NORSK HYDRO A S A
Form 6-K
December 01, 2003
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15a-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

December 1, 2003

Norsk Hydro ASA

(Exact name of registrant as specified in its charter)

Bygdoy Alle 2, N-0240 Oslo, Norway

(Address of Principal Executive Offices)

033-61360

(Commission File Number)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.) Form 20-F x Form 40-F ¨

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.) Yes ¨ No x

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Our date

2003-11-28

To

The Shareholders of Norsk Hydro ASA

Demerger of Norsk Hydro ASA Extraordinary General Meeting

Hydro s Board of Directors resolved in June 2003 to commence preparations with a view to establishing the Agri business area as a separate listed company. This resolution was passed in order to provide Agri with a better platform to pursue further value creation, leaving Hydro to concentrate its attention and financial resources on development opportunities in the Oil and Energy and Aluminium business areas.

On 28 November the Board resolved to recommend to the company s shareholders a demerger of Hydro s fertilizer business as described in greater detail in the enclosed Demerger Plan and the Information Memorandum.

The Board recommends that the demerger be approved at an Extraordinary General Meeting to be held on 15 January 2004, as described in the enclosed notice.

The enclosed Information Memorandum describes the transaction itself, the new company and Hydro s two remaining business areas. The considerable scope of the document is due to the different legal requirements applicable in the countries where Hydro is listed on the stock exchange.

Kind regards,

Egil Myklebust

Chair

Eivind Reiten

President and C.E.O

Board of Directors

Postal Address	**Visiting Address**	**Telephone**	**Telefax**	**Registration No.**
Norsk Hydro ASA	Bygdøy Allé 2	+47 22 53 81 00	+47 22 53 22 34	NO 914 778 271 MVA
N-0240 Oslo	Oslo	**Telex**		**Head Office Address**
Norway		72948 hydro n		Bygdøy allé 2, Oslo
				Norway

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REF. NO:

EXTRAORDINARY GENERAL MEETING 2004

of Norsk Hydro ASA will be held 15 January 2004 at 5:00 p.m.

at Gamle Logen , Grev Wedels Plass 2 in Oslo.

ATTENDANCE FORM

Must be received by DnB ASA on Monday 12 January 2004 at 4:00 p.m. at the latest. Postal address: DnB ASA, Verdipapirservice, Stranden 21, N-0021 Oslo, alternatively on telefax +47 22 48 11 71. Registration may also be made via the company s homepage http://www.hydro.com/register **(may not be used for proxies).**

The undersigned will attend Norsk Hydro ASA s Extraordinary General Meeting 2004 on Thursday 15 January 2004 and vote for:

	own shares.
	other shares in accordance with enclosed Power of Attorney.
A total of	shares.

Place/Date

Shareholder s signature

POWER OF ATTORNEY

REF. NO:

If you cannot personally attend the Extraordinary General Meeting, you may appoint a proxy to use this power of attorney, or you can return a blank power of attorney. In this case, the company will appoint the Chair of the Corporate Assembly or one of the members of the Board of Directors as your proxy before the Extraordinary General Meeting takes place.

This power of attorney must be received by DnB ASA on Monday 12 January 2004 at 4:00 p.m. at the latest.

Postal address: DnB ASA, Verdipapirservice, Stranden 21, N-0021 Oslo, alternatively on telefax +47 22 48 11 71.

The undersigned hereby appoints _____

(Name in block letters)

as my proxy with the authority to attend and vote at Norsk Hydro ASA s Extraordinary General Meeting 2004 on Thursday 15 January 2004 for my/our ..... shares.

Place/Date

Shareholder s signature

With regard to rights of attendance and voting we refer you to The Norwegian Public Limited Companies Act, in particular Chapter 5. A written power of attorney dated and signed by the beneficial owner giving such proxy must be presented at the meeting.

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To the Shareholders of Norsk Hydro ASA (Hydro)

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of Norsk Hydro ASA will be held at Gamle Logen , Grev Wedels Plass 2, Oslo on

Thursday 15 January 2004 at 17.00 hours.

The following matters will be dealt with:

1. Capital reduction by means of the cancellation of treasury shares and the redemption of shares, belonging to the Norwegian state, held by the Ministry of Trade and Industry

The proposed demerger will take place on the basis of the share capital in the company following the cancellation and redemption of the shares that were intended to be cancelled and redeemed when the General Meeting on 7 May 2003 authorised the Board of Directors to re-purchase treasury shares. The Norwegian state has made a commitment to participate in the capital reduction on a proportional basis, when the company s treasury shares are cancelled, so that the state s ownership interest of 43.82 percent will remain unchanged. In this respect, the Board of Directors proposes that the General Meeting passes the following resolution:

The company s share capital shall be reduced by NOK 52,844,440 from NOK 5,331,933,000 to NOK 5,279,088,560, following the cancellation of 1,484,300 treasury shares and the redemption of 1,157,922 shares owned by the state represented by the Ministry of Trade and Industry against payment of a sum of NOK 444,958,166 to the state, represented by the Ministry of Trade and Industry. The amount is equivalent to the average market price for the re-purchase of treasury shares plus supplementary interest compensation. That portion of the sum exceeding the nominal value of the shares shall be covered by a transfer from the share premium fund and by the share premium fund being reduced by NOK 421,799,726.

With effect from the date when the share capital reduction comes into force through registration at the Register of Companies, Article 4 of the Articles of Association will be amended to read:

The share capital is NOK 5,279,088,560 divided into 263,954,428 shares, each with a nominal value of NOK 20. The shares shall be registered in the Norwegian Registry of Securities. The Board of Directors may refuse to consent to the transport of shares and take such other steps as may be necessary to prevent shares from being transferred if in contravention of the restrictions, if any, provided by applicable Norwegian law.

2. The demerger of Norsk Hydro ASA

The Board of Directors proposes that Hydro s business area Agri be established as a separate listed company to provide a better platform for further development and value creation. The Board proposes that this is implemented by means of a demerger in which Hydro s business area Agri is demerged to AgriHold ASA (**AgriHold**). AgriHold has been established in connection with the demerger and will be 100 percent owned by Hydro until the demerger is consummated. In this respect, the Board of Directors proposes that the General Meeting passes the following resolution:

The Demerger Plan dated 28 November 2003 is approved.

The proposed share capital reduction in connection with the demerger, as well as the corresponding proposal for the amendment to the Articles of Association are included in the Demerger Plan that forms Exhibit 1 in the enclosed Information Memorandum dated 28 November 2003. For a more detailed description of the demerger, please refer to the Demerger Plan and the Information Memorandum. Adoption of the Demerger Plan means that share capital in Norsk Hydro ASA, which will following the resolution in section 1 of this notice stand at *NOK 5,279,088,560,* be further reduced by *NOK 448,722,527.60* to *NOK 4,830,366,032.40.* The number of shares will remain unchanged.

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3. Procedure regarding the election of new shareholders representatives to the Board of AgriHold ASA

The Board of AgriHold currently consists of members of Hydro s Board of Directors. It is proposed that the current Board of AgriHold be replaced by a new Board on the date when the demerger is registered and comes in to force. AgriHold shall not have a Corporate Assembly and, following the demerger, the AgriHold Board shall consist of eight members of whom five shall be chosen by the shareholders and three by and among the employees.

Hydro s Board proposes that selection is effected by Hydro s General Meeting nominating five persons. Hydro, as sole AgriHold shareholder until the demerger is consummated, is instructed to select these persons to be shareholders representatives at an extraordinary general meeting in AgriHold immediately after Hydro s Extraordinary General Meeting has been held.

Hydro s Election Committee will before the date of the General Meeting submit a proposal for new shareholders representatives on the Board of AgriHold.

The election of the employee representatives on the new AgriHold Board is anticipated to be completed prior to consummation of the demerger. For a more detailed description of the electoral process, please refer to the Information Memorandum p. 37

4. Procedure regarding the election of members to the election committee of AgriHold ASA

According to AgriHold s Articles of Association, the company shall have an election committee consisting of four members chosen by the General Meeting.

Hydro s Board of Directors proposes that selection is effected by Hydro s General Meeting nominating four persons. Hydro, as sole AgriHold shareholder until the demerger is consummated, is instructed to select these persons to be members of AgriHold s election committee at an extraordinary general meeting in AgriHold immediately after Hydro s Extraordinary General Meeting has been held.

Hydro s Election Committee will before the date of the General Meeting submit a proposal regarding membership of AgriHold s election committee. For a more detailed description of the electoral process, please refer to the Information Memorandum p. 37

5. Procedure in connection with authorising the Board to increase the share capital of AgriHold ASA

It is proposed to establish Agri as a separate listed company to promote the best industrial development possible for the business. In order to contribute to Agri s financial flexibility, as well as to enable AgriHold s Board of Directors to establish share-based compensation systems, it is proposed that Hydro s General Meeting instructs Hydro, as sole AgriHold shareholder until the demerger is consummated, to approve the granting of authority to AgriHold s Board to increase AgriHold s share capital by issuing up to 15 million new shares. The authority is in force from the date on which the demerger is consummated until two years after the date on which Hydro, as AgriHold sole shareholder, approved the granting of such authority to the Board of AgriHold.

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Those of the company s shareholders who are registered in the Norwegian Register of Securities (VPS) are entitled to meet and cast their vote at the General Meeting. Named shareholders wishing to attend are requested to send notification of this on the enclosed form as soon as possible, and by 16.00 hrs. on 12 January 2004 at the latest, to:

Den norske Bank ASA,

Verdipapirservice,

Stranden 21,

0021 Oslo

Telephone: +4722483584

Telefax: +4722481171

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Notification of attendance can also be transmitted electronically from the company s web site www.hydro.no/register or electronically via Investortjenester .

In accordance with Article 10 of the company s Articles of Association, the General Meeting will be chaired by the Corporate Assembly s chairperson, or his deputy in the case of absence.

Each shareholder can attend by proxy if he or she provides written authorisation. Admission cards for the General Meeting will not be distributed.

The Demerger Plan dated 28 November 2003 and the company s most recent annual accounts, annual report and auditor s report have been included in the Information Memorandum dated 28 November 2003 enclosed with this notice. These documents are also available at the company s offices in Oslo.

Oslo, 28 November 2003

THE BOARD OF DIRECTORS

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DEMERGER INFORMATION MEMORANDUM

In connection with the demerger of

NORSK HYDRO ASA

In reviewing this Information Memorandum, you should carefully consider the matters described under the caption Risk Factors beginning on page 14.

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This Information Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any securities.

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This Information Memorandum is being distributed to all registered holders of Norsk Hydro ASA s shares as of November 28, 2003, using the addresses held on file by VPS. Further copies of the Information Memorandum and documents referred to in the Information Memorandum are available from the Financial Advisors and Norsk Hydro ASA.

November 28, 2003

Financial Advisors

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NOTICES TO HOLDERS OF SHARES

AND

AMERICAN DEPOSITARY SHARES (ADSs) REPRESENTING SUCH SHARES

OF

NORSK HYDRO ASA

Notice to Holders of Hydro Shares and ADSs in the United States:

The AgriHold ASA (AgriHold) Shares to be distributed to you in connection with the Demerger will not be registered under the United States Securities Act of 1933, as amended (the Securities Act) and will be distributed to you in reliance on the position taken by the Division of Corporation Finance of the United States Securities and Exchange Commission (the SEC), set forth in Staff Legal Bulletin No. 4, issued on September 16, 1997, that the shares do not require registration under the Securities Act if, as is the case with respect to the Demerger, certain conditions specified in SLB No. 4 are satisfied.

AgriHold intends to apply for an exemption from the filing requirements of Section 12(g) of the U.S. Securities Exchange Act of 1934, as amended (the Exchange Act), in accordance with Rule 12g3-2(b) thereunder, and AgriHold expects to be advised by the SEC that it has been added to the list of foreign private issuers that claim exemption from the registration requirements of Section 12(g) of the Exchange Act. If AgriHold is added to this list, it will furnish certain documents to the SEC in accordance with that rule. These documents will consist primarily of regularly prepared financial statements and annual reports of AgriHold which, in accordance with the rule, will be in the form prescribed by Norwegian law or practice and are not deemed to be filed with the SEC.

Since the AgriHold Shares will not initially be listed on any exchange or quoted on an inter-dealer quotation system in the United States, it is unlikely that an active trading market will develop in the United States for these shares.

Notice to Holders of Hydro Shares in Germany:

The AgriHold Shares have not been and will not be publicly offered in Germany and, accordingly, no securities sales prospectus (*Verkaufsprospekt*) for a public offering of the AgriHold Shares in Germany in accordance with the Securities Sales Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*, the Prospectus Act) has been or will be published or circulated in the Federal Republic of Germany. Any resale of the AgriHold Shares in the Federal Republic of Germany may only be made in accordance with the provisions of the Prospectus Act and any other laws applicable in the Federal Republic of Germany governing the sale and offering of securities.

Notice to Holders of Hydro Shares in the United Kingdom:

This document is being distributed in the United Kingdom in accordance with section 67 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 only to shareholders of Hydro (Relevant Persons). Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

This document and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

Notice to Holders of Hydro Shares outside Norway:

This Information Memorandum is not directed to persons whose involvement would require additional documents or other registrations and/or commitments than those required by Norwegian legislation. Persons to whom this Information Memorandum is distributed must ensure that they comply with such restrictions.

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The delivery of this Information Memorandum shall not, under any circumstances, create any implication that there has been no change in the affairs of Norsk Hydro ASA, including its Agri business, since the date of the Information Memorandum or that the information contained in the Information Memorandum is correct as of any time subsequent to its date.

This Information Memorandum has been prepared in connection with the Demerger of Norsk Hydro ASA and the listing of the AgriHold Shares on the Oslo Stock Exchange.

This Information Memorandum has been approved as a demerger prospectus by the Oslo Stock Exchange in accordance with applicable Norwegian securities laws. An unofficial Norwegian translation of the Information Memorandum will be prepared by Norsk Hydro ASA. In the event of any discrepancies between the Norwegian-language and English-language versions of the Information Memorandum, the English-language version of the Information Memorandum shall prevail.

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GLOSSARY OF TERMS

In this Information Memorandum, the following terms have the meanings indicated below:

Term	Definition
ADRs	American Depositary Receipts
ADSs	American Depositary Shares
Agri	AgriHold ASA and its consolidated subsidiaries
AgriHold s Board of Directors	The Board of Directors of AgriHold ASA
Agri Company	AgriHold or any of its consolidated subsidiaries following consummation of the Demerger
AgriHold	AgriHold ASA
AgriHold ADR	AgriHold s ADRs, each evidencing an AgriHold ADS, each AgriHold ASA ADS representing one AgriHold Share
AgriHold ADR Depositary	The ADR depositary under the level I ADR facility to be established by AgriHold in connection with the Demerger
AgriHold Group	AgriHold ASA and its consolidated subsidiaries following the Demerger
AgriHold Share	One share in AgriHold
AN	Ammonium nitrate (AN) a nitrogen fertilizer produced by reacting nitric acid, an intermediate chemical feedstock produced from ammonia, with ammonia (contains around 34% nitrogen)
Announcement Date	June 19, 2003, the day on which the intended separation of Hydro Agri was announced
AS	Ammonium sulphate a fertilizer containing nitrogen (21%) and sulphur (24%)
ATS	Hydro Agri s Ammonia Trade and Shipping unit
Automotive	The Automotive sector of Hydro Aluminium which comprises precision tubing, structures and shape casting businesses worldwide

BAT	Best Available Techniques for pollution prevention and control in the production of fertilizers, as defined by the fertilizer producers of the European Union, including Hydro Agri
CAN	Calcium ammonium nitrate, a nitrogen fertilizer produced by mixing AN and a calcium salt (containing 25-28% nitrogen)
CAP	European Union Common Agricultural Policy
cash crops	High value-added fruit and vegetable segments, as referred to in the industry
CN	Calcium nitrate a fertilizer containing nitrogen in nitrate form (15.5%) and water-soluble calcium (19%)
Comalco	Comalco Limited

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Completion Date	The date the Demerger is consummated by registration in the Register of Business Enterprises, which is expected to be on or about March 24, 2004
CROGI	Cash return on gross investment
CRU	CRU International Limited
DAP	Diammonium phosphate fertilizer - a fertilizer containing 46% phosphate as P_2O_5
Demerger	The proposed demerger of Norsk Hydro ASA in accordance with the Demerger Plan
Demerger Plan	The plan approved by the Boards of Directors of Norsk Hydro ASA and AgriHold ASA on November 28, 2003 attached as Exhibit 1 to this Information Memorandum
Duke Contract	A long-term gas sales agreement with Duke Energy Europe Northwest B.V.
EAA	European Aluminium Association
EEA	European Economic Area
EEA Agreement	The European Economic Area Agreement
EDC	Ethylene dichloride
EFTA	European Free Trade Association
EFMA	European Fertilizer Manufacturers Association
ESA	The EFTA Surveillance Authority
EU	European Union
Exchange Act	The U.S. Securities Exchange Act of 1934, as amended
Extrusion	The Extrusion sector of Hydro Aluminum
FAO	The Food and Agriculture Organization of the United Nations
FSU	Former Soviet Union
GFU	Gas Negotiation Committee (*Gassforhandlingsutvalget*)

GWh	Giga Watt hour, a measurement unit for electrical power which equals 1,000,000 Kilo Watt hours
HACCP	Hazard Analysis Critical Control Points, a quality control approach established by the World Health Organization and adopted by the European Commission
HBP	Hydro Business Partner, a business unit of Norsk Hydro ASA and Norsk Hydro Produksjon AS
Hectare	A measurement unit for land which equals approximately 2.471 acres, or 10,000 square meters
HISP	Hydro IS Partner, the business unit of Norsk Hydro ASA and Norsk Hydro Produksjon AS
HSE	Health, safety and environment
Hydro	Norsk Hydro ASA or Norsk Hydro ASA and its consolidated subsidiaries, as the context requires
Hydro ADR	Norsk Hydro ASA s ADRs, each evidencing a Hydro ADS, each Hydro ADS representing one Hydro Share
Hydro Agri	That part of Hydro s business which will be conducted by the AgriHold Group after consummation of the Demerger

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Hydro Aluminium	The aluminium business of Hydro comprising the sub-segments Metal, Rolled Products and Extrusion and Automotive
Hydro s Board of Directors	The Board of Directors of Norsk Hydro ASA
Hydro Company	Norsk Hydro ASA or any of its consolidated subsidiaries which will not become subsidiaries of AgriHold following the demerger
Hydro Group	Norsk Hydro ASA and its consolidated subsidiaries
Hydro Oil and Energy	The oil and energy business of Hydro comprising two sub-segments, Exploration and Production, and Energy and Oil Marketing
Hydro Share	One share in Norsk Hydro ASA
IFA	The International Fertilizer Industry Association, a trade association whose members include 450 companies in some 80 countries around the world
Information Memorandum	This Demerger Information Memorandum dated November 28, 2003
IPPC	EU Directive on Integrated Pollution Prevention and Control, which was adopted in September 1996
KPMG	KPMG LLP
LME	London Metal Exchange
MAP	Monoammonium phosphate a fertilizer containing 52% phosphate as P_2O_5
MMBTU	Million British thermal units
Metals	Hydro Aluminium s Metals sub-segment, which comprises the Primary Metal sector and the Metal Products sector
Ministry	Norwegian Ministry of Petroleum and Energy
Minority Interest Company	A company or other entity in which AgriHold will have a direct or indirect ownership interest following the Demerger, but which does not qualify for treatment as a consolidated subsidiary
MOP	Muriate of potash or potassium chloride
Nasdaq	The National Association of Securities Dealers Automated Quotation System

NCS	The Norwegian Continental Shelf
NGC	Natural Gas Company of Trinidad and Tobago
non-consolidated investees	Companies in which Hydro exercises significant influence (normally by virtue of having an ownership interest of 20-50% of the voting shares of any such company)
Noon Buying Rate	The noon buying rate in the City of New York for cable transfers in foreign currencies, as announced by the Federal Reserve Bank of New York for customs purposes

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Norwegian GAAP or N GAAP	Generally accepted accounting principles in Norway
NPK	Complex fertilizers, containing nitrogen, phosphours and potash
OECD	The Organisation for Economic Co-operation and Development
OSE	Oslo Stock Exchange
PDO	Plan for development and operation
PSA	Production sharing agreement
PVC	Polyvinyl chloride, a plastic raw material also known as vinyl
Register of Business Enterprises	In Norwegian: *Foretaksregisteret*
Rolled Products	Hydro Aluminium s Rolled Products sub-segment
Sanctions Act	The Iran and Libya Sanctions Act of 1996, adopted by the United States
SDFI	The Norwegian State s Direct Financial Interest
SEC	The United States Securities and Exchange Commission
Section 355	Section 355 of the United States Internal Revenue Code of 1986, as amended
Securities Act	The United States Securities Act of 1933, as amended
SLB No. 4	SEC Staff Legal Bulletin No. 4, issued on September 16, 1997
SOP	Sulphate of potash magnesia or potassium magnesium sulphate
SQM	Sociedad Quimica y Minera de Chile (Soquimich)
tonne	A metric ton. One metric ton = 1.1023 short tons (2,000 pounds)
TWh	Terawatt hour (one billion kilowatt hours)
urea	Nitrogen fertilizer formed by reacting ammonia with carbon dioxide at high pressure (containing 46% nitrogen)
U.S. GAAP	Generally accepted accounting principles in the United States

U.S. Shareholder	A beneficial owner of shares or ADRs that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other business entity organized under the laws of the United States, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income tax regardless of its source.
VAW	VAW Aluminum AG
VPS or VPS System	The Norwegian Central Securities Depository (*Verdipapirsentralen*)
VCM	Vinyl chloride monomer
WTO	World Trade Organization

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OIL AND GAS TERMS

Term	Definition
bbl	Barrels
bcm	Billion cubic meters
boe	Barrels of oil equivalents
boed	Barrels of oil equivalents per day
bcf	Billion cubic feet
bpd	Barrels per day
cf	Cubic feet
condensate	Light hydrocarbon substances produced with natural gas which condense into liquid at normal temperatures and pressures associated with surface production equipment
LNG	Liquefied natural gas. A liquid composed chiefly of natural gas (i.e., mostly methane). Natural gas is liquefied to make it easy to transport if a pipeline is not feasible (as across a body of water). Not as easily liquefied as LPG, LNG must be put under low temperature and high pressure or under extremely low (cryogenic) temperature and close to atmospheric pressure to become liquefied
LPG	Liquefied petroleum gas, a liquid composed chiefly of butane and propane
NGLs	Oil and gas condensate and natural gas liquids
proved reserves	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	Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms or primary recovery are included as proved developed reserves only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.
proved undeveloped reserves	

Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion, but does not include reserves attributable to any acreage for which an application of fluid injection or other improved recovery techniques is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation.

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development well	A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive
exploratory well	A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir
field	An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition
reservoir	A porous and permeable underground formation containing a natural accumulation of producible oil or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs
Sm^3	Standard cubic meters. For purposes of converting quantities of natural gas cited in this Information Memorandum, 1 Sm^3 = 35.3147 cubic feet

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EXCHANGE RATE INFORMATION

In this Information Memorandum, unless otherwise specified or the context otherwise requires:

references to krone, kroner, and NOK are to the currency of Norway;

references to dollar, dollars, and U.S.$ are to the currency of the United States; and

references to euro, euros or are to the lawful currency of the Member States of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.

Hydro publishes and, upon the completion of the Demerger, Agri will publish its consolidated financial statements in NOK.

The following tables set forth certain information concerning the Norwegian kroner/U.S. dollar exchange rate, based on the average Noon Buying Rate for the periods indicated:

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Average Noon Buying Rate	7.10	8.22	7.99	9.00	8.83

The following table sets forth the Noon Buying Rate for the NOK/U.S.$ on the dates indicated:

Date	Noon Buying Rate
September 30, 2003	7.01
September 30, 2002	7.47
December 31, 2002	6.94
December 31, 2001	9.00
December 31, 2000	8.86

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Information Memorandum contains statements relating to the future results of Hydro and, after giving effect to the Demerger, Agri, including projections and business trends that are forward-looking in nature. Forward-looking statements made in this Information Memorandum relate to matters such as:

- planned capacity increases and utilization rates;
- anticipated capital spending;
- estimates of oil and gas reserves;
- environmental regulatory matters;
- legal proceedings;
- effects of hedging raw material and energy costs and foreign currencies;
- global and regional economic conditions;
- supply and demand for grain and other agricultural crops;
- competition and actions by competitors and others in market areas, including changes to industry capacity and utilization and product pricing;
- growth opportunities;
- fluctuations in foreign exchange rates;
- volume, price, cost, margins and sales;
- earnings, cash flows, dividends and other expected financial conditions;
- expectations and strategies for products, segments, businesses and market shares, as well as for each of Hydro and Agri as a whole;

cash requirements and uses of available cash;

financing plans;

cost reduction targets;

development, production, commercialization and acceptance of new products, services and technologies; and

assets and product portfolio changes.

Forward-looking statements include all statements that are not historical facts, and can be identified by words such as believes, anticipates, projects, intends, expects, or the negatives of these terms or similar expressions. Any forward-looking statements contained in this Information Memorandum should not be relied upon as predictions of future events. No assurance can be given that the expectations expressed in these forward-looking statements will prove to be correct. Actual results could differ materially from expectations expressed in the forward-looking statements if one or more of the underlying assumptions or expectations proves to be inaccurate or is unrealized. Some important factors that could cause actual results to differ materially from those in the forward-looking statements are included with such forward-looking statements and in the section entitled Risk Factors in this Information Memorandum.

Readers are cautioned not to place undue reliance on the forward-looking statements contained in this Information Memorandum, which represent the best judgment of Hydro s management as of the date of this Information Memorandum. Except as required by applicable law, neither Hydro nor, after giving effect to the Demerger, Agri undertakes responsibility to update these forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further public disclosures made by Hydro or Agri, such as filings made with the Oslo Stock Exchange or press releases.

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STATEMENT OF THE BOARD OF DIRECTORS OF NORSK HYDRO ASA

This Information Memorandum has been prepared to provide information in connection with the proposed Demerger of Norsk Hydro ASA. The members of the Board of Directors of Norsk Hydro ASA confirm that, to the best of our knowledge, the information contained in this Information Memorandum is in accordance with the facts and contains no omissions likely to affect the meaning of the Information Memorandum. Market conditions and future prospects have been appraised on the basis of best judgment.

Oslo, November 28, 2003

The Board of Directors of Norsk Hydro ASA

Egil Myklebust	Borger A. Lenth	Steinar Skarstein	Elisabeth Grieg
Chair	Deputy Chair		
Odd Semstrøm	Geir Nilsen	Ingvild Myhre	Håkan Mogren
Anne Cathrine Høeg Rasmussen			

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STATEMENT OF NORWEGIAN LEGAL COUNSEL TO NORSK HYDRO ASA

Wiersholm, Mellbye & Bech, advokatfirma AS has acted as Norwegian Legal Counsel to Norsk Hydro ASA in Connection with the Demerger described in this Information Memorandum. We confirm that in our opinion the Demerger Plan attached as Exhibit 1 to this Information Memorandum is in conformity with Norwegian law requirements.

We have reviewed Part II of the Information Memorandum and confirm that Part II in our opinion fairly reflects the content of the Demerger Plan. Further, we have reviewed the sections of Part III of the Information Memorandum headed Management of AgriHold following the Demerger , Description of the Shares and Share Capital of AgriHold Following the Demerger , Taxation and Dividends and Dividend Policy and the sections of Part IV of the Information Memorandum headed Management of Hydro following the Demerger , Description of the Shares and Share Capital of Hydro Following the Demerger and Dividends and Dividend Policy . We confirm that the descriptions pertaining to legal and tax matters given in these sections in our opinion fairly reflects Norwegian law as in force as of the date hereof.

Our statement is limited to the above and does not relate to the content of any other sections of the Information Memorandum, or to any statements of a commercial, accounting or financial nature. Our statement is also limited to Norwegian law.

Oslo, November 28, 2003

Wiersholm, Mellbye & Bech, advokatfirma AS

STATEMENT OF FINANCIAL ADVISORS TO NORSK HYDRO ASA

ABG Sundal Collier Norge ASA and UBS Limited have acted as financial advisors to Norsk Hydro ASA in connection with the Demerger and will not be responsible to anyone other than Norsk Hydro ASA (whether or not a recipient of the Information Memorandum) for providing the protections offered to clients of ABG Sundal Collier Norge ASA and UBS Limited nor for providing advice in relation to the Demerger. Neither ABG Sundal Collier Norge ASA nor UBS Limited accepts responsibility for the contents of the Information Memorandum.

Oslo, November 28, 2003

ABG Sundal Collier Norge ASA UBS Limited

STATEMENT OF NORWEGIAN LEGAL COUNSEL TO FINANCIAL ADVISORS

Thommessen Krefting Greve Lund AS Advokatfirma has acted as Norwegian legal counsel to ABG Sundal Collier Norge ASA and UBS Limited in connection with the Demerger described in the Information Memorandum.

We have reviewed Part II of the Information Memorandum and confirm that Part II in our opinion fairly reflects the content of the Demerger Plan. Further, we have reviewed the sections of Part III of the Information Memorandum headed Management of AgriHold following the Demerger , Description of the Shares and Share Capital of AgriHold Following the Demerger , Taxation and Dividends and Dividend Policy and the sections of Part IV of the Information Memorandum headed Management of Hydro following the Demerger , Description of the Shares and Share Capital of Hydro Following the Demerger and Dividends and Dividend Policy . We confirm that the descriptions pertaining to legal and tax matters given in these sections in our opinion fairly reflects Norwegian law as in force as of the date hereof.

Our statement is limited to the above and does not relate to the content of any other sections of the Information Memorandum, or to any statements of a commercial, accounting or financial nature. Our statement is also limited to Norwegian law.

Oslo, November 28, 2003

Thommessen Krefting Greve Lund AS Advokatfirma

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PART I

SUMMARY; PRESENTATION OF FINANCIAL INFORMATION; RISK FACTORS

SUMMARY

This summary highlights selected information that is described in greater detail elsewhere in this Information Memorandum. This summary does not contain all of the important information contained in this Information Memorandum. You should read the entire Information Memorandum and the other documents referred to in this Information Memorandum for a more complete understanding of the matters you are being asked to vote upon. For the definitions of certain terms used throughout this Information Memorandum, please refer to the Glossary of Terms included in the forepart of this Information Memorandum.

Overview of Hydro

Hydro was organized under Norwegian law as a public company in 1905. Currently, Hydro s businesses are concentrated in three core areas:

Oil and Energy (Hydro Oil and Energy);

Aluminium (Hydro Aluminium); and

Agri (Hydro Agri).

Hydro Oil and Energy

Hydro Oil and Energy consists of two sub-segments, Exploration and Production, and Energy and Oil Marketing. Exploration and Production s business activities encompass oil and gas exploration, field development, and the operation of production and transportation facilities. Energy and Oil Marketing s business activities encompass Hydro s commercial operations in the oil, natural gas and power sectors, the operation of Hydro s power stations, management of Hydro s seaborne transportation of crude oil, natural gas liquids and other petroleum products and Hydro s interest in the gas transportation system on the Norwegian Continental Shelf (NCS) and the marketing and sales of refined petroleum products (e.g., gasoline, diesel and heating oil) to retail customers. For more information on Hydro Oil and Energy, see Part IV of this Information Memorandum.

Hydro Aluminium

Hydro Aluminium is one of the top three integrated aluminium companies in the world. Hydro Aluminium comprises three sub-segments: Metals, Rolled Products and Extrusion and Automotive.

The Metals sub-segment encompasses Hydro Aluminium s upstream activities, principally the production and sale of primary aluminium produced in Hydro Aluminium s smelters.

Hydro Aluminium s Rolled Products sub-segment is centered in Europe, with rolling mills in Germany, Norway, Spain and Italy, as well as a foil rolling mill in Malaysia that provides a foothold in Asia.

Hydro Aluminium s Extrusion and Automotive sub-segment consists of three sectors: Extrusion, Automotive and North America. Their main products are extruded aluminium profiles, used primarily in the building and construction markets and the transportation segment.

For more information on Hydro Aluminium, see Part IV of this Information Memorandum.

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Hydro Agri

Hydro Agri is a global leader in the production, distribution and sale of nitrogen-based mineral fertilizers and related industrial products. Hydro Agri also distributes and sells a wide range of phosphate- and potash-based mineral fertilizers, as well as complex and specialty mineral fertilizer products sourced from third parties. Hydro Agri comprises three sub-segments: Upstream, Downstream and Industrial.

Hydro Agri s Upstream segment is based on Hydro Agri s worldwide ammonia and urea production, including the global trade and shipping of ammonia. Upstream also includes nitrate and complex fertilizer production, which is co-located with ammonia production at the global production plants.

The Downstream segment consists of Hydro Agri s sales and marketing units, which provide Hydro Agri with a presence (including sales offices, chartered dry bulk ships, bulk blending plants, terminals and bagging operations) in approximately 17 countries in Europe and 27 countries outside of Europe and sales in approximately 120 countries. The Downstream segment also includes those of Hydro Agri s European production facilities that primarily serve the regions in which they are located, as well as Hydro Agri s fertilizer plants in each of South Africa and Brazil that produce NPK for their respective home markets.

The Industrial segment markets numerous industrial products, mainly originating from Hydro Agri s Upstream and Downstream fertilizer operations, with certain products being intermediates in the production of fertilizers.

For more information on Hydro Agri, see Part III of this Information Memorandum.

Hydro s principal corporate offices are located at Bygdøy allé 2, N-0240 Oslo 2 Norway and Hydro s telephone number is +47 22 53 81 00. Hydro s internet site is www.hydro.com.

Reasons for the Proposal to the Shareholders

In the second half of 2001, Hydro s Board of Directors initiated a corporate portfolio strategy project. Upon concluding that project in June 2003, Hydro s Board of Directors decided that Hydro should commence preparations for establishing Hydro Agri as a separate company. Hydro then announced that it would take such action, with the aim of listing the new company s shares on the Oslo Stock Exchange in the first half of 2004.

The main reasons for the conclusions reached by Hydro s Board of Directors were:

- Hydro could focus its financial resources and management attention fully on the significant opportunities for further development of its Oil and Energy and Aluminium business areas following the separation of Hydro Agri.

Hydro Agri s management similarly could focus exclusively on Hydro Agri.

The Hydro Agri turnaround program had been successfully completed.

Hydro Agri s operational results and strategic direction provided a good basis for profitable growth, which would be difficult to capture within Hydro, due to the capital expenditure requirements of the two other businesses and Hydro Agri s lack of direct access to capital markets.

A stand-alone Hydro Agri company would be in a better position to participate in the expected consolidation of the global fertilizer industry.

The Demerger Transaction

Hydro s Board of Directors has proposed that Hydro Agri be established as a separate publicly traded company by means of a demerger transaction effected in accordance with Chapter 14 of the

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Norwegian Public Limited Companies Act and a demerger plan, approved by Hydro s Board of Directors on November 28, 2003 (the Demerger Plan). Under Norwegian law, a demerger is the transfer of part of the assets, rights and liabilities of a company (the transferor company) to one or more newly formed or pre-existing companies (the transferee company or companies) for consideration in the form of shares of the transferee company (or companies) to the holders of shares in the transferor company. Hydro s Board of Directors chose the demerger structure because it is a well-established structure for transactions of this nature in Norway. Further, it can be carried out on a tax-free basis in Norway for Norsk Hydro ASA and its shareholders and, potentially, in certain other countries where Norsk Hydro ASA has a significant shareholder base. The new company will have its headquarters in Oslo.

To effect the Demerger, Hydro has formed a new company, AgriHold ASA (AgriHold), organized under Norwegian law as an *allmennaksjeselskap* on November 10, 2003. AgriHold is and will remain a wholly owned subsidiary of Hydro until the date the Demerger is consummated (the Completion Date). AgriHold has been established solely for the purpose of the Demerger and will have no subsidiaries or operational activity prior to the Completion Date. In the Demerger, Norsk Hydro ASA will transfer to AgriHold ASA all assets, rights and liabilities primarily relating to Hydro Agri. The transferred assets consist primarily of shares and partnership interests held by Norsk Hydro ASA in companies and partnerships forming part of Hydro Agri and a debt due Norsk Hydro ASA. All other assets, rights and liabilities of Norsk Hydro ASA, including the assets, rights and liabilities related to Hydro Oil and Energy and Hydro Aluminium, will be retained by Norsk Hydro ASA. In connection with the Demerger, a number of related transactions will be effected in order to structure Hydro s ownership of the subsidiaries and other entities that comprise Hydro Agri s business to make possible a full separation of these subsidiaries and entities from Hydro.

Based on estimates of the relative fair values of Hydro and the assets, rights and liabilities to be transferred to AgriHold ASA in the Demerger, respectively, the members of Hydro s Board of Directors, in their capacities as members of Hydro s Board of Directors and as the members of AgriHold s Board of Directors, determined that an allocation of 91.5% of Norsk Hydro ASA s share capital to Norsk Hydro ASA and 8.5% of Norsk Hydro ASA s share capital to the assets, rights and liabilities transferred in the Demerger would be proportional to the relative net values allocated to the two companies in the Demerger, and, thus, comply with the Norwegian legal requirements for tax-free treatment of the Demerger. Further background for the allocation is provided in Part II of this Information Memorandum.

As of the date of this Information Memorandum, Norsk Hydro ASA holds 1,484,300 treasury shares under the share buy-back program approved by Norsk Hydro ASA s shareholders at the annual general meeting on May 7, 2003. In connection with the establishment of the buy-back program, the Norwegian State agreed to a proportional redemption of its shares in Norsk Hydro ASA.

There will be approximately 319 million AgriHold Shares following the consummation of the Demerger. In order to contribute to AgriHold s financial flexibility, as well as to enable AgriHold s Board of Directors to establish share-based compensation systems, Hydro s Board of Directors is seeking approval by Norsk Hydro s shareholders of the grant of discretionary authority to the AgriHold Board of Directors, for a period commencing on the Completion Date of the Demerger and ending two years after this authority is given to AgriHold, to issue up to 15 million new AgriHold Shares.

In the Demerger, AgriHold ASA will issue one share for each outstanding Hydro Share. Each holder of Hydro s American Depositary Receipts (ADRs) will receive one AgriHold ADR for each Hydro ADR held by that holder.

The Demerger will result in the split of the share capital of Norsk Hydro ASA through a reduction of the par value of each Hydro Share by NOK 1.70 from NOK 20.00 to NOK 18.30 simultaneously with the issuance of one new AgriHold Share, par value 1.70 per share.

The existing AgriHold Shares, all of which are currently held by Hydro, will correspond to 20.0% of the total number of AgriHold Shares outstanding immediately after the consummation of the

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Demerger. The AgriHold Shares to be issued to the holders of Hydro Shares upon consummation of the Demerger will constitute the remaining 80.0%. Hydro intends to sell its AgriHold Shares to investors in connection with or following the Demerger.

Illustrative Balance Sheet Information Reflecting Allocation of Assets and Liabilities

The Demerger will be accounted for based on Hydro s historical values.

The balance sheet information set forth below illustrates certain balance sheet effects as if the Demerger and the additional following transactions had occurred as of September 30, 2003: (1) Norsk Hydro s ASA s redemption of 1,157,922 shares held by the Norwegian State against payment of approximately NOK 0.4 billion, (2) AgriHold ASA s drawdown of assumed external loans in the aggregate amount of NOK 8.9 billion, (3) AgriHold ASA and its subsidiaries settlement of their net interest-bearing debt to Norsk Hydro ASA and its subsidiaries following consummation of the Demerger in the amount of approximately NOK 10.1 billion, and (4) Norsk Hydro ASA s sale of its AgriHold Shares at book value of approximately NOK 2.0 billion.

This illustration is based on the assumptions briefly described above which relate to future transactions for which there is considerable uncertainty. Accordingly, this illustration should not be viewed as Carve-Out or Pro Forma balance sheets. Carve-Out and Pro Forma balance sheets, presenting the effects of the Demerger only, are presented under the caption Presentation of Financial Information in Part V of this Information Memorandum.

NOK billion	Norsk Hydro ASA and subsidiaries before Demerger	Norsk Hydro ASA and subsidiaries after Demerger	Agri Demerged Business[1]	AgriHold ASA before Demerger[2]	AgriHold ASA and subsidiaries after Demerger
Cash and other liquid assets	17.8[7]	27.4[8]	0.5[3]	2.0[4]	0.8[5]
Other current assets	58.1	45.0[6]	13.5[6]		13.5
Total current assets	75.9	72.4	14.0	2.0	14.3
Non-current assets	143.9	132.7[9]	11.2		11.2
TOTAL ASSETS	219.8	205.1	25.2	2.0	25.5
Interest-bearing debt	36.6	35.7	11.0[3]		9.3[5]
Other liabilities	98.2	90.5[6]	8.1[6]		8.1
Total liabilities	134.8	126.2	19.1		17.4
Minority shareholders interest	0.7	0.6	0.1		0.1
Shareholders equity	84.3[7]	78.3	6.0	2.0	8.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	219.8	205.1	25.2	2.0	25.5

Net interest bearing debt [11]	18.8[10]	8.3[10]	10.5[3]	(2.0)[4]	8.5[5]

(1) Agri Demerged Business comprises assets, rights and liabilities transferred from Hydro in accordance with the Demerger Plan.

(2) AgriHold ASA before the Demerger is the transferee company, which has been established for the purpose of the Demerger. This company will have no operational activity prior to the Effective Date of the Demerger.

(3) The net interest-bearing debt of the Agri Demerged Business amounts to NOK 10.5 billion, which consist of NOK 10.1 billion in interest-bearing debt to Norsk Hydro ASA and subsidiaries in addition to NOK 0.9 billion of external interest-bearing loans (in total NOK 11.0 billion of interest-bearing debt), less cash and other liquid assets of NOK 0.5 billion.

(4) Approximately NOK 2.0 billion was contributed in cash by Norsk Hydro ASA upon formation of AgriHold ASA.

(5) AgriHold ASA and subsidiaries after the Demerger will have a net interest-bearing debt of NOK 8.5 billion which is assumed to consist of cash and other liquid assets of NOK 0.8 billion and interest-bearing debt of NOK 9.3 billion.

(6) Figures include internal trade receivables and trade payables totaling NOK 0.4 billion which will be external after the Demerger.

(7) Cash and other liquid assets for Norsk Hydro ASA and subsidiaries before the Demerger were NOK 18.2 billion as of September 30, 2003. In the illustration above this cash level has been reduced, with a corresponding decrease in shareholders equity, by NOK 0.4 billion to NOK 17.8 billion in order to reflect the planned cash payment of NOK 0.4 billion as a result of the redemption of 1,157,922 shares held by the Norwegian State.

(8) The level of cash and other liquid assets of Norsk Hydro ASA and subsidiaries after the Demerger reflects repayments of net interest-bearing debt by AgriHold ASA and subsidiaries of NOK 10.1 billion to Norsk Hydro ASA and subsidiaries, less cash and other liquid assets in the Agri Demerged Business of NOK 0.5 billion.

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(9) Shares in AgriHold ASA are assumed to have been sold at book value of approximately NOK 2.0 billion.
(10) A payment of petroleum tax for the second half of 2003 of approximately NOK 7.3 billion was due October 1, 2003. Adjusted for this tax payment the net interest-bearing debt was approximately NOK 26.1 billion before the Demerger and approximately NOK 15.6 billion after the Demerger.
(11) Net interest-bearing debt defined as interest-bearing debt, less cash and other liquid assets.

Matters Before Hydro s Shareholders at Extraordinary General Meeting

At an extraordinary general meeting of Norsk Hydro ASA s shareholders, to be held on January 15, 2004, at 5.00 p.m. (Oslo time) at Gamle Logen , Grev Wedels Plass 2, Oslo, Norsk Hydro ASA s shareholders will vote on the following proposals:

(1) approval of the reduction of Norsk Hydro ASA s share capital by NOK 52,844,440 in connection with the cancellation of 1,484,300 treasury shares and redemption of 1,157,922 shares held by the Norwegian State; and

(2) approval of the Demerger Plan.

Each of these proposals requires the affirmative vote of two-thirds of the votes cast at the extraordinary general meeting in order for the Demerger to be implemented.

At the extraordinary general meeting, the shareholders will be invited to approve the authorization of the Board of Directors of AgriHold, for a period starting on the consummation of the Demerger and ending two years after this authority is given to AgriHold s Board of Directors to issue up to 15 million new AgriHold shares. In addition, shareholders will vote on specific matters related to governance of AgriHold.

