension liabilities and Deferred tax liabilities

Return on average Capital Employed – Oil & Energy

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Operating income	**21,143**	15,947	19,177
Equity in net income of non-consolidated investees	**107**	179	65
Other income/expense, net	**816**	77	179
Earnings before tax	**22,066**	16,203	19,421
Income tax expense	**(15,089)**	(11,316)	(14,078)
Earnings after tax	**6,977**	4,887	5,343

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Current assets [1]	**16,017**	21,213	12,979	14,076
Non-consolidated investees	**2,406**	1,991	2,095	1,402
Property, plant and equipment	**74,460**	73,223	70,146	68,667
Prepaid pension, investments and other non-current assets [2]	**3,903**	4,199	3,909	3,923
Other current liabilities [3]	**(18,829)**	(22,520)	(15,718)	(15,123)
Other long-term liabilities [4]	**(35,628)**	(34,554)	(32,988)	(32,025)
Capital employed	**42,329**	43,552	40,423	40,920

	2003	2002	2001
Return on average Capital Employed (RoaCE)	**16.2 %**	11.6 %	13.1 %

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Reported Earnings before tax	**22,066**	16,203	19,421
Normalization Other income	**(816)**	(77)	(179)
Normalization Price and currency	**(10,058)**	(7,796)	(11,965)
Normalized Earnings before tax	**11,192**	8,330	7,277
Normalized Income tax expense	**(7,694)**	(5,709)	(4,754)
Normalized Earnings after tax	**3,498**	2,621	2,523

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Reported Capital Employed	**42,329**	43,552	40,423	40,920
Normalization currency rates (translation effects)	**(214)**	1,184	(257)	(551)
Normalized current tax payable	**3,871**	3,021	4,722	5,296
Normalized Capital Employed	**45,986**	47,757	44,888	45,665

	2003	2002	2001
Normalized Return on average Capital Employed (RoaCE)	**7.5 %**	5.7 %	5.6 %

1) Excluding Cash and cash equivalents and Other liquid assets, but including Deferred tax assets
2) Including Deferred tax assets
3) Including Deferred tax liabilities
4) Including Accrued pension liabilities and Deferred tax liabilities

Non-GAAP financial measures

Return on average Capital Employed – Aluminium

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Operating income	**2,456**	1,698	185
Equity in net income of non-consolidated investees	**433**	(219)	118
Other income/expense, net	**-**	-	(25)
Earnings before tax	**2,889**	1,479	278
Income tax expense	**(860)**	(594)	(56)
Earnings after tax	**2,029**	885	222

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Current assets [1]	**22,860**	21,715	15,993	17,659
Non-consolidated investees	**5,787**	4,902	3,288	2,498
Property, plant and equipment	**29,504**	26,496	11,770	11,206
Prepaid pension, investments and other non-current assets [2]	**4,830**	5,212	3,723	3,516
Other current liabilities [3]	**(12,822)**	(10,566)	(8,587)	(8,851)
Other long-term liabilities [4]	**(5,306)**	(5,782)	(1,632)	(1,302)
Capital employed	**44,853**	41,977	24,555	24,726

	2003	2001	2000
Return on average Capital Employed (RoaCE)	**4.7 %**	2.7 %	0.9 %

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Reported Earnings before tax	**2,889**	1,479	278
Normalization Other income	**-**	-	25
Normalization Restructuring costs	**-**	(10)	922
Normalization Price and currency	**1,494**	1,427	(545)
Normalized Earnings before tax	**4,383**	2,896	680
Normalized Income tax expense	**(1,388)**	(929)	(133)
Normalized Earnings after tax	**2,995**	1,967	547

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Reported Capital Employed	**44,853**	41,977	24,555	24,726
Normalization currency rates (translation effects)	**(743)**	3,334	(874)	(1,045)
Normalized current tax payable	**(529)**	(335)	(91)	399
Normalized Capital Employed	**43,581**	44,976	23,590	24,080

	2003	2001	2000
Normalized Return on average Capital Employed (RoaCE)	**6.8 %**	5.7 %	2.3 %

1) Excluding Cash and cash equivalents and Other liquid assets, but including Deferred tax assets
2) Including Deferred tax assets
3) Including Deferred tax liabilities
4) Including Accrued pension liabilities and Deferred tax liabilities