Norsk Hydro ASA s Articles of Association provide that shareholders who wish to attend the extraordinary general meeting (in person or by proxy) must notify Norsk Hydro ASA of their intention to attend at least five days prior to the meeting. It is necessary to attend the meeting (in person or by proxy) in order to vote on the proposals before the shareholders.

Under Norwegian law, there are no quorum requirements applicable to general meetings.

Recommendation of Hydro s Board of Directors

Hydro s Board of Directors believes that each of (i) the Demerger and (ii) the reduction in Norsk Hydro s share capital in connection with the cancellation of 1,484,300 treasury shares of 1,157,922 shares held by the Norwegian State is in the best interests of Norsk Hydro ASA s shareholders and recommends that shareholders vote FOR each of these proposals.

Conditions to Consummation of the Demerger

Under the terms of the Demerger Plan, consummation of the Demerger is subject to the satisfaction or waiver of a number of conditions, including that the deadline for objections from Norsk Hydro ASA s creditors shall have expired and the relationship with any creditors which have raised objections shall have been settled (or the District Court shall have determined that the Demerger may nevertheless proceed) and that the reduction of Norsk Hydro ASA s share capital in connection with the cancellation of 1,484,300 treasury shares and redemption of 1,157,922 shares held by the Norwegian State shall have been effected. See Part II, Conditions to Consummation of the Demerger.

Stock Exchange Listings

AgriHold Shares issued in the Demerger will be listed on the Oslo Stock Exchange from the time the Demerger has become effective. This is expected to occur on or about March 25, 2004. At that time, Hydro Shares will be traded exclusive of the right to receive corresponding AgriHold Shares.

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AgriHold does not currently intend to list the AgriHold Shares (or the AgriHold ADRs) on a securities exchange in the United States or on the National Association of Securities Dealers Automated Quotation System (Nasdaq) or any other inter-dealer quotation system in the United States in conjunction with the Demerger, nor does it intend to otherwise facilitate the creation of a trading market for the AgriHold Shares or AgriHold ADRs in the United States. AgriHold will not be subject to the information reporting requirements of the Exchange Act, but will apply for an exemption from the reporting requirements of that Act. For more information, see Part II, Information for Holders of Hydro ADRs.

Tax Consequences of Demerger

Hydro believes that the Demerger complies with the requirements for treatment as a tax-free transaction in Norway. Accordingly, the Demerger should not trigger any Norwegian capital gains taxation on the part of Norsk Hydro ASA, and AgriHold ASA will step into Norsk Hydro ASA s tax positions with respect to the assets and liabilities transferred in the Demerger. For a more complete description of the tax consequences under Norwegian law, and the tax consequences of the Demerger for shareholders in Norway, the United States, the United Kingdom, France and Sweden, see Part II, Tax Matters.

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PRESENTATION OF FINANCIAL INFORMATION

The Combined Financial Statements for Hydro and the Hydro Agri Carve-Out Financial Statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and in accordance with accounting principles generally accepted in Norway (N GAAP). All presentations and discussions in this Information Memorandum are based on the Combined Financial Statements prepared in accordance with U.S. GAAP. There are no material differences between U.S. GAAP and N GAAP in the Combined Financial Statements for the periods presented.

The Combined Financial Statements have been derived from Hydro s audited consolidated financial statements, and include the historical operations being transferred to Agri (Agri Carve-Out Combined Financial Statements) and being retained in Hydro (Hydro After Demerger Combined Financial Statements). Hydro prepared these financial statements using Hydro s historic basis for assets and liabilities. A further description of Carve-out and Pro Forma Financial Statements is included in Part V of this Information Memorandum.

Hydro Before Demerger

Condensed Consolidated Statements of Income

NOK Million, except per share information	Nine months ended [3] 30.09.2003	30.09.2002	2002	Year ended 2001	2000
Operating revenues	127,249	123,033	167,040	152,999	156,467
Depreciation, depletion and amortization	11,079	10,206	13,912	12,273	12,538
Other operating costs	99,049	98,992	133,297	118,681	115,328
Restructuring costs		(10)	(10)	962	135
Operating income	**17,121**	**13,845**	**19,841**	**21,083**	**28,466**
Equity in net income of non-consolidated investees	850	(451)	33	566	672
Interest income and other financial income	1,118	1,084	1,418	2,847	1,747
Other income/(loss), net	(1,702)	219	219	578	3,161
Earnings before interest expense and tax (EBIT)	17,387	14,697	21,511	25,074	34,046
Interest expense and foreign exchange gain/(loss)	(1,288)	294	517	(3,609)	(3,905)
Income before tax and minority interest	16,099	14,991	22,028	21,465	30,141
Income tax expense	(9,301)	(9,549)	(13,278)	(13,750)	(16,178)
Minority interest	124	43	15	177	18
Income before cumulative effect of change in accounting principle	6,922	5,485	8,765	7,892	13,981
Cumulative effect of change in accounting principle	281				
Net income	**7,203**	**5,485**	**8,765**	**7,892**	**13,981**

Earnings per share before change in accounting principles	26.80	21.30	34.00	30.50	53.40
Earnings per share	27.90	21.30	34.00	30.50	53.40
Average number of outstanding shares	257,803,672	257,745,113	257,799,411	258,434,202	261,620,982
Financial data					
EBITDA[(1)] - NOK million	30,855	25,203	35,658	37,757	46,609
Cash flow from operating activities - NOK million	23,224	19,784	21,785	26,172	25,626
Investments - NOK million	13,713	39,767	45,716	16,328	16,565
Net interest bearing debt/equity [(2)]	0.24	0.43	0.44	0.28	0.41
Dividends per share - NOK			10.50	10.00	9.50

(1) EBITDA: Earnings before Interest, Tax, Depreciation and Amortization.
(2) Net interest bearing debt divided by shareholders equity plus minority interest.
(3) Interim figures are unaudited

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Hydro Agri After Demerger

Carve-out Condensed Combined Statements of Income (Unaudited)

NOK million, except per share information	Nine months ended 30.09.2003	Nine months ended 30.09.2002	Year ended 2002	Year ended 2001	Year ended 2000
Operating revenues	27,891	26,523	33,477	37,449	36,621
Depreciation, depletion and amortization	837	878	1,183	1,580	1,643
Other operating costs	25,225	23,694	30,151	33,806	33,320
Restructuring costs					135
Operating income	**1,829**	**1,951**	**2,143**	**2,063**	**1,523**
Equity in net income of non-consolidated investees	363	(17)	57	330	350
Interest income and other financial income	136	199	245	408	291
Other income/(loss), net	40	142	142	(53)	
Earnings before interest expense and tax (EBIT)	2,368	2,275	2,587	2,748	2,164
Interest expense and foreign exchange gain/(loss)	(447)	(38)	(16)	(765)	(898)
Income before tax and minority interest	1,921	2,237	2,571	1,983	1,266
Income tax expense	(637)	(734)	(845)	(599)	(365)
Minority interest	(19)	1	(11)	85	55
Net income	**1,265**	**1,504**	**1,715**	**1,469**	**956**
Earnings per share	3.96	4.71	5.37	4.60	2.99
Average number of outstanding shares	319,442,590	319,442,590	319,442,590	319,442,590	319,442,590
Financial data					
EBITDA[(1)] - NOK million	3,240	3,250	3,878	4,345	3,757
Cash flow from operating activities - NOK million	731	1,966	2,755	3,186	
Investments - NOK million	800	890	1,549	826	1,335

(1) EBITDA: Earnings before Interest, Tax, Depreciation and Amortization.

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Hydro after Demerger

Condensed Combined Statements of Income (Unaudited)

NOK million, except per share information	Nine months ended 30.09.2003	Nine months ended 30.09.2002	Year ended 2002	Year ended 2001	Year ended 2000
Operating revenues	101,231	98,446	136,114	118,332	122,978
Depreciation, depletion and amortization	10,242	9,327	12,729	10,693	10,895
Other operating costs	75,697	77,235	105,697	87,658	85,140
Restructuring costs		(10)	(10)	961	
Operating income	**15,292**	**11,894**	**17,698**	**19,020**	**26,943**
Equity in net income of non-consolidated investees	487	(434)	(24)	236	322
Interest income and other financial income	982	885	1,173	2,439	1,456
Other income/(loss), net	(1,742)	77	77	631	3,161
Earnings before interest expense and tax (EBIT)	15,019	12,422	18,924	22,326	31,882
Interest expense and foreign exchange gain/(loss)	(841)	333	533	(2,844)	(3,007)
Income before tax and minority interest	14,178	12,755	19,457	19,482	28,875
Income tax expense	(8,664)	(8,815)	(12,433)	(13,151)	(15,813)
Minority interest	143	41	26	92	(37)
Income before cumulative effect of change in accounting principle	5,657	3,981	7,050	6,423	13,025
Cumulative effect of change in accounting principle	281				
Net income	**5,938**	**3,981**	**7,050**	**6,423**	**13,025**
Earnings per share before change in accounting principles	21.90	15.40	27.40	24.90	49.80
Earnings per share	23.00	15.40	27.40	24.90	49.80
Average number of outstanding shares	257,803,672	257,745,113	257,799,411	258,434,202	261,620,982
Financial data					
EBITDA[(1)] - NOK million	27,615	21,953	31,780	33,412	42,852
Cash flow from operating activities - NOK million	22,493	17,818	19,030	22,986	
Investments - NOK million	12,913	38,877	44,167	15,502	15,230

(1) EBITDA: Earnings before Interest, Tax, Depreciation and Amortization.

Carve-Out and Pro Forma financial statements for the nine months ended September 30, 2003 and 2002, and for the years ended December 31, 2002, 2001 and 2000 are presented in Part V of this Information Memorandum together with explanatory notes.

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Split of Hydro; Explanation of Hydro Agri Carve-out Financial Statements

The split of Hydro s financial statements as of September 30, 2003 and December 31, 2002 is included in the tables below. This split presents the adjustments to arrive at Hydro Agri Carve-out financial statements after Demerger, and Hydro financial statements after Demerger. For a description of the carve-out principles, and allocation of previously unallocated items, please refer to the Notes to Carve-Out Financial Statements for Hydro and Hydro Agri in Part V of this Information Memorandum.

Condensed Consolidated Statements of Income (Unaudited)

	30.09.2003			
Nine months period ended	**Hydro**		**Agri Carve-out After Demerger**	**Hydro After Demerger**
NOK million, except per share information	**Before Demerger**	**Adjustments [1]**		
Operating revenues	127,249	1,873	27,891	101,231
Depreciation, depletion and amortization	11,079		837	10,242
Other operating costs	99,049	1,873	25,225	75,697
Operating income	**17,121**		**1,829**	**15,292**
Equity in net income of non-consolidated investees	850		363	487
Interest income and other financial income	1,118		136	982
Other income/(loss), net	(1,702)		40	(1,742)
Earnings before interest expense and tax (EBIT)	17,387		2,368	15,019
Interest expense and foreign exchange gain/(loss)	(1,288)		(447)	(841)
Income before tax and minority interest	16,099		1,921	14,178
Income tax expense	(9,301)		(637)	(8,664)
Minority interest	124		(19)	143
Income before cumulative effect of change in accounting principle	6,922		1,265	5,657
Cumulative effect of change in accounting principle	281			281
Net income	**7,203**		**1,265**	**5,938**
Earnings per share before change in accounting principles	26.80		3.96	21.90
Earnings per share	27.90		3.96	23.00
Average number of outstanding shares	257,803,672		319,442,590	257,803,672

[1] Adjustments constitute operating revenues from sales from Hydro to Agri and from Agri to Hydro during the period.

Revenues

Operating revenues for Hydro Agri and Hydro after the Demerger include sales previously eliminated in Hydro s consolidated financial statements. For Hydro Agri, such sales amounted to NOK 197 million for the nine months ended September 30, 2003. For Hydro, such sales amounted to NOK 1,676 million for the nine months ended September 30, 2003. The majority of this revenue derives from energy supplied by Hydro to Hydro Agri.

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Condensed Consolidated Balance Sheets (Unaudited)

NOK million, except per share information	30.09.2003 Hydro Before Demerger	Adjustments [1]	Agri Carve-out After Demerger	Hydro After Demerger
Assets				
Cash and cash equivalents	16,461		295	16,166
Other liquid assets	1,742		161	1,581
Receivables	41,299		8,276	33,023
Receivables, Hydro/Agri		8,411	104	8,307
Inventories	16,876		5,117	11,759
Total current assets	**76,378**	**8,411**	**13,953**	**70,836**
Property, plant and equipment, less accumulated depreciation, depletion and amortization	114,273		7,142	107,131
Other non-current assets	29,572	2,048	4,101	27,519
Total non-current assets	**143,845**	**2,048**	**11,243**	**134,650**
Total assets	**220,223**	**10,459**	**25,196**	**205,486**
Liabilities and shareholders equity				
Bank loans and other interest bearing short-term debt	5,994		717	5,277
Current portion of long-term debt	1,192		28	1,164
Interest-bearing loans and payables to Hydro/Agri		8,411	8,307	104
Other current liabilities	46,663		5,280	41,383
Total current liabilities	**53,849**	**8,411**	**14,332**	**47,928**
Long-term debt	29,423		175	29,248
Other long-term liabilities	17,333		2,328	15,005
Deferred tax liabilities	34,299		253	34,046
Total long-term liabilities	**81,055**		**2,756**	**78,299**
Minority shareholders interest in consolidated subsidiaries	**669**		**114**	**555**
Shareholders equity	**84,650**	**2,048**	**7,994**	**78,704**
Total liabilities and shareholders equity	**220,223**	**10,459**	**25,196**	**205,486**

(1) Adjustments constitute receivables and payables between Hydro and Agri. In addition, Hydro s cash contribution to AgriHold ASA (transferee company) constitutes an investment for Hydro after the Demerger, and is presented as Other non-current assets in the amount of NOK 2,048 million.

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Condensed Consolidated Statements of Income (Unaudited)

Year ended	31.12.2002			
NOK million, except per share information	Hydro Before Demerger	Adjustments[1]	Agri Carve-out After Demerger	Hydro After Demerger
Operating revenues	167,040	2,551	33,477	136,114
Depreciation, depletion and amortization	13,912		1,183	12,729
Other operating costs	133,297	2,551	30,151	105,697
Restructuring costs	(10)			(10)
Operating income	**19,841**		**2,143**	**17,698**
Equity in net income of non-consolidated investees	33		57	(24)
Interest income and other financial income	1,418		245	1,173
Other income/(loss), net	219		142	77
Earnings before interest expense and tax (EBIT)	21,511		2,587	18,924
Interest expense and foreign exchange gain/(loss)	517		(16)	533
Income before tax and minority interest	22,028		2,571	19,457
Income tax expense	(13,278)		(845)	(12,433)
Minority interest	15		(11)	26
Net income	**8,765**		**1,715**	**7,050**
Earnings per share	34.00		5.37	27.40
Average number of outstanding shares	257,799,411		319,442,590	257,799,411

(1) Adjustments constitute operating revenues from sales from Hydro to Agri and from Agri to Hydro during the period.

Revenues

Operating revenues for Hydro Agri and Hydro after the Demerger include sales previously eliminated in Hydro s consolidated financial statements. For Hydro Agri, such sales amounted to NOK 530 million for the year ended December 31, 2002. The majority of this revenue was derived from sale of fertilizers to Treka prior to Hydro s sale of this business in late 2002. For Hydro, such sales amounted to NOK 2,021 million for the year ended 31 December 2002. The majority of this revenue was derived from the supply of energy by Hydro to Hydro Agri.

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Condensed Consolidated Balance Sheets (Unaudited)

NOK million	31.12.2002 Hydro Before Demerger	Adjustments(1)	Agri Carve-out After Demerger	Hydro After Demerger
Assets				
Cash and cash equivalents	5,965		419	5,546
Other liquid assets	2,647		35	2,612
Receivables	40,553		6,488	34,065
Receivables, Hydro/Agri		8,866	126	8,740
Inventories	17,232		4,383	12,849
Total current assets	**66,397**	**8,866**	**11,451**	**63,812**
Property, plant and equipment, less accumulated depreciation, depletion and amortization	112,342		7,090	105,252
Other non-current assets	28,472	2,048	3,479	27,041
Total non-current assets	**140,814**	**2,048**	**10,569**	**132,293**
Total assets	**207,211**	**10,914**	**22,020**	**196,105**
Liabilities and shareholders equity				
Bank loans and other interest bearing short-term debt	7,306		361	6,945
Current portion of long-term debt	1,958		84	1,874
Interest-bearing loans and payables to Hydro/ Agri		8,866	8,740	126
Other current liabilities	38,593		4,235	34,358
Total current liabilities	**47,857**	**8,866**	**13,420**	**43,303**
Long-term debt	30,902		174	30,728
Other long-term liabilities	14,633		2,154	12,479
Deferred tax liabilities	36,809		255	36,554
Total long-term liabilities	**82,344**		**2,583**	**79,761**
Minority shareholders interest in consolidated subsidiaries	**1,143**		**85**	**1,058**
Shareholders equity	**75,867**	**2,048**	**5,932**	**71,983**
Total liabilities and shareholders equity	**207,211**	**10,914**	**22,020**	**196,105**

(1) Adjustments constitute receivables and payables between Hydro and Agri. In addition, Hydro s cash contribution to AgriHold ASA (transferee company) constitutes an investment for Hydro after the Demerger, and is presented as Other non-current assets in the amount of NOK 2,048 million.

Carve-Out and Pro Forma financial statements for the nine months ended September 30, 2003 and 2002, and for the years ended December 31, 2002, 2001 and 2000 are presented in Part V of this Information Memorandum together with explanatory notes.

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RISK FACTORS

Holders of Hydro Shares and Hydro ADRs should consider the risks described below, as well as the other information in this Information Memorandum, before voting on the Demerger. These risks are not the only ones of relevance to voting on the Demerger or the businesses of Hydro and/or Agri. Additional risks and uncertainties not known at present or that are deemed immaterial may also impair the business, operating results, financial condition, liquidity and prospects of Hydro and/or Agri.

Risks Relating to the Demerger

- ***Because Agri does not have an operating history as a separate entity, you may have difficulty assessing its historical performance and outlook for future revenues and other operating results.***

Following the Demerger, Hydro and Agri will operate as separate, publicly traded companies. Agri has no operating history as a separate entity; Hydro Agri s financial performance historically has been connected to the results of operations, assets and cash flow of Hydro s other business segments. The Hydro Agri Carve-Out and Pro Forma Financial Statements included in this Information Memorandum do not reflect what Agri s results of operations, financial position and cash flows would have been had Agri been a separate, publicly traded company during the periods presented. They may not be indicative of Agri s future results of operations, financial position and cash flows.

For a further discussion of the basis of presentation of the Hydro Agri Carve-Out Financial Statements, see the Management s Discussion and Analysis of Financial Condition and Results of Operations included in Part III of the Information Memorandum.

- ***Agri may not be successful in raising debt financing on a stand-alone basis as planned, which could lead to a delay or cancellation of the Demerger or Hydro assuming risk related to Agri s debt financing after consummation of the Demerger.***

The Demerger Plan provides for AgriHold s assumption of a liability to pay to Hydro a net debt, the amount of which was NOK 8.1 billion as of October 1, 2003. AgriHold s repayment of this debt to Hydro is expected to be effected on the Completion Date from the proceeds of debt financing to be arranged through financial institutions. However, it may not be possible for Agri to raise financing in the capital markets sufficient to repay this debt and provide Agri with sufficient working capital before the scheduled Completion Date. In this situation, the consummation of the Demerger could be delayed. Alternatively, Hydro s Board of Directors could agree that Hydro may continue to provide financing to Agri after the consummation of the Demerger. Such financial support could be provided in the form of an extension of the term of the debt provided for in the Demerger Plan, or in the form of a guarantee or other credit support. There is no assurance that Hydro s Board of Directors will agree that Hydro will provide such support. If the Demerger has not been consummated on or prior to June 30, 2004, the Demerger will lapse and will not be completed.

Any such financial assistance from Hydro to Agri could involve substantial risk for Hydro. Therefore, although the decision would, under the Demerger Plan, be left to its absolute discretion, Hydro s Board of Directors does not foresee agreeing to any such arrangements except in the event that Agri s inability otherwise to satisfy its debt on the Completion Date is due solely to transitory matters unrelated to its creditworthiness on a stand-alone basis.

- ***Norwegian law subjects Hydro and Agri to joint liability after the Demerger.***

Through the Demerger, the obligations of Hydro will be divided between Hydro and Agri in accordance with the principles set forth in the Demerger Plan. If either Hydro or Agri is liable under the Demerger Plan for an obligation that arose prior to completion of the Demerger and fails to satisfy

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that obligation, the non-defaulting party will be jointly and severally liable for the obligation. This statutory liability is unlimited in time, but is limited in amount to the equivalent of the net value allocated to the non-defaulting party in the Demerger.

- ***The market price of AgriHold Shares may experience fluctuations and volatility after the Demerger, including volatility relating to sales, or the possibility of sales, of substantial numbers of AgriHold Shares in the public market.***

There is currently no public market for AgriHold Shares. AgriHold will seek the listing of the AgriHold Shares on the Oslo Stock Exchange concurrent with the completion of the Demerger. While it is a condition to completion of the Demerger that the AgriHold Shares be listed on the Oslo Stock Exchange, there can be no assurance as to the trading price of AgriHold Shares following such listing. Following the distribution of the AgriHold Shares in connection with the Demerger and until an orderly trading market develops, the price of the AgriHold shares may fluctuate significantly. There can be no assurance that an orderly trading market will develop.

Following the Demerger, AgriHold Shares will represent an investment in a smaller company with a different investment profile relative to that of Hydro. The changes brought about by the Demerger may be such that an investment in AgriHold will no longer match the investment objectives of holders of Hydro Shares. Accordingly, holders of AgriHold Shares may be motivated to sell them. This could cause the market price of the AgriHold Shares to decline after the completion of the Demerger.

Immediately following the consummation of the Demerger, Hydro will own 20.0% of the AgriHold Shares. Hydro intends to sell its AgriHold Shares on the Completion Date, but in any case within 18 months of the Completion Date. Sales, or the possibility of sales, of some or all of the AgriHold Shares held by Hydro in the public market following the Demerger could cause volatility in the trading, or otherwise have an adverse effect on the market trading price, of the AgriHold Shares.

- ***Certain aspects of the Demerger could cause Hydro, Agri, or both, to incur tax liabilities.***

The Demerger will involve the separation of Hydro Agri s activities from those of Hydro in a number of countries. These separations may be subject to tax in Norway or in other jurisdictions. In addition, if the separations were initially treated as tax-free in Norway and other key jurisdictions, in certain circumstances, actions taken after the Demerger could cause one or more of the separations, or the Demerger, to be taxable to Hydro, Agri, or both. For a more complete discussion of the tax aspects of the Demerger, see the discussion in Part II of this Information Memorandum under the caption Tax Matters.

Certain capital gains taxes, duties and stamp taxes or other taxes may be payable in connection with the Demerger and the required separation of Hydro Agri s business from the other businesses carried on by Hydro. Such taxes could be material.

- ***Certain aspects of the Demerger could cause holders of Hydro Shares to incur tax liabilities.***

The Demerger will involve the separation of Hydro Agri s activities from those of Hydro. Holders of Hydro Shares in certain jurisdictions may be subject to tax as a result of this separation. For a more complete discussion of the tax aspects of the Demerger, see the discussion in Part II of this Information Memorandum under the caption Tax Matters.

- ***After the Demerger, the total tax burden of Hydro and Agri may be higher than the total tax burden of Hydro prior to the Demerger.***

As a consequence of the Demerger, Hydro Companies and Agri Companies will no longer be able to consolidate or otherwise share or allocate tax attributes. As a result, the total tax burden of Hydro and Agri may be higher than the tax burden Hydro would have had absent the Demerger.

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Because Agri will likely have a structure after the Demerger that differs from the current structure, Agri may have less financial flexibility than Hydro has had to repatriate funds in a tax-efficient manner.

- ***Holders of AgriHold ADSs and AgriHold Shares registered in a nominee account may not be able to exercise voting rights as readily as a shareholder of AgriHold Shares registered directly in the VPS System.***

Holders of AgriHold ADSs who would like to vote their underlying AgriHold Shares at AgriHold s general meetings must instruct the AgriHold ADR Depositary (the AgriHold ADR Depositary) to cause the temporary transfer of the underlying AgriHold Shares so as to register the ownership of such shares directly in AgriHold s share register in the VPS System prior to the meeting. None of AgriHold, the AgriHold ADR Depositary or any other nominee can guarantee that holders of AgriHold ADSs will receive the notice for a general meeting in time to instruct the AgriHold ADR Depositary or any other third party to transfer the underlying AgriHold Shares to the VPS System, and it is possible that holders of AgriHold ADSs, or other persons who hold AgriHold Shares or AgriHold ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise the right to vote. Similarly, beneficial owners of AgriHold Shares registered through other VPS-registered nominees may not be able to vote such Shares unless their ownership is re-registered in the name of the beneficial owner prior to the relevant general meeting.

Risks Relating to Agri

- ***If AgriHold is unable to obtain financing to satisfy its indebtedness to Hydro prior to the scheduled date of completion of the Demerger, or otherwise fails to obtain financing on favorable terms for its capital requirements, Agri s results of operations and financial condition may be adversely affected.***

As a condition precedent to completion of the Demerger, AgriHold must obtain financing to satisfy its indebtedness to Hydro. There is no assurance that AgriHold will be successful in arranging new financing prior to the scheduled Completion Date of the Demerger or that, if it is unable to do so, Hydro s Board of Directors will agree to extend AgriHold s indebtedness to Hydro or provide a guarantee or other credit support in connection with AgriHold s efforts to arrange new financing.

There is also no assurance that the terms of new financing arrangements (or any more detailed agreement that may be entered into with Hydro in connection with an extension of AgriHold s indebtedness to Hydro or Hydro s providing a guarantee or other credit support), will not be unfavorable to AgriHold. The debt markets are volatile and rates, terms and availability fluctuate based on conditions in the markets and lenders perceptions of a company s business and financial stability. Further, it is unlikely that AgriHold will obtain as strong a credit rating as Hydro currently has. These financial risks may result in AgriHold incurring higher borrowing costs than would have been incurred as part of Hydro. Should the terms of new financing arrangements be unfavorable, Agri s results of operations and financial condition may be adversely affected.

As a smaller, less diversified company, AgriHold will have less financial strength and flexibility than Hydro currently has due to lower revenues and earnings than the combined companies and potentially increased volatility in earnings and cash flows given the cyclicality of the fertilizer industry.

- ***Exports from the former Soviet Union and certain Central and Eastern European countries could create a supply/demand imbalance in Western European fertilizer markets.***

The decline of agriculture in most parts of the former Soviet Union (FSU) and much of Central and Eastern Europe in the late 1980s and early 1990s resulted in increased pressure from imports into Western Europe of fertilizer products produced in these countries. Imports of finished fertilizer products from plants located in Eastern Europe continue to flow into Western European markets. Eastern and Central European producers currently export approximately 75% of their urea production.

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Approximately 50% of Hydro Agri s fertilizer sales volumes are to European markets, such that a market imbalance stemming from increased import volumes could have a material adverse effect on Hydro Agri s results of operations and financial condition.

As a result of government policy, the price Russian fertilizer producers pay for natural gas, an important raw material for the manufacture of fertilizer, is approximately one-fifth of that paid by major Western European producers. Anti-dumping measures currently imposed by the European Union against certain Russian fertilizer exports to Europe may limit the ability of Russian producers to sell fertilizer in the EU, although these measures are subject to change. In markets where trade measures are not in force, Russian fertilizer would have a greater competitive advantage. While Russia s entry into the World Trade Organization (the WTO) could result in Russian fertilizer plants paying more market-based prices for natural gas, there can be no assurance of the timing and nature of developments in this regard.

The existing EU anti-dumping measures currently applicable to imports from Poland, Lithuania and Estonia will be lifted when those countries become members of the EU in May 2004. Depending upon the actions taken by the EU and the governments of those countries prior to accession, the introduction of this production capacity into the EU market may put downward pressure on fertilizer prices.

- ***If China begins to export urea on a large scale, the global market for fertilizer could be destabilized.***

Given the rapid expansion of Chinese urea production and the possibility that other nitrogen-based fertilizers may meet an increasing share of Chinese domestic demand, China may begin to export large volumes of urea, thereby putting downward pressure on the price of urea. This could adversely affect Agri s results of operations and financial condition.

- ***The European Union could decrease its subsidies for agriculture in Western Europe, which could result in reduced demand for fertilizer.***

The European Union has developed a proposal to reform the Common Agricultural Policy (CAP), which provides for the form and size of subsidies paid to EU farmers for production and export of their produce. The key element of the CAP reform is the de-coupling of EU support payments from production; if the reforms are adopted, farmers will receive a single payment from the EU. Agricultural activity may decline as reduced subsidies make agriculture less economically attractive, which may, in turn, reduce the demand for fertilizer. The CAP reform also includes set-aside policies that could contribute to an increased withdrawal of cultivated land, which may further adversely affect fertilizer demand. The current CAP reform proposal will extend to the ten Central and Eastern European countries scheduled to join the EU in May 2004. It is unclear how Western European producers will be affected by the expansion of the EU. It could result in a shift in agricultural activity that would be disruptive to established fertilizer markets and distribution systems.

WTO agricultural negotiations are also expected ultimately to lead to a reduction of agriculture tariff barriers, domestic support and export subsidies. A wide range of countries, including the United States and many developing countries, are advocating implementation of the EU CAP reform in these negotiations. Any additional CAP reform arising from WTO commitments will likely have the effect of substantially reducing production-linked payments and export subsidies. This may also adversely affect fertilizer demand, and, in turn, Agri s results of operations and financial condition.

- ***Agri will be affected by market fluctuations in foreign currencies, which could harm results of operations.***

Agri will report its consolidated results and financial position in Norwegian kroner, but most of its revenues and costs will be denominated in other currencies. Agri will have significant revenues based on product prices denominated in (or with reference to) U.S. dollars. Fixed costs in Europe and certain

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European revenues will be primarily denominated in euro and other European currencies. Although Agri intends to obtain long-term financing denominated in U.S. dollars, this will only serve partially to offset Agri s exposure to fluctuations in U.S. dollar exchange rates.

In addition, as a result of its global activities, Agri may be paid for its products in currencies that are subject to sudden and material changes in exchange rates and liquidity. Agri will attempt to hedge these soft currency risks, but there can be no assurance that such hedging activities will be successful.

- ***Agri s operating results may be significantly affected by the supply and price levels of natural gas and other essential raw materials.***

Natural gas will be a key raw material used in the manufacture of Agri s nitrogen-based fertilizer products. Agri s profitability will be directly affected by the price and availability of natural gas purchased from third parties for its ammonia and fertilizer production. Agri expects to purchase a substantial portion of its natural gas through long-term contracts with a limited number of suppliers. Agri expects to purchase its requirements of phosphate rock and potassium from a limited number of suppliers. While Agri plans to take measures to ensure that it maintains an adequate supply of natural gas and other essential raw materials, there can be no assurance that this supply will not be delayed or interrupted, which may result in production delays or in cost increases if alternative sources of supply prove to be more expensive. If Agri s cost of raw materials were to increase, or if Agri were to experience an extended interruption in the supply of raw materials to its production facilities, Agri s business, financial condition and results of operations could be adversely affected.

In addition, if natural gas prices in the United States were to decline to a level that prompts those U.S. producers who have permanently or temporarily closed production facilities to resume fertilizer production, this would likely contribute to a supply/demand imbalance that could adversely affect Agri s results of operations and financial condition.

- ***The fertilizer business is cyclical, which will expose Agri to potentially significant fluctuations in its financial condition and share price.***

Hydro Agri s products are, to a large extent, commodity products that are used in agriculture, which is a commodity industry. Accordingly, in the normal course of business, Agri will be exposed to fluctuations in supply and demand, which could have significant effects on prices across all of its businesses and products and, in turn, Agri s operating results and financial condition. The prices of fertilizer products depend on a number of factors, including general economic conditions, cyclical trends in end-user markets, supply and demand imbalances, and weather conditions. Changes in supply result from capacity additions or reductions and from changes in inventory levels. Demand for fertilizer products is dependent, in part, on demand for crop nutrients by the global agricultural industry. Periods of high demand, high capacity utilization and increasing operating margins have tended to result in new plant investment and increased production until supply exceeds demand, followed by periods of declining prices and declining capacity utilization until the cycle is repeated.

- ***Adverse weather conditions during peak fertilizer application periods may have a material adverse effect upon Agri s results of operations and financial condition.***

Sales of Agri s fertilizer products to agricultural customers will be seasonal in nature and will likely result in Agri s generating a greater amount of net sales and operating income in the spring. However, quarterly results may vary significantly from one year to the next due primarily to weather-related shifts in planting schedules and purchase patterns, as well as the relationship between natural gas and nitrogen fertilizer product prices. Hydro Agri derives approximately 50% of its business from Europe. Accordingly, an adverse weather pattern affecting European agriculture could have a material adverse effect upon Agri s results of operations and financial condition.

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- ***Expansion into emerging and transitioning markets presents a higher degree of financial, political, economic and other business risks.***

Agri will be exposed to financial, political, economic and business risks in connection with its worldwide operations. Agri Companies have made investments and commenced production and marketing activities in various emerging markets, including South Africa and Brazil. In addition to emerging markets, Agri will likely have increasing business in transitioning markets, including China. While these emerging and transitioning markets represent areas where greater relative growth in fertilizer consumption is anticipated or that Agri perceives to be of interest as a production base, they also present a higher degree of risk than more developed markets. In addition to the business risks inherent in developing and servicing new markets, economic conditions may be more volatile, legal systems less developed and predictable, and the possibility of various types of adverse governmental action more pronounced. Unexpected or uncontrollable events or circumstances in these markets could have a material adverse effect on Agri s operations and financial results.

- ***Agri will be exposed to market and credit risk in its general business operations.***

Agri will extend credit in the normal course of business. Agri will also enter into long-term contracts to secure the price and availability of raw materials and energy for manufacturing operations. These activities create the risk that one or more counter-parties will default on obligations to Agri, which could result in direct financial losses, unexpected increased market exposures or higher operating costs. Poor or deteriorating economic conditions on a global, regional or industry sector level increase the risk of counter-party default.

- ***Ammonia and other fertilizer components and products manufactured, processed, stored, handled, distributed and transported by Agri Companies may be very volatile. Accidents involving these substances could cause severe damage or injury to property, the environment and human health.***

Agri Companies manufacture, process, store, handle, distribute and transport ammonia and other fertilizer components and products, which substances may be very volatile. Accidents or mishandling involving these substances could cause severe damage or injury to property, the environment and human health, as well as a possible disruption of supplies and markets. Such an event could result in civil lawsuits and regulatory enforcement proceedings, both of which could lead to significant liabilities. Any damage to persons, equipment or property or other disruption of Agri s ability to produce or distribute its products could result in a significant decrease in revenues and significant additional cost to replace or repair and insure Agri s assets, which could have a material adverse effect on Agri s financial condition and results of operations.

In addition, Agri Companies may incur significant losses or costs relating to the operation of vessels used for the purpose of carrying various products and raw material, including ammonia. These vessels and their cargo are subject to perils particular to marine operations, including capsizing, grounding, collision and loss or damage from severe weather or storms. Due to the potentially destructive and dangerous nature of the cargo, in particular ammonia and oil onboard the vessels, any such event may result in uncontrolled or catastrophic circumstances, including fires, explosions, accidents and severe pollution. Such circumstances may result in severe damages and/or injury to property, the environment and humans. Litigation from any such event may result in Agri Companies being named as defendants in lawsuits asserting large claims. In the event of pollution, Agri may be subject to strict liability.

- ***Agri may incur significant costs to comply with, or as a result of, health, safety and environmental laws and regulations.***

Hydro Agri s operations are subject to numerous environmental requirements under the laws and regulations of the various jurisdictions in which it conducts business. Such laws and regulations govern, among other matters, air emissions, wastewater discharges, and solid and hazardous waste

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management, and the use, composition, handling, distribution and transportation of hazardous materials. Many of these laws and regulations are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time.

Agri will own numerous fertilizer manufacturing, distribution, storage and blending facilities in a number of countries, some of which were operated as industrial facilities before Hydro acquired them. There is a potential that past contamination at some sites may lead to required remediation in the future. The taking of remediation measures could have a material adverse effect on Agri s financial condition.

Agri will not be able to predict the impact of new or changed laws or regulations or changes in the ways that such laws or regulations are administered, interpreted or enforced. The requirements to be met, as well as the technology and length of time available to meet those requirements, continue to develop and change. To the extent that the costs associated with meeting any of these requirements are substantial and not adequately provided for, there could be a material adverse effect on Agri s results of operations and financial condition.

- ***Agri will be subject to the risk of labor disputes and adverse employee relations, and these disputes and adverse relations may disrupt Agri s business operations and adversely affect its results of operations and financial condition.***

The majority of Agri s hourly paid employees are represented by labor unions under a large number of collective bargaining agreements. Agri may not be able satisfactorily to renegotiate collective labor agreements when they expire. In addition, Agri s existing labor agreements may not prevent a strike or work stoppage at any of Agri s facilities in the future, and any such work stoppage could have a material adverse effect on Agri s results of operations and financial condition.

- ***Acts of war or terrorism could negatively affect Agri s business.***

Any military strikes or sustained military campaign in areas or regions of the world where Agri has business operations may affect Agri s business in unpredictable ways, including forcing Agri to increase security measures and causing disruptions of supplies and markets, loss of property, and incapacitation of employees. Instability in the financial markets as a result of war may also affect Agri s ability to raise capital or significantly affect foreign exchange markets. Further, like other companies with major industrial facilities, Agri s plants and ancillary facilities may be targets of terrorist activities. The Industrial segment may be vulnerable, for example, since it supplies products utilized in the production of drinks and food for human consumption. Many of these plants and facilities store significant quantities of ammonia products and other items, which can be volatile if mishandled. Any damage to infrastructure facilities, such as electric generation, transmission and distribution facilities, or injury to employees, that could be direct targets of, or indirect casualities of, an act of war may affect Agri s operations. Any disruption of Agri s ability to produce or distribute its products could result in a significant decrease in revenues and significant additional costs to replace or repair and insure Agri s assets, which could have a material adverse impact on Agri s financial condition and results of operations.

- ***Agri will not be insured against all potential losses and could be seriously harmed by natural disasters, operational catastrophes or deliberate sabotage.***

Many of Hydro Agri s business activities are characterized by substantial investments in complex production facilities, manufacturing and transportation equipment. Many of the production processes, raw materials and certain finished products are potentially destructive and dangerous in uncontrolled or catastrophic circumstances, including fires, explosions, accidents, major equipment failures, etc. Despite insurance coverage, Agri could incur uninsured losses and liabilities arising from such events, including damage to Agri s reputation, and/or suffer substantial losses in operational capacity, which could have a material adverse effect on Agri s results of operations and financial condition.

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- ***The loss of key management personnel could adversely affect Agri s business.***

Agri s loss of key management personnel or inability to hire and retain qualified employees could have an adverse effect on its business, financial condition and results of operations. Agri s operations will depend on the continued efforts of its executive officers and senior management. Agri will not be able to guarantee that any member of management at the corporate or subsidiary level will continue in his or her capacity for any particular period of time. If Agri were to lose one or more key personnel, its operations could be adversely affected.

Risks Relating To Hydro

- ***Hydro s expansion of business activities in emerging and transitioning markets presents a higher degree of financial, political, economic and other business risks.***

Hydro is exposed to financial, political, economic and business risks in connection with its business operations. In recent years, Hydro has made investments and commenced activities in various emerging markets, including Angola and Brazil. In addition to emerging markets, Hydro has business operations in transitioning markets, including Russia and China. Emerging and transitioning markets present a higher degree of risk than more developed markets. In addition to the business risks inherent in developing and servicing new markets, economic conditions may be more volatile, legal systems less developed and predictable, and adverse governmental action more pronounced. Unexpected or uncontrollable events or circumstances in these markets could have a material adverse effect on Hydro s results of operations and financial condition.

- ***Hydro is exposed to market and credit risk in its general business operations.***

Hydro extends credit in the normal course of business operations. In addition, Hydro engages in hedging activities to reduce exposure to short-term swings in the prices of its commodity-based businesses or exposure to fluctuations in currencies and interest rates. Hydro also enters into long-term contracts to secure the price and availability of raw materials and energy for primary aluminium production operations. All of these activities create the risk that one or more counter-parties will default on obligations to Hydro resulting in direct financial losses, unexpected increased market exposures or higher operating costs. Poor or deteriorating economic conditions on a global, regional or industry sector level increase the risk of counter-party default. Such defaults could adversely affect Hydro s results of operations and financial condition.

- ***Fluctuations in currency exchange rates may cause Hydro s financial results to decline.***

Hydro reports its consolidated results and financial position in Norwegian kroner but revenues and costs are denominated in several currencies. Hydro has exposure to changes in currency rates primarily resulting from having net cash inflows (income) denominated in U.S. dollars (or influenced by the U.S. dollar exchange rate) and net cash outflows (primarily fixed costs) in euro, Norwegian kroner and several other currencies. Exchange rate fluctuations may negatively affect the competitiveness of Hydro s activities in countries where the local currency appreciates against the U.S. dollar. To reduce the economic effects of adverse exchange rate changes, Hydro maintains a significant portion of its debt in U.S. dollars. Hydro also has loans in other currencies for similar purposes. If the U.S. dollar declines relative to the Norwegian kroner, euro, etc., the value of Hydro s net cash inflow may be reduced. At the same time, the value of the U.S. dollar-denominated debt, expressed in Norwegian kroner or euro, may decline.

- ***Hydro is subject to the risk of labor disputes and adverse employee relations, and these disputes and adverse relations may disrupt Hydro s business operations and adversely affect its financial results.***

The majority of Hydro s hourly paid employees are represented by labor unions under a large number of collective bargaining agreements. Hydro may not be able satisfactorily to renegotiate its

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collective labor agreements when they expire. In addition, existing labor agreements may not prevent a strike or work stoppage at any of Hydro s facilities in the future, and any such work stoppage could have a material adverse effect on its results of operations and financial condition.

- ***Acts of war or terrorism could negatively affect Hydro s business.***

Any military strikes or sustained military campaign in areas or regions of the world where Hydro has business operations may affect Hydro s business in unpredictable ways, including forcing Hydro to increase security measures and causing disruptions of supplies and markets, loss of property and incapacitation of employees. Instability in the financial markets as a result of war may also affect Hydro s ability to raise capital or significantly affect foreign exchange markets. Further, like other companies with major industrial facilities, Hydro s plants and ancillary facilities may be targets of terrorist activities. Any damage to infrastructure facilities, such as electric generation, transmission and distribution facilities, or injury to employees, that could be direct targets of, or indirect casualties of, an act of war may affect Hydro s operations. Any disruption of Hydro s ability to produce or distribute its products could result in a significant decrease in revenues and significant additional costs to replace or repair and insure Hydro s assets, which could have a material adverse impact on Hydro s financial condition and results of operations.

- ***Hydro will not be insured against all potential losses and could be seriously harmed by natural disasters, operational catastrophes or deliberate sabotage.***

Many of Hydro s business activities are characterized by substantial investments in complex production facilities, manufacturing and transportation equipment. Many of the production processes, raw materials and certain finished products are potentially destructive and dangerous in uncontrolled or catastrophic circumstances including fires, explosions, accidents, major equipment failures, etc. Hydro Oil and Energy s offshore operations (and certain transportation operations) are subject to marine perils, including severe storms and other adverse weather conditions. Despite insurance coverage, Hydro could incur uninsured losses and liabilities arising from such events and/or suffer substantial losses in operational capacity, which could have a material adverse effect on its operations or financial condition.

Risks Relating to Hydro s Oil and Energy Business

- ***A substantial or extended decline in oil or natural gas prices would have a material adverse effect on Hydro Oil and Energy s business.***

Historically, prices for oil and natural gas have fluctuated widely in response to changes in many factors, including:

global and regional economic and political developments in resource-producing regions, particularly in the Middle East;

changes in the supply of and demand for oil and natural gas; and

the ability of the members of the Organization of the Petroleum Exporting Countries (OPEC) to agree on and maintain oil price and production controls.

It is impossible to predict future oil and natural gas price movements. Declines in oil and natural gas prices will adversely affect Hydro s Oil and Energy business, its results of operations and financial condition, and ability to finance planned capital expenditures. Lower oil and natural gas prices also may influence the amount of oil and natural gas that Hydro can produce economically or adversely affect the economic potential and viability of projects being considered or in development.

- ***Hydro Oil and Energy s future performance depends on the ability to develop additional oil and gas reserves that are economically recoverable.***

The majority of Hydro Oil and Energy s proved reserves (92% as of December 31, 2002) are located on the NCS. The southern part of the NCS (the location of the most easily accessible and

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exploitable fields offshore Norway) is a maturing resource province from which reserve additions have been low in recent years. Norway s oil production has been declining for the last two years. A decision by the Norwegian government as to whether to allow offshore oil and gas exploration in sensitive areas along Norway s northern coastline and in the Barents Sea is not expected until, at the earliest, 2004, and is dependent upon an environmental impact study expected to be completed before year-end 2003.

Unless Hydro Oil and Energy conducts successful exploration and development activities or acquires properties containing proved reserves, or both, its proved reserves will decline as reserves are produced. In addition, the volume of production from oil and natural gas properties generally declines as reserves from those prospects are depleted. Hydro Oil and Energy s future production is highly dependent upon its success in finding or acquiring, and developing, additional reserves. If unsuccessful, proved reserves will decline, which will, in turn, adversely affect Hydro s results of operations and financial condition.

- ***Hydro Oil and Energy s exploration drilling involves numerous business and financial risks, including the risk that such activity will not lead to the discovery of commercially productive oil or natural gas reservoirs.***

Exploration for oil and gas involves a high degree of risk that hydrocarbons will not be found or that they will not be found in commercial quantities. The 3-D seismic data and other appraisal technologies Hydro Oil and Energy uses do not provide conclusive knowledge prior to drilling a well that oil or gas is present or economically feasible to extract. Accordingly, Hydro Oil and Energy s drilling activity with respect to any particular project area or areas may be unsuccessful.

The cost of drilling, completing and operating a well is often uncertain and cost factors can adversely affect the economics of a project. Offshore drilling in deepwater (such as in Angola and the Gulf of Mexico) is extremely expensive and long-term in nature. Drilling operations may be curtailed, delayed or canceled as a result of factors outside of Hydro s control, such as unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, and shortages or delays in the availability of drilling rigs. Further, completion of a well does not guarantee that it will be profitable or even that it will result in recovery of drilling, completion and operating costs. Any of these situations may adversely affect Hydro s results of operations and financial condition.

- ***Hydro Oil and Energy is a relatively small producer in its industry, facing intense competition in all areas of its operations from larger international oil and gas companies with greater capital resources and other competitive advantages.***

The oil and gas industry is competitive, especially with regard to exploration for, and development of, new oil and natural gas resources. Many of Hydro Oil and Energy s competitors are much larger companies. These larger companies, including those created by mergers in the past few years, have a number of competitive advantages, including:

a greater ability to diversify their exploration and production activity geographically to reduce their risks associated with such activities;

greater financial resources, providing additional flexibility with respect to the number and range of properties and prospects that can be considered for exploration and development; and

cost efficiencies made possible by a greater scale of operations and infrastructure.

- ***Hydro Oil and Energy s development projects involve many uncertainties and operating risks that can prevent Hydro from realizing profits and can cause substantial losses.***

On the NCS, Hydro Oil and Energy is increasingly developing smaller satellite fields in mature areas. Other Hydro Oil and Energy development projects are in remote locations with limited operational histories and, consequently, the success of these projects is less predictable. In addition,

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some of Hydro Oil and Energy s development projects are located in deepwater or other hostile environments, such as areas on the NCS, the Gulf of Mexico and Angola, or produced from challenging reservoirs. Planning and development of the Ormen Lange field, for example, has been described as one of the most challenging assignments any oil company has tackled, not just in Norway but in a global context, given the combination of deepwater, harsh weather conditions, freezing water temperatures and a very uneven seabed. As a result, Hydro Oil and Energy may face increased challenges maintaining targeted levels of production and production growth in future years. This could negatively affect Hydro s results of operations and financial condition.

- ***Hydro Oil and Energy s oil and gas reserves are only estimates and may prove inaccurate.***

There are numerous uncertainties inherent in estimating quantities of proved reserves and their values, including many factors beyond the control of the producer. The reserve data included in this Information Memorandum represent only estimates. Reservoir engineering is a subjective and inexact process of estimating underground accumulations of oil and natural gas that cannot be measured in an exact manner. Further, evaluating properties for their recoverable reserves of oil and natural gas entails the assessment of geological, engineering and production data, some or all of which may prove to be unreliable. Accordingly, reserve estimates may be subject to downward or upward adjustment. Actual production, revenues and expenditures with respect to Hydro Oil and Energy s reserves will likely vary from estimates, and those variances may be material. Any downward adjustment in Hydro Oil and Energy s reserve data could lead to lower future production and could adversely affect Hydro s results of operations and financial condition.

- ***Hydro Oil and Energy s activities expose Hydro to strict and other liability in the event of spills or other discharges of petroleum.***

In Hydro s capacity as a holder of licenses on the NCS under the Norwegian Petroleum Act of November 29, 1996, Hydro is subject to strict statutory liability in respect of losses or damages suffered as a result of pollution caused by spills or discharges of petroleum at or relating to facilities covered by such licenses. Thus, anyone who suffers losses or damages as a result of pollution caused by operations at any of Hydro s NCS license areas can assert a claim for compensation from Hydro without needing to demonstrate that the damage is due to any fault on Hydro s part. In addition, Hydro s operations in other countries (e.g., Canada and Angola) subject it to liability in respect of damages caused by spills or discharges, including in connection with shipping operations.

- ***Hydro may be subject to the imposition of sanctions by the U.S. government in connection with its activities in Iran and/or Libya.***

Hydro Oil and Energy is engaged in certain activities in Iran and has an interest in oil and gas exploration licenses in Libya, where exploratory and appraisal wells are in the process of being drilled. In August 1996, the United States adopted the Iran and Libya Sanctions Act of 1996 (the Sanctions Act) with the objective of denying Iran and Libya the ability to support acts of international terrorism and fund the development and acquisition of weapons of mass destruction. If the U.S. government were to determine that a person s activities in Iran or Libya are covered by the Sanctions Act, the Act requires the President of the United States to apply two or more sanctions, including a ban on any license to export goods or technology to a sanctioned person, a prohibition of loans or extensions of credit by U.S. financial institutions in an amount greater than U.S.$10 million in any 12-month period to the sanctioned person, and restrictions on imports into the United States from a sanctioned person. The President also has the authority to grant country-specific and project-specific waivers of these sanctions under certain circumstances. To date, there have not been any sanctions imposed against any person or entity under the Sanctions Act. However, there can be no assurance that the U.S. government will not in the future impose such sanctions.

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Risks Relating to Hydro Aluminium s Business

- ***The price of aluminium is volatile, reflecting the cyclicality of the aluminium industry, and this volatility may adversely affect Hydro Aluminium s results of operations and financial condition.***

The aluminium industry is highly cyclical. Hydro Aluminium s results of operations could be adversely affected by significant changes in general economic conditions or conditions affecting the aluminium industry specifically. In particular, Hydro Aluminium is exposed to economic conditions in Europe, as a significant portion of its products is sold into the European market. Virtually all aluminium end-use markets, including the building, transportation and packaging industries, are also cyclical. When downturns occur in these industries, decreased demand for aluminium may result in lower prices for Hydro Aluminium s products, which may have an adverse effect on Hydro Aluminium s results of operations.

Aluminium product prices, reflecting the cyclicality of the aluminium industry, have been volatile historically. Hydro Aluminium expects such volatility to continue. The London Metal Exchange (LME) price, in U.S. dollars, is the main reference price for aluminium contracts worldwide. The variance in the LME price can have a material effect upon Hydro Aluminium s results as a whole. The operating results of Hydro Aluminium s Metals sub-segment s upstream operations, in particular, are negatively affected by lower LME prices. Hydro Aluminium s Rolled Products and Extrusion and Automotive sub-segments also may be affected by aluminium price volatility, although, as margin businesses, such sub-segments are generally less directly affected by fluctuations in the LME price level. Hydro Aluminium hedges its exposure to the volatility of LME prices. However, Hydro Aluminium s hedging activities can increase the level of fluctuations in Hydro Aluminium s operating results from period to period.

- ***Hydro Aluminium is exposed to foreign exchange rate fluctuations.***

The LME price for aluminium is denominated in U.S. dollars. Further, a portion of Hydro Aluminium s production of aluminium is sold in local currencies, including the euro, based on U.S. dollar exchange rates. Accordingly, operating results, which are reported in Norwegian kroner, are adversely affected by the strengthening of the Norwegian kroner against the U.S. dollar. As a result of the acquisition of VAW s German and overseas smelters, Hydro Aluminium s Metals sub-segment has reduced Hydro Aluminium s relative exposure to the U.S.$/NOK exchange rate, but increased the exposure to the U.S.$/euro and NOK/euro exchange rates.

Although alumina prices are denominated in U.S. dollars (as are most raw material costs), Hydro Aluminium s Brazilian-based alumina business, through its non-consolidated investee, Alunorte, is exposed to the U.S.$/Brazilian real exchange rate, which can affect Hydro Aluminium s operating results. A decline in the value of the Brazilian real against the U.S. dollar (the U.S. dollar being the predominant financing currency for Alunorte) can lead to a currency loss with respect to the Metals sub-segment s interest in Alunorte, as occurred in 2002.

- ***Hydro Aluminium s operations are dependent on substantial amounts of energy and, as a result, its profitability may decline if energy costs rise or if energy supplies are interrupted.***

Hydro Aluminium s operations consume large volumes of energy, mainly electricity, in producing primary aluminium. Hydro Aluminium has long-term electricity supply contracts for its smelters in Norway, Canada and Australia. The electricity supply contracts for Hydro Aluminium s German smelters, scheduled to expire at the end of 2005, will need to be extended or alternative supply arrangements made. Hydro Aluminium may not be able to renew or replace these contracts on comparable terms following the expiry of these contracts.

Reduction in regulation of electricity markets in Europe continues at varying rates of progress from country to country. There is a possibility of new environmental taxes on electricity. Hydro

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Aluminium is particularly exposed to energy tax regimes in Norway and Germany because of its substantial electricity consumption in these countries. If electricity costs rise as a result of market or other factors such as new taxes, or if electricity supplies or supply arrangements are disrupted, Hydro Aluminium s operating results could be adversely affected.

- ***Hydro Aluminium s alumina strategy exposes Hydro Aluminium to possible global shortages of alumina.***

The principal raw material used in the production of aluminium is alumina. Hydro Aluminium has secured roughly 50% of its long-term alumina supply requirements through equity investments and supplements its own equity alumina production through medium- to longer-term contractual arrangements with third parties. Hydro Aluminium s alumina strategy reflects its view that new alumina production capacity will materialize to support the growth in global alumina consumption. Industry analysts have expressed concerns about whether the alumina greenfield and expansion projects will be adequate to meet the projected growth in demand over the next several years. Even if Hydro Aluminium is able to secure an adequate supply of alumina to meet its future requirements, the possibility of worldwide demand exceeding supply, together with the concentration of the alumina production industry, creates the potential for a material increase in the price of alumina. Hydro may not be able to pass on the entire amount of any increase in alumina price to its customers. This may result in declining margins and reduced profitability.

- ***Hydro Aluminium is subject to a broad range of environmental laws and regulations in the jurisdictions in which it operates.***

Hydro Aluminium is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations, as interpreted by relevant agencies and courts, impose increasingly stringent environmental protection standards regarding, among other things, air emissions, the storage, treatment and discharge of waste waters, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination. The costs of complying with these laws and regulations, including participation in assessments and remediation of sites, could be significant. In addition, these laws and regulations create the risk of substantial environmental liabilities, including liabilities associated with divested assets and past activities.

- ***Hydro Aluminium s operations could be adversely affected by government actions or the absence of such actions in respect of third parties, regulating the market and trade in aluminium.***

Hydro Aluminium s operations could be adversely affected by government actions such as controls on imports, exports and prices, new forms of taxation, and increased government regulation in the countries in which Hydro Aluminium operates or services customers. In addition, Hydro Aluminium is subject to the disruptive effects of dumped or subsidized products in markets by producers engaging in unfair competition. Such activities may not result in the application of anti-dumping or countervailing duties by appropriate governmental agencies and any such duties imposed may be insufficient to eliminate all of the potential negative effects of such practices. In addition, Hydro Aluminium s shipments to certain markets may be subjected to anti-dumping and/or countervailing duties that could negatively affect Hydro s competitive position. Any such actions could affect Hydro Aluminium s revenues, expenses and results of operations.

- ***Hydro Aluminium could be adversely affected by disruptions of its operations.***

Many of Hydro Aluminium s customers are, to varying degrees, dependent on planned deliveries from Hydro Aluminium s plants located in various parts of the world. Breakdown of equipment or other events leading to production interruptions in Hydro Aluminium s plants, could lead to financial losses. Interruption in the energy supply to a smelter for more than six to eight hours could lead to the metal solidifying in the pots, which would result in Hydro Aluminium incurring significant costs to

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restore the smelter to normal operations. Reduced production, itself, could result in reduced income. Further, customers may have to reschedule their own production due to Hydro Aluminium s missed deliveries, which may result in customers pursuing financial claims against Hydro Aluminium. For example, Hydro Aluminium supplies many of the automotive manufacturers in the world and, in a number of cases, is a sole supplier for special products. The automotive industry is particularly dependent on regular, on-time supplies. The consequences of not meeting scheduled deliveries or quality standards might be costly. Hydro Aluminium s operations may also be unable to meet customers quality demands due to obsolete technology or other problems in Hydro Aluminium s operations. Hydro Aluminium may incur costs to correct any of such problems, in addition to facing claims from customers. Further, Hydro Aluminium s reputation among actual and potential customers may be harmed, potentially resulting in a loss of business. While Hydro Aluminium maintains insurance policies covering, among other things, physical damage, business interruptions, product liability and transportation, these policies may not cover all of Hydro Aluminium s losses.

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PART II

THE DEMERGER

Introduction

Hydro s Board of Directors has proposed that Hydro Agri be established as a separate publicly traded company by means of a demerger transaction effected in accordance with Chapter 14 of the Norwegian Public Limited Companies Act. In connection with the Demerger, a number of related transactions will be effected in order to structure Hydro s ownership of the subsidiaries and other entities that comprise Hydro Agri s business to make possible a full separation of these subsidiaries and other entities from Hydro. AgriHold ASA will have its headquarters in Oslo.

Under Norwegian law, a demerger is the transfer of part of the assets, rights and liabilities of a company (the transferor company) to one or more newly formed or pre-existing companies (the transferee company or companies) against consideration in the form of shares of the transferee company (or companies) issued to the holders of shares in the transferor company, and possibly other consideration which must not exceed 20% of the total consideration.

In the Demerger, the assets, rights and liabilities primarily related to Norsk Hydro ASA s activities in connection with fertilizer products and related chemicals and industrial gases which are today part of Hydro Agri will be transferred to AgriHold ASA, which is a wholly owned subsidiary of Norsk Hydro ASA formed solely for the purpose of acting as the transferee company in the Demerger.

Upon consummation of the Demerger, each holder of a Hydro Share will receive one AgriHold Share, par value NOK 1.70, for each Hydro Share held by that shareholder. For holders of Hydro ADRs, AgriHold ASA intends to set up a sponsored, Level I ADR facility in respect of the AgriHold Shares. Each holder of Hydro ADRs shall receive one AgriHold ADR for each Hydro ADR held by that holder. No AgriHold Shares will be issued in respect of Norsk Hydro ASA s treasury shares.

The existing AgriHold Shares, all of which are held by Norsk Hydro ASA, will correspond to 20.0% of the total number of AgriHold Shares outstanding immediately after the consummation of the Demerger. The AgriHold Shares to be issued to the holders of Hydro Shares and ADRs upon consummation of the Demerger will constitute the remaining 80.0%. As a result of the Demerger, the par value of each Hydro Share will be reduced from NOK 20.00 to NOK 18.30.

The effect of the Demerger is illustrated below:

On November 28, 2003, the Boards of Directors of each of Norsk Hydro ASA and AgriHold ASA entered into the Demerger Plan, attached as Exhibit 1 to this Information Memorandum. The Demerger Plan will be submitted for approval by the shareholders of Norsk Hydro ASA at an extraordinary

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general meeting on January 15, 2004. In accordance with Norwegian law, the Demerger Plan will also be submitted for approval by Norsk Hydro ASA, as the sole shareholder of AgriHold ASA, at an extraordinary general meeting of AgriHold ASA, also scheduled for January 15, 2004. If the Demerger Plan is approved at Norsk Hydro ASA s extraordinary general meeting, Norsk Hydro ASA will approve the Demerger Plan at the AgriHold ASA extraordinary general meeting. If Norsk Hydro ASA s shareholders approve the Demerger Plan and the conditions precedent to consummation of the Demerger are satisfied or, where applicable, waived, the Demerger is expected to be consummated on or about March 24, 2004.

Background and Reasons for the Demerger

Hydro s current core business areas are Hydro Oil and Energy and Hydro Aluminium (described in Part IV of this Information Memorandum) and Hydro Agri (described in Part III of this Information Memorandum). In addition, Hydro has certain other businesses and investments, some of which have been defined as non-core and are targeted for divestment (e.g., Petrochemicals and Treka).

In recent years, each of Hydro s Oil and Energy and Aluminium businesses has grown as a result of substantial investments, including several acquisitions. In 1999, Saga Petroleum ASA a Norwegian-based oil company, was merged with Hydro s oil and gas business, and in 2002, interests in oil and gas licenses on the Norwegian Continental Shelf were acquired from the Norwegian State (the so-called State s Direct Financial Interest or SDFI). In 2002, VAW Aluminium AG, a major integrated international aluminium company based in Germany, and the French building systems supplier, Technal, were acquired.

In the second half of 2001, Hydro s Board of Directors initiated a corporate portfolio strategy project that was concluded in June 2003. Hydro then announced that it would start preparations for establishing Hydro Agri as a separate company with the aim of listing the shares of such company on the Oslo Stock Exchange in the first half of 2004.

Following a three-year turnaround program commencing in 1999, involving increasing cost-efficiency and productivity in Hydro Agri s assets and the re-organization, closure or sale of under-performing or non-core production facilities, market organizations and businesses, Hydro s Board of Directors concluded that Hydro Agri would have an advantageous strategic starting point for a value enhancing, industrial development as an independent and leading global company.

The main reasons for the conclusions reached by Hydro s Board of Directors were:

- Hydro could focus its financial resources and management attention fully on the significant opportunities for further development of its Oil and Energy and Aluminium business areas following the separation of Hydro Agri.

- Hydro Agri s management similarly could focus exclusively on Hydro Agri.

- The turnaround program had been successfully completed.

- Hydro Agri s operational results and strategic direction provided a good basis for profitable growth, which would be difficult to capture within Hydro, due to the capital expenditure requirements of the two other businesses and Hydro Agri s lack of direct access to capital

markets.

A stand-alone Hydro Agri company would be in a better position to participate in the expected consolidation of the global fertilizer industry.

Hydro s Board of Directors also considered certain adverse effects of a separation for Hydro and Hydro Agri, including potentially diminished synergies and financial flexibility, reduced tax consolidation opportunities, and transaction costs.

When deciding to separate Hydro Agri from Hydro, Hydro s Board of Directors considered these and other factors, which it deemed to be relevant. Hydro s Board of Directors did not assign any particular weight to specific factors, and individual directors may have assigned different weights to different factors.

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If the Demerger is consummated, Hydro intends to direct its managerial and financial resources towards the implementation of its established strategies for the development of Oil and Energy and Aluminium. Increased value creation will be based on the business areas competitive advantages and Hydro s core expertise in connection with commercial and technological innovation, cost efficient operations and first class project execution. Focus will be maintained on capital discipline and improved profitability.

Reasons for the Choice of Transaction Structure

After considering various possible ways of separating Hydro Agri from Hydro, Hydro s Board of Directors concluded that distributing AgriHold Shares to Hydro s shareholders, in combination with a sale of 20.0% of the AgriHold Shares, was the alternative that would best position Hydro Agri in the capital markets and enable the new company to take an active part in the industry consolidation.

Hydro s Board of Directors chose the demerger structure because it is a well-established structure for transactions of this nature in Norway. Further, it could be carried out generally on a tax-free basis in Norway for Norsk Hydro ASA and its shareholders and potentially in certain other countries where Norsk Hydro ASA has a significant shareholder base.

To ensure that AgriHold would have a fixed capital structure independent of the outcome of an offering of AgriHold Shares, Hydro s Board of Directors decided that the offering should be structured as a sale of AgriHold Shares held by Norsk Hydro ASA. As a result, the risk of the offering will be borne by Hydro. The best way of implementing this decision was to form AgriHold ASA as a wholly owned subsidiary of Norsk Hydro ASA in advance of the Demerger, and capitalize AgriHold ASA to achieve the intended division of ownership in AgriHold ASA between Norsk Hydro ASA and its shareholders immediately after consummation of the Demerger.

The Demerger and Demerger Plan

Hydro Prior to the Demerger

Norsk Hydro ASA currently has a share capital of NOK 5,331,933,000 divided into 266,596,650 shares, par value NOK 20.00 per share.

As of the date of this Information Memorandum, Norsk Hydro ASA holds 9,884,650 treasury shares, 1,484,300 of which have been acquired as part of a share buy-back program approved by Norsk Hydro ASA s ordinary general meeting on May 7, 2003. In connection with the establishment of the buy-back program, Norsk Hydro ASA entered into an agreement with the Norwegian State, Norsk Hydro ASA s largest shareholder. Under that agreement, the Norwegian State agreed to Norsk Hydro ASA s redemption of shares held by the Norwegian State in connection with Norsk Hydro ASA s buy-back of shares held by other shareholders so that the Norwegian State s percentage interest in all Hydro Shares would remain unchanged at 43.82% upon completion of the buy-back program. Consistent with this arrangement, Norsk Hydro ASA intends to cancel 1,484,300 treasury shares and redeem 1,157,922 shares currently held by the Norwegian State prior to the Completion Date. The amount to be paid to the Norwegian State in consideration of the redemption of the 1,157,922 shares will be NOK 444,958,166, corresponding to approximately NOK 374 per share (representing the average price paid for shares purchased from other shareholders in the buy-back program), plus interest compensation. Such action requires the approval of two-thirds of the votes cast at the extraordinary general meeting, to be held on January 15, 2004. As explained below, such cancellation and redemption of shares is a condition precedent to the consummation of the Demerger.

Norsk Hydro ASA will not otherwise buy, sell, issue, cancel or redeem any of its shares prior to the Completion Date. As a result, Norsk Hydro ASA s share capital will, as of the Completion Date, consist of 263,954,428 shares, of which 8,400,350 will be treasury shares, while the remaining 255,554,078 shares will be outstanding.

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As of November 25, 2003 there were 41,033 registered holders of Hydro Shares, of whom about 32,200 held at least one round lot (20 Hydro Shares). 1,354 holders of Hydro Shares had their registered address outside of Norway.

The table below reflects the 20 largest registered holders of Hydro Shares as of November 25, 2003.

Shareholders	Number of shares	Share (%)
Ministry of Trade and Industry, Norway	116,832,770	43.8
State Street Bank & Trust Co. Client accounts and similar	12,739,724	4.8
Morgan Guaranty Trust Co of NY (ADR-Division)	12,583,823	4.7
Norsk Hydro ASA	9,884,650	3.7
National Insurance Fund *(Folketrygdfondet)*	9,612,775	3.6
JP Morgan Chase Bank. Clients Treaty Account	8,967,270	3.4
JP Morgan Chase Bank	5,205,000	2.0
Mellon Bank	5,204,917	2.0
JP Morgan Chase Bank	4,464,000	1.7
Euroclear Bank Client accounts and similar	4,101,202	1.5
The Northern Trust Client accounts and similar	2,716,511	1.0
Vital Forsikring ASA	2,343,501	0.9
JP Morgan Chase Bank Client accounts and similar	2,039,795	0.8
HSBC Bank PLC Clients Account	1,741,594	0.7
JP Morgan Chase Bank	1,461,100	0.5
SIS Segaintersettle Client accounts and similar	1,358,869	0.5
Morgan Stanley & CO. S/A Customer Segrega	1,324,618	0.5
DNB Norge	1,310,849	0.5
JP Morgan Securities	1,286,926	0.5
Storebrand Livsforsikring	1,180,171	0.4

Total number of shares	20 largest shareholders	206,360,065	77.4
Total number of shares		266,596,650	100.0

The chart below reflects the price and turnover volume of the Hydro Shares on the Oslo Stock Exchange since November 25, 2000.

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The legal structure of the Hydro Group prior to the Demerger is illustrated in simplified form below.

AgriHold ASA Prior to the Demerger

AgriHold ASA was established on November 10, 2003, with a share capital of NOK 108,610,470.40 divided into 63,888,512 shares, par value NOK 1.70 per share. All of these AgriHold Shares have been subscribed for by Norsk Hydro ASA for a total subscription price of NOK 2,048,049,500. AgriHold ASA will remain a wholly owned subsidiary of Norsk Hydro ASA until the Completion Date. AgriHold ASA has been established solely for the purpose of the Demerger and will have no subsidiaries or operational activity prior to the Completion Date. AgriHold s Board of Directors currently consists of the same individuals as are members of Hydro s Board of Directors.

AgriHold Shares held by Norsk Hydro ASA will constitute 20.0% of the total outstanding AgriHold Shares following consummation of the Demerger. Norsk Hydro ASA expects to sell these shares in connection with, or following, the consummation of the Demerger. See Intended Sale of Norsk Hydro ASA s AgriHold Shares for a brief description of this anticipated transaction.

The Transaction

Under the Demerger Plan, Norsk Hydro ASA will transfer all assets, rights and liabilities primarily relating to Hydro Agri to AgriHold ASA. The transferred assets, rights and liabilities consist primarily of shares and partnership interests held by Norsk Hydro ASA in companies and partnerships forming part of Hydro Agri and a debt due Norsk Hydro ASA. All other assets, rights and liabilities of Norsk Hydro ASA, including the assets, rights and liabilities related to Hydro Oil and Energy and Hydro Aluminium, will be retained by Norsk Hydro ASA. See Part IV of the Information Memorandum for a description of Hydro s businesses following the Demerger.

Allocation of Assets, Rights and Liabilities Pursuant to the Demerger Plan

As disclosed above, on the Completion Date, all of the assets, rights and liabilities primarily relating to Hydro Agri will be transferred to AgriHold ASA. The Demerger Plan includes a description of such assets, rights and liabilities. Under the Demerger Plan, if the Demerger occurs, the business carried on by the Agri Companies will be treated as having been carried on for the account and risk of AgriHold ASA and the other Agri Companies from and including October 1, 2003.

Norsk Hydro ASA currently holds an indirect interest, through subsidiaries that are not Agri Companies, in several of the Agri Companies and Minority Interest Companies. Prior to the Demerger, Hydro s group structure will be modified so that all of Norsk Hydro ASA s interests in the Agri Companies and the Minority Interest Companies will be held by Norsk Hydro ASA either directly or solely through other Agri Companies.

Through the Demerger, AgriHold ASA will acquire certain assets (in addition to the shares and partnership interests in the Agri Companies and the Minority Interest Companies) and rights and assume certain liabilities. Specifically, AgriHold ASA will assume a liability to pay to Norsk Hydro ASA an interest-bearing debt, the principal amount of which was approximately NOK 11.5 billion as

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of October 1, 2003. This debt, together with cash and interest-bearing debt of AgriHold ASA and the other Agri Companies, correspond to a consolidated net interest-bearing debt of approximately NOK 8.5 billion for AgriHold ASA and its subsidiaries as of October 1, 2003. In addition, AgriHold ASA and its subsidiaries will, through the Demerger, assume a consolidated net pension obligation that, as calculated in accordance with U.S. GAAP and Norwegian GAAP, amounted to approximately NOK 2.0 billion as of September 30, 2003 (without taking into account any corresponding tax deductions).

AgriHold ASA s repayment of the above-described debt to Norsk Hydro ASA is expected to be effected on the Completion Date from the proceeds of debt financing to be arranged through financial institutions prior to the consummation of the Demerger. It is a condition precedent to the consummation of the Demerger that adequate documentation shall have been produced to evidence that AgriHold ASA will satisfy its indebtedness to Norsk Hydro ASA on the Completion Date.

Pursuant to the terms of the Demerger Plan, Hydro s Board of Directors may consent, subject to more detailed agreement, to the extension of such indebtedness. It may also agree to provide a guarantee or other credit support in connection with AgriHold ASA s debt financing. Although any such decision on the part of Norsk Hydro ASA would fall within its absolute discretion, Hydro s Board of Directors does not foresee that it will agree to any such arrangements except in the event that AgriHold ASA s inability otherwise to satisfy its debt on the Completion Date is due solely to transitory matters unrelated to AgriHold s creditworthiness on a stand-alone basis.

The Demerger Plan contains provisions regarding a number of cash adjustments that shall be made between Norsk Hydro ASA and AgriHold ASA in certain circumstances, among other things to avoid any unintended transfers of value between Norsk Hydro ASA and AgriHold ASA as a result of dividends or other distributions, or intra-group transactions, effected prior to the consummation of the Demerger. The Demerger Plan further provides for adjustments intended to allocate the ultimate burden of tax liabilities of the Agri Companies accrued prior to October 1, 2003 to the Hydro Companies, while tax liabilities of the Agri Companies accrued thereafter (as calculated without reference to tax consolidation measures involving both Hydro Companies and Agri Companies) are to be allocated to the Agri Companies. The Demerger Plan also contains provisions regarding adjustments in respect of various actual or contingent costs relating to tax and other matters.

Illustrative Balance Sheet Information Reflecting Allocation of Assets and Liabilities

The Demerger will be accounted for based on Hydro s historical values.

The balance sheet information set forth below illustrates certain balance sheet effects as if the Demerger and the additional following transactions had occurred as of September 30, 2003: (1) Norsk Hydro s ASA s redemption of 1,157,922 shares held by the Norwegian State against payment of approximately NOK 0.4 billion, (2) AgriHold ASA s drawdown of assumed external loans in the aggregate amount of NOK 8.9 billion, (3) AgriHold ASA and its subsidiaries settlement of their net interest-bearing debt to Norsk Hydro ASA and its subsidiaries following consummation of the Demerger in the amount of approximately NOK 10.1 billion, and (4) Norsk Hydro ASA s sale of its AgriHold Shares at book value of approximately NOK 2.0 billion.

This illustration is based on the assumptions briefly described above which relate to future transactions for which there is considerable uncertainty. Accordingly, this illustration should not be viewed as Carve-Out or Pro Forma balance sheets. Carve-Out and Pro Forma balance sheets,

presenting the effects of the Demerger only, are presented under the caption Presentation of Financial Information in Part V of this Information Memorandum.

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NOK billion	Norsk Hydro ASA and subsidiaries before Demerger	Norsk Hydro ASA and subsidiaries after Demerger	Agri Demerged Business[1]	AgriHold ASA before Demerger[2]	AgriHold ASA and subsidiaries after Demerger
Cash and other liquid assets	17.8[7]	27.4[8]	0.5[3]	2.0[4]	0.8[5]
Other current assets	58.1	45.0[6]	13.5[6]		13.5
Total current assets	75.9	72.4	14.0	2.0	14.3
Non-current assets	143.9	132.7[9]	11.2		11.2
TOTAL ASSETS	219.8	205.1	25.2	2.0	25.5
Interest-bearing debt	36.6	35.7	11.0[3]		9.3[5]
Other liabilities	98.2	90.5[6]	8.1[6]		8.1
Total liabilities	134.8	126.2	19.1		17.4
Minority shareholders interest	0.7	0.6	0.1		0.1
Shareholders equity	84.3[7]	78.3	6.0	2.0	8.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	219.8	205.1	25.2	2.0	25.5
Net interest-bearing debt [11]	18.8[10]	8.3[10]	10.5[3]	(2.0)[4]	8.5[5]

(1) Agri Demerged Business comprises assets, rights and liabilities transferred from Hydro in accordance with the Demerger Plan.

(2) AgriHold ASA before the Demerger is the transferee company, which has been established for the purpose of the Demerger. This company will have no operational activity prior to the Effective Date of the Demerger.

(3) The net interest-bearing debt of the Agri Demerged Business amounts to NOK 10.5 billion, which consist of NOK 10.1 billion in interest-bearing debt to Norsk Hydro ASA and subsidiaries in addition to NOK 0.9 billion of external interest-bearing loans (in total NOK 11.0 billion of interest-bearing debt), less cash and other liquid assets of NOK 0.5 billion.

(4) Approximately NOK 2.0 billion was contributed in cash by Norsk Hydro ASA upon formation of AgriHold ASA.

(5) AgriHold ASA and subsidiaries after the Demerger will have a net interest-bearing debt of NOK 8.5 billion which is assumed to consist of cash and other liquid assets of NOK 0.8 billion and interest-bearing debt of NOK 9.3 billion.

(6) Figures include internal trade receivables and trade payables totaling NOK 0.4 billion which will be external after the Demerger.

(7) Cash and other liquid assets for Norsk Hydro ASA and subsidiaries before the Demerger were NOK 18.2 billion as of September 30, 2003. In the illustration above this cash level has been reduced, with a corresponding decrease in shareholders equity, by NOK 0.4 billion to NOK 17.8 billion in order to reflect the planned cash payment of NOK 0.4 billion as a result of the redemption of 1,157,922 shares held by the Norwegian State.

(8) The level of cash and other liquid assets of Norsk Hydro ASA and subsidiaries after the Demerger reflects repayments of net interest-bearing debt by AgriHold ASA and subsidiaries of NOK 10.1 billion to Norsk Hydro ASA and subsidiaries, less cash and other liquid assets in the Agri Demerged Business of NOK 0.5 billion.

(9) Shares in AgriHold ASA are assumed to have been sold at book value of approximately NOK 2.0 billion.

(10) A payment of petroleum tax for the second half of 2003 of approximately NOK 7.3 billion was due October 1, 2003. Adjusted for this tax payment the net interest-bearing debt was approximately NOK 26.1 billion before the Demerger and approximately NOK 15.6 billion after the Demerger.

(11) Net interest-bearing debt defined as interest-bearing debt, less cash and other liquid assets.

The Hydro Group s legal structure after the Demerger as currently anticipated is illustrated in simplified form below:

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The AgriHold Group s legal structure after the Demerger as currently anticipated is illustrated in simplified form below:

Corporate Names and Logos; Use of Trademarks Following the Demerger

Norsk Hydro ASA will retain its corporate name after the Demerger, but intends to launch a new logo in connection with a planned corporate profiling campaign.

AgriHold ASA will change its name prior to the consummation of the Demerger. Upon determination of the new name, Norsk Hydro ASA will, as AgriHold ASA s sole shareholder, make the appropriate changes to AgriHold ASA s Articles of Association at an extraordinary general meeting to be held prior to the consummation of the Demerger.

Pursuant to the Demerger Plan, AgriHold may use as its new logo, or as part of it, the Viking ship symbol as presently incorporated in Hydro s logo.

Pursuant to the Demerger Plan, Hydro may continue to make use of its present logo for a limited period of time and, in certain cases, for a prolonged period of time. Similar arrangements have been made to allow AgriHold, during a transitional period of time, to make use of Hydro s present logo, and to keep in place Hydro s name.

Share Split Ratio; Issuance of Consideration Shares

For a demerger to be effected on a tax-free basis under Norwegian law, the share capital of the demerging company must be split between the transferor company and the transferee company. The split must be proportional to the relative net values allocated to each of the transferor and the transferee company.

In light of this requirement, Hydro estimated its fair market value by reference to its market capitalization during the period from September 15 to October 15, 2003. Hydro used 14 analysts estimates of Hydro Agri s enterprise value published in the weeks immediately following the Announcement Date to value Hydro Agri in a similar manner to that applicable to a publicly-traded company. The concentration of these estimates was in the NOK 18-20 billion range. Hydro compared these estimates to internal valuations of Hydro Agri, including estimates based on comparable company valuation multiples, and concluded that the implied valuation fell within the range of reasonable valuations based on customary valuation methodologies used in the financial community. Based on these estimates of the fair values of Hydro and the assets, rights and liabilities to be transferred to AgriHold ASA in the Demerger, respectively, the members of Hydro s Board of Directors, in their capacities as members of Hydro s Board of Directors and as the members of AgriHold s Board of Directors, determined that an allocation of 91.5% of Norsk Hydro ASA s share capital to the assets, rights and liabilities to be retained by Norsk Hydro ASA following the Demerger and 8.5% of Norsk Hydro ASA s share capital to the assets, rights and liabilities transferred in the Demerger would be proportional to the relative net values allocated to the two companies in the Demerger, and, thus, comply with the Norwegian legal requirements for tax-free treatment of the Demerger.

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In the Demerger, AgriHold ASA will issue one share for each outstanding Hydro Share. The Demerger will result in the split of the share capital of Norsk Hydro ASA through a reduction of the par value of each Hydro Share simultaneously with the issuance of one new AgriHold Share for each outstanding Hydro Share. Consistent with the above-described relative valuations of the assets, rights and liabilities allocated to each of Norsk Hydro ASA and AgriHold ASA in the Demerger, the par value of each Hydro Share will be reduced from NOK 20.00 to NOK 18.30, while the par value of each AgriHold Share will be NOK 1.70. This will be accomplished in the following manner:

Norsk Hydro ASA s share capital will be reduced by NOK 448,722,527.60 (from NOK 5,279,088,560 to NOK 4,830,366,032.40), by means of a reduction of the par value of each Hydro Share from NOK 20 to NOK 18.30.

Simultaneously with the reduction in Norsk Hydro ASA s share capital, AgriHold ASA s share capital will be increased by NOK 434,441,932.60 (from NOK 108,610,470.40 to NOK 543,052,403) through the issuance to Norsk Hydro ASA s shareholders of 255,554,078 new AgriHold Shares, each with a par value of NOK 1.70, in the ratio of one AgriHold Share per Hydro Share.

No AgriHold Shares will be issued to Norsk Hydro ASA with respect to its treasury shares in connection with the Demerger. Accordingly, the number of AgriHold Shares held by Norsk Hydro ASA will not increase as a result of the Demerger, and AgriHold ASA will not receive any treasury shares in the Demerger.

Actions to be Taken by Norsk Hydro ASA s Shareholders at the Extraordinary General Meeting

At the extraordinary general meeting of Norsk Hydro ASA s shareholders, to be held on January 15, 2004 at 5.00 p.m. (Oslo time) at Gamle Logen , Grev Wedels Plass 2, Oslo, Norsk Hydro ASA s shareholders will vote on the following proposals:

approval of the reduction of Norsk Hydro ASA s share capital by NOK 52,844,440 in connection with cancellation of 1,484,300 treasury shares and redemption of 1,157,922 shares held by the Norwegian State, and

approval of the Demerger Plan.

Each of these proposals must be approved by two-thirds of the votes cast at the extraordinary general meeting in order for the Demerger to be implemented. As noted above, the reduction of Norsk Hydro ASA s share capital in connection with the cancellation of treasury shares and the redemption of shares held by the Norwegian State is a condition precedent to consummation of the Demerger.

Norsk Hydro ASA s Articles of Association provide that shareholders who wish to attend the extraordinary general meeting (in person or by proxy) must notify Norsk Hydro ASA of their intention to attend at least five days prior to the meeting. It is necessary to attend the meeting (in person or by proxy) in order to vote on the proposals before the shareholders. A holder of Hydro ADRs, representing Hydro Shares, who desires to vote at the meeting must withdraw the underlying Hydro Shares from the ADR Depositary and register such shares in his own name in Norsk Hydro ASA s share register in the VPS. A shareholder holding shares through a nominee account must also withdraw his shares from the nominee account and register such shares in his own name in Norsk Hydro ASA s share register with the VPS. For a description of the VPS System, see Description of the Shares and Share Capital of AgriHold Following the Demerger The VPS System and Transfer of Shares.

Under Norwegian law, there are no quorum requirements applicable to general meetings.

Hydro s Board of Directors recommends that shareholders approve each of these proposals to be considered at the extraordinary general meeting. If shareholders approve the Demerger Plan by the requisite two-thirds vote, Norsk Hydro ASA will, as the sole shareholder of AgriHold ASA, vote to approve the Demerger Plan at the extraordinary general meeting of AgriHold ASA, to be held immediately after the Norsk Hydro ASA extraordinary general meeting on January 15, 2003.

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The Corporate Assembly of Norsk Hydro ASA is expected to consider the Demerger Plan at its meeting on December 10, 2003, and will then issue a statement in respect of the Demerger. The Corporate Assembly has no decision-making authority in respect of the Demerger.

Election of AgriHold s Board of Directors

As noted above, AgriHold s Board of Directors currently consists of the present members of Hydro s Board of Directors. AgriHold s current Board of Directors will resign upon consummation of the Demerger. At Norsk Hydro ASA s extraordinary general meeting to be held on January 15, 2004, five individuals will be designated to be directors of AgriHold ASA. In the following extraordinary general meeting of AgriHold ASA, Norsk Hydro ASA will, as sole shareholder of AgriHold ASA, elect the designated individuals to serve as members of AgriHold s Board of Directors following the consummation of the Demerger. Nominees for these director positions are expected to be announced by Norsk Hydro ASA s nomination committee in early January 2004.

In addition to the shareholder representatives referred to above, three individuals shall be elected by and among the employees of AgriHold ASA and its Norwegian subsidiaries to serve as members of AgriHold s Board of Directors following the Demerger. Such employee representatives are expected to be elected prior to consummation of the Demerger, in accordance with the Regulation Relating to Employee Representation, dated December 18, 1998 and a consent from the Norwegian Industrial Democracy Board (*Bedriftsdemokratinemnda*).

AgriHold ASA will have a nomination committee consisting of four members elected by AgriHold ASA s general meeting. The procedure for designation and election of the individuals who will serve in such positions immediately following the Demerger will be the same as for election of new shareholder representatives on AgriHold s Board of Directors, as described above. Norsk Hydro ASA s nomination committee is expected to announce a proposal for the designation of individuals to serve as the initial members of AgriHold ASA s nomination committee at the time Norsk Hydro ASA s nomination committee announces its AgriHold ASA director nominees.

Authority to Issue New AgriHold Shares

AgriHold s strategy will include making selective investments and evaluating strategic acquisition opportunities on a case-by-case basis with the aim to strengthen AgriHold s business position. In order to contribute to AgriHold s financial flexibility in this regard, as well as to enable AgriHold s Board of Directors to establish share-based compensation systems, Hydro s Board of Directors will propose to Norsk Hydro ASA s extraordinary general meeting that it approve the grant of authority to AgriHold ASA s Board of Directors, for a period commencing on consummation of the Demerger and ending two years after this authority is given to AgriHold s Board of Directors, to issue up to 15 million new AgriHold Shares. If this proposal is approved by at least two-thirds of the votes cast at Norsk Hydro ASA s extraordinary general meeting, Norsk Hydro ASA will, as the sole shareholder of AgriHold ASA, approve the grant of such authority to AgriHold s Board of Directors at an extraordinary general meeting of AgriHold ASA.

Conditions to Consummation of the Demerger

Under the terms of the Demerger Plan, consummation of the Demerger is subject to the satisfaction or, where noted below, waiver of each of the following conditions:

All material intra-group transactions which are specified in Section 12 and 13 of the Demerger Plan and which are necessary for AgriHold ASA to become the direct or indirect owner of all of Hydro s current interests in the Agri Companies and the Minority Interest Companies shall have been completed, unless the Boards of Directors of each of Norsk Hydro ASA and AgriHold ASA conclude that the delay in completing, or potential failure to complete, such transactions will not have a material adverse effect on either of the companies after having taken into consideration any compensatory arrangements which may be agreed to in this regard.

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Adequate documentation shall have been produced to evidence that AgriHold ASA will satisfy its indebtedness to Norsk Hydro ASA on the Completion Date, unless Hydro s Board of Directors consents, subject to more detailed agreement, to the extension of such indebtedness.