Return on average Capital Employed – Hydro after Agri demerger

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Operating income	**21,534**	17,698	19,020
Equity in net income of non-consolidated investees	**620**	(24)	236
Other income/expense, net	**(1,253)**	77	631
Earnings before tax	**20,901**	17,751	19,887
Income tax expense	**(13,192)**	(11,600)	(13,996)
Earnings after tax	**7,709**	6,151	5,891

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Current assets [1]	**45,770**	47,318	38,210	43,399
Non-consolidated investees	**10,162**	9,410	7,168	4,817
Property, plant and equipment	**107,779**	105,252	87,205	85,671
Prepaid pension, investments and other non-current assets [2]	**15,275**	17,631	13,660	13,117
Other current liabilities [3]	**(38,097)**	(34,484)	(28,463)	(28,319)
Other long-term liabilities [4]	**(48,082)**	(49,033)	(38,595)	(35,988)
Capital employed	**92,807**	96,094	79,185	82,697

	2003	2002	2001
Return on average Capital Employed (RoaCE)	**8,2 %**	7,0 %	7,3 %

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Reported Earnings before tax	**20,901**	17,751	19,887
Normalization Other income	**1,253**	(77)	(631)
Normalization Restructuring costs	**-**	(10)	962
Normalization Price and currency	**(10,307)**	(5,680)	(12,101)
Normalized Earnings before tax	**11,847**	11,984	8,117
Normalized Income tax expense	**(6,440)**	(6,568)	(4,724)
Normalized Earnings after tax	**5,407**	5,416	3,393

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Reported Capital Employed	**92,807**	96,094	79,185	82,697
Normalization currency rates (translation effects)	**(677)**	5,341	(1,119)	(1,816)
Normalized current tax payable	**3,186**	2,437	4,655	6,521
Normalized Capital Employed	**95,316**	103,872	82,721	87,402

	2003	2002	2001
Normalized Return on average Capital Employed (RoaCE)	**5,4 %**	5,8 %	4,0 %

1) Excluding Cash and cash equivalents and Other liquid assets, but including Deferred tax assets
2) Including Deferred tax assets
3) Including Deferred tax liabilities
4) Including Accrued pension liabilities and Deferred tax liabilities

Non-GAAP financial measures

Reconciliation of Net income to Earnings after tax – Hydro

Amounts in NOK million	**Year ended 31 December 2003**	Year ended 31 December 2002	Year ended 31 December 2001
Net income	**10,968**	8,765	7,892
Cumulative effect of change in accounting principle	**(281)**	-	-
Minority interest	**(148)**	(15)	(177)
Tax effect of Net financial income/expense	**(222)**	878	(950)
Net financial income (expense), net	**(201)**	(1,935)	762
Earnings after tax	**10,116**	7,693	7,527

Reconciliation of Total assets to Capital Employed – Hydro

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Total assets	**218,629**	207,211	197,922	196,354
Cash and cash equivalents	**(15,249)**	(5,965)	(27,148)	(21,766)
Other liquid assets	**(1,581)**	(2,647)	(2,421)	(2,491)
Other current liabilities	**(42,890)**	(38,331)	(32,245)	(33,171)
Current deferred tax liabilities	**(638)**	(262)	(324)	(258)
Accrued pension liabilities	**(9,533)**	(8,385)	(4,215)	(2,735)
Other long-term liabilities	**(8,004)**	(6,248)	(5,912)	(4,686)
Deferred tax liabilities	**(33,445)**	(36,809)	(31,105)	(31,387)
Capital employed	**107,289**	108,564	94,552	99,860

Alternative method for calculating Capital Employed – Hydro

Amounts in NOK million	**31 December 2003**	31 December 2002	31 December 2001	31 December 2000
Shareholders' Equity	**88,080**	75,867	74,793	71,227
Minority interest	**660**	1,143	1,051	1,419
Long-term debt	**28,568**	30,902	37,853	40,174
Bank loans and other interest-bearing short-term debt	**5,569**	7,306	8,458	9,088
Current portion of long-term debt	**1,242**	1,958	1,966	2,209
Cash and cash equivalents	**(15,249)**	(5,965)	(27,148)	(21,766)
Other liquid assets	**(1,581)**	(2,647)	(2,421)	(2,491)
Capital employed	**107,289**	108,564	94,552	99,860

IFRS/IAS in Hydro's Financial Statements

The European Union's (EU) Regulation (the "regulation") requires the use of International Financial Reporting Standards (IFRS), previously International Accounting Standards (IAS), for all listed companies in the EU and European Economic Area (EEA) and is expected to apply to Hydro. The regulation is expected to be incorporated into Norwegian law during 2004. The regulation requires that most companies adopt IFRS by 2005. Companies using internationally accepted accounting standards for the purpose of a non-EU stock exchange listing for their primary financial statements may, if the member state permits, delay the implementation of IFRS until 2007. Hydro uses United States Generally Accepted Accounting Principles (US GAAP) as the accounting principles underlying its primary financial statements, therefore, if Norway implements the member state option to delay implementation for certain companies (as is suggested by the committee established by the Norwegian Government for the purpose of evaluating the consequences of the Regulation for the Norwegian accounting act), Hydro will qualify for the 2007 implementation.

Hydro plans to implement IFRS in 2007. This will require the preparation of an opening balance in accordance with IFRS as of the beginning of 2006, based on standards applicable at that time. Amendments to IFRS during 2006 and 2007 will need to be implemented retrospectively.

Hydro has made an initial high level evaluation of the current IAS/IFRS standards, for the purpose of identify differences which could lead to major changes in transaction systems, valuation models or administrative procedures as well as implementation effects that may have a material impact on Hydro's earnings or equity. The Company's preliminary assessment has identified a number of processing issues. Important areas for Hydro where such unsolved issues exists include oil and gas activities and financial instruments. In addition, there are important differences between Hydro's current accounting principles and IFRS, for instance requirements relating to pensions and taxes. These differences may result in effects on reported earnings and the valuation of assets and liabilities in future periods. Hydro is not in a position to describe such effects based on its preliminary evaluation. Further amendments to both IFRS and US GAAP are expected in the period prior to implementation in 2007. One source for such changes is "the Convergence Project", a combined project between the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB), aimed at reducing differences between the two sets of standards.

Oil and gas activities

There are currently no industry specific regulations pertaining to oil and gas activities in IFRS. Direct application of the general standards for certain specific oil and gas related issues may lead to differences compared to US GAAP standards currently applied by Hydro including SFAS 19 "Financial Accounting and Reporting by Oil and Gas Producing Companies" and SFAS 69 "Disclosures about Oil and Gas Producing Activities". In addition, regulations and guidance from the US Securities and Exchange Commission (SEC) also heavily influence Hydro's Oil and Gas accounting and disclosure. Important issues include the treatment of exploration activities, depreciation of production assets following the unit-of-production method and impairment of assets. Further analysis is expected to reveal additional differences. The IASB has issued an exposure draft (ED 6 "Exploration for and Evaluation of Mineral Resources", which is expected to provide a temporary solution to some, but not all, of these differences by allowing companies to continue to use their existing accounting principles for certain items such as exploration activities. The IASB has initiated a project to clarify, and if necessary modify, guidance relating to these issues. However, possible future amendments and the timing time of such amendments is uncertain.

Financial Instruments

IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" are presently not endorsed for use under the regulation. These two standards contain important differences from comparable US standards, mainly SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" (including later revisions), in particular relating to commodity instruments and contracts related to commodities traded in liquid markets. Examples of such commodities are crude oil, natural gas and metals. Hydro has not evaluated the consequences of applying IFRS for systems and valuation models, or effect on the financial statements of changes in valuation of contracts, including physical delivery contracts, for commodities.

Hydro expects to implement IFRS effective in 2007. Hydro also expects to continue to apply US GAAP as its primary accounting principals underlying its financial statements. The Company will continue to follow and evaluate development in the regulations relating to the two sets of accounting standards. Future changes in regulations in Norway and/or the US may lead to the possibility for Hydro to apply a single set of accounting standard and be in compliance with requirements both in Norway and in the US. Such developments would lead to a re-evaluation of this issue.