All consents required for the assignment of agreements from Norsk Hydro ASA to AgriHold ASA shall have been obtained, and all rights of termination of agreements to which an Agri Company or a Minority Interest Company is a party shall have been waived or the deadline for exercise of any such rights shall have expired without such rights having been exercised. However, this condition shall not apply if, in the opinion of Hydro s Board of Directors and AgriHold s Board of Directors, neither the potential failure to obtain consents nor the potential termination of such agreements would individually or in the aggregate have a material adverse effect on the business of the AgriHold Group following the Demerger.

The OSE shall have approved the AgriHold Shares for listing promptly after registration of the consummation of the Demerger in the Register of Business Enterprises.

1,157,922 Hydro Shares held by the Norwegian State shall have been redeemed and 1,484,300 treasury shares shall have been cancelled, as described above.

The deadline for objections from Norsk Hydro ASA s creditors shall have expired and the relationship with any creditors which have raised objections shall have been settled, or the District Court (*tingretten*) shall have decided that the Demerger may nevertheless be consummated. See the information below under the caption Relationship with Creditors.

Filings and Public Approvals

Hydro is not aware of any filings or public approvals required in order to consummate the Demerger, or any of the related transactions to structure Norsk Hydro ASA s ownership of the subsidiaries and other entities that comprise Hydro Agri s business so as to make possible a full separation of these subsidiaries and entities from Hydro, except for the filings with the Register of Business Enterprises required by the Norwegian Public Limited Companies Act in connection with a demerger.

Consummation of the Demerger

If the conditions to consummation of the Demerger are satisfied or, where applicable, waived, AgriHold s Board of Directors will give notice to the Register of Business Enterprises that the Demerger is to be consummated. Such notice is expected to be given on or about March 24, 2004. Upon registration of such notice in the Register of Business Enterprises, the following will occur by operation of Norwegian law:

the reduction of Norsk Hydro ASA s share capital will be effected;

the increase in AgriHold ASA s share capital will be effected;

assets, rights and liabilities will be transferred to AgriHold ASA in accordance with the Demerger Plan;

the new AgriHold Shares will be issued to Norsk Hydro ASA s shareholders; and

all other rights and obligations provided for in the Demerger Plan will take effect.

If registration of such notice in the Register of Business Enterprises has not occurred on or before June 30, 2004, the Demerger will lapse.

As soon as practicable after the registration of the consummation of the Demerger with the Register of Business Enterprises, AgriHold ASA will cause the new AgriHold Shares to be registered in the name of the registered holders of Hydro Shares in AgriHold ASA s shareholder register with VPS. This is expected to occur on or about March 30, 2004.

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Information for Holders of Hydro ADRs

Prior to the extraordinary general meeting of Norsk Hydro ASA s shareholders, Norsk Hydro ASA will send to its shareholders, through its ADR Depositary, this Information Memorandum.

In conjunction with the Demerger, AgriHold ASA intends to create for the AgriHold Shares a Level I ADR facility. Norsk Hydro ASA and its financial and legal advisors believe that an ADR facility for the AgriHold Shares will offer a number of benefits to its U.S. investors. Principal among these benefits is the service offered by the AgriHold ADR Depositary in making dividends and other distributions normally payable in Norway in Norwegian kroner available in the United States after conversion to U.S. dollars. This service, among other benefits, will facilitate the investment in AgriHold by U.S. investors that may otherwise be limited in their ability to hold non-U.S. dollar denominated securities. In addition, the deposit agreement will provide for AgriHold to deliver promptly to the AgriHold ADR Depositary all notices and other communications generally delivered to shareholders or filed with the Oslo Stock Exchange. The AgriHold ADR Depositary will undertake to mail or deliver these notices and communications to ADR holders and/or maintain them for inspection at its U.S. corporate trust office. In addition, an ADR facility provides a U.S. registrar and a custody arrangement through a U.S. entity, which are prerequisites for certain U.S. investors, particularly certain investment managers and other fiduciaries.

AgriHold ASA will file with the SEC a registration statement on Form F-6 in respect of the ADSs representing the AgriHold Shares and seek effectiveness of that registration statement prior to the Completion Date. In accordance with SEC rules, AgriHold ASA will apply to the SEC for an exemption from the reporting requirements of the Exchange Act in accordance with Rule 12g3-2(b) thereunder prior to filing the Form F-6. AgriHold ASA intends to comply with the information supplying requirements under Rule 12g3-2(b) so long as it has more than 300 U.S. shareholders. Further, by virtue of its establishing a Level I ADR facility, AgriHold ASA will have agreed to maintain its exemption from the registration and reporting requirements of the Exchange Act and furnish specified information to the SEC under the Exchange Act in accordance with Rule 12g3-2(b) thereunder.

AgriHold ASA presently does not intend that the AgriHold Shares or ADSs will be listed on a securities exchange in the United States or quoted on Nasdaq or any other inter-dealer quotation system in the United States in conjunction with the Demerger, or that AgriHold ASA will otherwise facilitate the creation of a trading market of AgriHold Shares in the United States. The creation of an ADR facility for the AgriHold Shares is intended solely to accommodate the holders of Norsk Hydro ASA s ADSs, ensuring that Norsk Hydro ASA s shareholders (including the holders of its ADSs) are treated as fairly as possible in the Demerger. However, AgriHold ASA may at a later time determine to list its shares on a U.S. securities exchange or obtain a quotation on Nasdaq after the Demerger is completed. Accordingly, until such a listing or quotation in the United States, if any (or until AgriHold ASA completes an offering of securities registered under the Securities Act, AgriHold ASA will not be subject to the information reporting requirements of the Exchange Act, but will be entitled to rely on the exemption provided by Rule 12g3-2(b) thereunder. If AgriHold ASA lists or obtains a quotation in the United States, AgriHold ASA will become subject to the reporting requirements under the Exchange Act.

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Demerger-Related Business Agreements between Hydro Companies and Agri Companies

Agreements for Hydro s Continued Provision of Goods and Services to Agri Companies

In connection with the Demerger, Hydro Companies and Agri Companies have entered into, or will enter into, certain agreements that will regulate the continued provision of a number of goods and services by Hydro Companies to Agri Companies (particularly Hydro Agri s Norwegian operating entities), including:

- a plant maintenance agreement, which may be terminated by either party with effect from December 31, 2006; and
- an information services and information technology frame agreement pursuant to which Hydro will be the sole supplier of day-to-day IT/IS services and project related IT/IS services until December 31, 2006, after which time Agri may at its option source such services from either Hydro or third parties until the expiration of the agreement on December 31, 2008.

The terms and conditions of the agreements entered (or to be entered) into between Hydro Companies and Agri Companies are (or will), in general, be similar to the terms and conditions previously applied for intra-group purposes. Those previously applied terms and conditions are reflected in the segment information contained in Hydro s financial statements. Hydro believes that the amounts paid (or to be paid) pursuant to these agreements are, except as described below, consistent with prevailing market prices for similar services. In the aggregate, Agri Companies are expected to pay approximately NOK 420 million in respect of the 12-month period ending on December 31, 2003 for services of the nature covered by the above-mentioned plant maintenance agreement and information services and information technology frame agreement.

Power Sourcing Contracts

A Hydro Company and certain Agri Companies have entered into agreements under which electrical power will be provided to Hydro Agri s production facilities in Glomfjord and Porsgrunn, respectively.

- The two agreements pertaining to the Glomfjord facility provide for the supply of approximately 250 GWh of power per year. In general, the agreements, which expire in 2007, pass through the terms of an agreement with Statkraft, a Norwegian State-owned power company.
- The agreement pertaining to the Porsgrunn plant provides for the supply of approximately 680 GWh of power per year. This agreement, which expires in 2005, reflects the continuation of an established intra-group power supply arrangement.

Each of the Statkraft agreement and the previous intra-group agreement were entered into on arm s-length terms when market prices for electrical power in Norway were lower than current price levels, as reflected in, for example, term contracts quoted on the Nord Pool, the Nordic Power Exchange.

Supply of Natural Gas

A Hydro Company and an Agri Company have entered into a cooperation agreement relating to a long-term gas supply contract dated March 10, 1987 with N.V. Nederlandse Gasunie, as supplier (the Gasunie Contract), and another long term gas supply contract with Duke Energy Europe Northwest B.V., as supplier (the Duke Contract), under which Hydro Agri s Sluiskil facilities are supplied with natural gas. Hydro has recently entered into an agreement with Duke Energy International to acquire Duke Energy Europe Northwest B.V. Hydro Agri and a Hydro Company are in the process of seeking a transfer of the Gasunie Contract to the Hydro Company. If that occurs, the Hydro Company will provide the Agri Company with the natural gas sourced under the Gasunie Contract on a back-to-back basis. Gasunie has recently provided notice of a substantial price increase.

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As a result of Gasunie s notification of the price increase, Hydro Agri and the Hydro Company will have the right to reduce the off-take under the Gasunie Contract or terminate the Gasunie Contract. The parties to that contract are presently in negotiations about the proposed price increase.

The Duke Contract will be transferred to an Agri Company, but according to the cooperation agreement, the Hydro Company will utilize and pay arm s-length compensation for the off-take flexibility provided by such contract.

Founder and Subscription Certificates

According to Norsk Hydro ASA s Articles of Association, holders of unredeemed founder certificates and subscription certificates have preferential subscription rights in the event of an increase in Norsk Hydro ASA s share capital, provided that the Norwegian law in effect at the time of the share increase so permits. Norsk Hydro ASA s Articles of Association provide that these preferential subscription rights shall be reserved for such holders in connection with each share capital increase, on the conditions stipulated by Hydro s Board of Directors, for up to:

- 0.83% of the increase, for holders of the 83 unredeemed founder certificates; and
- 2.79% of the increase, for holders of the 4,343 unredeemed subscription certificates.

These preferential rights do not apply if the share capital increase is effected to allot shares to third parties as compensation for their transfer of assets to Norsk Hydro ASA.

Holders of unredeemed founder certificates and subscription certificates will be entitled to the same preferential rights in AgriHold ASA. The Demerger Plan provides that AgriHold ASA s Articles of Association will include provisions similar to the provisions in Norsk Hydro ASA s Articles of Association with respect to such rights.

Transfer of Agreements

As noted above, almost all of Hydro Agri s business is conducted through subsidiaries of Norsk Hydro ASA and non-consolidated investees. Accordingly, most of the agreements relating to Hydro Agri were entered into by these subsidiaries or non-consolidated investees. Under the terms of some of these agreements, other contractual parties would have certain rights with respect to termination or otherwise as a result of the Demerger or the related transactions that will be effected in connection with the Demerger.

Notwithstanding the legal structure described above, Norsk Hydro ASA has entered into a number of agreements relating to Hydro Agri in its own name. Under the terms of several such agreements, consents from other contractual parties may be necessary in order to permit their assignment to AgriHold ASA as part of the Demerger. The Demerger Plan provides that in the event that the necessary consent to the assignment of an agreement is not obtained, the parties shall, as far as possible, ensure that the agreement continues in force in the name of Norsk Hydro ASA but for the account and risk of AgriHold ASA, and, further, that if this is not possible, the parties shall, as far as possible, enter into an agreement between themselves that grants to AgriHold ASA the same rights against and liabilities towards Norsk Hydro ASA as

those that Norsk Hydro ASA has against and owes to the contractual party in question.

It is a condition precedent to the consummation of the Demerger that all consents required for the assignment of agreements from Norsk Hydro ASA to AgriHold ASA shall have been obtained, and that all rights of termination of agreements to which an Agri Company or a Minority Interest Company is a party shall have been waived or the deadline for the exercise of any such rights shall have expired without such rights having been exercised. However, this condition shall not apply if in the opinion of each of Hydro s Board of Directors and AgriHold s Board of Directors neither the potential failure to obtain consents nor the potential terminations of such agreements would individually or in the aggregate have a material adverse effect on the business of the AgriHold Group following the Demerger.

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Norsk Hydro ASA has issued a number of guarantees of the payment and performance obligations of the Agri Companies under various contracts. The aggregate maximum amounts payable under such guarantees limited in amount was approximately NOK 3.2 billion as of October 1, 2003. In addition, Norsk Hydro ASA has issued some guarantees which are not limited in amount. Although each of Norsk Hydro ASA and AgriHold ASA will use commercially reasonable efforts to obtain Norsk Hydro ASA s release from such guarantees in consideration for the substitution of AgriHold ASA as guarantor, there can be no assurance that such releases will actually be obtained. To the extent that such releases are not obtained, the Demerger Plan provides that the relevant Agri Companies shall pay a commission to Norsk Hydro ASA on the basis of the aggregate amount of the guarantees outstanding. The rate of such commission shall be 0.30% per year for the period through September 30, 2004, and thereafter it will increase by 0.05 percentage points from the end of every second calendar quarter to a maximum of 0.60% per year. Hydro believes that this commission is consistent with prevailing market terms for such guarantees.

Relationship with Creditors

If the requisite shareholder approval of (i) the cancellation of treasury shares and redemption Hydro Shares held by the Norwegian State and (ii) the Demerger Plan is obtained at the extraordinary general meeting of Norsk Hydro ASA (which will result in Norsk Hydro ASA s approval of the Demerger Plan at the extraordinary general meeting of AgriHold ASA), the resolutions of the extraordinary general meetings will promptly be reported to the Register of Business Enterprises, which will then publish a notice to Norsk Hydro ASA s creditors. Creditors will then have the right, within the two-month period following publication of that notice, to raise objections to the consummation of (i) the cancellation and redemption of shares and (ii) the Demerger.

If a creditor with an undisputed and due claim raises an objection, the cancellation and redemption of shares or the Demerger, as the case may be, cannot be consummated until the claim has been settled. If a creditor with a disputed or undue claim raises an objection, the cancellation and redemption of shares or the Demerger, as the case may be, cannot be consummated before adequate security has been posted in respect of such claim unless:

- the District Court (*tingretten*) determines that it is clear that there is no claim or that the Demerger or the cancellation or redemption of shares, as the case may be, will not weaken the creditor s possibility of achieving satisfaction of the claim, or
- in respect of the Demerger, following a demand from Norsk Hydro ASA, the District Court decides that the Demerger may nevertheless be consummated.

Based on the scheduled date for the extraordinary general meetings, the creditor notification period is expected to expire on or about March 19, 2004.

If a particular liability accrued prior to the consummation of the Demerger is not satisfied by the party to which the liability has been allocated under the Demerger Plan, be it Norsk Hydro ASA or AgriHold ASA, then the other party will be jointly and severally liable for such liability. This statutory liability is unlimited in time, but is limited in amount to the net value allocated to the non-defaulting party in the Demerger.

As most operational liabilities of the Hydro Group are vested in subsidiaries, the majority of Norsk Hydro ASA s significant liabilities are obligations under loan agreements and guarantees. As of October 1, 2003, Norsk Hydro ASA had gross interest-bearing debt of approximately NOK 32.2 billion and guarantees limited in amount for liabilities amounting in the aggregate to approximately NOK 8.6 billion, exclusive of guarantees for liabilities of Agri Companies. In addition, Norsk Hydro ASA has issued some guarantees which are not limited in amount. Norsk Hydro ASA and AgriHold ASA will use commercially reasonable efforts to obtain the release of AgriHold ASA from liabilities under loan

agreements and guarantees, but there can be no assurance that such releases will actually be obtained.

In addition, Norsk Hydro ASA has unfunded pension liabilities, which, calculated according to U.S. GAAP and Norwegian GAAP, amounted to approximately NOK 3.0 billion as of December 31, 2002, exclusive of that portion of the liability which will be transferred to AgriHold ASA in the Demerger.

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The intention has been to allocate all of Norsk Hydro ASA s liabilities to either Norsk Hydro ASA or AgriHold ASA in the Demerger Plan. If it should nevertheless not be possible to ascertain from the terms of the Demerger Plan which company is liable for a particular obligation which has accrued prior to the consummation of the Demerger, Norsk Hydro ASA and AgriHold ASA will be jointly and severally liable for such claim.

Hydro believes that there are no terms contained in any of its material loan agreements that provide the lender with rights or remedies in connection with the Demerger apart from those rights provided by law described above and in respect of which a waiver has not been obtained.

Employees

As of September 30, 2003, the Agri Companies had 7,606 employees, of whom approximately 325 were employed by Norsk Hydro ASA and the balance by various subsidiaries. For a description of the geographic location of such employees and their allocation among Hydro Agri s three segments, see Part III of this Information Memorandum, Hydro Agri s Business Employees in Part III of this Information Memorandum.

Those Norsk Hydro ASA employees whose tasks primarily relate to Hydro Agri will become employees of AgriHold ASA or one of its Norwegian subsidiaries following the Demerger. Their terms of employment, including with respect to pensions, will be substantially unaffected by the transfer of their employment in connection with the Demerger.

The majority of the employees of Norsk Hydro ASA s various subsidiaries will not be directly affected by the Demerger, although a limited number of individuals will have their employment transferred from an Agri Company to a Hydro Company, or vice versa, in connection with the Demerger.

Consistent with Norwegian labor legislation, the Demerger proposal has been presented to and discussed with representatives of those Norsk Hydro ASA employees whose employment will be transferred to AgriHold ASA in the Demerger. The Demerger Plan and the report on the Demerger from Hydro s Board of Directors will be made available to the Norsk Hydro ASA employees. Further, information has been given to, and there have been consultations with, employees of Agri Companies in accordance with legal requirements, collective bargaining agreements and ordinary practice in various countries. In Norway, AgriHold ASA and the employees of the Norwegian Agri Companies have entered into an agreement pursuant to which AgriHold ASA will not have any Corporate Assembly. As a consequence of this, three instead of two of the eight members of AgriHold s Board of Directors will be elected by and among the employees of the Norwegian Agri Companies.

Tax Matters

General

Set forth below is a description of certain tax consequences of the Demerger and the related transactions between subsidiaries of Norsk Hydro ASA.

The description below of tax consequences for shareholders is a summary provided by Hydro s advisors in each jurisdiction of some of the tax rules relevant to holders of Hydro Shares and ADSs that are effective as of the date of this Information Memorandum. The description is of a general nature and does not cover all tax rules and regulations of relevance in connection with the Demerger. Holders of Hydro Shares and Hydro ADSs should contact professional tax advisors to clarify individual tax consequences in connection with the Demerger.

Tax Consequences for Norsk Hydro ASA and AgriHold ASA

Hydro believes that the Demerger complies with the requirements for treatment of the transaction as a tax-free transaction in Norway. Accordingly, the Demerger should not trigger any Norwegian capital gains taxation on the part of Norsk Hydro ASA, and AgriHold ASA should step into Norsk Hydro ASA s tax positions with respect to the assets and liabilities transferred in the Demerger. The

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Demerger will for Norwegian tax purposes take effect as of January 1, 2004, which means that items of income and expense generated by Norsk Hydro ASA from such date will, to the extent related to the operations transferred to AgriHold ASA in the Demerger, be attributed to AgriHold ASA for tax purposes. Pursuant to the Demerger Plan, Norsk Hydro ASA is ultimately liable for any and all costs arising as a direct result of the Demerger or any of the related intra-group transactions described below.

Norsk Hydro ASA s current aggregate tax base in its AgriHold Shares is equal to the aggregate subscription price of approximately NOK 2.0 billion. When Norsk Hydro ASA sells AgriHold Shares, it will for Norwegian tax purposes realize gains or losses based on the difference between the net sales price and the tax base in the shares, as adjusted for RISK (Norsk Hydro ASA s pro rata portion of the retained tax earnings of AgriHold during the period of Norsk Hydro ASA s ownership). The applicable tax rate is currently 28%.

Tax Consequences of Transactions between Subsidiaries of Norsk Hydro ASA Related to the Demerger

As noted above, the major part of Hydro Agri is organized through the Agri Companies and Minority Interest Companies. Norsk Hydro ASA s interest in several of these companies is currently held indirectly through subsidiaries that are not Agri Companies. In order to enable Norsk Hydro ASA to transfer direct or indirect ownership of all Agri Companies and Minority Interest Companies to AgriHold ASA, Hydro s group structure must be modified before the Demerger so that all interests in Agri Companies and Minority Interest Companies are held by Norsk Hydro ASA either directly or solely through other Agri Companies. To this end, Hydro will prior to the Completion Date effect a number of intra-group transactions.

Hydro believes that the majority of the most substantial of such intra-group transactions will be tax-free according to the laws and regulations of the relevant jurisdictions or tax relief rulings obtained from competent authorities. Although the adjustments to Hydro s current group structure will also involve a number of taxable transactions, Hydro believes that such transactions will neither individually nor in the aggregate lead to material cash tax payments or material tax costs for accounting purposes. It must be stressed, however, that this view is based on a number of assumptions for which there is considerable uncertainty.

Tax Consequences for Shareholders in Norway

As noted above, Hydro believes that the Demerger complies with the requirements for treatment of the transaction as a tax-free transaction in Norway. As a result, the distribution of the new AgriHold Shares to the holders of Hydro Shares will not trigger tax in Norway. The tax base in Hydro Shares, including adjustments for RISK (a shareholder s pro rata portion of the retained tax earnings during the period of such shareholder s ownership), will be split between the Hydro Shares and the new AgriHold Shares in the same proportion as the relative fair market values and share capital of Norsk Hydro ASA (91.5%) and the assets, rights and liabilities transferred to AgriHold ASA in the Demerger (8.5%). For each holder of Hydro Shares, the aggregate tax base in the Hydro Shares and the AgriHold Shares immediately after the Demerger will thus be equal to the tax base in the Hydro Shares immediately before the Demerger.

AgriHold Shares will for tax purposes be regarded as having been acquired at the same time as the corresponding Hydro Shares. For example, if a Hydro Share has been acquired on January 1, 2000, the new AgriHold Share issued in respect of such Hydro Share will for tax purposes (including with respect to the application of the first in, first out principle) be regarded as having been acquired on that date.

The issuance of AgriHold Shares in the Demerger will not be subject to any withholding tax in Norway.

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Tax Consequences for Shareholders in the United States

The following discussion is a summary based on present law of certain U.S. federal income tax considerations relevant to the Demerger. The discussion addresses only U.S. Shareholders that hold Hydro Shares or Hydro ADRs as capital assets and use the U.S. dollar as their functional currency. It does not address the tax treatment of U.S. Shareholders subject to special rules, such as banks, dealers, insurance companies, regulated investment companies, tax-exempt entities, holders of 10% or more of Norsk Hydro ASA s voting shares, persons holding Hydro Shares or Hydro ADRs as part of a hedge, straddle, conversion, or other integrated financial transaction, or constructive sale transaction. Hydro believes, and this discussion assumes, that Norsk Hydro ASA is not a passive foreign investment company for U.S. federal income tax purposes.

This summary does not address U.S. state or local taxes. It does not consider any investor s particular circumstances. It is not a substitute for tax advice. Hydro urges investors to consult their own tax advisers about the tax consequences of the Demerger.

As used in this discussion, U.S. Shareholder means a beneficial owner of Hydro Shares or Hydro ADSs that is (i) a citizen or resident of the United States, (ii) a corporation, partnership or other business entity organized under the laws of the United States, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income tax regardless of its source.

A U.S. Shareholder receiving AgriHold Shares will be treated as receiving a distribution from Hydro. The tax consequences of the distribution depend on whether the Demerger will satisfy the conditions for non-recognition treatment imposed by Section 355 of the Internal Revenue Code of 1986, as amended (Section 355), including that each of Hydro and AgriHold conducts an active trade or business with a five year history.

KPMG LLP (KPMG) expects to provide Hydro with an opinion letter stating that, for U.S. tax purposes, the Demerger should satisfy the conditions for tax-free treatment. KPMG s opinion will be contingent upon a number of factors, including Hydro providing KPMG with a letter containing certain representations (including a representation that, other than accounts payable related to purchases and sales of inventory in the ordinary course of business, no debt owed by AgriHold ASA to Norsk Hydro ASA will remain outstanding beyond a reasonably short period of time following the consummation of the Demerger). Hydro has not, however, sought a ruling from the U.S. Internal Revenue Service, and can therefore offer no assurance that the Internal Revenue Service might not reach a different conclusion.

If the Demerger qualifies as tax-free, (i) a U.S. Shareholder would not recognize gain or loss upon receipt of the AgriHold Shares; (ii) a U.S. Shareholder would allocate its adjusted tax basis in the Hydro Shares or Hydro ADRs between the AgriHold Shares received and its existing Hydro Shares or Hydro ADRs in proportion to their relative fair market value and (iii) a U.S. Shareholder s holding period in the AgriHold Shares would include its holding period in the Hydro Shares or Hydro ADSs. A U.S. Shareholder treating the Demerger as tax-free will be required to attach to its tax return for the year in which it receives AgriHold Shares a statement setting forth certain information regarding the application of Section 355.

If the Demerger were not to qualify as tax-free, a U.S. shareholder that receives AgriHold Shares would be treated as receiving a taxable distribution from Hydro in an amount equal to the fair market value of the shares in U.S. dollars. This distribution would be treated as a dividend, taxable as ordinary income, to the extent of the U.S. Shareholder s share of current and accumulated earnings and profits of Hydro as determined for U.S. federal income tax purposes (which Hydro does not compute). A non-corporate U.S. Shareholder meeting certain conditions (including a holding period) would be taxed on the dividend amount at the same preferential rate allowed for long-term capital gains. If the amount of the distribution were to exceed Hydro s current and accumulated earnings and profits, the excess would be treated as a recovery of basis to the extent of a U.S. Shareholder s basis in its Hydro Shares

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or Hydro ADSs and then as capital gain. Since Hydro does not calculate earnings and profits for U.S. tax purposes, however, a U.S. Shareholder should expect not to be able to establish that any portion of the distribution would be treated as recovery of basis or capital gain.

If the Demerger were not to qualify as tax-free, a U.S. Shareholder would have a basis in the AgriHold Shares received equal to the fair market value at the time of receipt determined in U.S. dollars on the date of receipt, and the holding period of the AgriHold Shares would commence on the day following the Demerger. A non-corporate U.S. shareholder benefiting from the preferential rate for dividends may be subject to special rules treating any loss realized on the sale of Hydro Shares or Hydro ADSs as long-term capital loss to the extent of the dividend.

Tax Consequences for Shareholders in the United Kingdom

Hydro has been advised that the Demerger is not expected to constitute a disposal for the purposes of taxation of capital gains for those holders of Hydro Shares who are resident or ordinarily resident in the United Kingdom.

It should instead be treated for such purposes as a reorganization. This means that the composite new holding of Norsk Hydro ASA and AgriHold Shares will be treated as the same asset as the original holding of Hydro Shares acquired at the same time as that original holding. The original base cost of the original holding of Hydro Shares will be allocated between the separate holdings of Norsk Hydro Shares and AgriHold Shares by reference to their market values on the first day on which market values are quoted for such shares.

Tax Consequences for Shareholders in France

The issuance of AgriHold Shares to French tax resident holders of Hydro Shares will be treated as distributed income/dividend by Norsk Hydro ASA.

French tax resident individuals owning Hydro Shares as part of their private portfolio:

The fair market value of the AgriHold Shares (converted into euro at the date of their attribution) will be taken into account to determine the global income of the taxpayer in the schedule of distributed/dividend income *(revenus de capitaux mobiliers)*.

It will be subject to :

- the income tax levied according to the progressive schedule;
- the generalized social contribution *(CSG)* which current rate is of 7.5% (article 1600-0 C and article 1600-0 E of the French Tax Code (the FTC));

- the social levy of 2% (article 1600-0 F *bis* III 1 of the FTC); and

- the 0.5% contribution for the refund of the social debt *(CRDS)* (article 1600-0 L of the FTC).

This income does not give right to the annual relief of 1,220.00 (2,240.00 for married couples or partners subject to joint taxation having entered into a civil solidarity agreement) provided under article 158-3 of the FTC.

Legal entities subject to French corporate income tax:

The fair market value of the AgriHold Shares (converted into euro at the date of their attribution) will be taxable as ordinary income for French corporate income tax purpose at a rate of 33.1/3% increased by an additional contribution representing (i) 3% for the entities realizing less than 7,630,000.00 of turnover and whose share capital is totally paid in and owned continuously for at least 75% by individuals (or by entities themselves meeting these conditions), (ii) 3% for the other entities, to which is added a social contribution on profit levied at a rate of 3.3% on corporate income tax after a deduction of 763,000.00.

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Tax Consequences for Shareholders in Sweden

Swedish civil law does not include rules on demergers. Thus, it is unclear how a demerger as described in the Demerger Plan would be treated in Sweden if the Demerger had regarded a Swedish company. However, the tax consequences arising for Swedish shareholders in situations similar (but not identical) to the Demerger have been judged in case law.

On the basis of case law, it is likely that no tax would be due for Swedish tax residents holding Hydro Shares at the time of consummation of the Demerger and that the acquisition cost of the Hydro Shares should be split between the Hydro Shares and the corresponding AgriHold Shares in proportion to the market values at the time of consummation of the Demerger. However, since each case is judged on its own facts and circumstances, the risk that the Swedish tax authorities and courts could come to another conclusion cannot be ruled out.

In order to avoid any potential penalties in case the authorities should regard the Demerger as a taxable transaction, each shareholder is advised to disclose the transaction openly in the tax return by, for example, referring to this Information Memorandum that should be added as an appendix to the tax return.

Stock Exchange Listings

The Hydro Shares are presently listed on the Oslo Stock Exchange, as well as the stock exchanges in London, Paris, Hamburg, Düsseldorf and Frankfurt. Hydro ADSs, each representing one Hydro Share, are listed on the New York Stock Exchange. Depository receipts evidencing Hydro Shares are also traded on the stock exchange in Stockholm.

AgriHold Shares will be listed on the Oslo Stock Exchange from the time the Demerger has become effective. This is expected to occur on or about March 25, 2004. At that time, Hydro Shares will be traded exclusive of the right to receive corresponding AgriHold Shares.

Intended Sale of Norsk Hydro ASA s AgriHold Shares

As noted above, it is Norsk Hydro ASA s intention, provided that prevailing market conditions so permit, to sell its AgriHold Shares, corresponding to 20.0% of all AgriHold Shares, in an offering at the time of the consummation of the Demerger. The exact structure of such offering has not yet been determined. In the event an offering is completed, it is expected that AgriHold ASA, Norsk Hydro ASA and the Norwegian State would enter into lockup agreements with the managers of the offering. The AgriHold Shares to be offered by Norsk Hydro ASA will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

If, due to adverse market conditions, the offering should be withdrawn or reduced in size, Norsk Hydro ASA would sell its remaining AgriHold Shares after the expiration of any lock-up period, but within 18 months after the consummation of the Demerger. Norsk Hydro ASA does not plan on voting any AgriHold Shares that it may retain after consummation of the Demerger.

Expenses Related to the Demerger

No account has been taken of expenses relating to the Demerger in Hydro s pro forma financial statements included in this Information Memorandum. Under the terms of the Demerger Plan, such expenses will be for the account of Hydro. Expenses related to the Demerger will, in accordance with both U.S. GAAP and Norwegian GAAP, be included as ordinary operating expenses in Hydro s financial statements.

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Expenses incurred in connection with the Demerger are in the aggregate expected to amount to approximately NOK 67 million. The expenses comprise the following:

UBS Limited, London, U.K.	NOK 15 million[1]
ABG Sundal Collier ASA, Oslo, Norway	NOK 8 million[1]
Wiersholm, Mellbye & Bech, advokatfirma AS, Oslo, Norway	
Advokatfirmaet Selmer DA, Oslo, Norway	
Thommessen Krefting Greve Lund AS Advokatfirma, Oslo, Norway	
Steptoe & Johnson LLP, Washington, D.C. (U.S.)	
Cleary, Gottlieb, Steen & Hamilton, London, U.K.	
KPMG LLP	
Others (Norton Rose, Lefebvre etc)	
All law firms employed	NOK 28.7 million[2]
Deloitte Statsautoriserte Revisorer AS, Oslo, Norway	NOK 4.2 million[3]
Kjelstrup & Wiggen AS, Oslo, Norway	NOK 0.4 million[3]
Environ	NOK 0.4 million
Miscellaneous (printing, distribution etc.)	NOK 4.9 million

(1) Additional NOK 5 million will be distributed to UBS Limited and ABG Sundal Collier in a proportion to be determined by Hydro.
(2) Based on the estimates of the hours or fees provided by the law firms employed in connection with the Demerger. In connection with Hydro s intended offering of AgriHold Shares, Hydro intends to disclose the aggregate fees of the law firms and other advisors that have assisted with either or both of the Demerger and the offering in connection with that offering.
(3) Based on the estimates of the hours employed.

Timetable

The expected timetable for the Demerger is as follows:

Action/Event	Expected Date of Completion/Occurrence
Extraordinary general meetings	January 15, 2004
Creditor notice period expires	March 19, 2004
Last trading date for Hydro Shares including AgriHold	March 24, 2004
Registration of the Demerger in the Register of Business Enterprises	March 24, 2004
Separate listing of Hydro Shares and AgriHold Shares	March 25, 2004

Announcements

Announcements relating to the Demerger issued by or on behalf of Norsk Hydro ASA and/or AgriHold ASA will be considered made once they are received by the Oslo Stock Exchange and distributed through its electronic information system.

Distribution of the Information Memorandum

This Information Memorandum is being distributed to all registered shareholders of Norsk Hydro ASA as of November 28, 2003 using the addresses held on file by the VPS. The Oslo Stock Exchange has reviewed and approved this Information Memorandum prior to dissemination. Further copies of the Information Memorandum are available from the financial advisors.

Questions

Any questions on this Information Memorandum or the Demerger should be addressed to Peik Norenberg, Director of Investor Relations, Norsk Hydro ASA, Bygdøy allé 2, 0240 Oslo, telephone number: +47 22 53 34 40.

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PART III

HYDRO AGRI

PLANT NUTRIENT FUNDAMENTALS

Like humans and animals, plants need nutrients to grow. Commercially produced mineral fertilizers give plants the primary nutrients needed in a form they can readily absorb and use: nitrogen (N), phosphorus (P) and potassium (K). Other major nutrients such as sulphur, calcium and magnesium are required in lesser, but still significant, quantities. Plants also need a number of micronutrients, such as iron, zinc, copper, manganese and boron, in very small, but essential amounts.

Each of the three major nutrients plays a different role in plant development.

Nitrogen is an essential element for plant growth; it is part of every plant s proteins and is a component of DNA and RNA. Absorbed by plants in larger amounts than other nutrients, nitrogen makes plants green and is usually most responsible for increasing yields in crop plants.

Phosphorus is essential to plant root growth. Phosphorus compounds, referred to as phosphates, are needed in plant photosynthesis (i.e., the production, transportation and accumulation of sugars in the plant) to repackage and transfer energy. Phosphorus is involved in seed germination and helps plants use water efficiently.

Potassium, or potash, is also necessary for photosynthesis. Potash makes plants hearty and helps them withstand the stress of drought, fight off disease, and protect against cold, weeds and insects. Potassium stops wilting, helps roots stay in place and assists in transferring food. Potassium is a regulator, activating plant enzymes and ensuring that the plant uses water efficiently.

Although plants will absorb nitrogen, phosphorus and potassium from organic matter and soil materials, this is usually not sufficient to satisfy the demands of crop plants. The supply of nutrients must, accordingly, be supplemented with fertilizers, to meet the requirements of crops during periods of plant growth, to replenish those removed through crop harvesting, or to provide those nutrients that are not already available in appropriate amounts in the soil. The two most important sources of nutrients are manufactured or mineral fertilizers and organic manures. Farmers determine the types, quantities and proportions of fertilizer to apply to their fields depending on, among other things, the crop, soil and weather conditions, regional farming practices, fertilizer and crop prices.

Plant Nutrient Production; Products

Industry Measurement Conventions Used

When measuring amounts or concentrations (e.g., product declarations) of the primary nutrients, the fertilizer industry measures nitrogen as such, while phosphate materials, by convention, are measured as di-phosphorus pentoxide (P_2O_5), and potassium, as di-potassium oxide (K_2O). These conventions are used consistently throughout this Information Memorandum.

Nitrogen

Nitrogen makes up 78% of the air we breathe. In this form, it is inert and insoluble, and not accessible to plants. Ammonia is the basic building block for producing virtually all other forms of nitrogen-based fertilizers. To a lesser extent, it is also used directly as a commercial fertilizer. Ammonia is produced by reacting nitrogen from the air with hydrogen at high pressure and temperature in the presence of a catalyst. The hydrogen is most often produced by reacting natural gas with water at high temperature and pressure in the presence of a catalyst. Natural gas is also used as a process gas (i.e., an energy source) to generate the heat required in the ammonia production process, but this use is minor compared to its use as a raw material in ammonia production.

Because there are natural gas deposits in many locations, ammonia and nitrogen fertilizers are produced in many countries. British Sulphur, a specialist publisher and independent consultant to the fertilizer industry, has recently reported that ammonia is produced in approximately 68 countries; urea, the most common of nitrogen fertilizer products, is produced in about 56 countries.

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Although the number of chemical processes used in the production of nitrogen fertilizer products is small, there is a wide variety of finished products. The diversity of products facilitates site-specific applications, which take into account factors such as soil type and the requirements of the crop, thus making it possible to achieve optimal plant nutrition.

The principal nitrogen-based fertilizer products are:

Ammonia used as a fertilizer and as a building block for other nitrogen products, including intermediate products for industrial applications and finished fertilizer products. Ammonia, consisting of 82% nitrogen, is stored as a liquid under pressure or refrigerated. It is gaseous at ambient temperatures and is injected into the soil as a gas. The direct application of ammonia requires a considerable investment by farmers in pressurized storage tanks and injection machinery.

Urea formed by reacting ammonia with carbon dioxide (CO_2) at high pressure. From the warm urea liquid produced in the first, wet stage of the process, the finished product is mostly produced as a solid product (containing 46% nitrogen) typically applied in solid form. Urea can be combined with ammonium nitrate solution to make liquid nitrogen fertilizer (urea ammonium nitrate or UAN).

Ammonium nitrate (AN) produced by reacting nitric acid, an intermediate chemical feedstock produced from ammonia, with ammonia to form a concentrated, watery solution that is subsequently solidified in a prilling or granulation process. Ammonium nitrate is a solid fertilizer (containing approximately 34% nitrogen) typically applied in solid form. Ammonium nitrate is water soluble and used in various fertilizer solutions.

Calcium ammonium nitrate (CAN) a mixture of AN and calcium or magnesium carbonate (containing 25-28% nitrogen), produced by mixing calcium and/or magnesium carbonate into an ammonium nitrate solution before the solidification process. The lime content of CAN also helps to neutralize soil acidity.

Ammonium sulphate (AS) has a relatively low nitrogen content (21%). In addition to nitrogen, it contains sulphur (24%). It is used where the lack of sulphur in the soil is a limiting factor in plant growth.

Calcium nitrate (CN) produced by dissolving a calcium salt such as limestone or the calcium phosphate of phosphate rock in nitric acid. In the latter case, it is a co-product with nitrophosphate products. (See the product listings under Phosphorus below.) CN is used to remedy plant deficiencies in calcium and ameliorate soil acidification. It contains 15.5% nitrogen in nitrate form and 19% water-soluble calcium. The product is water soluble and particularly suited for water-born fertilizer application systems.

Potassium nitrate (PN) produced by reacting sodium nitrate with potassium chloride. Potassium nitrate is used as a potassium and nitrogen fertilizer. Potassium nitrate contains 13.5% nitrogen and 45% water-soluble potassium as K_2O. The water suitability makes it particularly suited for liquid-based applications.

Because of their chemical similarity, AN, CAN, CN and PN are often collectively referred to as nitrates.

Phosphorus

Phosphorus occurs in natural geological deposits of phosphate rock, which is mined from the Earth s crust. The largest deposits of phosphate rock are located in North Africa, China, India, the United States, Brazil, Australia and Russia. Most phosphate ores require a treatment referred to as beneficiation, which entails washing, crushing, sizing and flotation before the material is pure enough to be used as phosphate rock raw material for further chemical processing. Phosphate ore deposits are not evenly distributed in the Earth s crust; some countries and areas are endowed with enormous resources. Major mining today occurs only on deposits where grade, geometry and logistics are most favorable for low-cost production. In 2002, 11 countries were responsible for 83% of the world s aggregate production of approximately 143 million tonnes of phosphate rock. As of 1999, the total

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known reserves of phosphate rock (defined as mineral deposits of established extension that are, or could be, profitably mined under prevailing conditions of costs, market prices and technologies) amounted to 56 billion tonnes, with 60% of this located in Morocco.

To make the phosphorus in phosphate rock soluble and available to plants, the rock is digested with sulphuric or nitric acid to manufacture phosphoric acid, an intermediate product that is further processed to make many different kinds of phosphate-containing fertilizers.

The principal phosphate-based fertilizer products are:

Monammonium phosphate (MAP) (containing 52% phosphate as P_2O_5) and **diammonium phosphate (DAP)** (containing 46% phosphate as P_2O_5) referred to as ammoniated phosphates because phosphoric acid is treated with ammonia to form these products, both of which also contain nitrogen. Both are widely produced in granular form for use as such or for blending with other types of fertilizers, and are also produced in non-granular forms for use in liquid fertilizers.

Nitrophosphate products in which part of the nitrogen content is in nitrate form (as opposed to the purely ammonium form found in the MAP and DAP products). Nitrophosphate products are produced when the phosphate rock is dissolved in nitric acid rather than sulphuric acid.

Single superphosphate produced by treating phosphate rock with sulphuric acid, single superphosphate contains 16-20% phosphate as P_2O_5.

Triple superphosphate produced by treating phosphate rock with phosphoric acid, triple superphosphate is a highly concentrated form of phosphate fertilizer (containing roughly 46% phosphate as P_2O_5) and is produced in both granular and non-granular forms.

Potassium

Potassium salts, or potash, are mined from naturally occurring ore bodies that were formed as seawater evaporated. Potash ores are found as salts of chlorine or sulphate in salt deposits in some sedimentary basins. The ore is never pure enough and must be beneficiated and purified. Some potassium is also found as brines in lakes or in sub-surface deposits. After it is mined, the potassium chloride is separated from the mixture to produce a granular fertilizer.

Potash deposits are even less evenly distributed in the Earth s crust than phosphate deposits. Only 12 countries mine potash; in 2002, six of those countries (Canada, Russia, Belarus, Germany, Israel and Jordan) produced nearly 90% of the world s aggregate production of approximately 24 million tonnes, measured as K_2O. Canada is the source of one-third of global production. The known reserves (defined as mineral deposits of established extension that are, or could be, profitably mined under prevailing conditions of costs, market prices and technologies) of potash amount to more than 9 billion tonnes. More than 70% of this amount is located in Saskatchewan in Canada.

The principal potash products are:

Potassium chloride (also referred to as muriate of potash or MOP) containing 40-60% potash.

Potassium sulphate (or sulphate of potash or SOP) containing 50% potash, potassium sulphate is used for plants that are particularly sensitive to chlorine, such as potatoes, fruits, vegetables and tobacco.

Sulphate of potash magnesia or **potassium magnesium sulphate** for use in magnesium-deficient soils.

Multi-Nutrient Products

In addition to single-nutrient fertilizer products, there are also multi-nutrient products, which can be categorized as follows:

Complex fertilizers fertilizers containing at least two of the primary nutrients, obtained by chemical reaction. The granules that result contain a declared ratio of nutrients. MAP, DAP and nitrophosphate products are examples of this type of product.

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Compound fertilizers fertilizer containing at least two of the primary nutrients, obtained by chemical reaction, blending or a combination of both. The granules produced may contain different nutrients in varying ratios.

Blended fertilizers or **bulk blends** obtained by the dry mixing of several materials. No chemical reaction is involved. Blends should, ideally, involve the mixing of granules of consistent size, weight and surface treatment to avoid segregation, which is undesirable because it reduces the agronomic efficiency of the product.

Multi-nutrient fertilizers often are referred to using their primary nutrient components (e.g., NPK, NP, etc.).

In purely agronomic terms, complex fertilizers offer the most effective way of achieving balanced nutrition, since they contain a declared grade or formula of primary nutrients in each granule and permit an even application due to their stable granule quality and consistent granule size. Complex fertilizers tend to be more expensive and historically have offered better margins than mixtures or blends, but contribute to greater crop yield and quality, especially in the case of the high value-added fruit and vegetable segments (referred to in the industry as cash crops, such as fruits and vegetables, as opposed to so-called food crops, like grain), where growers are willing to pay for these benefits.