Operational data

Exploration and production

Proved reserved as of 31 December, 2003 (SEC definition)

				Hydro's share				
Field	Block	Operator	Hydro %-interest	Total mill.boe	Oil/NGL mill.boe	Gas bill.cf	Gas bill.Sm^3	Prod. start up
Troll	31/2, 31/3, 31/5, 31/6	Hydro/ Statoil	9.78	534	62	2,739	77.4	1995 1996
Oseberg fields	30/6, 30/9	Hydro	34.00	355	127	1,261	35.6	1988
Grane	25/11	Hydro	38.00	200	200	0	0.0	2003
Åsgard	6407/2, 6506/11,12, 6507/11	Statoil	9.60	153	65	496	14.0	1999
Snorre fields	34/4, 34/7, 33/9	Statoil	5.98 - 17.65	133	123	46	1.3	1992
Snøhvit	7120/6,7,8,9, 7121/4,5,7	Statoil	10.00	90	13	429	12.1	2005
Ekofisk fields	2/4, 2/5, 2/7	ConocoPhillips	5.81 - 6.65	87	74	70	2.0	1971
Visund	34/8, 34/7	Statoil	20.30	83	35	274	7.8	1999
Sleipner fields	15/6, 15/9, 16/7	Statoil	8.85 - 10.00	55	15	223	6.3	1993
Kvitebjørn	34/11	Statoil	15.00	49	13	191	5.4	2004
Kristin	6406/2, 6506/11	Statoil	12.00	39	23	88	2.5	2005
Gullfaks fields	34/10, 33/12	Statoil	9.00	36	24	67	1.9	1986
Fram Vest	35/11	Hydro	25.00	22	18	22	0.6	2003
Tune	30/8, 30/5, 30/6	Hydro	40.00	22	3	102	2.9	2002
Mikkel	6407/5,6	Statoil	10.00	21	9	67	1.9	2003
Norne	6608/10, 6508/1	Statoil	8.10	16	12	24	0.7	1997
Byggve/Skirne	25/5	Total	10.00	4	1	16	0.5	2004
Vale	25/4	Hydro	28.53	4	1	18	0.5	2002
Njord	6407/7,10	Hydro	20.00	4	4	0	0.0	1997
Brage	31/4, 30/6, 31/7	Hydro	20.00	2	2	0	0.0	1993
Frigg	25/1	Total	19.99	1	0	4	0.1	1977
Ormen Lange	6304/9 6305/1,2,4,5,7,8	Hydro/Shell**	18.07	336	20	1,778	50.2	2007
Oseberg Vestflanken	30/6, 30/9	Hydro	34.00	17	8	54	1.5	2005
Total Norway				2,263	852	7,969	225.2	
Dalia***	Block 17, Angola	Total	10.00	42	42	0	0.0	2006
Girassol***	Block 17, Angola	Total	10.00	27	27	0	0.0	2001
Rosa/Lirio***	Block 17, Angola	Total	10.00	26	26	0	0.0	2007
Terra Nova	Grand Banks, Canada	Petro-Canada	15.00	26	26	0	0.0	2002
Kharyaga***	Timan Pechora, Russia	Total	40.00	23	23	0	0.0	1999
Hibernia	Grand Banks, Canada	HMDC*	5.00	15	15	0	0.0	1997
Mabruk***	Sirte Basin, Libya	Total	25.00	12	12	0	0.0	1995
Murzuq***	Sirte Basin, Libya	Repsol	8.00	9	9	0	0.0	2003
Jasmim***	Block 17, Angola	Total	10.00	6	6	0	0.0	2003
Total International				186	186	0	0.0	
Total				2,449	1,038	7,969	225.2	

* HMDC : Hibernia Management Development Company.