Bulk blends are produced by a simple process of dry mixing of already-manufactured products. As a result, the capital investment and operating costs associated with bulk blending are small compared to those of manufacturing ammonia and the finished mineral fertilizer products. Similarly, sales margins for bulk blended products are normally much lower than those for chemically manufactured fertilizer products. The discussion of production volumes contained in the description of Hydro Agri s business distinguishes between chemical manufacturing and bulk blending.

Specialty Fertilizers

Specialty fertilizer products (such as calcium nitrate and potassium nitrate) are targeted for growers of cash crops. The most advanced applications integrate fertilizer application and drip irrigation and adjust input (i.e., the amounts and mix of major and minor nutrients, and trace elements) to optimize plant performance (i.e., growth) continuously. The better margins that tend to be achieved by growers of cash crops relative to those achievable with food crops have led to an increased demand (approximately 5% per year over the last several years) for specially formulated fertilizers demonstrating an ability to enhance yield and crop quality by applying the products according to crop-specific advice. Their use increases the grower s return, helps meet the market demand for quality crops, and enables higher margins than those normally achieved with high-volume fertilizers.

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OVERVIEW OF THE MINERAL FERTILIZER INDUSTRY

Consumption of Mineral Fertilizers: Historical Development and Projected Growth

Global mineral fertilizer consumption (that is, consumption of all three of the primary plant nutrients) has increased ten-fold since 1950. By 2002, the global market for fertilizer products was estimated at U.S.$70 billion. According to information released by the International Fertilizer Industry Association (the IFA), a trade association whose members include 450 companies in some 80 countries around the world, consumption has increased from approximately 14 million tonnes during the 1950/51 fertilizer season to an average consumption level of 138 million tonnes per year over the 1998/99 2000/01 fertilizer seasons. The relative breakdown of the latter figure, by primary nutrient, is as follows:

Nitrogen	83 million tonnes (approximately 60%)
Phosphate (P_2O_5)	33 million tonnes (approximately 24%)
Potash (K_2O)	22 million tonnes (approximately 16%).

For the most part, there has been a steady increase in consumption throughout this roughly 50-year period. The most notable of the interruptions in consumption growth were attributable to the oil crises in the 1970s and the drop-off in consumption in the late 1980s and early 1990s associated with the break-up of the FSU and the related economic problems experienced in that region of the world.

The consumption growth since 1950 can principally be attributed to the increase in the world s population and the related decline in the number of hectares per person dedicated to crop production, as illustrated in the graph below.

In addition, the world s dietary standard has improved significantly during this period, as reflected by a rise in the per capita caloric intake. Data from The Food and Agriculture Organization of the United Nations (the FAO) indicate that, on a per capita basis, the human average daily caloric intake increased by approximately 25% from 1961 to 2001.

Mineral fertilizer has played, and is expected to play, an increasingly important role in crop nutrition over time. Using a typical grain crop as an example, natural soil fertility can only sustain a production of approximately 1.5 tonnes per hectare of land over time. Traditional agricultural practices with animal, grass and grain production combined, and full use of the manures produced by the animals, can lift this to approximately 2.0 tonnes per hectare. Through the use of mineral fertilizers, together with other advances in agricultural technologies and practices, the present production has increased to approximately 6.0 tonnes per hectare.

In a report entitled Fertilizer Requirements in 2015 and 2030 prepared in 2000, the FAO projected an increase in world crop production from 1995/97 to 2030 of approximately 57%. In order

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to attain the yields projected by the FAO, the FAO forecasts that fertilizer consumption will have to increase from the average level of 138 million tonnes (N, P_2O_5 and K_2O together) per year during the 1993/94 to 2000/2001 period to between 167 and 199 million tonnes per year by 2030. This represents an annual growth rate of between 0.7% and 1.3% per year, compared to an average annual increase of 2.4% per year between 1970 and 2000. The lower projected amount of 167 million tonnes assumes a slow-down in the growth of the world s population and in crop production, as well as greater improvement in fertilizer use efficiency.

Other industry sources and analysts have projected higher annual growth rates in fertilizer consumption. The IFA, for example, has projected an annual growth rate of 2.1% through the 2007/08 fertilizer season, though the IFA s report includes a statement that this figure is slightly optimistic, indicating that an average annual growth rate in consumption of between 1.5-2.0% may be more realistic.

Beyond the overall growth in worldwide fertilizer consumption, industry sources, including the IFA, have released information reflecting the change in the relative proportion of fertilizer consumption between developed and developing countries. The IFA data indicate that developed countries accounted for 88% of the world fertilizer consumption in the 1960/61 fertilizer season. During the three-fertilizer season period from 1998/99 to 2000/01, that percentage had dropped to 37%; developing countries accounted for 63%. China represented close to 27% of world fertilizer consumption; South Asia (mostly India) and North America (mostly the United States), each 16%; Western Europe, 12%; and Latin America, 8%.

The IFA s medium-term (i.e., through the 2007/08 fertilizer season) forecasts of annual growth rates in fertilizer consumption in different regions of the world highlight the trend suggested by the percentages in the preceding paragraph: consumption growth rates in the developing countries are expected to continue to exceed those of developed countries. This is, in part, attributable to the historic pattern that improved standards of living lead to the incorporation of a greater proportion of meat (and other proteins) into grain-based diets. Production of high-protein foods such as meat and dairy products requires larger amounts of grain and, thus, more fertilizer. The projected annual growth rates in consumption of developing countries in regions such as South America, Asia and Central and Eastern Europe range from 1.8%-3.5%. In contrast, the projected annual growth rates of fertilizer consumption in North America and Western Europe range from a negative (0.9%) to 0.2%. The IFA s projected annual growth rates for each of the three primary nutrients vary from region to region, but overall are relatively similar (i.e., phosphate fertilizers, 2.7%; nitrogen and potash, approximately 2.0%).

Capacity and Production Levels of Mineral Fertilizers

The tables below provide information on the worldwide production capacity of nitrogen, phosphate (P_2O_5) and potash (K_2O), the average annual global production level during the 1999-2001 period and the proportion of production within the countries or regions accounting for the largest amounts of that production, all based on information available from the IFA:

Nitrogen

2000 Production Capacity (Ammonia)[1]	127.8 million tonnes
1999-2001 Average Annual Global Fertilizer-related Production[1]	87.0 million tonnes
Percentage of Global Production:	

China	25%
North America	16%
Western and Central Europe	15%
India	13%
Eastern Europe and Central Asia	10%
Middle East	7%
Others	14%

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(1) The difference between the production capacity figure and the production level of nitrogen fertilizer primarily reflects the significant use made of ammonia and nitrogen for industrial applications.

Phosphate (P_2O_5) in mined phosphate rock

2000 Production Capacity	40.0 million tonnes
1999-2001 Average Annual Global Production[(1)]	41.1 million tonnes
Percentage of Global Production:	
Africa	29%
United States	26%
China	15%
Russia	9%
Others	21%

(1) Refers to phosphate rock production. Actual production may exceed the production capacity because the processing of phosphate rock involves losses in beneficiation. Further, phosphate materials are used in industrial applications. Accordingly, global production of phosphate materials is higher than the consumption of phosphate-based fertilizers.

Potash (K_2O)

2000 Production Capacity	36.8 million tonnes
1999-2001 Average Annual Global Production	25.7 million tonnes
Percentage of Global Production:	
Canada	33%
Russia and Belarus	30%
Western Europe (principally Germany)	19%
Israel and Jordan	11%
Others	7%

Fertilizer Producers

Given the variety of nutrients required by plants and the different locations of the key raw materials involved in the generation of such nutrients, the mineral fertilizer industry has evolved over the years into a number of nutrient-specific sub-sectors with the geographic scope of producers markets reflecting, to a large degree, regional orientations. Many countries have a fertilizer industry of their own, reflecting the desire to secure their own food supply. Nonetheless, based on information available from industry sources such as CRU, IFA and Fertecon, in 2002, 29% of the world s production of ammonia and the highest-volume fertilizer products were sourced through international trade, as reflected by the table below.

Product	Production (million tonnes)	Trade (million tonnes)	Trade as a % of Production
Ammonia	132	16	12%
Urea	114	26	23%
Nitrates	45	15	33%
Phosphate (MAP, DAP)	38	17	45%
Potash (MOP)	43	34	79%
Total	372	108	29%

Although the fertilizer industry is highly fragmented globally, the European fertilizer market is highly consolidated and the U.S. market is currently undergoing a significant reorganization. In certain regions of the world (e.g., the European Union and the United States), producers are mainly private

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enterprises, including some of the larger producers in the industry: Hydro Agri; Potash Corporation of Saskatchewan (PCS), based in Canada; Agrium, based in Canada; K+S Gruppe, based in Germany; IMC Global, based in the United States; and entities that are subsidiaries or divisions of energy or chemical companies (e.g., DSM, Kemira and Total). In other regions (e.g., China, Russia and North Africa), producers are mainly state- or quasi-state-owned entities. None of the industry participants in the main fertilizer production regions of the world can claim to benefit from all the key competitive advantages, such as ready availability of raw materials, low energy costs, modern efficient plants, proximity to markets and favorable distribution logistics.

Sales and Distribution of Mineral Fertilizers

Sales of fertilizer products to end users are generally made through independent retailers, resellers, farmer cooperatives, affiliated dealer organizations and brokers. Markets for fertilizer products are seasonal within a given geographical market, with the timing of application determined by the overall cycle of crop growth, local weather conditions, soil conditions and the type of agricultural activity. Nitrogen, for example, has to be applied to arable crops mainly during the period of active crop growth, which is usually in the spring. Applications of phosphate and potash fertilizers are not necessarily confined to such a short period, although a peak occurs during the spring as these nutrients are usually applied in combination with nitrogen.

Although demand is largely concentrated in one short period within a given geographical market, the most efficient way to operate a fertilizer production plant is to manufacture product evenly throughout the year. As a result, participants in the fertilizer industry benefit by having access to distribution systems that can accommodate large quantities of stored material. Producers often rely on distributors and, to some extent, cooperation from fellow manufacturers, in order to ensure that sufficient quantities of mineral fertilizer are stored in or transported to the vicinity of the farmers at the appropriate time. In general, the greater the extent of a producer s presence in a number of different regional markets and the greater the size of its distribution network, the better able the producer is to mitigate the effects of the inherent seasonality of the fertilizer industry.

Pricing of Fertilizer Products

The fertilizer industry is cyclical, reflecting the commodity nature of ammonia and the major finished fertilizer products (e.g., urea, DAP, MAP, MOP and SOP). In the normal course of business, industry participants are exposed to fluctuations in supply and demand, which can have significant effects on prices across all participants commodity business areas and products and, in turn, their operating results and profitability. Changes in supply can result from capacity additions or reductions and from changes in inventory levels. Demand for fertilizer products is dependent on demand for crop nutrients by the global agricultural industry, which, in turn, depends on, among other things, weather conditions in particular geographical regions. Periods of high demand, high capacity utilization and increasing operating margins tend to result in new plant investment and increased production until supply exceeds demand, followed by periods of declining prices and declining capacity utilization, until the cycle is repeated.

In Europe, plant closures beginning in 1999 and continuing in 2000 resulted in an overall reduction in European production capacity of approximately 2.5 million metric tonnes, representing approximately 20% of the total nitrate capacity prior to such closures. Additional capacity was closed in 2001 and 2002. The plant closures have since contributed to an improved balance between supply and demand in the European nitrate and NPK fertilizer markets, an increase in capacity utilization rates and improved margins.

Based on information available from industry sources, there is limited new capacity expected to come on line worldwide before 2005. However, in 2005, plants currently under construction in Egypt, Iran, Oman, Saudi Arabia, Vietnam, China, Australia and Trinidad and Tobago are

scheduled to commence production. Notwithstanding the information available as to anticipated capacity additions over the next several years, there is considerable uncertainty, and market experts have widely varying views, as to future fertilizer prices. Some industry analysts believe production capacity additions will

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be more than sufficient to meet anticipated growth in the demand for fertilizer, particularly from 2005 onwards, so that prices, as is currently the case, will be determined by so-called swing producers cash costs and are likely to be lower. (See Cost of Raw Materials below.) Others believe that project delays in the completion of construction of new plants and further closures will counterbalance supply growth, and that a tight grain supply and demand balance will lead to strong growth in fertilizer demand, such that a downturn in the fertilizer market will not occur until the 2007/08 fertilizer season.

The cyclicality of the mineral fertilizer industry affects price levels and, to a much lesser extent, consumption of the three primary nutrients in different ways. Prices of nitrogen-based fertilizers are more volatile than the other two primary nutrients because this segment of the industry is relatively less consolidated and is affected by raw material (i.e., natural gas) cost swings. There are fewer suppliers of phosphate and potash, both of which involve less energy-intensive production processes. In contrast, sales volumes of nitrogen-based fertilizers vary less from one fertilizer season to the next, because nitrogen must be applied every year if the farmer wants to maintain crop yields. Phosphate and potash are retained in the soil over time to a much higher degree than nitrogen, which makes it easier for the farmer to reduce the use of phosphate and potash in the short term.

In addition to the effect of the industry s cyclicality, prices of fertilizer products are influenced by a number of other factors, including those discussed below.

Grain Prices

As can be seen from the graphs below, grain consumption has surpassed production in each of the last four years, resulting in declining inventories. Grain production in 2002 was negatively influenced by adverse weather conditions in several key grain exporting regions, most notably the United States, Canada and Australia. This was only partly compensated by strong harvests in FSU countries.

For the last two years, the grain inventory decline has resulted in higher grain prices. In general, higher grain prices normally stimulate increased grain production, increasing the demand for fertilizer with resulting upward pressure on fertilizer prices. Fertilizer demand increased strongly in 2002, but the positive price effect was offset by the downward pressure on fertilizer prices attributable to lower natural gas prices in the United States. The improved fertilizer prices in 2003 can be partly explained by a continuing tightening of the grain balance. Based on information from Blue-Johnson, a U.S. consulting and market research company, grain prices and fertilizer prices have historically reflected a close correlation, as illustrated by the graph below indicating the price levels of corn and urea since 1994.

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Cost of Raw Materials

Natural Gas Price in the United States Creates Ammonia Price Floor

The cost of natural gas accounts for as much as 70-90% of the total cash cost (i.e., excluding such items as depreciation, corporate overhead and debt service) of ammonia production. It takes approximately 36 million British thermal units (MMBTU) of natural gas feedstock and fuel to produce one tonne of ammonia. In recent years, U.S. natural gas prices have been the single-most important factor in the pricing of ammonia. From 1999 through 2002 there has been essentially a zero margin between the price of natural gas in the United States and the global price of ammonia.

For approximately 13 years (i.e., 1987-1999), U.S. fertilizer companies enjoyed a competitive advantage over their Western European counterparts by virtue of their access to relatively cheap natural gas. Western European fertilizer producers, then and now, source natural gas under contracts with pricing formulas that are linked to the price of liquid hydrocarbons (most often, low sulphur heavy fuel oil). During the 1987-1999 period, natural gas prices in the United States ranged from a low of approximately U.S.$1 per MMBTU to a high of approximately U.S.$3 per MMBTU. Beginning in 1999, natural gas demand began to outstrip supply in the United States, resulting in natural gas prices rising fairly sharply, with notable peaks during the winters of 2000/01 and 2002/03. Thus far in 2003, U.S. natural gas prices have remained at or near U.S.$5 per MMBTU. According to The Fertilizer Institute, a U.S.-based trade association, the increase in the price of natural gas in the United States has led to the permanent closure of 11 U.S. ammonia plants in the last three years, representing about 20% of U.S. capacity, and the temporary idling of an additional 25% of capacity. The plants closed have tended to be those located along coastal areas or the Mississippi River, where the transportation costs associated with the import of ammonia into the United States make such imports more economic. Many companies with ammonia production facilities in the United States have become swing producers, producing only when natural gas prices are at levels allowing them to cover their cash costs of production.

The sharp rise in U.S. natural gas prices and the resulting curtailment of U.S. fertilizer production have had an upward impact on fertilizer prices throughout the distribution chain. At the farm level, the ammonia price and that of nitrogen-based fertilizers in the United States increased to near-record high levels earlier in 2003. Based on U.S. natural gas forward prices, a price floor for ammonia is expected to be at a relatively high level through 2006. In the long-term, the addition of new production capacity with technological, raw material or other cost benefits is expected to determine the price levels of commodity fertilizer products such as ammonia and urea.

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Ammonia Price Creates Urea Price Floor

Historical data reflect the linkage between the ammonia price and the price of urea.

It takes approximately 0.57 to 0.59 tonnes of ammonia to produce one tonne of urea. The other cash costs of urea production relate principally to energy and other utility costs and other production costs (including loading of the product). The urea price must reflect a sufficient margin or premium above the ammonia price to cover the cash costs of upgrading the ammonia; otherwise, the fertilizer producer has an economic incentive to simply sell the ammonia.

There is, in turn, a strong correlation between global urea prices and European nitrate prices, the latter reflecting a relatively stable margin above the urea price, when measured in U.S. dollars per tonne of nitrogen for both products. Urea and nitrates are (and are expected to remain) substitute products for one another. European farmers are, in essence, willing to pay only so much more for the preferred nitrate products than for urea.

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Transportation Costs

Prices of fertilizer products vary from region to region based largely on transportation costs. Fertilizer is a bulky and relatively low-cost product and, as such, the cost of handling and transportation is, in relative terms, high. Logistical costs vary by region, but may represent up to 20% of the price paid by the farmer for fertilizer sourced from the region in which the farmer is located and substantially more than that if product is imported from outside that region. As the major sources of competitively priced raw materials (including natural gas) are geographically concentrated, producers ability to balance transportation costs between different parts of the production processes to achieve competitive delivered costs becomes important.

National and Regional Agricultural and Industrial Development Policies

National and regional agricultural and industrial development policies, including trade policy measures such as subsidies, quotas, import duties and anti-dumping legislation, and environmental measures, can also affect fertilizer demand, thereby influencing fertilizer prices.

The price of fertilizers sold into the agricultural market, as influenced by all of the above factors, tends ultimately to be determined by negotiation at the time of sale depending on the supply/demand balance for the relevant plant nutrient and the particular form of product being sold and purchased. Because of the issues associated with matching continuous production with seasonal consumption, it is common in the industry for products to be sold using a progressive pricing structure, whereby producers offer products at a progressively increasing price from the off-season to the application period, thus enabling retailers and cooperatives to recover the cost of early purchase and storage of fertilizers.

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HYDRO AGRI S BUSINESS

Overview

Hydro Agri is a global leader in the production, distribution and sale of nitrogen-based mineral fertilizers and related industrial products. Hydro Agri also distributes and sells a wide range of phosphate- and potash-based mineral fertilizers, as well as complex and specialty mineral fertilizer products sourced from third parties. In 2002, Hydro Agri had operating revenues of approximately NOK 33.5 billion, of which approximately NOK 29.0 billion came from the sale of mineral fertilizers and merchant ammonia.

The core of Hydro Agri s operations is the production and sale of nitrogen-based fertilizers. As of December 31, 2002, Hydro Agri had 5.2 million tonnes of ammonia production capacity, including Hydro Agri s share of the production capacity of non-consolidated investee companies. Hydro Agri is the world leader in ammonia, as measured by production capacity (its fully-owned plants have an aggregate capacity of 4.2 million tonnes), shipping capacity, trade and maritime storage capacity in deep-sea ports. Hydro Agri is the largest producer of nitrates, the most important fertilizer type in Europe. To complement its nitrogen-based product offerings, Hydro Agri also markets phosphate- and potash-based fertilizers sourced from third parties, and is a leader in sales of value-added specialty fertilizers and complex fertilizers (referred to as NPK), which represent the majority of multi-nutrient fertilizers applied in Western Europe. This enables Hydro Agri to offer customers a balanced nutrient portfolio. In addition, Hydro Agri markets certain industrial gases and nitrogen chemicals that, in general, are co-products of its fertilizer operations.

Hydro Agri estimates that, as of year-end 2002, its aggregate sales of nitrogen fertilizers represented approximately 6.5% of global consumption of fertilizer nitrogen, and that its aggregate sales of all fertilizers represented approximately 6% of global consumption. In Europe, Hydro Agri estimates that its sales of nitrogen fertilizers to markets in the EU, Norway and Switzerland during the 2002/03 season represented approximately 25% of fertilizer nitrogen consumption in these markets.

Effective October 1, 2003, Hydro Agri s management has divided the business into three operating segments: Upstream, Downstream and Industrial. The Upstream segment, based on Hydro Agri s worldwide ammonia and urea production, consists principally of Hydro Agri s global production units, joint venture production units and the Ammonia Trade and Shipping (ATS) unit. The Downstream segment consists of Hydro Agri s sales and marketing units, including their locally focused chemical and bulk blending production facilities, and their distribution and logistical assets (i.e., warehouses and bagging facilities). The Industrial segment markets numerous nitrogen chemical products mainly originating from Hydro Agri s fertilizer operations, with certain of such products being intermediates in the production of fertilizer. The Industrial segment also markets large quantities of carbon dioxide obtained from the Upstream segment s ammonia plants and a wide range of other industrial gases. For a further description of the activities of each segment, see Hydro Agri s Operating Segments below.

In 2002, Hydro Agri sold a total of approximately 22.5 million tonnes of fertilizers and associated nitrogen chemicals, consisting of approximately 20.5 million tonnes of fertilizers and 2.0 million tonnes of nitrogen chemicals (the latter predominantly sold by the Industrial segment). In addition, Hydro Agri sold other products, such as industrial gases and carbon dioxide and other non-nitrogen products. In some of these products, e.g. cylinders of industrial gases and propane, tonnes is not a meaningful measure of volume. Fertilizer and nitrogen chemical products produced by Hydro Agri aggregated approximately 14.6 million tonnes. The balance consisted of products purchased for resale from joint venture companies (approximately 2.1 million tonnes) and third parties (approximately 5.8 million tonnes). In addition to purchasing products for resale, Hydro Agri purchased approximately 1.6 million tonnes of products as input for bulk blending.

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Competitive Position

Hydro Agri s strong competitive position within its industry is the result of its efforts to reduce its exposure to and, where possible, benefit from the cyclicality of its business, primarily through:

its low-cost position and related productivity improvements;

capacity reductions in Western Europe, as well as streamlined operations;

a global downstream market presence; and

the increased proportion of earnings derived from the sale of differentiated products (such as specialty fertilizer) to high end fertilizer markets and industrial applications.

Low-Cost Position/Productivity Improvements

Following completion of a three-year turnaround program (1999-2001), Hydro Agri s management believes, based on statistical information made available by the European Fertilizer Manufacturers Association (EFMA), that Hydro Agri has established a cost position below the average of other European producers. Hydro Agri s relative cost performance development according to these statistics is illustrated below:

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In response to the intense competition within the fertilizer industry and other market forces, Hydro Agri has steadily strengthened its results by cutting costs and improving productivity, principally through completion of its turnaround program. Hydro Agri exceeded the targeted objectives of the turnaround program, reducing its annual fixed costs (primarily salaries and related costs, purchased services for plant and facility maintenance, and sales and general administration costs) by approximately NOK 2.4 billion (approximately 30%) over the 1999-2001 period. Improvement measures related to savings in raw material and sourcing costs, energy cost reductions and other variable cost improvements were estimated to amount to an additional NOK 500 million in annual savings compared to the 1998 level. This annual cost reduction of NOK 2.9 billion reflects a reduction in the total number of employees by 30% compared to the 1998 level. The graphs below illustrate the cost and productivity improvements achieved through the turnaround program.

The level of fixed costs depicted in the above graph have been adjusted by converting costs incurred in other currencies to the Norwegian kroner, using 2002 average exchange rates for such currencies for the years 1999-2001, and adjusting for non-recurring items (mainly relating to the turnaround program). The aggregate adjustments amount to NOK 31 per tonne (1999), NOK 19 per tonne (in 2000), NOK 28 per tonne (in 2001) and NOK 3 per tonne (in 2002).

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The turnaround program and the continuous improvement program that has followed have resulted in a marked improvement in capacity utilization at Hydro Agri s production facilities. The difference in capacity utilization between 1999 and 2002 for some of Hydro Agri s major plants is illustrated in the table below:

	1999 Capacity Utilization[1]		2002 Capacity Utilization[1]	
Production Plant	**Ammonia**	**Fertilizer**	**Ammonia**	**Fertilizer**
Sluiskil	97.0%	97.6%	100.0%	97.7%
Porsgrunn	29.0%[2]	94.5%	79.8%	96.1%
Brunsbüttel	83.5%	81.3%	100.0%	81.3%
Trinidad	77.8%		95.4%	

(1) The capacity utilization is indexed against the highest achieved production rate in the period considered.
(2) The Porsgrunn ammonia plant was in operation for only part of the year in 1999 because of revamping of the facility.

Having implemented measures to improve Hydro Agri s operating performance as part of the turnaround program, management expects improvements in productivity in the near future to be more moderate than those achieved in the 1999-2001 period.

Hydro Agri s low cost position is also partly a result of its access to low-cost natural gas. Hydro Agri s joint venture investments in ammonia and urea manufacturing in the Middle East (Qatar) and the Caribbean (Trinidad and Tobago) are based on the availability of low-cost natural gas in these areas. However, Hydro Agri has less than 50% interests in these entities. Accordingly, the benefits associated with this low-cost natural gas are not reflected in Hydro Agri s operating income, but instead appear in the income statement as part of the Equity in net income of non-consolidated investees line item, which affects EBITDA.

Capacity Reductions

The turnaround program also included capacity reductions. Western Europe, Hydro Agri s traditional home market, has experienced a downward trend in fertilizer consumption in recent years. Through the late 1990s, the Western European nitrate market was characterized by production over-capacity (estimated to have been between 2.5 and 3.0 million tonnes, roughly 20% of total nitrate capacity). For Hydro Agri and other producers of nitrate fertilizer, this meant low product prices and increasingly severe pressure on margins, as well as reduced capacity utilization at nitrate fertilizer production plants. In response to these unfavorable market conditions, Hydro Agri announced in late 1999 its decision to reduce its nitrate fertilizer production capacity in Europe by approximately 1 million tonnes. Other European producers of nitrate fertilizer implemented capacity reductions of their own. Plant closures in 2000 resulted in an overall reduction in European production capacity of approximately 2.5 million tonnes. Additional capacity was closed in 2001 and 2002. Over the same time period, individual Western European producers of complex fertilizers determined to effect reductions in their production capacity of complex fertilizers (NPK). Hydro Agri s management believes that plant closures have contributed to an improved balance between supply and demand in the European nitrate and NPK fertilizer markets, an increase in capacity utilization rates and improved margins. Hydro Agri s management believes that the supply and demand balance for nitrogen-based fertilizers should benefit from the limited capacity additions anticipated prior to 2005, implying that plant utilization rates should remain fairly high during this time. See Overview of the Fertilizer Industry - Pricing of Fertilizer Products for a discussion of other views by industry sources.

In addition to the capacity reductions (consisting of the closure or sale of 11 production units) the turnaround program involved Hydro Agri s closure of 12 market organizations and sale of more than 25 businesses considered non-core.

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Global Downstream Market Presence

Hydro Agri has built a global marketing network and distribution system, consisting of sales offices, chartered dry bulk ships, bulk blending plants, terminals and bagging operations. Hydro Agri has a presence in approximately 17 countries in Europe and 27 countries outside of Europe. As a result, Hydro Agri has a local presence on five continents and sales in approximately 120 countries. Although Hydro Agri s market position in any single market is not unique in its industry, its global presence, built and expanded upon over a period of approximately 30 years, combined with the skills, competencies and cultural understanding of its personnel, constitutes a significant differentiating factor.

Hydro Agri s global market presence provides several benefits, each of which helps to mitigate the effects of the industry s cyclicality and strengthen its competitive position:

It reduces Hydro Agri s exposure to adverse market conditions that may exist in a particular region by allowing it to shift products to regions (or portions of regions) with more favorable market conditions. Supply/demand shifts are often specific to one region. Hydro Agri s infrastructure in planning, product supply through manufacturing and purchasing, logistics, storage and distribution, makes it possible to benefit from the time lag associated with changes in market conditions in any one region by shifting product between or among regions.

It enables arbitrage opportunities between or among product markets (e.g., shifting from a more differentiated product to a commodity product at certain times).

It mitigates the seasonality inherent in the fertilizer business, as production can be directed to regions with different peak periods of fertilizer application.

It enables Hydro Agri to take advantage of opportunities such as currently exist with the differential between the lower cost of natural gas sourced from Hydro Agri s operations in Trinidad and Tobago and the relatively high cost of natural gas prevailing in the United States.

It positions Hydro Agri to more readily increase its sales volumes in regions of the world experiencing higher rates of growth in fertilizer consumption, such as Asia and Latin America.

Increased Emphasis on Higher Margin Specialty Fertilizers

Hydro Agri is a leading producer of calcium nitrate, which is produced as a co-product from Hydro Agri s nitro-phosphate production process. In 2001, Hydro Agri entered into a global sales and marketing agreement with Sociedad Quimica y Minera de Chile (SQM), a Chilean specialty fertilizer and industrial chemicals company. The relationship with SQM, the world leader in the production of potassium nitrate, has enhanced Hydro Agri s position within the market for specialty fertilizers.

Production and Sale of Products for Industrial Applications

Hydro Agri s nitrogen fertilizer manufacturing processes provide access to a wide range of nitrogen chemicals that are used as raw materials for a variety of industrial processes. These products range from ammonia, nitric acid and other intermediates to customized variants of finished

fertilizer products such as technical ammonium nitrate, which is used in the manufacture of industrial explosives. Some ammonia production processes involve the production of air gases such as oxygen, nitrogen and argon, in addition to carbon dioxide. These are the core products of the industrial gas industry.

With the production infrastructure in place, Hydro Agri has developed significant market positions for nitrogen chemicals in the areas surrounding its nitrogen manufacturing plants. Hydro Agri has also invested in the development of industrial gas markets, especially in Scandinavia, and in the development of a significant carbon dioxide position in the North Sea basin and in selected other European countries. Hydro Agri has a leading position in the global merchant market for technical ammonium nitrate for the manufacture of industrial explosives, in addition to being a supplier to local explosives companies.

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The different characteristics of the industrial market, notably the more even off-take of product throughout the year, and the opportunity to customize to a larger degree than for most plant nutrition products, contribute to relatively stable revenues and profits. In some product segments, Hydro Agri s research and development efforts have resulted in notable market advances over time.

Strategy

As discussed in Part II of this Information Memorandum, the separation of Hydro Agri is motivated by, among other things, Hydro s wish to allow Hydro Agri to have greater flexibility to further develop its business model.

Continued Focus on Productivity Improvement and Fixed Cost Reduction

Maintain and Improve Low Cost Base and High Capacity Utilization

Through its turnaround program, Hydro Agri has achieved a favorable cost position. Hydro Agri has taken, and intends to continue to take, positive action to counterbalance cyclicality. Nevertheless, Hydro Agri s business in general and its Upstream segment in particular is likely to continue to be exposed to the cyclical nature of the fertilizer industry, due to fluctuations in commodity prices (e.g., natural gas, ammonia and urea). Therefore, Hydro Agri sees cost competitiveness as a key success factor in order to ensure a sustainable business. Accordingly, Hydro Agri will continue to focus its efforts on maintaining and further improving its favorable cost position. This includes efforts to decrease fixed costs and at the same time to improve operational procedures and methods so as to increase production capability.

Improve Capital Efficiency

The seasonality of consumption of fertilizers combined with the often great distance between the producer and the point of sale and consumption make logistics and working capital control more important in the fertilizer industry than in many other industries. Through its turnaround program Hydro Agri has been able to make significant progress in optimizing working capital management, and working capital management will continue to be a focus for the company going forward.

Capitalize on Strong Global Platform and Leading Positions in Core Business Areas

Further Expand Downstream Presence

One of Hydro Agri s principal competitive advantages is the global marketing presence of its Downstream segment. Hydro Agri intends to continue to leverage its extensive marketing and distribution network, its complete product range, and its strong purchasing power. Third-party sourcing reduces the need for heavy investment in new plants and equipment to support growth.

Hydro Agri intends to assess the possibility of gaining access to increased ammonia volumes from locations considered well-placed to serve demand in growth markets for mineral fertilizer, and extending its position in the large North American market, where high domestic natural gas prices are currently weakening domestic producers.

Improve Market Position

Hydro Agri s management expects that Hydro Agri s dedication to the key account customers of its global marketing and sales organizations, its well-maintained production facilities and its global competence will create a basis for increasing its market share. For example, based on annual levels of consumption, nitrate is the most important fertilizer in Europe. Hydro Agri is the leader in Europe, both in sales and production volumes, of nitrates. Hydro Agri also enjoys a production cost advantage over the European nitrate industry. While the European fertilizer market is mature, Hydro Agri s

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management is of the view that it has established a good basis to further develop its European market share. Many of Hydro Agri s competitors are parts of larger corporate entities that do not view the fertilizer industry as a core activity. Since consolidation is ongoing in the distribution chain for fertilizers, Hydro Agri s key account customer relationships may position Hydro Agri well for access to customers across a broader part of the value chain. Hydro Agri has also successfully developed its business in markets where the potential for growth is higher, such as South America. For example, through the acquisition of Trevo in Brazil and following a successful turnaround of that business, Trevo has been able to double its market share in that country. As a result, Hydro Agri has become one of the leading fertilizer producers in the region.

Actively Participate in Industry Consolidation

As an independent company, Hydro Agri will have improved ability to take part actively in industry consolidation. Hydro Agri intends to evaluate potential strategic acquisition opportunities on a case-by-case basis with the aim to strengthen its market presence and distribution network. Hydro Agri s management continuously reviews acquisition opportunities, but there are currently no specific plans to make any material acquisitions.

Develop Differentiated Products

Hydro Agri intends to continue to develop its differentiated products and services both for plant nutrition (e.g., specialty fertilizers and nitrophosphate based complex fertilizer products) and industrial use (industrial gases, carbon dioxide and nitrogen chemicals). Differentiated products require additional competencies in product application and marketing. Hydro Agri s production capacity and production processes (in particular, its co-production of calcium nitrate through the nitrophosphate production process), combined with its global downstream presence, provide a foundation for the development of further differentiated plant nutrition applications. This will allow Hydro Agri to improve the overall margin of the business as well as enhance its ability to counterbalance the cyclicality of the fertilizer industry.

Selective Capital Expenditures

Successful further development of Hydro Agri s market positions in its Downstream and Industrial segments will depend on continued availability of stable and competitively priced products. Over the past years, Hydro Agri has developed its market position with limited investment in manufacturing capacity. In the future, however, Hydro Agri may participate in the development of additional fertilizer capacity. The decision in October 2001 to participate in the Qafco-4 ammonia and urea project (see the discussion under Upstream Production Facilities) is an example of this strategy. The decision was based on the combined effects of a long-standing history of cooperation with the joint venture partner, the infrastructure established in Qafco (three ammonia plants and three urea plants in operation) and the favorable location close to natural gas resources and growth markets.

Attract, Retain and Develop Highly Qualified Personnel

Hydro Agri aims to utilize the full breadth and depth of talent that it already possesses. To achieve this, Hydro Agri will establish clear and decisive management processes that include:

a uniform, transparent, global reporting system and clear decision-making processes for managers;

clear personnel management processes that appropriately identify, recognize, develop and reward the company s best talents;

local empowerment of management with clear accountability and success criteria; and

performance-driven employee compensation.

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Hydro Agri s Operating Segments

Hydro Agri s business is divided into three operating segments: Upstream, Downstream and Industrial.

The Upstream segment is based on Hydro Agri s worldwide ammonia and urea production, including the global trade and shipping of ammonia, as well as nitrate and complex fertilizer production co-located with ammonia production and serving both domestic and international markets. Virtually all of Hydro Agri s ammonia and urea production capacity is in the Upstream segment. In terms of assets, the Upstream segment consists of:

- Hydro Agri s global production units at Porsgrunn (in Norway), Sluiskil (in the Netherlands), Brunsbüttel (in Germany), Le Havre (in France), Ferrara (in Italy) and Point Lisas (in Trinidad and Tobago);
- joint venture production facilities in Trinidad and Tobago (from which Hydro Agri sources ammonia) and in Qatar (from which Hydro Agri sources urea); and
- Hydro Agri s ATS unit, which includes a fleet of owned and chartered ships with an aggregate capacity of approximately 250,000 tonnes and total maritime storage capacity (export and import) of approximately 500,000 tonnes.

In 2002, the Upstream segment s operations generated operating revenues of approximately NOK 11.1 billion.

The Downstream segment consists of Hydro Agri s sales and marketing units, but also includes Hydro Agri s European production facilities that primarily supply their regional home markets, as well as Hydro Agri s fertilizer plants in South Africa (Potchefstroem) and Brazil (Rio Grande), each of which produces NPK for its home market. The Downstream segment s global planning unit optimizes the sourcing of products from Hydro Agri s production facilities, joint ventures in which Hydro Agri has an interest and third parties. The Downstream segment also optimizes the sale and distribution of such products through its global marketing network. In 2002, the Downstream segment s operations generated operating revenues of approximately NOK 26.7 billion.

The Industrial segment markets numerous industrial products mainly originating from Hydro Agri s fertilizer operations, with certain of such products being intermediates in the production of fertilizers. Several of Hydro Agri s fertilizer production plants in Europe supply industrial products. This improves production economics and logistics and provides a source of stable revenues and profits. In 2002, the Industrial segment s operations generated operating revenues of approximately NOK 4.4 billion.

The table below sets forth Hydro Agri s operating revenues and the approximate percentage of such revenues accounted for by each operating segment in the 2000-2002 period:

	Year ended December 31,		
	2002	2001	2000

Segment	Operating Revenues (in NOK billions)	%	Operating Revenues (in NOK billions)	%	Operating Revenues (in NOK billions)	%
Upstream	11.1	33	13.3	35	12.5	34
Downstream	26.7	80	29.4	79	28.7	78
Industrial	4.4	13	4.9	13	4.8	13
Other and eliminations [1][2]	(8.7)	(26)	(10.1)	(27)	(9.4)	(25)
Total	33.5	100%	37.5	100%	36.6	100%

(1) Approximately NOK 8.9 billion, NOK 10.7 billion and NOK 9.8 billion of internal revenue has been eliminated in 2002, 2001 and 2000, respectively, reflecting sales between the segments. For each of these years, the distribution of these inter-segment revenues was approximately 90% (Upstream), 9% (Downstream) and 1% (Industrial).

(2) External operating revenues generated by minor, non-core activities classified in the table above as Other and eliminations were approximately NOK 0.2 billion, NOK 0.6 billion and NOK 0.4 billion in 2002, 2001, and 2000, respectively.

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The table below provides a geographic breakdown of 2002 sales volumes of fertilizer products and associated nitrogen chemicals.

Continent	2002 Consolidated Sales Volumes[1] (in millions of tonnes)
Europe	11.4
Latin America	3.3
Asia/Oceania	3.4
Africa	2.2
North America	2.2
Total	22.5

(1) After elimination of intersegment sales volumes. ATS s ammonia sales are not included.

Sales in Europe were mainly sourced from the Upstream segment s production facilities (approximately 4.0 million tonnes, of which 85% consisted of nitrates, NPK and urea) and the Downstream segment s production facilities (approximately 4.7 million tonnes, of which 90% consisted of nitrates, NPK and UAN). Approximately 18% of sales volumes outside of Europe were sourced from the Upstream segment s production facilities in Europe.

The table below provides a more detailed breakdown of sales volumes of fertilizer products, identifying the source of product, for the periods indicated:

	2002		2001		2000	
Sources of Products [1][2]	(in millions of tonnes)	(%)	(in millions of tonnes)	(%)	(in millions of tonnes)	(%)
Produced by Upstream	6.6	45	6.4	44	6.8	44
Produced by Downstream [3]	7.8	53	8.0	55	8.5	55
Produced by Industrial	0.2	2	0.2	1	0.2	1
Produced by Hydro Agri	14.6	100	14.6	100	15.5	100
Purchased for resale	7.9		6.7		7.4	
Total Products Sold	22.5		21.3		22.9	
External sales volumes						
Upstream	0.1	0	0.1	0	0.3	0
Downstream	20.7	92	19.6	92	20.9	92
Industrial	1.7	8	1.6	8	1.7	8
Total Products sold	22.5	100	21.3	100	22.9	100

(1) Fertilizers and associated nitrogen chemicals.

(2) Volumes of ammonia purchased and sold internally and externally by the ATS unit are not included in the above figures.
(3) Includes chemically manufactured fertilizer products and bulk blends.

The Downstream segment markets all of the Upstream segment s production of finished fertilizer products. Approximately 30% of the Upstream segment s operating revenues are derived from external sales, predominantly merchant ammonia. The balance consists of sales of ammonia and fertilizer products to the Downstream and Industrial segments (the vast majority of which are to Downstream). In the case of both intermediate and finished products, the product transfer price between the Upstream segment and the Downstream or Industrial segments is tied either to market prices, less an agreed-upon margin, or to the cash costs of production, plus an agreed-upon margin. The transfer pricing mechanism follows generally accepted arm s-length principles as set forth by OECD transfer pricing guidelines for multinational enterprises. Less than 50% of the products sold by the Downstream segment are purchased from the Upstream segment. Accordingly, except for NPK products, external market price references exist for verification of market prices in determining the inter-segment transfer price.

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UPSTREAM

As noted above, Hydro Agri s Upstream segment is based on Hydro Agri s worldwide ammonia and urea production, including the global trade and shipping of ammonia. All ammonia and urea production capacity is included in the Upstream segment, except for one small ammonia plant in France (Pardies) that is used purely for industrial products, and is included in the Industrial segment, and a small plant in Italy (Terni) which is included in the Downstream Segment. Upstream also includes nitrate and complex fertilizer production, which is co-located with ammonia production at the global production plants.

Production

The table below sets forth the Upstream segment s approximate production volumes of intermediates and chemically manufactured finished fertilizer products in 2002 produced at Hydro Agri s wholly owned plants, and Hydro Agri s share of the production volumes produced at the plant facilities of entities in which Hydro Agri has an equity interest (described more fully below under Production Facilities) that are included in the Upstream segment:

	Intermediates (in millions of tonnes)	Finished Products (in millions of tonnes)				
	Ammonia	Urea	Nitrates	NPK	CN[1]	UAN
Own Plants	3.8	1.6	1.7	1.8	0.9	0.3
Equity Interest [2]	0.9	0.4				
Total	4.7	2.0	1.7	1.8	0.9	0.3

(1) Consists of 0.6 million tonnes of solid and 0.3 million tonnes of liquid products.
(2) Volumes reflect Hydro Agri s percentage ownership in Qafco and Tringen.

Production Facilities

The table below provides the approximate annual production capacities, by product, of each of the wholly owned plants within the Upstream segment.

	Annual Production Capacity (in millions of tonnes)				
Site	Ammonia	Urea	Nitrates	NPK	CN Solids
Sluiskil	1.7	0.7	1.7		
Brunsbüttel	0.7	0.5			

Porsgrunn	0.5			1.8	0.6
Le Havre	0.4	0.2[1]			
Ferrara	0.4	0.4			
Point Lisas	0.3				
Total	4.1	1.8	1.7	1.8	0.6

[1] Hydro has a 47.85% interest in the Le Havre urea plant.

The table below provides the approximate annual production capacities, by product, of each of the plants within the Upstream segment in which Hydro Agri has an equity interest, with volumes indicating Hydro Agri s proportional volumes.

	Finished products (chemically manufactured)				
	(in millions of tonnes)				
Site	**Ammonia**	**Urea**	**Nitrates**	**NPK**	**CN Solids**
Tringen	0.5				
Qafco [1]	0.4	0.4			
Total	0.9	0.4			

[1] After the start-up of the Qafco-4 plants, the volumes will change to 0.5 and 0.7 million tonnes for ammonia and urea, respectively.

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The following is a brief description of Hydro Agri Upstream s global production facilities and production units in which Hydro Agri has an equity interest.

Porsgrunn (Norway)

Porsgrunn s wholly owned facilities are fully integrated for nitrogen-based products (i.e., production of ammonia, nitric acid and finished products), and has Hydro Agri s and Europe s largest installed production capacity for NPK fertilizers. The Porsgrunn facilities produce a wide range of product grades to optimize crop fertilization in various climates and soil conditions. Approximately half of the volumes produced are sold overseas, mainly in Asia. The balance is sold in various countries in Europe.