** Hydro is operator for the field development. Shell is operator for the field operation.

*** Fields with production sharing agreements (PSA).

Exploration and production

2003 Production of oil and gas

Field	Operator	Hydro %-interest	Total mill.boe	Oil/NGL mill.boe	Hydro's share Gas bill.cf	Hydro's share Gas bill.Sm³	Remaining Prod. periode	Licence Period
Oseberg fields	Hydro	34.00	42	38	22	0.6	2013 - 2020	2031
Troll	Hydro/Statoil	9.78	29	14	91	2.6	2030	2030
Snorre fields	Statoil	5.98 - 17.65	25	24	5	0.1	2013 - 2020	2009 - 2024
Åsgard	Statoil	9.60	15	9	33	0.9	2025	2027
Sleipner fields	Statoil	8.85 - 10.00	13	4	46	1.3	2005 - 2014	2014 - 2018
Tune	Hydro	40.00	11	3	45	1.3	2009	2032
Ekofisk fields	ConocoPhillips	5.81 - 6.65	10	9	8	0.2	2018 - 2021	2028
Gullfaks fields	Statoil	9.00	10	8	10	0.3	2010	2009 - 2016
Norne	Statoil	8.10	5	4	2	0.1	2013	2026
Brage	Hydro	20.00**	3	3	1	0.0	2006	2015 - 2017
Visund	Statoil	20.30	2	2	0	0.0	2022	2023
Njord	Hydro	20.00**	2	2	0	0.0	2007	2021- 2023
Grane	Hydro	38.00	2	2	0	0.0	2023	2030
Frigg	Total	19.99	1	0	8	0.2	2004	2015
Fram Vest	Hydro	25.00	1	1	0	0.0	2014	2024
Mikkel	Statoil	10.00	1	0	2	0.1	2021	2020 - 2022
Other fields (Vale and Heimdal)	Norsk Hydro		1	0	2	0.1	2005 - 2008	2021
Total Norway			173	123	275	7.8		
Terra Nova	Petro-Canada	15.00	7	7	0	0.0	2016	2093
Girassol	Total	10.00	7	7	0	0.0	2018	2027
Hibernia	HMDC*	5.00	4	4	0	0.0	2015	2085
Kharyaga	Total	40.00	2	2	0	0.0	2031	2031
Mabruk	Total	25.00	1	1	0	0.0	2028	2028
Other fields (Jasmim and Murzuq)	Total/Repsol		0	0	0	0.0	2016 - 2022	2027 - 2028
Total International			21	21	0	0.0		
Total			***194	144	275	7.8		

* HMDC: Hibernia Management Development Company

** 1st of February 2003 Hydro sold shares to OER Oil AS. In the Brage field Hydro's share was reduced from 24.44 percent to 20.00 percent in Brage Unit and reduced from 23.20 percent to 20.00 percent in the Brage Sognefjord. In the Njord field Hydro's share was reduced from 22.50 percent to 20.00 percent.

*** Total daily production in 2003 is 530,000 boe/day

Operational data

Energy

	2003	2002	2001
Total power available (Terrawatt hours TWh)	**21.3**	19.4	20.4
From own power stations	**7.3**	10.1	9.6
Lease production	**0.2**	0.2	0.2
Average spot price NOK/kWh	**0.291**	0.201	0.187
Oiltrading and refining (thousand tonnes):			
Crude oil/NGL	**18,560**	19,068	17,507
Oil products	**2,808**	2,326	2,912
Oiltrading	**21,368**	21,394	20,419
Gasoline	**797**	660	841
Medium destillates	**766**	796	897
Heavy fuel oil	**502**	550	440
Other	**77**	36	66
Refining	**2,142**	2,042	2,244

Oil marketing

Marketing (Sales 1.000 m^3) [1]	2003	2002	2001
Gasoline	**1,435**	1,476	1,500
Gasoil	**2,109**	2,074	2,084
Market share 2002 [1]	Sweden	Denmark	Norway
Gasoline	9.9%	16.8%	20.2%
Gasoil	14.3%	17.5%	16.0%

1) Includes 100 percent of Hydro Texaco

Aluminium

Tonnes	2003	2002	2001
Production of alumina	**1,502,000**	1,272,000	1,002,000
Production of primary aluminium:			
Karmøy	**271,000**	273,000	272,000
Årdal	**215,000**	206,000	206,000
Rheinwerk	**221,000**	173,000	
Sunndal	**210,000**	153,000	156,000
Kurri-Kurri	**156,000**	122,000	
Høyanger	**74,000**	73,000	71,000
Søral (Hydro's ownership interest 49.9 percent)	**79,000**	67,000	62,000
Elbewerk	**69,000**	48,000	
Other	**178,000**	138,000	18,000
Total	**1,473,000**	1,253,000	785,000
Remelting	**1,597,000**	1,342,000	425,000
Semi-fabricating:			
Extruded products	**569,000**	556,000	476,000
Rolled products	**893,000**	693,000	133,000
Wire rod and other	**80,000**	75,000	60,000
Primary aluminium London Metal Exchange 3-month price USD/tonne (avg.)	**1,428**	1,365	1,454

Magnesium

Tonnes	**2003**	2002	2001
Production. remelting and recycling of primary magnesium	**92,000**	87,000	108,000