Sluiskil (Holland)

The wholly owned Sluiskil site has Hydro Agri s (and Europe s) largest-installed ammonia and nitrate fertilizer capacities. The site is favorably located from a logistical perspective on the Ghent-Terneuzen canal, a major waterway opening to the North Sea and connecting to European waterways. A connection to the European gas grid enables flexibility in sourcing natural gas from various parties selling gas through the grid. Electricity, another key input, is generated on site. Approximately 70% of ammonia production on site is consumed in the production of finished fertilizer products; the balance is purchased by Hydro Agri s ATS unit for resale to Hydro Agri s Downstream segment or to third parties. The majority of the finished product volumes are sold internally to the Downstream segment for ultimate sale in European markets, but significant volumes are sold overseas, mainly in the Americas.

Brunsbüttel (Germany)

Brunsbüttel is a wholly owned plant located on the west coast of Schleswig-Holstein, Germany, at the point where the Kiel canal and the river Elbe meet the North Sea, thus providing direct access to both the North Sea and the Baltic Sea. The site has one ammonia and one urea plant. The ammonia plant is atypical within Hydro Agri s production portfolio in that it is designed to use heavy fuel oil residues as feedstock, rather than natural gas. Prices for these grades of oil refinery residues, which have limited applications, follow a different pattern than that of natural gas. As a result, Brunsbüttel s operations mitigate the margin impact associated with rising natural gas prices that affect the other ammonia units. The urea is sold by the Downstream segment in Europe and overseas, mainly in the Americas. Approximately half of the ammonia is used for urea production, whereas the other half is purchased by the ATS unit and primarily sold to the Downstream segment s processing plants in Europe.

Le Havre (France)

The Le Havre site consists of one ammonia and one urea plant. Hydro Agri s 47.85% interest in the urea plant is through a joint venture with Grande Paroisse of France, a subsidiary of the Total group. Hydro Agri operates the site. Urea is produced on a tolling basis for the joint venture owners.

Ferrara (Italy)

The wholly owned Ferrara site is located in Northern Italy, close to the Po River. It consists of one ammonia plant and one urea plant. The urea is sold to the Downstream segment, predominantly in Italy. Part of the ammonia is sold to the Downstream segment s Ravenna plant and delivered via pipeline.

Point Lisas (Trinidad and Tobago)

The wholly owned Point Lisas ammonia plant in Trinidad and Tobago is co-located with the two plants managed by Hydro Agri described in the next section.

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Tringen (Trinidad and Tobago)

In Trinidad and Tobago, Hydro Agri has a 49% ownership interest in Trinidad Nitrogen Co., Ltd. (Tringen), a joint venture with National Enterprises Ltd., an entity controlled by the Government of Trinidad and Tobago. Hydro Agri operates and manages the two ammonia plants owned by Tringen. The older of the two plants, Tringen I, was commissioned in 1977 and revamped in 1996. The second plant, Tringen II, was commissioned in 1987. Hydro Agri has a sales agency agreement to market all the ammonia produced by one plant. Hydro Agri previously had both an agreement to purchase a fixed quantity of the ammonia produced by the other plant and an agreement to market the remainder on an agency basis. The agreement to purchase a certain amount has expired and an agreement in principal has been reached to market all the ammonia produced by both plants on an agency basis. Trinidad and Tobago serves as an important strategic location for exports to the United States.

Natural gas for the joint operation of the two Tringen plants, and the fully owned Hydro Agri Trinidad ammonia plant in Trinidad and Tobago, is purchased from the Natural Gas Company of Trinidad & Tobago (NGC), which is wholly owned by the Government of Trinidad and Tobago. The gas is supplied under long-term contracts that were entered into when the plants were built. These agreements expire on December 31, 2003, and NGC has given notice that these agreements will not be renewed on the same terms and conditions. NGC has indicated that it will seek to increase the price for natural gas in connection with any new agreements and discussions with NGC have commenced with respect to the extension of the existing agreement or entering into new agreements. In the event that agreements are not in place when the existing agreements terminate, Hydro Agri s management considers it likely that NGC will continue to supply natural gas in order to maintain operations at the facilities, although it is not known under what terms and conditions such continued supply would take place. Accordingly, historical results from the operation of the Trinidad and Tobago-based plants will not necessarily be indicative of the results that will be experienced after January 1, 2004.

Qafco (Qatar)

In Qatar, Hydro Agri has a 25% stake in Qatar Fertiliser Company (Qafco); the remaining 75% is owned by Industries of Qatar, a Qatari joint stock company ultimately controlled by the Qatari government. Hydro became a joint venture partner in 1969 and has marketed urea and ammonia from Qafco since production commenced in 1973. Until 1984, Hydro or subsidiary companies of Hydro provided general management assistance; Hydro Agri continues to provide technical and advisory support to Qafco, and Norsk Hydro Produksjon a.s provides management support relating to the construction of Qafco-4. In 2001, Hydro Agri entered into an agreement for marketing and off-take of urea. The agreement is effective from January 1, 2002. For a ten-year term, which commences on successful performance testing of Qafco-4 (expected to occur in the second half of 2004), Qafco has agreed to increase the minimum volume of urea available to Hydro Agri. Hydro Agri has exclusive marketing rights for a defined territory.

Currently the Qafco production complex, which is located at an industrial site in Messaied, Qatar, comprises three completely integrated production trains (an industry term used to describe processing units, in this case ammonia and urea plants, that work in series): Qafco-1, Qafco-2 and Qafco-3, which commenced production in 1973, 1979 and 1997, respectively. Each train is made up of two units, one for the production of ammonia and the other for urea. Over the years, the existing Qafco plants have been modernized and regularly modified in line with industry developments. This steady growth in plant capacity has made Qafco the largest single fertilizer producer in the Middle East and placed Qatar among the leading exporters of ammonia and urea in the world.

In September 2001, Qafco s shareholders approved plans to construct Qafco-4, a new ammonia-urea production train expected to be in operation during the second half of 2004. The ongoing Qafco-4 expansion is designed to have an annual capacity of approximately 0.7 million tonnes of ammonia and 1.1 million tonnes of urea. When production from Qafco-4 commences, annual total production is set to increase to 2 million tonnes of ammonia and 2.8 million tonnes of urea, which is expected to cement Qafco s status as the largest single site producer of urea in the world at that time.

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Ammonia Trade and Shipping

Hydro Agri s ATS unit is engaged in the trading, maritime storage and shipping of ammonia. The large-scale ammonia storage facilities at the Upstream segment s production plants are key assets to ATS s activity. Access to ample shipping and maritime storage capacity in deep sea ports, in combination with large-scale downstream upgrading of ammonia to fertilizer products, provides opportunities to maximize the value of ammonia through a global handling system.

The chart below depicts the total volume of ammonia (4.1 million tonnes) that flowed through ATS in 2002, as well the sources and uses of those volumes. The chart also reflects the roughly 2.4 million tonnes that are consumed by the Upstream segment at the same sites where they are produced. As reflected in the chart, ATS purchases 1.1 million tonnes from the Upstream production facilities and sells 1.2 million tonnes of ammonia to the Downstream segment for use in the Downstream segment s production.

The ammonia production from the Terni and Pardies ammonia plants are not included in the table because these plants are located in landlocked areas and thus are not part of ATS s operations.

Hydro Agri s extensive shipping and logistical network for ammonia enables it to process and sell large amounts of ammonia, and includes a total of approximately 500,000 tonnes of ammonia maritime storage capacity at deep-sea port facilities.

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DOWNSTREAM

As noted above, the Downstream segment consists of Hydro Agri s sales and marketing units, which provide Hydro Agri with a presence (including sales offices, chartered dry bulk ships, bulk blending plants, terminals and bagging operations) in approximately 17 countries in Europe and 27 countries outside of Europe and sales in approximately 120 countries. Because of its relatively lower investment in chemical manufacturing capacity, the Downstream segment and, in particular, its operations outside of Europe, are relatively more focused on distribution margins and operating capital management than on manufacturing margins.

The Downstream segment includes Hydro Agri s European production facilities that primarily serve the regions in which they are located, as well as Hydro Agri s fertilizer plants in each of South Africa (Kynoch) and Brazil (Trevo) that produce NPK for their respective home markets. As of December 31, 2002, the Downstream segment s total production capacity represented approximately 45% of Hydro Agri s overall chemical production capacity for fertilizer products.

In 2002, the Downstream segment s operations generated operating revenues of approximately NOK 26.7 billion. The table below provides a breakdown of the approximate sales volumes in 2002 by the principal product groups:

Product Group	2002 Sales Volumes (in millions of tonnes)	Approximate % of 2002 Sales Volumes
NPK	6.7	32%
Nitrates	4.8	23%
CN	1.0	5%
Urea	3.7	18%
UAN	1.1	5%
All other products	3.4	17%
Total	20.7	100%

Sales and Marketing of Products

The Downstream segment s global planning unit optimizes both the sourcing of products from each of Hydro Agri s production facilities, the joint ventures in which Hydro Agri has an interest and third parties, and the sale and distribution of such products through its global marketing network. The unit supervises, on a continuous basis, the flow of raw materials, the volume and type of production, and product allocations. It also organizes international logistical services and defines the volume positions that Hydro Agri should take. The work is performed on the basis of information provided by the business units across the world. The global planning unit, in turn, shares the aggregate information with the business units. This creates a shared view of market conditions, based on current local, regional and global market intelligence. This is critical to ensure smooth operations and good risk management, as the global planning unit s performance has a significant influence on the cash flows of each of the business units that comprise Hydro Agri.

The Downstream segment s customers include distributors, co-operatives, retailers, and to a much smaller extent, farmers. Approximately 60% of Downstream s sales volumes are sold to key account customers. No single customer accounts for more than 3% of Hydro Agri s revenues.

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Production Facilities

The table below provides a listing of production facilities in the Downstream segment, and the annual finished product capacities (in millions of tonnes) of these plants.

		Annual Production Capacity (in millions of tonnes)			
Site	Country	Ammonia	Nitrates	NPK	CN Solids
Glomfjord	Norway				0.2
Köping	Sweden		0.3	0.5	
Montoir	France		0.2	0.2	
Ambès	France		0.5	0.4	
Rostock	Germany		1.3		
Ravenna	Italy		0.4	0.3	
Terni	Italy	0.1			0.1
Rio Grande	Brazil			0.5	
Potchefstroem	South Africa			0.2	
Total		0.1	2.7	2.1	0.3

By virtue of the technologies employed and the co-product nature of some products, the capacities listed above can in some instances be shifted between product groups. In some combinations, bottlenecks will limit production to a lower volume than the sum of the product groups shown above, and capacity will vary with product specification in the NPK plants. For example, at Glomfjord, variation in NPK specifications and production rates will lead to variation in CN production. At Montoir, CAN may be produced in the NPK plant. At Rostock, an increase in UAN production will eventually limit CAN production. For this reason, total capacity per facility is variable.

INDUSTRIAL

The Industrial segment markets numerous industrial products, mainly originating from Hydro Agri s Upstream and Downstream fertilizer operations, with certain products being intermediates in the production of fertilizers. Several of Hydro Agri s fertilizer production plants in Europe supply industrial products. This improves production economics and logistics and provides an alternative source of revenues and profits. In 2002, the Industrial segment s operations accounted for approximately NOK 4.4 billion in operating revenues.

Products

The segment s main products are a variety of industrial gases and nitrogen chemicals. These products are used primarily for the following purposes:

food care, including cooling, freezing and protective atmospheres for processing and transport;

food additives, including carbon dioxide (CO_2) for sparkling soft drinks and beer;

animal care, including products that create a controlled atmosphere for poultry and pig stunning;

environmental applications, including waste water treatment and reductions of nitrous oxide (NO_x) emissions;

manufacturing, including welding and cutting gases;

nitrate products for civil explosives, primarily for the mining and construction industries; and

industrial nitrogen chemicals as intermediates in chemical processes.

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Products are supplied in dry, liquid or compressed form, often with dedicated transport equipment. The Industrial segment also provides service and installations at customer sites, improving the efficiency of customers production processes and facilitating safer and more environmentally sound handling.

The most important product groups for the Industrial segment, and their respective approximate portions of the segment s operating revenues, are industrial gases and carbon dioxide or CO_2 (36%), industrial nitrogen products (including technical ammonium nitrate) (51%) and environmental products (including Nutriox® and Reduktan®) (13%).

Industrial Gases

The main gas products include carbon dioxide (CO_2), the air gases, nitrogen, oxygen and argon, and hydrocarbons such as acetylene and propane. Nitrogen functions as an inert gas in process and metallurgical applications. Oxygen is used in combustion processes (for example, in metallurgical processes), as well as in processes for improved growth in fish farming or biological water treatment processes.

The Industrial segment s European gas business is focused on CO_2 and related products and applications. The main applications of CO_2 are for use in the production of soft drinks and in the brewing sector, as well as for process cooling and freezing in the food sector. Hydro Agri is the largest producer and distributor of CO_2 in Europe. Hydro Agri s production facilities in Sluiskil and Porsgrunn have a combined production capacity exceeding 600,000 tonnes of liquid CO_2 per year. In addition, Hydro Agri contracts with external suppliers in the United Kingdom and continental Europe. Hydro Agri operates its own dedicated vessels for shipping CO_2 to distribution terminals in a number of countries around the North Sea basin.

Products are distributed by semi-trailer in bulk and cylinder for liquid and compressed gases, respectively, and can be used both for industrial purposes and medical applications, both in pure form and as a mixture of gases. Hydro Agri also supplies propane in convenient cylinders for leisure use.

Nitrogen Chemicals

The most important nitrogen chemicals for industrial use are ammonia, nitric acid and urea, which are, in turn, used as intermediates in chemical processes to produce a variety of specialty chemicals. Finished products include paints and packaging, glues, foam, medical products and feed additives. The nitrogen chemicals business is a local business due to logistical cost sensitivity. From most of Hydro Agri s European plants, industrial customers are supplied with dedicated supply modes under supply and operational contracts.

In the environmental sector, Hydro Agri has developed Reduktan®, which is used for the reduction of nitrous oxides (often termed NO_x) emissions from power plants, waste incinerators and ferries, by reaction with nitrogen chemicals into pure nitrogen and water. Nutriox®, a calcium nitrate application, is used for preventing formation of toxic gas (H_2S) in sewage. The Nutriox purification technology is well-established in Europe and in North America, as reflected by its usage at approximately 5,000 sites in these regions and sales of approximately 160,000 tonnes of this product in 2002.

Hydro Agri is a global leader in technical nitrates used for civil explosives, primarily by the mining and construction industries. This is a global business, characterized by partnerships or supply arrangements with other major industry players as well as local alliances. There are a limited number of customers for technical nitrates. Value is added to Hydro Agri s product offerings through the performance of services in connection with the handling and storage of products according to applicable health, safety and environmental regulations. Total production capacity of technical grade ammonium nitrate from Hydro Agri s plants in Köping, Rostock and Pardies amounts to 370,000 tonnes per year.

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Customers

Hydro Agri s Industrial segment has a diversified customer base consisting of more than 30,000 customers, and a comprehensive dealer network for gas cylinders. The segment works closely with its customers to develop new products and improvements to customers process efficiency and to achieve just-in-time deliveries. Application development is mainly based on product and process knowledge within the Hydro Agri organization, but also through Hydro Agri s research and development competencies.

Competition

Hydro Agri s Industrial segment competes in each of its product segments with large international chemical or industrial gas companies. Competition is generally based on product and application development, technical and safety support, cost-efficient production and logistical considerations. Most products are sold to industrial customers in Europe and are, therefore, sensitive to business cycles in Europe.

Quality Control

The Industrial segment has implemented Hazard Analysis Critical Control Points (HACCP), a quality control approach established by the World Health Organization and adopted by the European Commission.

Hydro Agri s Sourcing of Raw Materials

Natural Gas and Oil

Hydro Agri s annual consumption of natural gas, liquefied petroleum gas (LPG) and heavy oil products for its wholly owned ammonia plants in Europe and Trinidad and Tobago amounts to approximately 145 million MMBTU, including 0.6 million tonnes of LPG for the Porsgrunn plant and 0.35 million tonnes of oil products for the Brunsbüttel plant. Hydro Agri purchases its natural gas and oil requirements from a limited number of external suppliers, mainly under contracts with multi-year terms with major suppliers.

At Sluiskil, Hydro Agri purchases its requirements through two contracts, one with Duke Energy Europe Northwest B.V. (which Hydro has recently entered into an agreement to acquire) that will expire in 2008 and one with Gasunie, the Dutch pipeline operator, which will expire in 2006. A Hydro Company provides logistics services for both the Duke and Gasunie contracts and is compensated for such services on an arm s-length basis, and is expected to continue to do so after the Demerger. Hydro Agri and a Hydro Company are in the process of seeking a transfer of the contract with Gasunie to the Hydro Company. If that occurs, the Hydro Company will provide Hydro Agri with the natural gas sourced under the Gasunie contract on a back-to-back basis.

Gasunie has recently provided notice of a substantial price increase and the parties are in negotiations regarding this proposed increase. As a result of the proposed price increase, Hydro Agri and the Hydro Company will have the right to reduce the off-take under the Gasunie contract or terminate the contract.

A Hydro Company and an Agri Company have recently entered into a cooperation agreement relating to both the Duke Energy and Gasunie contracts. See Part II of this Information Memorandum, Demerger-Related Business Agreements between Hydro Companies and Agri Companies Supply of Natural Gas.

Hydro Agri s other production facilities are connected to the national gas delivery grids and purchase supplies from the operators of such grids. Natural gas prices under these contracts are generally market-indexed and tied to the price of fuel oil. Changes in the price of fuel oil are reflected

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in changes in the price of natural gas in Hydro Agri s financial statements, with approximately a four to five month lag. Small volumes of natural gas and oil are purchased on the spot market to meet peak requirements.

Dry Raw Materials

Hydro Agri uses phosphorus in the production of NPK. Hydro Agri consumes approximately 1.1 million tonnes of phosphate rock annually. Hydro Agri s current main supplier is a Russian-based producer of phosphate rock. The supplies are purchased under annual fixed price contracts and the contract for 2004 is expected to be concluded shortly.

Hydro Agri purchases about 1.8 million tonnes of potash salts (i.e., potassium chloride or potassium sulphate), for input into NPK production, fertilizer blends and trade. Hydro Agri s potash needs are supplied from a limited number of sources; the main supplier is a Russian-based company, which sources potash from mines in Russia and Belarus. Hydro Agri is currently negotiating a long-term agreement with this main supplier.

Intellectual Property and Trademarks

Production Technologies

Historically, Hydro Agri has focused on developing new and improved production technologies. In certain circumstances, where such technologies are of particular industry-wide interest, Hydro Agri has also licensed specific technologies to others with a view to enhancing revenues from the technology concerned and developing key partnership and marketing relationships. Revenues derived from the licensing of such technologies have, to date, been modest. Key technologies developed include proprietary technologies in the fields of nitric acid production, the nitro-phosphate production process, the fluid bed granulation process and Hydro Agri s general nitrate fertilizer coating and product quality expertise. Hydro Agri s nitric acid production technology (of which the latest example is its technology for reducing emissions of nitrous oxides) depends heavily on its related expertise in the field of catalyst use and development. As a result of this expertise, Hydro Agri has benefited from higher ammonia efficiency and lower catalyst consumption.

Hydro Agri s fluid bed technology is an efficient and compact method of producing fertilizer granules in large quantities. This technology has been used in improving Hydro Agri s own production processes and has also proven of interest from a licensing standpoint.

Hydro Agri has also developed considerable expertise and proprietary knowledge in the production and use of fertilizer coatings and general methods for enhancing product quality. These assist in, by way of two examples, improving product stability in different environments as well as reducing dust and product caking.

Fertilizer Application Technology

In addition to the key marketing attributes implicit in the production of quality fertilizer products, Hydro Agri has benefited from application-focused research and development. A key aspect of this involves instructing the end-consumer of Hydro Agri products in the effective application of fertilizer to the chosen crop in terms of which specific fertilizers are applied, at which intervals and in which quantities. Key areas of focus are maximizing the benefit to the farmer in terms of quality yield when using given quantities of fertilizer while seeking to minimize any potential detrimental health, environmental and safety effects. To achieve this goal, Hydro Agri has, in addition to providing agronomic advice both in general and specific terms, designed and launched a number of products, including HydroPlan, the N-Tester and the N-Sensor, to assist farmers in determining the optimal timing and volume of fertilizer application.

HydroPlan is a computer program for farmers, advisors and distributors providing advice on the amount of fertilizer to be applied to a field for a certain crop.

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Hydro Agri s N-Tester is a small, handheld device for measuring the nitrogen content in plants. It enables the grower to decide on the right rate and right timing of nitrogen fertilizer application. The N-Tester is currently in use in more than 30 countries.

The N-Sensor™ is an additional tool developed by Hydro Agri to assist farmers in applying the correct amount of fertilizer on large fields given that the nutrient demand of a crop often varies within such fields. Mounted on a spreader-tractor, the N-Sensor scans plants while the tractor traverses a field, using infrared light to measure the chlorophyll content of the plant. With that information, a computer calculates the amount of nitrogen the plants need to develop the high protein content of fully grown plants. The information is then fed to the spreader, which adjusts the application rate to that level. The greater precision in the application of fertilizer improves productivity for farmers and contributes to a cleaner environment.

Hydro Agri Branding and Logo

A key priority for Hydro Agri s management following the Demerger will be establishing Agri s identity and ensuring that its products are recognized. For a transition period, Agri will have the right to use the present Hydro name. The Viking ship logo will be assigned to Agri, so that Agri will have the right to use the logo in perpetuity. Hydro will, in general, have the right to continue to use the Viking ship logo for a limited period of time. In certain cases, Hydro will have the right to use the logo for a prolonged period of time.

Government Regulation

Environmental Matters

Hydro Agri s operations are subject to numerous environmental requirements under the laws and regulations of, among others, Norway, the European Union, the United States, Trinidad and Tobago, Brazil and South Africa. Such laws and regulations govern, among other matters, air emissions, wastewater discharges, solid and hazardous waste management, product registration and composition, transportation of hazardous material and remediation for past activities. Many of these laws, regulations and permit requirements are becoming increasingly stringent, and the cost of compliance with these requirements can be expected to increase over time.

Hydro Agri believes that it is currently in material compliance with applicable environmental laws and regulations governing emissions, discharges, waste management, registration and transportation, and that it is well-positioned to meet anticipated requirements under applicable environmental laws and regulations. Hydro Agri does not believe that such environmental laws and regulations have had, or will have, a material adverse effect on its business. However, the impact of new or changed laws or regulations or permit requirements, or changes in the ways that such laws or regulations are administered, interpreted or enforced cannot be predicted.

Hydro Agri has a number of facilities that have been operated for a period of years either by Hydro Agri or have been acquired by Hydro Agri after operation by other entities. Subsurface impacts to soil and groundwater are common to such sites and may require remediation under the laws of the various jurisdictions in which the facilities are located. Hydro Agri has attempted to identify such impacts where they are apparent and has initiated remediation or containment procedures in coordination with the appropriate authorities. Hydro Agri has reserved amounts that it believes should be sufficient to pay the costs of these remediations. Because of 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 major production facilities and product storage terminals owned or operated by Hydro Agri.

Therefore, actual costs could be materially greater than the amounts so reserved.

Integrated Pollution Prevention and Control

Under the EU Directive on Integrated Pollution Prevention and Control 96/61/FC, from October 2007, existing industrial installations will require national emission permits which will be based on

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best available techniques (BAT) for pollution prevention and control. The directive already applies to all new installations. The EU Commission is currently in the process of establishing BAT guidance documents applicable to the fertilizer industry. European fertilizer producers, including Hydro Agri, have combined their knowledge to define BAT and achievable emission limits for existing and new fertilizer production technologies. The industry assessment of BAT is currently being used to determine the Euro-BAT guidance documents. Hydro Agri s management believes that Hydro Agri s manufacturing operations are positioned to comply with the expected future emission requirements.

Climate Gases

EU Directive 2003/87 EC, issued on October 13, 2003, establishes a scheme for trading greenhouse gas emission allowances. The directive introduces mandatory trading of CO_2 emissions from combustion plants and certain specified industry sectors effective as of January 1, 2005. All climate gases are expected to be subject to the directive as of January 1, 2008. EU Member States national authorities are currently establishing emission allowances. Chemical industries, such as the fertilizer industry, are not expected to become subject to the emission allowance system until 2008. Hydro Agri s management believes that Hydro Agri s manufacturing operations are positioned to meet the requirements, when applicable. Hydro-patented technology provides the potential for a significant reduction of climate gas emissions.

Nitrates

The regulatory structure relating to nitrates is set out principally in the EU Nitrates Directive 91/676/EEC, which includes the reduction of water pollution caused or induced by nitrates from agricultural sources, such as fertilizers. The Nitrates Directive has contributed to a reduction in the consumption of nitrate fertilizers since its introduction, and has had a negative effect on the previously projected growth of nitrogen fertilizer in the EU market. EU Member States recently implemented procedures in accordance with the EU Nitrates Directive that require reports of monitoring for nitrates in water and implementation of codes of practice to reduce water pollution from nitrogen compounds. These new procedures are expected to have little further effect on the EU market. Nitrates in water are also of concern in the United States, where a complex combination of national, regional and local laws regulate water quality. Reduction in permitted levels of nitrates in water runoff could affect the use of mineral fertilizers in regions with impaired water quality.

Cadmium

Extensive EU Directives regulate the presence of cadmium in drinking water, sewage sludge, waste and foodstuffs, as well as cadmium discharges into estuary, territorial and internal coastal waters. These directives have been implemented at the national level and require, among other things, each relevant national authority to ensure that companies do not discharge cadmium above certain specified maximum levels.

A draft proposal introducing an EU regulation containing rules governing cadmium content in fertilizers was proposed in July 2003 and amended in October 2003 after public consultation. If adopted, the regulation will affect phosphate rock mining companies outside the EU, businesses involved in the production and processing of fertilizers in the EU and elsewhere and the end-users of phosphate fertilizers in the EU. The proposal puts forth, five years after entry into force and to be reviewed five years thereafter, a maximum level of 60 mg of cadmium per kilogram of P_2O_5 for phosphatic fertilizers on the European market. Manufacturers of straight and compound phosphate fertilizers marketed in the European Community would be limited to annual average level of cadmium content of 40 mg per kilogram of P_2O_5 five years after entry into force of the regulation, to be reviewed five years thereafter. In addition, producers would be obligated to label their products that contain more than 20 mg cadmium per kilogram of P_2O_5. European fertilizer producers are contesting the proposed average cadmium content level and the labeling requirement on the basis that scientific evidence does not justify a lowering of the cadmium content of phosphate fertilizers.

Hydro Agri s management believes that, provided the level is set at 60 mg cadmium per kilogram of P_2O_5, the proposal will not have a major affect on the supply of phosphate rock to the European

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fertilizer industry. Consequently, Hydro Agri believes that this part of the proposal, if adopted, most likely will not result in substantial increases in production costs and, in turn, the cost of phosphate fertilizer products to the farmer. Hydro Agri s main supply of phosphate rock is from mines with very low levels of cadmium (0-5 mg cadmium per kilogram of P_2O_5).

In the United States, the metal content in virgin material fertilizer is regulated at the state level. Some states, such as California and Washington, have set maximum limits for certain metals such as arsenic, cadmium, and lead. In some states, the maximum limits are to be reduced over time. Other states generally prohibit the inclusion of harmful or deleterious substances in amounts that could injure plants, animals, humans, soil, or water when applied in accordance with the label.

Safety and Security Issues

Manufacturing, Storage and Distribution of Ammonium Nitrate Products

In 2001, a serious explosion occurred at a nitrogen chemical factory in Toulouse, France, owned by one of Hydro Agri s competitors. Although the cause of the explosion has not yet been conclusively identified, the explosion has triggered the revision of EU regulations concerning the manufacture and storage of ammonium nitrate products. In the case of straight ammonium nitrate (AN), the existing EU specifications are directed, in particular, toward product safety. Relevant specifications cover granule or prill size, porosity, correct pH and low organic matter, chloride and copper contamination and detonability. These specifications will not be altered. However, for storage and handling, EU Directive 96/82/EC (which is concerned with the prevention of major accident hazards involving dangerous substances), has been revised to give further attention to the handling of waste materials containing ammonium nitrate. Hydro Agri s management believes Hydro Agri is in material compliance with the revised directive.

Security

United Nations recommendations concerning the transportation of dangerous goods have been adopted by a variety of European governmental agencies with oversight over various modes of transport, including road, rail, inland waterways and sea transport. These initiatives have had the effect of heightening the awareness of security concerns and implementing stricter security controls. For Hydro Agri, these initiatives form part of the European fertilizer industry s product stewardship program.

The U.S. Department of Transportation has regulations governing the containers, placarding of vehicles, and the mode of transportation for certain fertilizers under its hazardous materials regulations. The Department of Transportation has also imposed various security regulations and additional regulations may be proposed. In addition, various proposals regarding the tightening of security measures at facilities that handle hazardous material are under consideration in the United States and additional requirements may be adopted in the near term. Hydro Agri s management does not currently anticipate that these requirements will have a material impact on Hydro Agri s facilities in the United States, but until the specific requirements are adopted, the compliance costs cannot be predicted.

Product and Marketing Regulations

Fertilizer Regulations

EU Regulation 2003/2003 relating to fertilizers, of October 13, 2003 recasts four directives on the composition, labeling, packaging and testing of fertilizers into one regulation in an attempt to simplify the regulatory regime. The regulation is aimed at mineral fertilizers produced for the European market. The new regulation reinforces, among other things, the requirements for the traceability and safety of products containing ammonium nitrate. All fertilizers containing more than 80% ammonium nitrate must satisfy a specified test of resistance to detonation. Hydro Agri s management does not anticipate any material changes to Hydro Agri s operations as a result of the adoption of this new regulation.

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Classification and Labeling

EU legislation covers product classification, packaging and labeling, product liability and consumer protection. This legislation requires, among other things, that data must be included on package labels to ensure the user is provided with adequate information and that safety data sheets, containing information on product properties and health and ecotoxicolgical hazards, be provided. EU fertilizer manufacturers have published a set of model data sheets covering 13 fertilizer materials and products. Individual producers base their own data sheets on these models to avoid any conflict in the data provided.

In the United States, the states regulate product classification and labeling, and in many instances require the registration of products and the licensing of those who sell or distribute fertilizers. In addition, there may be specific requirements governing storage of product within the state. Accordingly, Hydro Agri could be subject to product liability claims, including for damage to property and injury to persons, under the laws of the various states.

Hydro Agri also manufactures and markets a range of industrial chemicals. The European Commission recently published a proposal for revising how chemicals are reviewed to assess the level of risk to health and the environment. The process, known as Registration, Evaluation, and Authorisation of Chemicals or REACH, involves the submission of a dossier of information and a series of risk assessments based on how a chemical is used. REACH has not been finalized, but if it is finalized in a form similar to the current proposal compliance costs for Hydro Agri could be material. Hydro Agri s management anticipates that the European industry associations will share the data development costs. However, until REACH is finalized and data development implemented, the cost of compliance cannot be predicted.

Hydro Agri has recently implemented a global solution for product safety information, providing direct and easy-to-use information to customers as part of its focus on product stewardship.

EU Anti-Dumping Duties

The European Commission has imposed anti-dumping duties on imports of ammonium nitrate, potassium chloride, urea, and ammonium nitrate solutions from a number of countries in Eastern and Central Europe, as well as Russia. The duties are imposed essentially where the export price at which the product is sold on the EU market is lower than the price on the importer s home market and is shown to cause significant injury to E.U. producers. The Antidumping Regulation 384/96, as last amended by Regulation 1972/2002, provides the basic framework under which the Commission may begin an investigation of a company s imports and impose duties. The regulation specifies procedures for initiating and pursuing an investigation, including the establishment and treatment of the facts, the imposition of provisional measures, the imposition and collection of anti-dumping duties, the duration and review of anti-dumping measures and the public disclosure of information relating to anti-dumping investigations. Under the rules, anti-dumping measures will only be imposed if they are shown to be in the broader EU interest. Producers, importers, users and consumers are able to present their views. The EU Member States must be consulted and then the Commission may, within 60 days to nine months, impose provisional duties. Duties must not exceed the dumping margin (the difference between the price in the home market and the price charged in the EU market) and may last for six to nine months. Subsequently, when the Commission has completed its full investigation, it may, after further consultation with the Member States, impose definitive duties for up to five years.

The anti-dumping duties have limited foreign exports into the EU from the affected countries. Measures against Poland, Estonia and Lithuania will terminate when these countries join the EU in May 2004. The anti-dumping duties on ammonium nitrate, potassium chloride, urea and ammonium nitrate solutions range from 5-45% of the import price. The measures are scheduled to expire between 2005 and 2007; however, if the European fertilizer industry can demonstrate that competition from exporting countries continues to be on an unacceptable basis relative to

EU law, the European Union could extend the duties for an additional period of time.

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Reforms to the EU Common Agricultural Policy

The EU Common Agricultural Policy (CAP) provides for the form and size of subsidies paid to EU farmers for production and export of their produce. The EU, under internal budgetary pressure (especially in view of the May 2004 accession of ten countries to the EU), has developed a proposal to reform the CAP. That proposal was approved in the summer of 2003 by the EU Member States and is due to be implemented before year-end 2003.

The key element of the CAP reform is the decoupling of EU support payments from production, so that farmers will not be paid according to the quantity they produce. Instead, payment will be tied to farmers meeting mandatory food quality, safety, environmental and animal welfare standards. Farmers will receive a single payment from the EU, although some products and some jurisdictions will be subject to transitional rules. EU Member States may yet choose to maintain a limited link between subsidy and production under well-defined conditions and clear limits. More financial assistance will be available to farmers for environmental, quality or animal welfare programs by reducing direct payments for bigger farms. However, there will be restraints on the total budget available for support payments. The reform may also have some impact on the methods of cultivation, which would pressure farmers to control more closely their use of fertilizer.

The de-linking of support payments from production is expected to intensify the impact of market forces on agricultural production, with farmers making business decisions independent of the subsidy systems. For producers of fertilizer, this could result in a reduction in demand due to the possible reduction of agricultural production, especially for certain crops such as cereals. Set-aside policies are also included in the reformed CAP that could contribute to increased withdrawal of cultivated land.

If CAP reform is implemented as expected, the various elements of reform will take effect in 2004 and 2005. Studies indicate that the effects of the reforms will be greatest in the first year of implementation. For example, cereal land allocation, which was expected to grow by 3.3% in 2004 and 2005 under the current CAP, is projected to remain static if the CAP reform is implemented.

The CAP reform will extend to the ten countries joining the EU. Therefore, if implemented, the CAP reform will affect agricultural production in these countries, as well. Farmers from new EU countries are expected to enjoy increased payments under the CAP, which could translate into more purchases of fertilizer.

Accession of Ten Countries to the EU; WTO Agricultural Negotiations

The enlargement of the EU and ongoing WTO negotiations are expected to bring about changes in global fertilizer markets in the years to come offering both challenges and opportunities to Hydro Agri. The accession of China and India to the WTO is expected to gradually open these countries to imports complementary to products produced within their borders. EU membership is expected to expose the East European fertilizer industry to a similar competitive climate to that of Western Europe, with greater emphasis on commercial issues and profitability. Existing anti-dumping measures aimed at protecting West European fertilizer producers against unfair competition are expected to be gradually dismantled as the industry in Eastern Europe is restructured. However, since market economics have not yet been achieved in all producing regions of Eastern Europe, it is expected that the EU will maintain some trade protection measures until unfair competition has been sufficiently addressed. The likely impact of the extension of the EU on Western European fertilizer producers is unclear, but it is expected that the new development will create new opportunities as well as some structural pressure on Western European agriculture.

China s Accession to the WTO

China made important commitments to reduce barriers to fertilizer imports as part of its agreement to accede to the WTO. However, there is significant concern that China has not fully

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implemented its commitments. Further, there are reasons to believe that China continues to erect non-tariff barriers that impede imports of fertilizer into China. Industry participants have also raised concerns regarding the growth of Chinese fertilizer production. Generally, there appears to be little risk of Chinese exports flooding the EU market in the near term. However, Chinese exports could present substantial competition in the global market as Chinese companies continue to increase capacity and develop technologically.

Russia s Accession to the WTO

An important concern for EU and U.S. fertilizer interests is the low energy costs in Russia, which provide a significant competitive advantage for Russian fertilizer exports. The EU and the United States maintain that the Russian government sets an artificially low natural gas price for domestic industrial consumption. Thus, Russia produces low priced nitrogen fertilizers, over 80% of which are exported. Due to Russia s proximity to Western Europe, the EU is Russia s primary export market for fertilizer. The United States and the EU have raised concerns about Russia s energy policy and its effect on downstream industrial products in the context of Russia s WTO accession negotiations. To date, however, the Russian government has taken the position that a WTO concession is unnecessary in view of an expected rise in natural gas prices in Russia.

Permits and Regulatory Approvals

Many of Hydro Agri s operations and facilities are required by federal, state and local environmental laws in various countries to obtain and operate in compliance with a range of permits and regulatory approvals. Such permits and approvals typically have to be renewed or reissued periodically, and may be required to be reissued or amended as a result of the demerger. Hydro Agri may also become subject to new laws or regulations that require it to obtain new or additional permits or approvals, Hydro Agri believes that it is currently in material compliance with its existing permits and regulatory approvals. However, there can be no assurance that such permits or approvals will be issued in the ordinary course in the future. Further, the terms and conditions of future permits and approvals may be more stringent and may require increased expenditures on the part of Hydro Agri.

Employees

As of September 30, 2003, Hydro Agri employed 7,606 persons. Of these employees, 1,863 were in the Upstream segment; 4,184, in the Downstream segment; and 1,152, in the Industrial segment. The remaining 407 employees were employed in shared service and support functions and in general management functions not associated with a particular segment. The table below reflects a breakdown of the geographic location of the Hydro Agri employees.

Location	Percentage of Total Employees (as of December 31, 2002)
Norway	17%
Europe (other than Norway)	46%
Latin America	17%
Africa	12%
Asia	6%
North America	2%

Total	100%

Terms and conditions of union agreements in each country reflect the prevailing practices in each such country.

Health, safety and environment is an integrated part of Hydro Agri s management philosophy.

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Legal Proceedings

EFTA Surveillance Authority Investigation

On July 26, 2002, the EFTA Surveillance Authority (ESA) opened a formal investigation procedure against Norway to establish whether or not the 0-rate electricity tax applicable to Norwegian industry is compatible with the state aid rules of the European Economic Area Agreement (the EEA Agreement). ESA advised the Norwegian government that the government may be required to recover unlawful 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. Partly as a consequence of ESA s intervention, the Norwegian government s proposed budget for 2004 contemplates extending the 0-rate to all Norwegian business. If adopted, the extension of the 0-rate electricity tax would remove any uncertainties as to the legality of the electricity taxation system from January 1, 2004.

Should ESA decide to order the Norwegian government to recover the asserted state aid, the decision may be appealed to the EFTA Court. Hydro Agri will vigorously oppose, and believes that the Norwegian government will also oppose, an unfavorable decision related to the past. Hydro Agri intends to make use of all remedies available, both on the EFTA and the national level. Although no assurances can be provided as to the ultimate outcome of this matter, Hydro Agri s management does not believe that the resolution of this matter will have a material adverse effect on the results of operations or the financial position of Hydro Agri.

Other Legal Proceedings

Hydro Agri is party to a number of lawsuits in various jurisdictions arising out of the conduct of its business. None of these lawsuits, individually or in the aggregate, is anticipated to have a material adverse effect on Hydro Agri.

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HYDRO AGRI

SELECTED COMBINED FINANCIAL DATA

Hydro Agri After Demerger

Carve-Out Condensed Combined Statements of Income (Unaudited)

	Nine months ended		Year ended		
NOK million, except per share information	**30.09.2003**	**30.09.2002**	**2002**	**2001**	**2000**
Operating revenues	27,891	26,523	33,477	37,449	36,621
Depreciation, depletion and amortization	837	878	1,183	1,580	1,643
Other operating costs	25,225	23,694	30,151	33,806	33,320
Restructuring costs					135
Operating income	**1,829**	**1,951**	**2,143**	**2,063**	**1,523**
Equity in net income of non-consolidated investees	363	(17)	57	330	350
Interest income and other financial income	136	199	245	408	291
Other income/(loss), net	40	142	142	(53)	
Earnings before interest expense and tax (EBIT)	2,368	2,275	2,587	2,748	2,164
Interest expense and foreign exchange gain/(loss)	(447)	(38)	(16)	(765)	(898)
Income before tax and minority interest	1,921	2,237	2,571	1,983	1,266
Income tax expense	(637)	(734)	(845)	(599)	(365)
Minority interest	(19)	1	(11)	85	55
Net income	**1,265**	**1,504**	**1,715**	**1,469**	**956**
Earnings per share	3.96	4.71	5.37	4.60	2.99
Average number of outstanding shares	319,442,590	319,442,590	319,442,590	319,442,590	319,442,590

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Hydro Agri After Demerger

Carve-Out Condensed Combined Balance Sheets (Unaudited)

NOK million, except per share information	30.09.2003	30.09.2002	31.12.2002	31.12.2001	31.12.2000
Assets					
Cash and cash equivalents	295	345	419	860	563
Other liquid assets	161	43	35	27	57
Receivables	8,276	7,397	6,488	7,835	8,886
Receivables Hydro	104	71	126	135	322
Inventories	5,117	4,403	4,383	5,437	6,227
Total current assets	**13,953**	**12,259**	**11,451**	**14,294**	**16,055**
Property, plant and equipment, less accumulated depreciation, depletion and amortization	7,142	7,019	7,090	8,072	9,354
Other non-current assets	4,101	3,123	3,479	3,542	3,648
Total non-current assets	**11,243**	**10,142**	**10,569**	**11,614**	**13,002**
Total assets	**25,196**	**22,401**	**22,020**	**25,908**	**29,057**
Liabilities and shareholders equity					
Bank loans and other interest- bearing short-term debt	717	187	361	623	838
Current portion of long-term debt	28	95	84	116	80
Interest-bearing loans and payables to Hydro	8,307	8,941	8,740	9,130	8,852
Other current liabilities	5,280	4,158	4,235	4,241	5,432
Total current liabilities	**14,332**	**13,381**	**13,420**	**14,110**	**15,202**
Long-term debt	175	142	174	246	323
Other long-term liabilities	2,328	1,806	2,154	1,856	1,840
Deferred tax liabilities	253	960	255	781	980
Total long-term liabilities	**2,756**	**2,908**	**2,583**	**2,883**	**3,143**
Minority shareholders interest in consolidated subsidiaries	**114**	**51**	**85**	**85**	**213**
Shareholders equity	**7,994**	**6,061**	**5,932**	**8,830**	**10,499**
Total liabilities and shareholders equity	**25,196**	**22,401**	**22,020**	**25,908**	**29,057**

Total number of outstanding shares	319,442,590	319,442,590	319,442,590	319,442,590	319,442,590

Hydro Agri After Demerger

Carve-Out Condensed Combined Statements of Cash Flows (Unaudited)

	Nine months ended		Year ended	
NOK million	**30.09.2003**	**30.09.2002**	**2002**	**2001**
Net cash provided by operating activities	731	1,966	2,755	3,186
Net cash used in investing activities	(618)	(509)	(954)	(555)
Net cash used in financing activities	(258)	(1,870)	(2,136)	(2,233)
Foreign currency effects on cash flows	21	(102)	(106)	(101)
Net increase (decrease) in cash and cash equivalents	(124)	(515)	(441)	297
Cash and cash equivalents at beginning of period	419	860	860	563
Cash and cash equivalents at end of period	295	345	419	860

Please see the notes to the financial statements in Part V of this Information Memorandum.

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HYDRO AGRI

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of Hydro Agri s financial condition and results of operations together with the unaudited combined Carve-out financial statements and related notes to the financial statements included elsewhere in this Information Memorandum (collectively, the Hydro Agri Carve-Out Financial Statements). This discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but are rather based on Hydro Agri s current expectations, estimates, assumptions and projections about its industry, business and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in the sections of the Information Memorandum entitled Risk Factors, Cautionary Note Regarding Forward-Looking Statements and other sections of this Information Memorandum.

Explanatory Information

The Demerger

Hydro s Board of Directors has proposed that Hydro Agri be established as a separate, publicly traded company by means of the Demerger. If the Demerger is consummated, Norsk Hydro ASA s assets, rights and liabilities relating to Hydro Agri will be transferred to AgriHold, a wholly owned subsidiary of Norsk Hydro ASA established solely for the purpose of acting as the transferee company in the Demerger.

Almost all of Hydro Agri s business is currently operated through Agri Companies and non-consolidated investees. Norsk Hydro ASA currently holds an indirect interest, through subsidiaries that are not Agri Companies, in several of the Agri Companies and the Minority Interest Companies. Prior to the Demerger, Hydro s group structure will be modified so that all of Norsk Hydro ASA s interests in the Agri Companies and the Minority Interest Companies will be held by Norsk Hydro ASA either directly or solely through other Agri Companies, thus enabling Norsk Hydro ASA to transfer all of its direct and indirect interests in Agri Companies and Minority Interest Companies to AgriHold ASA in the Demerger.

AgriHold ASA will have no activities until completion of the Demerger. After the Demerger, AgriHold ASA will be an independent company. The existing AgriHold Shares, all of which are held by Norsk Hydro ASA, will represent 20.0% of the outstanding AgriHold Shares upon consummation of the Demerger.

In connection with the Demerger, Hydro Companies and Agri Companies have entered into, or will enter into, certain agreements that will regulate the continued provision of a number of goods and services by Hydro Companies to Agri Companies. For more information on these agreements, see Part II, The Demerger Demerger-Related Business Agreements between Hydro Companies and Agri Companies and Hydro Agri Carve-Out Financial Statements in Part V.

Basis of Presentation of Hydro Agri Carve-Out Financial Statements

The Hydro Agri Carve-Out Financial Statements have been prepared on the historical cost basis in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and in accordance with accounting principles generally accepted in Norway (Norwegian GAAP). The discussion of Hydro Agri below is based on the Hydro Agri Carve-Out Financial Statements, which have been prepared in accordance with U.S. GAAP. If prepared in accordance with Norwegian GAAP, there would be no material differences in the Hydro Agri Carve-Out Financial Statements for the periods presented.

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The Hydro Agri Carve-Out Financial Statements have been derived from Hydro s audited consolidated financial statements, and include the historical operations being transferred to AgriHold in the Demerger. Hydro prepared the Hydro Agri Carve-Out Financial Statements using Hydro s historic basis for assets and liabilities.

The equity level for Hydro Agri as of October 1, 2003 is based on the principle of continuity (i.e., assets and liabilities are transferred to Hydro Agri based on Hydro s historic cost basis for such assets and liabilities). As discussed in Part II of this Information Memorandum (see Allocation of Assets, Rights and Liabilities Pursuant to the Demerger Plan), in connection with the Demerger, Hydro Agri will assume a net interest-bearing debt of NOK 8,500 million, considered appropriate, among other considerations, for Agri to target a mid-investment grade credit rating. Consequently, the amount of Hydro Agri s equity as of October 1, 2003, NOK 7,994 million, is calculated based on this amount of net interest-bearing debt. In the Hydro Agri Carve-Out Financial Statements, all cash generation (i.e., cash provided by operating activities, less cash used in investing activities) for each period presented in the Hydro Agri Carve-Out Financial Statements is assumed to have been distributed to Norsk Hydro ASA as dividends. Accordingly, the equity figure for the periods presented in the Hydro Agri Carve-Out Financial Statements is not representative of what the equity would have been if Hydro Agri had been a stand-alone entity during these periods.

The Hydro Agri Carve-Out Financial Statements reflect interest income consisting of Hydro Agri s actual interest income derived from customers, as well as interest income on Hydro Agri s estimated average cash position of NOK 800 million. Interest income has been calculated using Hydro s average interest rate for cash deposits.

The Hydro Agri Carve-Out Financial Statements reflect interest expense based on gross interest-bearing debt of NOK 9,300 million and Hydro s average actual interest expense for each period presented. In addition, Hydro Agri has been allocated a share of Hydro s currency gains and losses for each period calculated based on the gross interest-bearing debt level of NOK 9,300 million. Accordingly, the interest rates and allocated currency gains and losses applied reflect Hydro s financial position and strategy for the years 2000-2002 and the first nine months of 2003.

Hydro s policy is to charge the costs of shared services and corporate center support to its operating business segments based on their respective consumption of such services. However, certain costs related to general management, governance functions, investor relations and similar functions have previously been regarded as shareholder costs and included in Hydro s corporate overhead costs, not charged to the various business segments. For purposes of the Hydro Agri Carve-Out Financial Statements, a portion of such general corporate overhead costs have been allocated to Hydro Agri. In addition, a portion of the costs relating to cash management and finance functions has been allocated to Hydro Agri. General and overhead costs have been allocated based on the ratio of Hydro Agri s EBITDA to Hydro s EBITDA as a proxy for the gross values of Hydro Agri and Hydro, respectively. For cash management and finance functions, the allocation has been based on relative revenues.

The creation of AgriHold as an independent, listed company will require creation of cash management and finance functions that have been previously covered by Hydro Companies. A share of Hydro s costs related to these functions has, as explained above, been included in the Hydro Agri Carve-Out Financial Statements. The estimated future cost level for these functions is reflected in Hydro Agri s pro forma financial statements (the Hydro Agri Pro Forma Financial Statements) and are estimated to be in line with the costs reflected in the Hydro Agri Carve-Out Financial Statements.

Hydro Agri s management expects that there will be an increased cost level for Agri in 2004 and 2005 related to re-branding activities, securing legal rights in connection with the new Agri brand, and investments in new financial systems as a replacement for Hydro s treasury system. These costs, which are not included in either the Hydro Agri Carve-Out Financial Statements or the Hydro Agri Pro Forma Financial Statements, are estimated to be NOK 75 million, in total, for 2004 and 2005, and can be viewed as non-recurring costs.

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Management believes the assumptions underlying the Hydro Agri Carve-Out Financial Statements are reasonable. However, the Hydro Agri Carve-Out Financial Statements may not reflect what Hydro Agri s results of operations, financial position and cash flows would have been had Hydro Agri been a stand-alone company during the periods presented.

Hydro Agri Pro Forma Financial Statements

The Hydro Agri Pro Forma Financial Statements have been prepared for the same periods for which the Hydro Agri Carve-Out Financial Statements are presented. There are no material differences between the Hydro Agri Carve-Out Financial Statements and the Hydro Agri Pro Forma Financial Statements. For an explanation of the pro forma adjustments, see the notes to the Hydro Agri Pro Forma Financial Statements in Part V of this Information Memorandum.

The management s discussion of Hydro Agri s financial condition and results of operations that follows is based on the Hydro Agri Carve-Out Financial Statements. Since the differences between the Hydro Agri Carve-Out Financial Statements and the Hydro Agri Pro Forma Financial Statements are immaterial, the discussion is applicable to both sets of financial statements.

Segment Structure

Hydro Agri implemented its current segment structure as of October 1, 2003. Historical figures as of and for the first nine months of 2003 and 2002, and as of and for the years ended December 31, 2002, 2001 and 2000, have been reclassified to reflect the current segment structure. Activities previously reported under the headings, Fertilizer Europe, Fertilizer Outside Europe and Ammonia have been combined and then divided into the Upstream and Downstream segments, and the activities previously reported under the heading Industrial Gases and Chemicals are now reported under the Industrial segment.

Upstream

The Upstream segment comprises Hydro Agri s worldwide ammonia and urea production, the global trade and shipping of ammonia, as well as nitrate and complex fertilizer production co-located with ammonia production and serving both the domestic and international markets. The Upstream segment includes Hydro Agri s large joint venture operations (e.g., Qafco, Tringen and Farmland/Hydro L.P., a joint venture phosphate fertilizer business based in Florida (Farmland/Hydro), which was sold in November 2002). Because of the level of ownership in these joint venture entities (i.e., less than 50%), their operating results are not reflected in Hydro Agri s operating income, but Hydro Agri s share of their operating results is included in Hydro Agri s EBITDA and net income.

The Upstream segment s operating results are, to a great degree, based on the segment s margins, which are primarily affected by the price levels for ammonia, urea, nitrates and NPK and the price level of energy and raw materials such as phosphate rock and potash. In addition, operating results can be greatly influenced by movements in currency exchange rates. The volatility of the Upstream segment s operating results is typical of that of commodity fertilizer producers and, in relative terms, less stable than the operating results of Hydro Agri s Downstream and Industrial segments.

Downstream

The Downstream segment is the distribution and marketing system for the Upstream segment. The Downstream segment also includes production facilities that primarily serve the regions in which such production facilities are located. Less than 30% of the segment s sales volumes are related to the segment s own chemical production of fertilizers. The other volumes relate to products purchased either from the Upstream segment or from third parties. Because of this, much of the Downstream segment s activities are margin or commission-based. This reduces income volatility significantly compared with a traditional fertilizer production company, since the margins and commissions will remain relatively stable regardless of market prices for fertilizers and the energy inputs used to make

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fertilizers. The Downstream segment is characterized by a high capital turnover, a low ratio of property, plant and equipment to total assets compared to a traditional, production-oriented fertilizer operations and a relatively low EBITDA margin in relation to revenues.

Industrial

The Industrial segment markets numerous industrial products, mainly originating from Hydro Agri s fertilizer operations, with certain of such products being intermediates in the production of fertilizers.

Use of Estimates and Critical Accounting Policies

The preparation of consolidated financial statements requires companies to include certain amounts that are based on management s best estimates and judgments. In preparing the Hydro Agri Carve-Out Financial Statements, Hydro Agri s management reviewed its critical accounting policies and believes that these accounting policies are appropriate for a fair presentation of Hydro Agri s financial position, results of operations and of cash flows. Several of these accounting policies require estimates. Actual results may differ from those estimates. Hydro Agri s critical accounting policies are similar to Hydro s critical accounting policies as presented in Hydro s 2002 annual report, included as an exhibit to this Information Memorandum.

Employee Retirement Plans

With respect to employee retirement plans, as of September 30, 2003, the projected benefit obligation (PBO) associated with Hydro Agri s defined benefit plans was approximately NOK 5,500 million and the fair value of pension plan assets was approximately NOK 3,800 million, resulting in a net unfunded obligation for such plans of approximately NOK 1,700 million. In addition, termination benefit obligations and other pension obligations amounted to approximately NOK 300 million, leaving the net unfunded pension obligation at a total of approximately NOK 2,000 million. Net accrued pension liability was approximately NOK 1,200 million as of September 30, 2003, including additional minimum liabilities of NOK 600 million. Unrecognized net loss and prior service cost was approximately NOK 1,400 million as of September 30, 2003, of which NOK 800 million (approximately NOK 550 million after tax) is not recognized in equity. Hydro Agri s net pension cost for 2002 amounted to NOK 270 million. Cash outflows from operating activities in 2002 with respect to pensions amounted to NOK 225 million. Hydro Agri expects a considerable increase in net pension costs and cash requirements from 2002 to 2003 because of an increase in net unfunded pension liabilities primarily as a result of negative asset returns, actual compensation increases that exceeded assumed future compensation rates, and re-measurement of obligations as of year-end 2002, applying a lower discount rate and higher compensation increase (assumptions than were applied in the prior year valuation). Although there are considerable uncertainties involved with predicting net pension costs and related cash requirements, Hydro Agri estimates that its net pension cost for 2003 will be approximately NOK 360 million. The discount rate Hydro Agri utilizes for determining pension obligations and pension cost is based on 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 Agri provides defined benefit plans in several countries and in various economic environments that will affect the actual discount rate applied. Approximately one-fifth of Hydro Agri s projected benefit obligation relates to Norway. The weighted average discount rate applied as of December 31, 2002 was 6.0%.

Use of Non-GAAP Financial Information

Non-GAAP financial measures are defined as financial measures that either exclude or include amounts that are not included in or excluded from the most directly comparable measure calculated and presented in accordance with GAAP. EBITDA is, for example, considered such a measure.

In the discussion of Hydro Agri s operating results for the periods presented in the Hydro Agri Carve-Out Financial Statements, Hydro Agri refers to certain non-GAAP financial matters, including EBITDA and operating income excluding infrequent or non-recurring items. Hydro Agri s

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management makes regular use of these measures to evaluate its performance, both in absolute terms and comparatively from period to period. These measures are viewed by management as providing a better understanding for management and investors of the underlying operating results of its business for the periods under evaluation.

Hydro Agri s steering model, referred to as Value-Based Management, reflects management s focus on cash flow-based performance indicators. EBITDA, which Hydro Agri defines as income/(loss) before tax, interest expense, depreciation, amortization and write-downs, is an approximation of cash flow from operations before tax. EBITDA includes, in addition to operating income, interest income and other financial income, equity in net income of non-consolidated investees, and gains and losses on sales of assets and activities classified as Other income/(loss), net in the income statement. EBITDA excludes depreciation, write-downs, amortization of excess values in non-consolidated investees, and currency gains and losses. Hydro Agri s definition of EBITDA may differ from that of other companies.

EBITDA should not be considered as an alternative to operating income and income before taxes as an indicator of Hydro Agri s operations in accordance with generally accepted accounting principles. Nor is EBITDA an alternative to cash flow from operating activities in accordance with generally accepted accounting principles.

Another cash flow-based indicator used by Hydro Agri 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.

A reconciliation of EBITDA to operating income, of operating income to gross cash flow, and of total assets to gross investments is presented at the end of the discussion in this section. A reconciliation of EBITDA to net income at the Hydro Agri level is presented under the caption, Reconciliation of EBITDA to Net Income.

Overview

Hydro Agri is a global leader in the production, distribution and sale of nitrogen-based mineral fertilizers and related industrial products. The core of Hydro Agri s operations is the production and sale of nitrogen-based fertilizers. To complement its nitrogen-based product offerings, Hydro Agri also markets phosphate- and potash-based fertilizers sourced from third parties. In addition, Hydro Agri markets specialty fertilizers, as well as industrial gases and nitrogen chemicals that, in general, are co-products of its fertilizer operations.

Over the last several years, Hydro Agri s management has taken a number of actions to improve Hydro Agri s competitive position and operating results. The most significant of these actions was Hydro Agri s three-year turnaround program, initiated in 1999 and completed in 2001.

Hydro Agri exceeded its targeted levels of cost reductions and productivity improvements through the turnaround program. Over the 1999-2001 period, Hydro Agri achieved a total reduction in fixed costs (primarily salaries and related costs, purchased services for plant and facility maintenance, and sales and general administration costs) of approximately NOK 2,400 million (approximately 30%), comparing the cost level in 2001 with that in 1998. As Hydro Agri s overall business volume was well-maintained through the period of the turnaround program, the cost savings had a direct productivity effect of a similar magnitude. Improvement measures related to savings in raw material and sourcing costs, energy cost reductions and other variable cost improvements, were estimated to amount to an additional NOK 500 million for the same period.

The turnaround program also included capacity reductions, prompted by the production over-capacity that characterized the Western European nitrate and NPK fertilizer markets. The overcapacity situation had contributed to low fertilizer product prices and increasingly severe pressure on margins

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for all Western European producers. As a result of Hydro Agri s actions, and capacity reductions by other Western European producers, the Western European fertilizer market now reflects an improved supply/demand balance, increased production capacity utilization rates and improved margins. In addition to the capacity reductions, Hydro Agri closed 12 market organizations and sold more than 25 businesses considered non-core.

The success of the turnaround program has been followed-up with continued efforts to achieve productivity improvements in 2002. Hydro Agri achieved fixed cost reductions in 2002 of approximately NOK 350 million (excluding positive currency effects of approximately NOK 375 million) compared to the prior year. A substantial part of the currency effects can be characterized as translation related (i.e., translation of the operating results of subsidiaries based outside of Norway with functional currencies other than the Norwegian kroner into Hydro Agri s reporting currency, which is the Norwegian kroner). Divestment of low-performing or non-core assets represented approximately 34% of the cost reductions in 2002. The remaining amount of the fixed cost reduction related to efficiency improvements, mainly within Hydro Agri s fertilizer production system.

Notwithstanding all of the efforts of Hydro Agri s management and other employees to improve Hydro Agri s operating performance, Hydro Agri s operating results and financial condition continue to be greatly influenced by prevailing market conditions in its industry and other forces. In the periods covered by the Hydro Agri Carve-Out Financial Statements, the three main drivers of Hydro Agri s operating results have been fertilizer prices, the costs of raw materials (e.g., natural gas and oil products), and changes in foreign currency exchange rates.

Fertilizer Prices

During the 2000-2002 period, grain prices increased by approximately 15-25%, partly as a result of the decline in the ratio of grain stocks to consumption from 36% to 30%. The decline in the reported grain stocks/consumption ratio can, in part, be attributed to better information collection from certain parts of the world. Nonetheless, the impact upon agricultural activity has been significant, as decisions are made based upon the perceived stocks of grain available. Information available after year-end 2003 will likely reflect a further decline in the ratio of grain stock/consumption throughout 2003. In general, higher grain prices normally stimulate increased grain production, increasing the demand for fertilizer with resulting upward pressure on fertilizer prices.

During much of the 2000-2002 period, the upward pressure on fertilizer prices that normally follows increased grain prices was dampened by production overcapacity. However, there has been an overall improvement in the market balance between fertilizer production and consumption since 2000 that has contributed to the significantly improved prices in the first nine months of 2003. To illustrate, the average urea price (fob Middle East) hovered at around a U.S.$109 per tonne level throughout the 2000-2002 period, below what could be considered an average historical level of U.S.$130-140. The average urea price (fob Middle East) over the first nine months of 2003 was U.S.$142, an increase of 30% compared to the average price in 2002.

Cost of Raw Materials

Natural gas is the most important raw material used in the production of ammonia, finished nitrogen fertilizer products and industrial nitrogen products. The cost of natural gas accounts for as much as 70-90% of the total cash cost of ammonia production. During the last three years, the nitrogen fertilizer market has been significantly affected by an increase in natural gas prices in the United States. Following years of price levels below world market prices, the price of natural gas in the United States has moved to higher average price levels. Although remaining volatile and experiencing low price periods, such prices reached record high levels in the winter of 2000/01 and again in the winter of 2002/03.

The high U.S. natural gas prices have, in turn, led to the permanent closure or temporary shutdown of a number of U.S. ammonia plants in the last three years, contributing to the overall

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improvement in the market balance of fertilizer and production and consumption noted above. However, additions to production capacity have occurred in other areas of the world during this period, partially offsetting the effects of the plant closures in North America and in Europe.

As explained in the Overview of the Mineral Fertilizer Industry in Part III of this Information Memorandum, in recent years (when fertilizer prices have been cost, rather than demand, driven) the natural gas price in the United States has served to create an effective floor price for nitrogen fertilizer products globally. It takes approximately 36 MMBTU of natural gas feedstock and fuel to produce one tonne of ammonia. With a U.S. natural gas price of U.S.$5.50 per MMBTU (the level of U.S. natural gas prices for much of 2003), the cost of natural gas to produce one tonne of ammonia is approximately U.S.$198. This explains the significant increase in the average price of ammonia (fob Caribbean) during the first nine months of 2003, to U.S.$190 per tonne, compared to an average price of U.S.$110 per tonne during the same period in 2002.

The urea price and prices for other nitrogen-based fertilizer products, in turn, have historically been closely correlated to the price of ammonia. It takes approximately 0.57 to 0.59 tonnes of ammonia to produce one tonne of urea. If one assumes an ammonia price of U.S.$190, then the ammonia cost associated with the production of one tonne of urea is approximately U.S.$115. The urea price (adjusted for the relative nitrogen content) must reflect a sufficient margin or premium above the ammonia price, together with other production costs, to cover the cash costs of upgrading the ammonia; otherwise, the fertilizer producer has an economic incentive to simply sell the ammonia. For similar reasons, European nitrate prices (e.g., prices for AN and CAN), which generally reflect a premium over the urea price, have historically demonstrated a strong correlation with the global urea price, again taking into consideration the relative nitrogen content of nitrates.

Most of Hydro Agri s natural gas and oil product requirements are purchased from external suppliers. A significant part of the natural gas used is purchased under long-term contracts with pricing mechanisms linked to market prices of fuel oil. In Europe, natural gas prices are closely linked to the heavy fuel oil price, with a time lag of 4-5 months. Energy costs related to the ammonia and urea production in Trinidad and Tobago, as well as Qatar, are generally based on long-term contracts, the pricing terms of which are partly linked to price developments for finished products.

Changes in Currency Exchange Rates

As noted above, Hydro Agri s operating results can be significantly affected by changes in currency exchange rates through translation effects.

In addition, because of the nature of the fertilizer industry s pricing of products and raw materials (i.e., in, or in relation to, the U.S. dollar), combined with the location of Hydro Agri s production facilities (mainly in Europe) and major markets (which are based in regions with other currencies), a depreciation of the U.S. dollar against the euro or the Norwegian kroner will have a transaction effect on Hydro Agri s operating results. For the most part, Hydro Agri s revenues and variable costs are exposed to the U.S. dollar and its fixed costs are exposed to European currencies, primarily the euro and the Norwegian kroner. Accordingly, exchange rate movements between the U.S. dollar and European currencies, including the Norwegian kroner, can significantly affect Hydro Agri s operating revenues, costs and margins. In 2001, for example, the NOK/U.S.$ exchange rate reflected an average of approximately NOK 9.00 per U.S.$1. During 2000, 2001 and through the first few months of 2002, the U.S. dollar appreciated slowly against the euro, but with relatively small incremental changes. The U.S. dollar has since depreciated significantly (i.e., by more than 20%). As a result, in the first nine months of 2003, the increase in Hydro Agri s operating revenues and overall operating results due to the significant increases in fertilizer prices compared to the corresponding period of the prior year was dampened by the depreciation of the U.S. dollar against European currencies. Excluding currency effects, the period over period increase in operating revenues and operating results would have been substantially higher.

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Hydro Agri s Sensitivity to Key Drivers of Operating Results

Hydro Agri s management has undertaken a sensitivity analysis with respect to each of the above-described key drivers of its operating results. The sensitivity analysis addresses the effect of specified changes in each of the three key drivers on Hydro Agri s operating income and EBITDA for a full fiscal year.

Fertilizer Prices

CAN. The CAN price has, over time, been the most relevant indicator of the revenue stream for Hydro Agri s own produced products. Hydro Agri s management estimates that, over a medium-term period of 1-2 years, a U.S.$10 per tonne change in the price of CAN (fob Germany) will have an effect on both operating income and EBITDA of approximately NOK 500 million per year, assuming all other nitrogen fertilizer prices (other than urea) follow the CAN price in the same manner as the historical pattern.

Urea. Using the same methodology, Hydro Agri s management has estimated that a U.S.$10 per tonne change in the price of urea (fob Middle East) will have an effect on operating income of NOK 140 million per year. The effect on EBITDA is estimated to be NOK 170 million per year. The difference is attributable to Hydro Agri s equity interest in Qafco.

Ammonia. Hydro Agri has an ammonia surplus related to its equity interests in Tringen and Qafco, while the consumption and production of ammonia is in a close balance for its 100%-owned production facilities. Accordingly, the effect of a change in the price of ammonia will affect finished fertilizer products to a greater extent than that associated with sales or trading of ammonia. Thus, Hydro Agri s management estimates that a U.S.$10 per tonne change in the price of ammonia will have an EBITDA effect of NOK 25 million per year, and a minor direct effect on operating income.

Cost of Raw Materials

The Raw material and energy costs line item included in the Hydro Agri Carve-Out Financial Statements is significantly affected by the costs of purchased fertilizer products. In general, Hydro Agri sells these products after incurring minimal costs for upgrading such product for external customers. Accordingly, changes in the costs of purchased products will have a relatively limited affect on operating results compared to changes in the cost of energy used by Hydro Agri in the production of chemically produced fertilizer products.

Hydro Agri s management estimates that a U.S.$1 per barrel change in the crude oil price will influence, with a time lag of several months (as the crude oil price change affects natural gas prices), its raw materials and energy costs by approximately NOK 110 million per year, affecting both operating income and EBITDA similarly.

The raw material and energy costs of non-consolidated investees are not reflected in Hydro Agri s operating income, but changes in such costs affect Hydro Agri s net income and EBITDA.

Currency Movements

Based on the amount of Hydro Agri s EBITDA in 2002, Hydro Agri s management estimates that the effect of a parallel appreciation of the euro and the NOK by 12.5% against the U.S. dollar will reduce Hydro Agri s operating income by approximately NOK 700 million. The effect on EBITDA is estimated to be approximately NOK 800 million.

Further sensitivity information can be found in the EBITDA variance tables included in the discussion below with respect to the financial periods presented in the Hydro Agri Carve-Out Financial Statements.

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RESULTS OF OPERATIONS

NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

Unaudited Condensed Income Statements[(1)]

	Nine months ended September 30,	
NOK million (except per share data)	**2003**	**2002**
Operating revenues	27,891	26,523
Raw material and energy costs	19,954	18,656
Payroll and related costs	2,329	2,155
Depreciation, depletion and amortization	837	878
Other operating costs	2,942	2,883
Operating cost and expenses	26,062	24,572
Operating income (before financial items and other income)	1,829	1,951
Equity in net income of non-consolidated investees	363	(17)
Interest income and other financial income	136	199
Other income/(loss), net	40	142
Earnings before interest expense and tax (EBIT)	2,368	2,275
Interest expense and foreign exchange gain/(loss)	(447)	(38)
Income before tax and minority interest	1,921	2,237
Income tax expense	(637)	(734)
Minority interest	(19)	1
Net income	1,265	1,504
Earnings per share	3.96	4.71

(1) Based on Carve-Out Financial Statements.

Key Statistics

	Nine months ended September 30,	
	2003	**2002**
Sales of fertilizers and associated nitrogen chemicals (in millions of tonnes, excluding ammonia):	16.6	17.1

Total Sales Volume		
Europe	8.5	8.5
Rest of World	8.1	8.6
Total Sales Volume of Hydro Agri-produced product (including bulk blends)	11.4	11.3
Europe	7.5	7.6
Rest of World	3.9	3.7
Purchased for resale	5.2	5.8
Average prices and costs:		
Ammonia (fob Caribbean) U.S.$/tonne [1]	190	98
Urea (fob Middle East) U.S.$/tonne [1]	142	106
CAN (cif Germany) U.S.$/tonne [2]	144	111
Energy costs (mainly gas, oil and LPG), weighted average, U.S.$/MMBTU [3]	3.17	2.23
Average exchange rate NOK/U.S.$	7.10	8.22
Average exchange rate NOK/	7.89	7.58
Average exchange rate U.S.$/	1.11	0.92

(1) Average of published values.
(2) Average of Hydro Agri published price list converted to U.S. dollars.
(3) Hydro Agri consumption, including proportional shares of non-consolidated investee companies.

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Key Financial Information

NOK million	Nine months ended September 30, 2003	2002
Operating revenues		
Upstream	10,778	8,351
Downstream	21,316	21,557
Industrial	3,418	3,344
Other and eliminations [1]	(7,621)	(6,729)
Hydro Agri	27,891	26,523
Operating income		
Upstream	736	573
Downstream	1,014	1,137
Industrial	333	455
Other and eliminations [2]	(254)	(214)
Hydro Agri	1,829	1,951
EBITDA		
Upstream	1,410	1,039
Downstream	1,532	1,702
Industrial	541	672
Other and eliminations [2]	(243)	(163)
Hydro Agri	3,240	3,250

	Nine months ended September 30, 2003	2002
CROGI [3]		
Upstream	9.2%	6.5%
Downstream	12.9%	13.3%
Industrial	15.4%	17.7%
Hydro Agri	10.0%	9.3%

(1) Other and eliminations includes the elimination of internal sales between segments.
(2) Other and eliminations includes Hydro Agri s general overhead costs and shareholder costs, in addition to the elimination of gains on internal sales.
(3) Annualized CROGI figures.

Discussion of Result of Operations

Operating revenues. During the first nine months of 2003, Hydro Agri s operating revenues increased by 5% over the prior year period (from NOK 26,523 million to NOK 27,891 million), primarily as a result of increased prices for most fertilizer products. Both urea and ammonia prices increased, reflecting an improved global market balance. The urea price increase was supported by increased 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. Ammonia prices reached an average third quarter price of U.S.$194 (fob Trinidad and Tobago), a historically high level, for many of the same reasons as the urea price increase discussed above. The increasing nitrogen fertilizer price trend also affected European nitrate prices, which continued to rise through the third quarter of 2003.

The closure of manufacturing capacity in Europe in 2000 and 2001, together with European producers further capacity reductions in 2002, contributed positively to the supply/demand balance in key European markets in the first nine months of 2003, resulting in improved prices for key products in these markets during this period.

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In the first nine months of 2003, Hydro Agri s fertilizer product sales volumes decreased by 0.5 million tonnes (approximately 3%) compared to the corresponding period of the prior year, primarily due to the termination of the Farmland/Hydro marketing agreement in conjunction with the sale of Hydro Agri s interest in Farmland/Hydro. Sales volumes in Europe did not change materially, and declined slightly in the rest of the world as a result of the divestment of Farmland/Hydro.

Operating income and EBITDA. Operating income for the first nine months of 2003 was NOK 1,829 million, compared to NOK 1,951 million in the corresponding period of 2002 (a decline of approximately 6%). EBITDA for the first nine months of 2003 was NOK 3,240 million, compared to NOK 3,250 million in the prior year period. Increased nitrogen prices positively affected operating income and EBITDA (in the approximate amount of NOK 1,865 million) compared to the corresponding period of 2002.

The positive effect of increased nitrogen prices was partially offset by the negative effects of increased raw materials and energy costs (approximately NOK 1,000 million). Higher oil prices during the first several months of 2003 (and the consequent increase in gas and oil product costs for Hydro Agri s ammonia plants) resulted in an increase of approximately 40-45% in the cost of ammonia production for the first nine months of 2003, compared to the corresponding period of the prior year. Other raw material costs were stable.

The strengthening of European currencies against the U.S. dollar also negatively affected operating income and EBITDA for the first nine months of 2003 by approximately NOK 720 million compared to the corresponding period of the prior year.

Hydro Agri s net income from non-consolidated investees for the first nine months of 2003 reflected an increase of NOK 380 million over the corresponding period of the prior year. The increase can be attributed primarily to a significant improvement in the results for Tringen and Qafco. As noted above, the results of non-consolidated investees have no effect on Hydro Agri s operating income. In addition, Hydro Agri s EBITDA for the first nine months of 2002 was negatively affected by the one-time costs associated with the divestment of Hydro Agri s interest in Farmland/Hydro.

Other negative deviations in the first nine months amounted to NOK 155 million.

EBITDA Variance Analysis (Nine months ended September 30, 2003 vs. Nine months ended September 30, 2002)

	Amount (in NOK million)
2003 EBITDA	3,240
2002 EBITDA	3,250
Change in EBITDA	(10)
Factors Affecting the Change in EBITDA	
Margin and volume, including currency effects [(1)]	18
Fixed costs, including currency effects [(2)]	(164)
Change in provision for bad debt	(57)

Income/(loss) of non-consolidated investees	318
Interest income	(63)
Other	(62)
Total change in EBITDA	(10)

(1) Includes the effects of changes in sales volumes, changes in product prices, and fluctuations in currency exchange rates on operating revenues. In addition, includes changes in variable costs (mainly changes in energy costs) that are also affected by fluctuations in currency exchange rates.

(2) The variance in fixed costs also includes the effects of fluctuations of currency exchange rates (mainly translation effects). Fixed costs consist primarily of salaries and related costs, purchased services for plant and facility maintenance, and sales and general administration costs.

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To describe the underlying business results of Hydro Agri for the first nine months of 2003, the table below illustrates the change in EBITDA for the first nine months of 2003 compared to the corresponding period of the prior year, excluding primarily the effect of the U.S. dollar s depreciation and other currency changes. This has been accomplished primarily by converting U.S. dollar values at fixed rates. The table reflects the underlying increase in EBITDA for the first nine months of 2003 of approximately NOK 710 million compared to the same period of the prior year.

	Approximate Amount (in NOK million)
Total change in EBITDA as presented above	(10)
Currency effects affecting EBITDA [1]	(720)
Total change in EBITDA calculated with stable currency rates	710
Principal factors contributing to the change in EBITDA	
Increased fertilizer prices incl. share of Qafco and Tringen	1,865[2]
Energy costs	(1,000)
Change in provision for bad debt	(57)
Interest income	(63)
Fixed costs	(74)
Other	39
Total change in EBITDA calculated with stable currency rates	710

(1) Currency effects on all line items reflected in the table have been isolated by applying constant (2003) exchange rates.

(2) The positive variance of NOK 1,865 million includes the effect of increased product prices on operating revenues and operating income for consolidated subsidiaries, as well as the positive effect on Hydro Agri s share of net income of non-consolidated investees, both of which affect EBITDA.

Interest expense and currency gains and losses. As described in the Basis of Presentation of Hydro Agri s Carve-Out Financial Statements section above, the Hydro Agri Carve-Out Financial Statements reflect interest expense and interest income based on Hydro Agri s assumed average interest-bearing debt of NOK 9,300 million and the average cash position of NOK 800 million, period presented. In addition, Hydro Agri has been allocated a share of Hydro s net foreign currency gains and losses for each period calculated based on a gross interest-bearing debt level of NOK 9,300 million.

NOK million	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Interest income	133	161
Net gain/(loss) on securities	2	1
Dividends received	1	37
Interest income and other financial income	136	199
Interest expense	(499)	(484)
Capitalized interest	14	
Net foreign exchange gain/(loss)	77	481
Other net cost	(39)	(35)

Interest expense and foreign exchange gain/(loss)	(447)	(38)
Net financial income/(expense)	(311)	161

For the first nine months of 2003, Hydro Agri s net currency gains amounted to NOK 77 million. This represents the portion of Hydro s net currency gains allocated to Hydro Agri. The gains related primarily to the U.S. dollar s weakening against the euro and the Norwegian kroner and reflect the significant portion of Hydro s long-term debt that is U.S. dollar denominated.

Net financial expense for the first nine months of 2003 was NOK 311 million, reflecting the external interest income on Hydro Agri s accounts receivables and the Carve-out principles used (i.e.,

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Hydro Agri being allocated a portion of net interest-bearing debt of NOK 8,500 million over the periods presented in the Hydro Agri Carve-Out Financial Statements).

Net financial income for the first nine months of 2002 was NOK 161 million, which includes an allocation of interest expense and currency gains and losses based on the gross interest-bearing debt level for Hydro Agri of NOK 9,300 million. The net financial income figure for the first nine months of 2002 includes net currency gains of NOK 481 million attributable primarily to the appreciation of Norwegian kroner against the U.S. dollar.

Income Taxes. Provision for current and deferred taxes for the first nine months of 2003 amounted to NOK 637 million, representing approximately 33% of pre-tax income. The tax provision consists primarily of current taxes. The equivalent amounts for the first nine months of 2002 were NOK 734 million and 33%.

Net income. As a result of the factors discussed above, Hydro Agri s net income for the first nine months of 2003 was NOK 1,265 million, compared to NOK 1,504 million for the same period in 2002, a decline of approximately 16%.

Operating Segment Information

Upstream

Key Figures	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002
Financial Data (NOK million)		
Operating revenues	10,778	8,351
Operating income	736	573
EBITDA	1,410	1,039
Financial Data (U.S.$ million) [(1)]		
Operating revenues	1,519	1,016
Operating income	104	70
EBITDA	199	126
CROGI	9.2%	6.5%
Gross Investment (NOK million)	17,160	17,507
Net operating capital (NOK million)	1,575	1,032
Property, plant and equipment (NOK million)	3,535	3,395
Non-consolidated investees (NOK million)	1,362	1,475
Production Volumes (in thousands of tonnes)		
Ammonia (incl. share of non-cons. investees)	3,504	3,504
Urea (incl. share of non-cons. investees)	1,689	1,522
NPK	1,379	1,369
CN	721	729
Nitrates	1,077	1,244

Average Commodity Prices

Ammonia price (fob Caribbean) U.S.$/tonne	190	98
Urea price (fob Middle East) U.S.$/tonne	142	106
Energy costs (mainly gas, oil and LPG), weighted average, U.S.$ per MMBTU	3.17	2.23

(1) The reported NOK figures have been converted into U.S. dollars using the average exchange rate for the respective periods.

Operating revenues. The Upstream segment s operating revenues for the first nine months of 2003 were NOK 10,778 million, an increase of approximately 29% compared to the first nine months of 2002, when operating revenues were NOK 8,351 million. The increase in the Upstream segment s

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operating revenues can primarily be attributed to the significant increase in commodity fertilizer product prices. In the third quarter of 2003, average ammonia prices were, for example, more than 90% above the third quarter 2002 price level. The increase in the ammonia price increased segment operating revenues by more than NOK 2,000 million. NPK prices to overseas markets showed only a limited price improvement, offset by increased logistical costs as a result of increased shipping rates.

The depreciation in the U.S. dollar against the Norwegian kroner had a negative effect on segment operating revenues of more than NOK 1,000 million compared to the first nine months of 2002.

Operating income and EBITDA. The Upstream segment s operating income for the first nine months of 2003 was NOK 736 million, an increase of approximately 28% compared to the corresponding period of the prior year when operating income was NOK 573 million. The Upstream segment s EBITDA for the first nine months of 2003 of NOK 1,410 million reflected an increase of approximately 36% over the same period of the prior year. The increases can be attributed primarily to the significant increase in commodity fertilizer prices.

During the first nine months of 2003, the Upstream segment s raw materials and energy costs relating to its European ammonia units increased by approximately NOK 1,000 million compared to the corresponding period of the prior year. The increase in raw materials and energy costs offset much of the positive effect of increased commodity fertilizer prices.

The non-consolidated companies, Tringen, Qafco and Farmland/Hydro (the latter by virtue of the non-inclusion of one-time costs incurred in the first nine months of 2002 in connection with its divestment in November 2002) contributed to an improvement in EBITDA in the first nine months of 2003 of NOK 261 million compared to the same period of the prior year.

Downstream

Key Figures	Nine months ended September 30, 2003	2002
Financial Data (NOK million)		
Operating revenues	21,316	21,557
Operating income	1,014	1,137
EBITDA	1,532	1,702
Financial Data (U.S.$ million) [1]		
Operating revenues	3,004	2,624
Operating income	143	138
EBITDA	216	207
CROGI	12.9%	13.3%
Gross Investments (NOK million)	12,334	13,008
Net operating capital (NOK million)	6,116	5,652
Property, plant and equipment (NOK million)	2,355	2,344
Non-consolidated investees (NOK million)	818	590
Sales Volumes (in thousands of tonnes)		
Total Sales	15,146	15,692
Europe	7,329	7,387
Rest of World	7,817	8,305

Production Volumes (in thousands of tonnes)		
Total	4,287	3,754
Nitrates	2,024	1,707
NPK	1,747	1,536
Other products	516	511
Average Prices		
CAN Price (cif Germany) U.S.$/tonne	144	111
NPK (cif France) U.S.$/tonne [2]	186	155

(1) The reported NOK figures have been converted into U.S. dollars using the average exchange rate for the respective periods.
(2) Average of Hydro Agri s published prices during the period presented.

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Operating revenues. The Downstream segment s operating revenues for the first nine months of 2003 were NOK 21,316 million, down approximately 1% from NOK 21,557 million in operating revenues for the corresponding period of the prior year. Fertilizer prices in all of the Downstream segment s main markets increased significantly. European nitrate prices increased by approximately 30% (CAN cif Germany). The positive effect of increased fertilizer prices was offset by the effect of the strengthening of the Norwegian kroner and euro against the U.S. dollar.

Operating income and EBITDA. The Downstream segment s operating income for the first nine months of 2003 was NOK 1,014 million, compared to NOK 1,137 million in the corresponding period of 2002, a decline of approximately 11%. The segment s EBITDA for the first nine months of 2003 was NOK 1,532 million, compared to NOK 1,702 million in the corresponding period of 2002, a decline of approximately 10%. The declines in operating income and EBITDA were due primarily to currency effects (i.e., the strengthening of the Norwegian kroner and euro against the U.S. dollar). The Downstream segment s earnings, measured in U.S. dollars, improved despite the fact that the competitive position of the segment s European operations was negatively influenced by the strong European currencies. In addition, higher ammonia input prices contributed to the Downstream segment s increased variable costs for the first nine months of 2003 compared to the same period of the prior year.

Industrial

Key Figures	Nine months ended September 30, 2003	2002
Financial Data (NOK million)		
Operating revenues	3,418	3,344
Operating income	333	455
EBITDA	541	672
Financial Data (U.S.$ million) [(1)]		
Operating revenues	482	407
Operating income	47	55
EBITDA	76	82
CROGI	15.4%	17.7%
Gross Investment (NOK million)	3,734	3,942
Net operating capital (NOK million)	567	569
Property, plant and equipment (NOK million)	1,214	1,243
Non-consolidated investees (NOK million)	14	44
Operating revenues, Ind. Gas and carbon dioxide (NOK million)	1,180	1,183
Volumes (in thousands of tonnes)		
Industrial N-Chemicals	1,060	1,053
Environmental Products	321	293

(1) The reported NOK figures have been converted into U.S. dollars using the average exchange rate for the respective periods.

Operating revenues. The Industrial segment s operating revenues in the first nine months of 2003 of NOK 3,418 million increased by 2% compared to same period of the prior year. The increase in operating revenues is primarily attributable to increased sales volumes for most product groups, including technical ammonium nitrates, specialty nitrogen products such as Reduktan® and Nutriox®, and carbon dioxide. The increased sales volumes were offset by the negative effect of the strengthening of European currencies against the U.S. dollar.

Operating income and EBITDA. The Industrial segment s operating income for the first nine months of 2003 was NOK 333 million, compared to NOK 455 million in the same period of the prior year. The segment s EBITDA also reflected a decline from NOK 672 million in the first nine months of 2002 to NOK 541 million in the first nine months of 2003.

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YEARS ENDED DECEMBER 31, 2002, 2001 and 2000

Unaudited Condensed Income Statements[1]

NOK million (except per share data)	Year ended December 31, 2002	2001	2000
Operating revenues	33,477	37,449	36,621
Raw material and energy costs	23,373	26,467	26,333
Payroll and related costs	2,921	3,463	3,905
Depreciation, depletion and amortization	1,183	1,580	1,643
Other operating costs	3,857	3,876	3,082
Restructuring costs			135
Operating cost and expenses	31,334	35,386	35,098
Operating income (before financial items and other income)	2,143	2,063	1,523
Equity in net income of non-consolidated investees	57	330	350
Interest income and other financial income	245	408	291
Other income/(loss), net	142	(53)	
Earnings before interest expense and tax (EBIT)	2,587	2,748	2,164
Interest expense and foreign exchange gain/(loss)	(16)	(765)	(898)
Income before tax and minority interest	2,571	1,983	1,266
Income tax expense	(845)	(599)	(365)
Minority interest	(11)	85	55
Net income	1,715	1,469	956
Earnings per share (NOK)	5.37	4.60	2.99

(1) Based on Carve-Out Financial Statements.

Key Statistics

	Year ended December 31, 2002	2001	2000
Sale of fertilizers and associated nitrogen chemicals (in millions of tonnes, excluding ammonia):			

Total Sales Volume	22.5	21.3	22.9
Europe	11.4	11.5	13.3
Rest of World	11.1	9.8	9.6
Total Sales Volume of Hydro Agri-produced product (including bulk blends)	14.6	14.6	15.5
Europe	10.0	10.2	11.6
Rest of World	4.6	4.4	3.9
Purchased for resale	7.9	6.7	7.4
Average prices and costs			
Ammonia (fob Caribbean) U.S.$/tonne [1]	110	137	148
Urea (fob Middle East) U.S.$/tonne [1]	109	109	110
CAN (cif Germany) U.S.$/tonne [2]	111	119	103
Energy costs (mainly gas, oil and LPG), weighted average U.S.$/MMBTU [3]	2.28	2.47	2.58
Average exchange rate NOK/U.S.$	7.99	9.00	8.83
Average exchange rate NOK/	7.52	8.05	8.11
Average exchange rate U.S.$/	1.06	1.12	1.09

(1) Average of published values.
(2) Average of Hydro Agri published price list converted to U.S. dollars.
(3) Hydro Agri consumption, including proportional shares of non-consolidated investee companies.