Agri

Thousand tonnes	**2003**	2002	2001
Consumption of raw materials			
Rock phosphate	**1,300**	1,100	1,200
Potassium	**950**	860	830
Oil and gas (million toe)	**4.0**	3.5	3.6
Production of ammonia (NH3)			
Hydro's own production	**4,100**	4,050	3,950
Hydro's share of non-consolidated investees' production	**850**	850	840
Production of fertilizer			
Hydro's own production	**11,700**	11,100	11,400
Hydro's share of non-consolidated investees' production	**600**	1,150	1,250
Sales including third-party products [1)]	**22,200**	22,200	20,900
Europe	**11,500**	11,100	11,100
Outside Europe	**10,700**	11,100	9,800
Fertilizer prices - average monthly quotations	**2003**	2002	2001
CAN - cif Germany USD/tonne	**146**	111	119
Urea - fob Middle East USD/tonne	**148**	109	109
NH3 - fob Caribbean USD/tonne	**203**	110	137

1) Sales volume includes fertilizer products and nitrogen products for technical use.

Petrochemicals

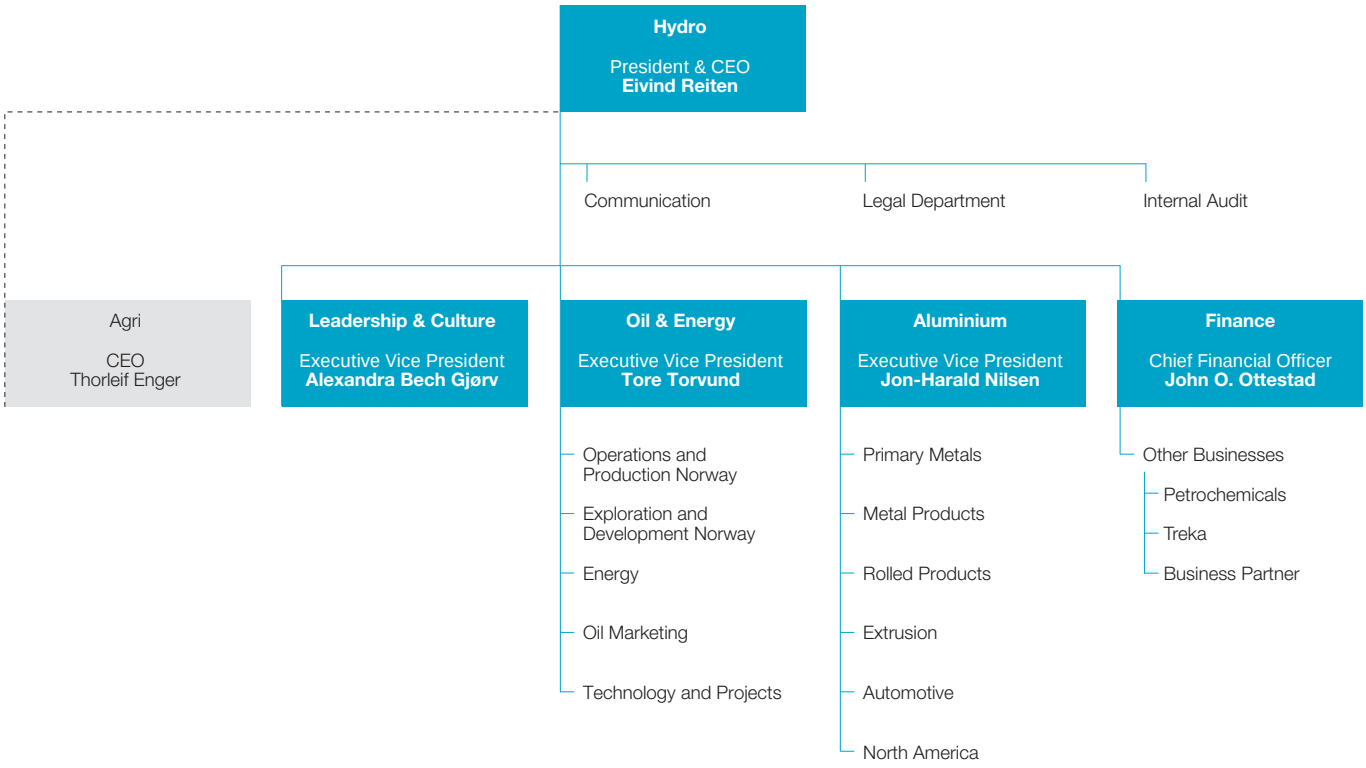
Production in tonnes	**2003**	2002	2001
Base products:			
VCM	**575,000**	540,000	591,000
Caustic Soda	**281,000**	262,000	279,000
PVC	**588,000**	528,000	537,000
S-PVC	**507,000**	458,000	465,000
P-PVC	**81,000**	70,000	72,000
PVC-Compounds	**129,000**	128,000	143,000
Average prices Western Europe:			
Ethylene - EUR/tonne delivered	**522**	518	616
VCM - Spot Export FOB USD/tonne	**452**	451	345
S-PVC - EUR/tonne delivered	**683**	714	656

Source: ICIS-LOR

Organization

Hydro had 42,911 employees at the end of 2003, almost 7,000 fewer than in the previous year. A viable industrial company needs constantly to restructure itself in order to serve changing markets and this will have an impact on manning levels in many areas. In order to attract the best human resources, we intend to develop and make the most of diversity in our organization. Diversity is a source of innovation and sound decision-making.

Following the demerger of Agri, the corporate management board consists of five persons.



Financial calendar

10 May 2004	First Quarter Results 2004
11 May 2004	Annual General Meeting
19 July 2004	Second Quarter Results 2004
18 October 2004	Third Quarter Results 2004

Subject to possible changes.

Annual General Meeting

The Annual General Meeting of Norsk Hydro ASA will be held at the Radisson SAS Scandinavia Hotel, Holbergsgate 30, Oslo, on Tuesday 11 May, 2004, at 16.30 CET.

Shareholders who wish to attend the Annual General Meeting are asked to inform the following registrar by 16.00 CET on Thursday 6 May:

DnB NOR Bank
Verdipapirservice
Stranden 21, 0021 Oslo
Telephone: + 47 22 48 35 84
Fax: + 47 22 48 11 71

You may also register electronically on the company's home page www.hydro.no/registrer or at the Verdipapirservice investor services site: www.vps.no.

Any shareholder may appoint a proxy with written authority to attend the meeting and vote on his or her behalf. In accordance with the company's Articles of Association, notice of the Annual General Meeting will be published in Aftenposten, Dagens Næringsliv and Dagsavisen.

Dividend payment

The dividend payment proposal of the Board of Directors for will be considered at the Annual General Meeting. Provided the proposal is approved, dividends will be paid on Friday 28 May 2004 to those persons listed as shareholders as per 11 May 2004 in the Norwegian Registry of Securities (VPS), or who are authorized by the shareholder to receive the dividend. Where a dividend is paid to non-Norwegian shareholders, Norwegian tax will be deducted at source in accordance with the current regulations.

The shares will be quoted exclusive of dividend on the Oslo Stock Exchange from Wednesday, 12 May 2004 inclusive, and on the New York Stock Exchange from Thursday, 7 May 2004 inclusive.

Information from the company

Hydro's annual and quarterly reports are available in Norwegian and English. The company also prepares in English an annual report, Form 20-F, and quarterly reports, Form 6-K, for the Securities and Exchange Commission in the USA. These reports, together with further information on Hydro's activities, may be obtained on request from Hydro's Corporate Communications department. The information is also available on the Internet: www.hydro.com

Hydro prepares its financial statements in accordance with generally accepted accounting principles in Norway (N GAAP) and the United States (US GAAP). Unless otherwise stated, the comments in the annual report are independent of accounting principle, while the figures referred to appear in the accounts drawn up according to US GAAP. The differences in net income, according to N GAAP and US GAAP, are immaterial and are presented in note 27 to the consolidated financial statements.

CHANGE OF ADDRESS
Shareholders registered in the Norwegian Registry of Securities should send information on changes of address to their registrars and not directly to the company.

Norsk Hydro ASA
N-0240 Oslo
Telephone: + 47 22 53 81 00
Telefax: + 47 22 53 27 25
E-mail: corporate@hydro.com
Internet: www.hydro.com

Design: Karakter, London
Project coordinator: Cobra, Oslo
Production: Hydro Media (47071)
Photos: Jason Hawks, Michael Heffernan,
Terje S. Knudsen, Getty Images
Print: Kampen Grafisk, Oslo