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Key Financial Information

NOK million	Year ended December 31, 2002	2001	2000
Operating revenues			
Upstream	11,126	13,281	12,506
Downstream	26,722	29,446	28,669
Industrial	4,360	4,861	4,838
Other and eliminations [1]	(8,731)	(10,139)	(9,392)
Hydro Agri	33,477	37,449	36,621
Operating income			
Upstream	585	1,037	1,128
Downstream	1,315	1,073	284
Industrial	491	377	319
Other and eliminations [2]	(248)	(424)	(208)
Hydro Agri	2,143	2,063	1,523
EBITDA			
Upstream	1,267	2,054	2,142
Downstream	2,016	2,028	1,228
Industrial	797	652	720
Other and eliminations [2]	(202)	(389)	(333)
Hydro Agri	3,878	4,345	3,757

	Year ended December 31, 2002	2001	2000
CROGI			
Upstream	6.3%	9.4%	9.4%
Downstream	12.1%	10.0%	5.8%
Industrial	16.4%	11.7%	12.5%
Hydro Agri	8.6%	9.5%	8.3%

(1) Other and eliminations includes the elimination of internal sales between segments.
(2) Other and eliminations includes Hydro Agri s general overhead costs and shareholder costs, in addition to the elimination of gains on internal sales.

Discussion of Results of operations

***Operating revenues*.** Hydro Agri s 2002 operating revenues were NOK 33,477 million, compared to NOK 37,499 million in 2001 and NOK 36,621 million in 2000.

The global fertilizer industry continued to experience difficult market conditions throughout most of 2002 as a result of low prices for commodity products, such as urea. European fertilizer prices for all major nitrogen products were strongly influenced by the low international urea price. The average price of urea both in 2002 and 2001 was U.S.$109 per tonne (fob Middle East), considered low on a historical basis.

The relative price of nitrogen is an important element considered by customers when choosing between alternative fertilizer products with varying nitrogen content. In 2002, the average price for ammonia was U.S.$110 per tonne (fob Caribbean), down approximately 20% compared to 2001. The decrease reflected lower natural gas prices in the United States. During 2001, the average price for ammonia was U.S.$137 per tonne, reflecting the higher natural gas prices in the United States during the 2000-2001 winter season. During 2000, the average ammonia price was U.S.$148 per tonne. European nitrate prices decreased by approximately 7% in 2002, reducing the nitrate margin above the urea price to a more normal historical level since the urea price was stable from 2001 to 2002.

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Hydro Agri s total sales volumes of fertilizer products increased by 1.2 million tonnes in 2002, an increase of approximately 6% compared to the previous year. The increase was attributable to sales outside of Europe. Sales volumes in 2002 in each of Asia, Latin America, Africa and North America increased by approximately 14% compared to the prior year, while European sales volumes reflected a small decline. Fertilizer product sales outside of Europe are primarily sourced from third parties. The sales volumes of industrial gases and chemicals also significantly improved in 2002 after relatively flat sales in 2001 compared to the prior year.

Total sales volumes of fertilizer products in 2001 declined by 7% compared to the prior year. Volumes in Europe declined by 1.8 million tonnes (approximately 13%), driven by a combination of consumption decline and Hydro Agri s closure of capacity. Sales volumes in Latin America and Asia increased by approximately 14% and 2%, respectively, compared to the prior year, and, together with the positive price development in Europe, were the main reason for the increase in 2001 operating revenues compared to the prior year. The positive price effect in the European market from 2000 to 2001 amounted to approximately NOK 800 million.

The significant reduction in the value of the U.S. dollar compared to European currencies from 2001 to 2002 reduced Hydro Agri s 2002 operating revenues by more than NOK 3,000 million. This represented the most significant element of the variance in 2002 operating revenues compared to the prior year.

Operating income and EBITDA. Hydro Agri s operating income in 2002 was NOK 2,143 million, an increase of approximately 4% compared to the prior year s level of NOK 2,063 million. The increase in 2002 operating income compared to the prior year was partly attributable to reduced depreciation following the write-down of assets in 2001 in connection with the turnaround program. Hydro Agri s operating income in 2001 was 35% higher than in the prior year, reflecting the effects of the completion of the cost and productivity improvements associated with the turnaround program. Because of the low level of investment in 2001, depreciation was relatively constant from 2000 to 2001.

Hydro Agri s 2002 EBITDA was NOK 3,878 million, compared to NOK 4,345 million in 2001 and NOK 3,758 million in 2000.

Hydro Agri s 2002 operating income and EBITDA reflected a higher relative portion of total sales volumes represented by third-party products compared to the prior year. Sales volumes of Hydro Agri-produced products were stable. The margins for third-party products are normally lower than those associated with Hydro Agri-produced products.

Hydro Agri s 2002 operating income and EBITDA were positively affected by lower raw materials and energy costs for ammonia production for finished fertilizer products, in the approximate amount of NOK 400 million (excluding positive currency effects), compared to the prior year. The average price of purchased energy (i.e., gas and oil products) in 2002 was U.S.$2.28 per MMBTU, compared to U.S.$2.47 per MMBTU in 2001. In 2001, total energy costs for ammonia production were approximately NOK 3,150 million, almost NOK 200 million less than in 2000.

Hydro Agri s 2002 operating income and EBITDA were adversely affected by the significant weakening of the U.S. dollar relative to the Norwegian kroner and euro during the year. The changes in currency exchange rates during 2002 reduced EBITDA by an estimated NOK 707 million.

In November 2002, Hydro Agri divested its interest in Farmland/Hydro as part of its strategy of increasing its focus on nitrogen-based products. This resulted in a negative EBITDA effect of NOK 82 million, reflected in income from non-consolidated investees. In addition to the one-time effect of this divestment, Hydro Agri s share of net income of non-consolidated investee earnings declined by approximately NOK 100 million.

Hydro Agri also sold several other non-core assets in 2002, both within its Downstream and Industrial segments.

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The change in 2002 EBITDA compared to the prior year and the most important items affecting the change are described in the following table.

	Amount (in NOK million)
2002 EBITDA	3,878
2001 EBITDA	4,345
Change in EBITDA	(467)
Factors Affecting the Change in EBITDA	
Margin and volume, including currency effects [1]	(1,206)
Fixed costs, including currency effects [2]	725
Income/(loss) of non-consolidated investees	(183)
Interest income	163
Other income	195
Other	(161)
Total change in EBITDA	(467)

(1) Includes the effects of changes in sales volumes, changes in product prices, and fluctuations in currency exchange rates on operating revenues. In addition, includes changes in variable costs (mainly changes in energy costs) that are also affected by fluctuations in currency exchange rates.

(2) The variance in fixed costs also includes the effect of fluctuations on currency exchange rates. The underlying improvement in fixed costs was approximately NOK 350 million. In addition, positive currency effects (translation effects) of NOK 375 million are included. Fixed costs consist primarily of salaries and related costs, purchased services for plant and facility maintenance, and sales and general administration costs.

The table below reflects the underlying change in 2002 EBITDA compared to the prior year, excluding primarily the effect of the U.S. dollar s depreciation and other currency changes. This has been accomplished primarily by converting U.S. dollar values at fixed rates.

	Approximate Amount (in NOK million)
Total change in EBITDA as presented above	(467)
Currency effects affecting EBITDA [1]	707
Total change in EBITDA calculated with stable currency rates	240
Principal factors contributing to the change in EBITDA	
Energy costs	400
Volume outside Europe	100
Increased margins industrial gases and chemicals	100
Fixed cost reductions	350
Other income [2]	195
Lower fertilizer prices/margins [3]	(700)

Income/(loss) of non-consolidated investees [4]	(183)
Other	(22)
Total change in EBITDA calculated with stable currency rates	240

(1) Currency effects on all line items in the table have been isolated by applying constant (2002) exchange rates.
(2) Gains/losses on divestments.
(3) The negative variance of NOK 700 million includes the effects of lower product prices on operating revenues, operating income and EBITDA for consolidated subsidiaries.
(4) The negative variance of NOK 183 million relates primarily to a one-time charge in connection with the sale of Farmland/Hydro of NOK 82 million and the effect of lower product prices.

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Interest expense and currency gains and losses. As described above, the Hydro Agri Carve-Out Financial Statements reflect interest expense based on Agri s assumed average level of interest bearing debt of NOK 9,300 million and Hydro s average actual interest expense, for each period presented. In addition, Hydro Agri has been allocated a share of Hydro s net foreign currency gains and losses for each period calculated based on the gross interest-bearing debt level of NOK 9,300 million.

(NOK million)	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Interest income	206	364	287
Net gain/loss on securities	1	2	(1)
Dividend received	38	42	5
Interest income and other financial income	245	408	291
Interest expense	(655)	(685)	(720)
Capitalized interest	9	1	
Net foreign exchange gain/loss	670	(77)	(126)
Other net cost	(40)	(4)	(52)
Interest expense and foreign exchange gain/loss	(16)	(765)	(898)
Net financial income/expense	229	(357)	(608)

The 2002 net financial income reflects the consequence of the strong depreciation of the U.S. dollar, which contributed to net currency exchange gains of NOK 670 million. This represents the portion of Hydro s net currency gains allocated to Hydro Agri. The net currency gains reflect the significant portion of Hydro s long-term debt that is U.S. dollar denominated.

Income Taxes. Total income tax expense for 2002 amounted to NOK 845 million, representing approximately 33% of pre-tax income. The equivalent amounts for 2001 were NOK 599 million and 30%. Total tax expense consisted primarily of current taxes. For 2000, total tax expense amounted to NOK 365 million, representing approximately 29% of pre-tax income.

Net income. For the reasons explained above, Hydro Agri s net income increased to NOK 1,715 million in 2002 from NOK 1,469 million, an increase of 16.7%. Net income increased by 53.7% in 2001 compared to the prior year.

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Operating Segment Information

Upstream

	Year ended December 31,		
	2002	2001	2000
Financial Data (NOK million)			
Operating revenues	11,126	13,281	12,506
Operating income	585	1,037	1,128
EBITDA	1,267	2,054	2,142
Financial Data (U.S.$ million) [1]			
Operating revenues	1,392	1,475	1,417
Operating income	73	115	128
EBITDA	159	228	243
CROGI	6.3%	9.4%	9.4%
Gross Investments (NOK million)	17,093	18,507	19,227
Net operating capital (NOK million)	955	1,059	1,559
Property, plant and equipment (NOK million)	3,437	3,743	4,320
Non-consolidated investees (NOK million)	1,351	1,861	1,794
Production Volumes (thousands of tonnes)			
Ammonia (incl. share of non-cons. investees)	4,688	4,549	4,757
Urea (incl. share of non-cons. investees)	2,044	2,235	2,188
NPK	1,786	1,847	1,748
CN	942	947	900
Nitrates	1,684	1,681	1,629
Average Commodity Prices			
Ammonia price (fob Caribbean) U.S.$/tonne	110	137	148
Urea price (fob Middle East) U.S.$/tonne	109	109	110
Energy costs (mainly gas, oil and LPG), weighted average, U.S.$ per MMBTU	2.28	2.47	2.58

[1] The reported NOK figures have been converted to U.S. dollars using the average exchange rate for the respective periods.

Operating revenues. In 2002, the Upstream segment s operating revenues were NOK 11,126 million, compared to NOK 13,281 million in 2001 and NOK 12,506 million in 2000. The Upstream segment s year-to-year operating revenue and operating results were greatly influenced by price levels for the segment s principal products: ammonia, urea, NPK and nitrates. In 2002, the fertilizer industry experienced lower commodity fertilizer prices than the prior year. The ammonia price was, on average, approximately 20% lower than the 2001 level. Over the two-year period ended December 31, 2002, the ammonia price declined by 26%.

Operating income and EBITDA. The Upstream segment s 2002 operating income was NOK 585 million, compared to NOK 1,037 million in 2001 and NOK 1,128 million in 2000. The Upstream segment s 2002 EBITDA was NOK 1,267 million, compared to NOK 2,054 million in 2001 and NOK 2,142 million in 2000. The lower ammonia price was the principal cause of the decline in the Upstream segment s 2002 operating revenues and, in turn, operating income and EBITDA compared to the prior year, representing a negative effect of approximately NOK 1,000 million. Lower raw materials and energy costs (natural gas) and fixed cost savings achieved through Hydro Agri s continued improvement programs only partially offset the effect of the ammonia price decline.

The Upstream Segment s 2002 operating income and EBITDA were also negatively affected by the translation effect of the weakening of the U.S. dollar against the Norwegian kroner. In addition, the weakening U.S. dollar had a transaction effect, adversely affecting the competitive position of the Upstream segment s European production units relative to North American producers.

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Downstream

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Financial Data (NOK million)			
Operating revenues	26,722	29,446	28,669
Operating income	1,315	1,073	284
EBITDA	2,016	2,028	1,228
Financial Data (U.S.$ million) [1]			
Operating revenues	3,344	3,271	3,248
Operating income	165	119	32
EBITDA	252	225	139
CROGI	12.1%	10.0%	5.8%
Gross Investment (NOK million)	12,762	16,073	17,953
Net operating capital (NOK million)	5,183	7,301	7,873
Property, plant and equipment (NOK million)	2,413	2,891	3,425
Non-consolidated investees (NOK million)	601	368	372
Sales Volumes (thousands of tonnes)			
Total Sales	20,658	19,596	20,917
Europe	9,863	10,142	11,809
Rest of World	10,795	9,454	9,108
Production Volumes (thousands of tonnes)			
Total	5,161	5,332	5,401
Nitrates	2,429	2,460	2,928
NPK	2,064	2,066	1,738
Other Products	668	806	735
Average Commodity Prices			
CAN price (cif Germany) U.S.$/tonne	111	119	103
NPK France (cif) U.S.$/tonne [2]	158	162	157

(1) The reported NOK figures have been converted into U.S. dollars using the average exchange rate for the respective periods.
(2) Average of Hydro Agri s published prices during the period presented.

Operating revenues. In 2002, the Downstream segment had operating revenues of NOK 26,722 million, compared to NOK 29,446 million in 2001 and NOK 28,669 million in 2000. The Downstream segment s operating revenues were greatly influenced by prices of nitrates and NPK, and sales volumes. Lower fertilizer prices and the depreciating U.S. dollar reduced 2002 operating revenues compared with the previous year.

Operating revenues in 2001 reflected an increase over the prior year level attributable to the substantial increase in fertilizer prices in Europe notwithstanding a drop in the ammonia price in 2001. The increased 2001 fertilizer prices in Europe reflected the improved market balance between fertilizer production and consumption resulting from the reduction in capacity implemented by Hydro Agri and other European producers.

Operating income and EBITDA. The Downstream segment s 2002 operating income was NOK 1,315 million, compared to NOK 1,073 million in 2001 and NOK 284 million in 2000. The Downstream segment s 2002 EBITDA was NOK 2,016 million, compared to NOK 2,028 million in 2001 and NOK 1,228 million in 2000. The Downstream segment s 2002 operating income and EBITDA were positively affected by the decline in ammonia prices, which positively affected raw material costs. However, the positive effect on the Downstream segment s production margins was largely offset by a decline in finished fertilizer product prices. The Downstream segment s 2002 operating income and

EBITDA were also negatively affected by the weakening of the U.S. dollar against the Norwegian kroner and euro.

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Operating income in 2000 and 2001 reflected non-recurring costs associated with the turnaround program of NOK 554 million and NOK 244 million, respectively. The reduction in headcount and the closure of plants in Europe in 2000 contributed to significant cost savings in 2001 compared to the prior year.

Industrial

	Year Ended December 31, 2002	Year Ended December 31, 2001	Year Ended December 31, 2000
Financial Data (NOK million)			
Operating revenues	4,360	4,861	4,838
Operating income	491	377	319
EBITDA	797	652	720
Financial Data (U.S.$ million)[1]			
Operating revenues	546	540	548
Operating income	61	42	36
EBITDA	100	72	82
CROGI	16.4%	11.7%	12.5%
Gross Investment (NOK million)	3,881	4,702	4,953
Net operating capital (NOK million)	418	645	507
Property, plant and equipment (NOK million)	1,194	1,383	1,803
Non-consolidated investees (NOK million)	41	100	153
Operating revenues, Ind. Gas and carbon dioxide (NOK million)	1,548	1,604	1,548
Volumes (in thousands of tonnes)			
Industrial N-Chemicals	1,392	1,342	1,779
Environmental Products	394	357	300

(1) The reported NOK figures have been converted into U.S. dollars using the average exchange rate for the respective periods.

Operating revenues. The Industrial segment s 2002 revenues of NOK 4,360 million declined by approximately 10% compared to the prior year level of NOK 4,861 million. The segment s operating revenues in 2000 were NOK 4,838 million.

The decline in 2002 operating revenues was primarily attributable to the stronger Norwegian kroner and the divestment of low performing non-core activities. Increases in 2002 sales volumes for most of the segment s industrial products partially offset these factors. Sales volumes of environmental products and industrial N-chemicals both increased. Volumes of environmental process chemicals (i.e. mainly Nutriox® for water treatment and Reduktan® for removal of NOx emissions) increased by 10%. The increase was primarily attributable to higher coal consumption for power generation in Europe. Volumes of industrial N-chemicals increased by 4% compared to prior year. The volume growth was the result of increased demand for intermediate products in the chemicals industry in Europe. Lower global coal production, which represents 70% of the technical ammonium nitrate (TAN) market, reduced global demand for explosives. However, this was offset by Hydro Agri s increased market share and growth in demand from other mining industries.

Operating revenues for industrial gases and carbon dioxide, a regional business focusing mainly on Europe, decreased approximately 3% in 2002 compared to the prior year because of lower sales of industrial gases in Norway attributable to reduced demand for welding gases from the engineering industry. The strong euro contributed to reduced operating revenues, stated in Norwegian kroner, related to sales of carbon dioxide, despite increased sales volumes.

The Industrial segment s 2001 operating revenues were essentially flat compared to the prior year. The segment s 2001 operating revenues were negatively affected by the divestment of non-core assets and the transfer of part of the urea sales of technical urea to the Downstream segment in 2001, the latter being the principal cause of the decline in volumes for nitrogen chemicals. Sales volumes of environmental products increased throughout 2001 compared to the prior year.

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Operating income and EBITDA. The Industrial segment s operating income in 2002 was NOK 491 million, compared to NOK 377 million in 2001. The segment s 2002 EBITDA was NOK 797 million, compared to NOK 652 million in the prior year. Reduced ammonia prices positively affected margins for nitrogen chemicals. Further, the underlying (i.e., adjusting for the divestments and the intersegment transfer described above) increase in sales volumes also positively affected 2002 operating income and EBITDA.

The Industrial segment s 2001 operating income reflected an increase of approximately 18.2% over the segment s 2000 operating income of NOK 319 million. The segment s 2001 EBITDA declined approximately 9.4% from the 2000 level of NOK 720 million. The decline was attributable to the write-down of non-core assets divested as a result of poor performance. Hydro Agri s turnaround program contributed to improved scale and productivity in most of the Industrial segment s operations.

Most revenue and variable cost elements from the Industrial segment s chemicals activities are strongly linked to the U.S. dollar. For the Industrial segment s industrial gas activities, a major part of the pricing is related to European currencies, as the trade in the products of this segment between Europe and other regions is limited. As a result, the Industrial segment has a fairly limited currency exposure on the EBITDA and operating income level.

LIQUIDITY AND CAPITAL RESOURCES

	Nine Months Ended September 30,		Year Ended December 31,	
	2003	**2002**	**2002**	**2001**
Net cash provided by operating activities [(1)]	731	1,966	2,755	3,186
Net cash used in investing activities [(1)]	(618)	(509)	(954)	(555)

(1) The figures for net cash provided by operating activities and investing activities are not representative of what would have been the case if Hydro Agri had been a stand-alone entity. These figures are affected by the assumption used in the Hydro Agri Carve-Out Financial Statements that the net interest-bearing debt has been kept constant throughout the periods presented at NOK 8,500 million. All surplus cash generated (i.e., cash provided by operating activities, less cash used in investing activities) has been treated as if such cash had been distributed as dividends to Norsk Hydro ASA, and thus has not influenced financial income/expense.

Over the two years and nine months since year-end 2000, Hydro Agri s net cash generation (i.e., cash provided by operating activities, less cash used in investing activities) was NOK 4,545 million.

For the first nine months of 2003, net cash provided by operating activities was NOK 731 million compared to NOK 1,966 million in the same period of 2002. The main reason for the decrease was the increase in net operating capital (i.e., accounts receivable plus inventory, less accounts payable) of approximately NOK 1,000 million, primarily because of higher fertilizer prices in the first nine months of 2003.

In 2002 and 2001, Hydro Agri had a strong underlying cash flow from operations as a consequence of improved market conditions and the positive effects of the turnaround program.

In 2002, the investment level was higher than in 2001, as Hydro Agri established a joint venture in Chile and started a two-year upgrade program for the power supply in Sluiskil. The cash effect of this was partly offset by increased proceeds from sales of non-core businesses. In 2001, investments were at a low level, basically covering maintenance investments and some minor projects.

Cash, Short-Term and Long-Term Borrowings

Hydro uses a centralized approach to cash management and the financing of its operations. As a result, Hydro Agri s operations have not had separate funds or external financing. Cash and cash

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equivalents in the consolidated financial statements primarily represent cash held by the parent company and certain foreign units serving as local finance centers operating within the Hydro Group. Similarly, short and long-term borrowings mainly consisted of the indebtedness of the parent company (Norsk Hydro ASA), a significant portion of which is denominated in U.S. dollars.

As noted in the discussion under Basis of Presentation of Hydro Agri Carve-Out Financial Statements, elements of cash and indebtedness have been allocated to Hydro Agri in the Hydro Agri Carve-Out Financial Statements. The level of cash deemed necessary to conduct Hydro Agri s operations has been estimated to be an average amount of NOK 800 million. The level of net interest-bearing debt has been determined to be NOK 8,500 million. Based on these amounts, the level of gross interest-bearing debt is NOK 9,300 million and this amount has been allocated for all periods in the financial statements. The corresponding financial income has been calculated by assuming an interest rate on the cash equal to the interest rate on Hydro s NOK current accounts in banks in the same period. The interest rate used to calculate the interest expense for Hydro Agri s allocated interest-bearing debt is equal to the average interest rate for Hydro s interest-bearing debt for the relevant period. In addition, Hydro Agri has been allocated a share of Hydro s currency gains and losses for the relevant periods based on the gross interest-bearing debt of NOK 9,300 million. Further information on Hydro s interest-bearing debt can be found in Part IV of this Information Memorandum, Hydro Management s Discussion and Analysis of Financial Condition and Results of Operations.

Hydro Agri will seek external financing from financial institutions prior to the Demerger. For the period from October 1, 2003 to the Completion Date of the Demerger, Hydro will continue to finance Hydro Agri s operations. Hydro Agri s external financing, when arranged, is expected to be mainly U.S. dollar-denominated.

Contractual Obligations and Commercial Commitments

A summary of Hydro Agri s total contractual obligations and commercial commitments to make future payments is presented below.

		Payments due by Period		
Contractual obligations **NOK million**	**Total**	**1-3 Years**	**4-5 Years**	**There-after**
Capital lease obligations	2	1	1	
Operating lease obligations	1,159	628	303	228
Unconditional purchase obligations	6,957	4,052	1,365	1,540
Total contractual cash obligations	8,118	4,681	1,669	1,768

In addition, Hydro Agri s other commercial commitments include guarantees and contractual commitments for future investments. Guarantees, including letters of credit, stand-by letters of credit, performance bonds and payment guarantees as of December 31, 2002, amounted to approximately NOK 2.78 billion. Contractual commitments for investments in property, plant and equipment, and other future investments as of December 31, 2002 amounted to NOK 511 million.

Dividend Policy

Although ultimately a matter for the AgriHold Board of Directors to determine, Agri s management will aim to have AgriHold pay dividends to shareholders at a minimum rate of 30% of net income as an average over the business cycle. With respect to any one year, the aggregate dividend distributed to shareholders may be lower or higher than 30% of net income. In all events, payment of dividends will be dependent on Agri s future earnings, cash flows and financial condition, as well as other factors deemed relevant by the AgriHold Board of Directors.

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Capital Expenditures

NOK million	Nine Months Ended September 30,		Year Ended December 31,		
	2003	2002	2002	2001	2000
Maintenance investments and smaller upgrades	478	338	654	615	697
Acquisitions, upgrading and growth projects	322	552	895	211	638
Total investments	800	890	1,549	826	1,335

A significant part of Hydro Agri-related capital expenditures in the three-year period ended December 31, 2002 related to minor and medium-sized operational projects in Hydro Agri s various plants and market units. These projects were for maintenance investments, smaller upgrades and expansion of facilities. Over a longer historical period, the annual level of these types of investments has been in the range of NOK 600-800 million. Hydro Agri s management believes that this level represents normal expenditures to maintain and make necessary improvements to existing facilities over time.

Three major projects have been implemented during the periods for which financial statements are presented and are reflected in the preceding table.

In 2000, Hydro Agri acquired a majority position in Trevo, a fertilizer company in Brazil. After increasing Hydro Agri s equity interest in Trevo in 2001 and 2002, Hydro now owns approximately 95.9%. As of September 30, 2003, the total investment in Trevo was NOK 578 million.

Hydro Agri has entered into a joint venture in Chile as part of the strategy to strengthen its specialty fertilizer operations. Through this joint venture, Hydro Agri indirectly owns approximately 6% of the shares in SQM, a Chilean company with a strong position in nitrate and potassium-based specialty products. As of September 30, 2003, the total investment in the joint venture was NOK 465 million.

In 2002 and 2003, Hydro Agri upgraded the power production and distribution system at the Sluiskil site in Holland. The program comprised construction of a new steam-based power plant, connection to the local grid and upgrade of the on-site power distribution system. As of September 30, 2003, the total investment in the upgrade of the power production and distribution system at Sluiskil was NOK 394 million, representing approximately 80% of the projected total investment when the project is completed.

In addition to these projects, medium-sized revamping and upgrading projects have been implemented in some of the plants. The focus has been on improving the energy efficiency, flexibility and uptime.

Through the first nine months of 2003, the investment level was NOK 800 million, NOK 90 million lower than in the corresponding period of the prior year.

Material Commitments for Capital Expenditures

Hydro Agri has no material commitments linked to specific projects under construction. As noted above, Hydro Agri estimates that the annual base level for maintaining its present operations is in the range of NOK 600-800 million. Agri s investment level is expected to increase following the Demerger, reflecting Agri s desire to take an active part in the expected consolidation of the fertilizer industry. Consequently, management expects future levels of capital expenditures to be higher than the historical average.

Research and Development

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 176 million, NOK 162 million and

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NOK 152 million during 2002, 2001 and 2000, respectively, on such activities. R&D activities in 2002 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

The discussion below of the methods used by Hydro Agri to analyze and mitigate risks should not be considered as projections of future events or losses. Risk management in Hydro Agri is based on the principle that risk evaluation is an integral part of all business activities. Procedures for monitoring risks, assessing appropriate risk levels and mitigating risk are in place. The main risk categories are:

Business strategy including events that may affect Hydro Agri s growth potential, reputation and brand;

Financial risks including commodity price, currency and interest rate risks; and

Health, security, safety, environmental issues and potential impact on communities.

The derivative financial and commodity instruments that Hydro Agri uses to manage its primary market risks are as follows:

Forwards: foreign currency;

Options: foreign currency; and

Swaps: Ammonia, foreign currency, interest rate.

For accounting purposes, unless otherwise disclosed below, financial and commodity instruments are marked to market with the resulting gain or loss reflected in earnings. The use of such financial and commodity instruments can result in volatility in earnings since the associated gain or loss on the related transactions may be reported in earnings in different periods.

Commodity Price Risks

A major portion of Hydro Agri s operating revenues is derived from the sale of ammonia, urea and other fertilizers that may generally be classified as commodities. Hydro Agri also purchases natural gas and other hydrocarbons and electricity. The prices of these commodities can be volatile, creating fluctuations in Hydro Agri s earnings. To manage this risk, Hydro Agri s financial policy prioritizes financial strength (i.e., a satisfactory debt/equity ratio and liquidity reserve). The following discussion highlights Hydro Agri s main commodity price risks.

Natural Gas and Refined Oil Products

Hydro Agri s principal purchased commodity price risk is its exposure to the price of natural gas in Europe. Hydro Agri currently has long-term contracts for the supply of natural gas to its European production facilities. The pricing under these contracts is related to market prices and, therefore, Hydro Agri is exposed to changes in the price levels in Europe for natural gas. One natural gas supplier has recently advised Hydro of an increase in price as of 2004. The matter is under discussion with the supplier, and there is no assurance that these discussions will not adversely affect Hydro Agri s results in the future.

The principal strategy for dealing with this risk has been geographical diversification in the supply of products. Hydro Agri has production facilities outside of Europe, in the Caribbean, and the Middle East. Hydro Agri and its partially owned facilities in Trinidad and Tobago purchase natural gas from the National Gas Company of Trinidad and Tobago under long-term contracts that were entered into when the facilities were constructed. These contracts will expire at the end of 2003. Negotiations are taking place to secure a new long-term supply agreement, but there is no assurance that such agreement

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will be on terms that will allow for continuation of historical results from these facilities. The Qafco production facilities are exposed to Middle East natural gas prices, although such prices are generally lower than and less volatile than the other areas in which Hydro Agri operates. The current supply agreements for the Trinidad and Qafco facilities are at defined long-term prices not linked to international energy market parameters.

The historical linkage between the price of natural gas and the price for ammonia and urea provides another moderating factor for this risk, since the price of Hydro Agri s own products has tended to rise when the price of natural gas rises for a sustained period.

The oil feedstock for the ammonia production facility in Germany is of a special quality that does not closely follow world prices for crude oil.

Finished Fertilizer Products

Hydro Agri has a fundamental long position in its production facilities for fertilizer products. The competitiveness of Hydro Agri s production system is Hydro Agri s main commodity risk. Key sensitivities have been described above.

In addition, Hydro Agri distributes large quantities of fertilizers purchased from third parties. These products are purchased at market prices. To the extent that the market price for such products decreases between the time that they are purchased and sold, Hydro Agri is at risk for such movements. Hydro Agri uses its large logistics network and its marketing system to avoid being at risk for large quantities of purchased products for significant periods of time.

Foreign Currency Exchange Rate Risk

Prices of Hydro Agri s most important products are denominated or determined in U.S. dollars. Outside the United States, local prices are, in general, agreed upon and invoiced in local currency. Accordingly, there is a time lag before a change in the U.S. dollar exchange rate will affect local prices. Several factors affect the length of the lag. It may take between three and 12 months before a change in the U.S. dollar value fully affects the price in local currency.

Raw materials costs, as is the case with operating revenues, are generally U.S. dollar-based. The impact on raw materials costs of a change in the U.S. dollar exchange rate is generally more direct than for operating revenues, with an estimated time lag of less than three months. Fixed costs are denominated in local currencies, but in some emerging markets fixed costs are partly linked to the U.S. dollar.

To reduce the long-term effects of fluctuations in U.S. dollar exchange rates, Agri intends to incur most of its debt in U.S. dollars upon completion of the Demerger. However, this will only serve to partially offset Agri s exposure to fluctuations in U.S. dollar exchange rates. Agri will also establish debt in different local currencies to finance local currency-exposed business positions. In addition to some major European currencies, local debt will be established in emerging markets.

Agri s pre-tax operating income will likely increase when the U.S. dollar appreciates against European currencies, whereas financial expense, including interest expense and net foreign currency losses, is likely to be negatively affected. In addition, changes in the exchange rate of local currencies to Norwegian kroner for subsidiaries outside of Norway may influence the results of operations.

Agri will employ different financial instruments, including swaps, forward contracts or options, to mitigate the currency exposure of the debt portfolio. These instruments will be used as tools to optimize cash management, raise capital in the most favorable market, and achieve the desired currency composition in the financial portfolio.

Forward contracts will also be used to hedge financial transaction exposure. As of September 30, 2003, Hydro Agri had entered into forward contracts with a nominal value amounting to about NOK 1,080 million. These are mainly contracts through which Hydro Agri subsidiaries in emerging markets have endeavored to balance out their local currency exposure against the U.S. dollar.

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Interest Rate Risk

Agri will be exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and fund its business operations. Agri intends to maintain a high ratio of long-term, fixed-rate debt, as a proportion of its total debt, with an even debt repayment schedule and adequate resources to allow for financial flexibility. Hydro Agri periodically uses derivative financial instruments such as foreign currency and interest rate swaps to manage its exposure to interest rate risks.

Credit Risk

Internal policies are established to limit credit risk by setting limits for counter-party risks and insurance of risks, and developing procedures for monitoring exposures. Furthermore, the risk level is reduced through a diversified customer base representing various geographic areas. Credit risk arising from the inability of the counter-party to meet the terms of Hydro Agri s derivative financial instrument contracts is generally limited to amounts, if any, by which the counter-party s obligations exceed Hydro Agri s obligations. Agri s policy will be to enter into derivative financial instruments with various international banks with established limits for transactions with each institution. Therefore, Agri does not expect to incur material credit losses on its risk management or other derivative financial instruments.

Financial or Commodity Derivative Instruments

Since Hydro Agri does not hold material financial or commodity derivative investments, no sensitivity analysis of such investments or instruments is presented. The actual currency risks involved in the conduct of Hydro Agri s business are discussed and quantified above. Actual commodity pricing risks are not the subject of material derivative activities beyond instruments relating to hedging of emerging market currencies, as described above. However, Hydro Agri will maintain flexibility to hedge its exposure relating to fertilizer prices, energy costs and currency exchange rates in the future.

Reconciliation of EBITDA to Operating Income

The tables below provide a reconciliation of EBITDA to operating income, by operating segment breakdown, for the financial periods presented in the Hydro Agri Carve-Out Financial Statements.

Nine Months Ended September 30, 2003

NOK million	Operating Income	Non-cons. Investees	Interest Income	Selected Financial Items	Other Income	EBIT	Depr. And Amort.	EBITDA
Upstream	736	278	4			1,018	392	1,410
Downstream	1,014	82	129	1		1,226	306	1,532

Industrial	333	3	7	2	23	368	173	541
Other and eliminations	(254)		(7)		17	(244)	1	(243)
Total Hydro Agri	1,829	363	133	3	40	2,368	872	3,240

Nine Months Ended September 30, 2002

NOK million	Operating Income	Non-cons. Investees	Interest Income	Selected Financial Items	Other Income	EBIT	Depr. And Amort.	EBITDA
Upstream	573	(57)	1		25	542	497	1,039
Downstream	1,137	34	137	1	91	1,400	302	1,702
Industrial	455	5	11		25	496	176	672
Other and eliminations	(214)	1	12	37	1	(163)		(163)
Total Hydro Agri	1,951	(17)	161	38	142	2,275	975	3,250

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Year Ended December 31, 2002

NOK million	Operating Income	Non-cons. Investees	Interest Income	Selected Financial Items	Other Income	EBIT	Depr. And Amort.	EBITDA
Upstream	585	12	5		25	627	640	1,267
Downstream	1,315	36	175	3	91	1,620	396	2,016
Industrial	491	9	15		25	540	257	797
Other and eliminations	(248)		11	36	1	(200)	(2)	(202)
Total Hydro Agri	2,143	57	206	39	142	2,587	1,291	3,878

Year Ended December 31, 2001

NOK million	Operating Income	Non-cons. Investees	Interest Income	Selected Financial Items	Other Income	EBIT	Depr. And Amort.	EBITDA
Upstream	1,037	290	28			1,355	699	2,054
Downstream	1,073	36	333	1		1,443	585	2028
Industrial	377	4	17	1	(53)	346	306	652
Other and eliminations	(424)		(14)	42		(396)	7	(389)
Total Hydro Agri	2,063	330	364	44	(53)	2,748	1,597	4,345

Year Ended December 31, 2000

NOK million	Operating Income	Non-cons. Investees	Interest Income	Selected Financial Items	Other Income	EBIT	Depr. And Amort.	EBITDA
Upstream	1,128	416	8			1,552	590	2,142
Downstream	284	32	329	3		648	580	1,228
Industrial	319	33	11	(1)		362	358	720
Other and eliminations	(208)	(131)	(61)	2		(398)	65	(333)
Total Hydro Agri	1,523	350	287	4		2,164	1,593	3,757

The table below provides a reconciliation of the EBITDA figures presented throughout the preceding discussion in this section of the Information Memorandum with net income.

Reconciliation of EBITDA to Net Income

NOK million	Nine months ended September 30,		Year ended December 31,		
	2003	2002	2002	2001	2000
EBITDA Upstream	1,410	1,039	1,267	2,054	2,142
EBITDA Downstream	1,532	1,702	2,016	2,028	1,228
EBITDA Industrial	541	672	797	652	720
EBITDA Other and eliminations	(243)	(163)	(202)	(389)	(333)
Total EBITDA Hydro Agri	3,240	3,250	3,878	4,345	3,757
Depreciation	(837)	(878)	(1,183)	(1,580)	(1,643)
Amortization of excess value of non-consolidated investees	(35)	(97)	(108)	(17)	50
Interest expense	(499)	(484)	(655)	(685)	(720)
Capitalized interest	14		9	1	
Net foreign exchange gains/(losses)	77	481	670	(77)	(126)
Other net cost	(39)	(35)	(40)	(4)	(52)
Income before tax and minority interest	1,921	2,237	2,571	1,983	1,266
Taxes	(637)	(734)	(845)	(599)	(365)
Minority interest	(19)	1	(11)	85	55
Net income	1,265	1,504	1,715	1,469	956

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The following table provides a reconciliation of operating income to gross cash flow.

Reconciliation of Operating Income to Gross Cash Flow

		Nine months ended September 30,		Year ended December 31,		
NOK million		**2003**	**2002**	**2002**	**2001**	**2000**
	Operating income	1,829	1,951	2,143	2,063	1,523
+	Equity in net income of non-consolidated investees	363	(17)	57	330	350
+	Interest income	133	161	206	364	288
+	Net gain on securities	2	1	1	2	(2)
+	Dividend received	1	37	38	42	5
+	Other income	40	142	142	(53)	
+	Depreciation, depletion and amortization	837	878	1,183	1,580	1,643
+	Amortization of excess value for non-consolidated investees	35	97	108	17	(50)
=	EBITDA	3,240	3,250	3,878	4,345	3,757
-	Tax expense	(637)	(734)	(845)	(599)	(365)
=	Gross Cash Flow	2,603	2,516	3,033	3,746	3,392

The following table presents a reconciliation of total assets to gross investments.

Reconciliation of Total Assets to Gross Investments

	Nine months ended September 30,		Year ended December 31,		
NOK million	**2003**	**2002**	**2002**	**2001**	**2000**
Total assets	25,196	22,401	22,020	25,908	29,057
Deferred tax assets	(466)	(83)	(408)	(57)	(85)
Other current liabilities	(5,551)	(4,635)	(4,640)	(4,969)	(6,406)
Accumulated depreciation property, plant and equipment	16,983	16,123	15,337	16,626	17,119
Accumulated depreciation of goodwill and intangible assets	378	351	345	514	546
Accumulated amortization of goodwill and excess value in non-consolidated investees	113	98	95	121	113
Gross Investment	36,653	34,255	32,749	38,143	40,344

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MANAGEMENT OF AGRIHOLD FOLLOWING THE DEMERGER

After the Demerger, AgriHold s management will be vested in AgriHold s new board of directors (AgriHold s Board of Directors) and its President and Chief Executive Officer. The President and Chief Executive Officer will be responsible for the day-to-day management of AgriHold in accordance with the instructions, policies and operating guidelines set out by AgriHold s Board of Directors.

Board of Directors

AgriHold s current Board of Directors, which is currently identical to the present Hydro Board of Directors, has been elected as an interim board. This board will be replaced by a new board at the Completion Date of the Demerger. See Part IV of this Information Memorandum, Management of Hydro Following the Demerger for a description of the current board.

AgriHold s Articles of Association require that AgriHold s Board of Directors consist of a minimum of three and a maximum of 10 members. The shareholder-elected members of AgriHold s Board of Directors will be elected by the general meeting. Members of AgriHold s Board of Directors serve two-year terms.

Following the Demerger, the new AgriHold Board of Directors will consist of eight members, of whom five members shall be elected by the shareholders and three members shall be elected by the employees. Hydro s shareholders will be invited at Hydro s extraordinary general meeting to designate by simple majority vote five individuals (proposed by the nomination committee of Hydro) to serve as members of the AgriHold Board of Directors. At the extraordinary general meeting of AgriHold to be held immediately following Hydro s extraordinary general meeting, Hydro, as the sole shareholder of AgriHold, will elect such nominees to serve as members of AgriHold s Board of Directors, effective immediately after consummation of the Demerger. A proposal in this regard is expected to be announced by Hydro s nomination committee in early January 2004. AgriHold s executive management will not be represented on AgriHold s Board of Directors. The three employee-elected directors are expected to be elected by and among the employees of the Norwegian Agri Companies prior to consummation of the Demerger in accordance with the Regulation Relating to Employee Representation, dated December 18, 1998, and a consent given by the Norwegian Industrial Democracy Board (*Bedriftsdemokratinemnda*).

AgriHold and the employees of Hydro Agri have agreed not to establish a corporate assembly under the Norwegian Public Limited Companies Act. AgriHold s Board of Directors will thus assume all responsibilities otherwise attributable to the corporate assembly.

Audit and Compensation Committees

AgriHold s new Board of Directors will decide whether or not AgriHold will have an audit and/or compensation committee after the consummation of the Demerger.

Nomination Committee

AgriHold will have a nomination committee consisting of four members elected by the general meeting. The procedure for designation and election of the individuals who will first serve in such positions will be the same as for election of new shareholder representatives on AgriHold s Board of Directors, as described above.

The President and Chief Executive Officer and Senior Management

The President and Chief Executive Officer, which is a formal corporate position under Norwegian corporate law, is responsible for the day-to-day management of AgriHold.

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Eivind Reiten is currently President and Chief Executive Officer of AgriHold ASA. He will be replaced by Thorleif Enger on the Completion Date of the Demerger.

Certain information about AgriHold s senior management after the Demerger is provided below.

Name	Place of residence	Age	Position
Thorleif Enger	Oslo, Norway	60	President and Chief Executive Officer
Daniel Clauw	Fourqueux, France	53	Senior Vice President and Chief Operating Officer
Hallgeir Storvik	Asker, Norway	44	Senior Vice President and Chief Financial Officer
Anne Grethe Dalane	Oslo, Norway	43	Senior Vice President and Chief Personnel Officer
Sven Ombudstvedt	Drøbak, Norway	37	Senior Vice President, Upstream
Tor Holba	Brussels, Belgium	47	Senior Vice President, Downstream
Jon Reutz	Fjellhamar, Norway	55	Senior Vice President, Industrial
Kendrick T. Wallace	Oslo, Norway	58	Senior Vice President and Chief Legal Officer
Arne Cartridge	Sandefjord, Norway	44	Senior Vice President and Chief Communications Officer

Thorleif Enger. Dr. Enger is designated as President and Chief Executive Officer of AgriHold. He has served as Executive Vice President of Hydro Agri since 1997. Employed at Hydro since 1973, Dr. Enger has held numerous positions. Most recently, he served as President of Hydro s Exploration & Production Division from 1987 to 1996, and Project Director of the Oseberg field from 1982 to 1986. Prior to 1973, he served as a senior research engineer for the Shell Development Company in the United States. Dr. Enger was educated at the University of Colorado in the United States, receiving bachelors, masters and doctorate degrees in the areas of engineering and structural mechanics. Dr. Enger currently serves as the Chairman of the Board of Telenor.

Daniel Clauw. Mr. Clauw is designated as Senior Vice President and Chief Operating Officer of AgriHold. He has served as Chief Operating Officer of Hydro Agri since 2001. Previously, he served as President of Hydro Plant Nutrition from 2000 to 2001, Head of Markets in Europe and North America from 1999 to 2000, and Head of Africa and Latin America for Hydro Agri International (France) from 1995 to 1999. He was a private entrepreneur in the Caribbean from 1978 to 1985, and in Africa from 1985 to 1995. He started his career in the fertilizer industry as Production Manager for Gardinier (France) from 1972 to 1978. Mr. Clauw graduated with university degrees in chemistry and physics in France and with a financial degree from IFG Paris.

Hallgeir Storvik. Mr. Storvik is designated as Senior Vice President and Chief Financial Officer of AgriHold. He has served as Chief Financial Officer of Hydro Agri since April 2000. He was employed by Hydro in 1984, and most recently, had responsibility for the Hydro Agri part of the strategy work that led to the conclusion that Hydro Agri would undertake a major turnaround program in order to improve the value of the Hydro Agri business from 1999 to 2000. Mr. Storvik also served as the CFO of the Hydro Agri International division from 1995 to 1999, with responsibility for developing a risk management system for the growing fertilizer business outside of Europe. Mr. Storvik graduated from the Norwegian School of Business Economics Administration in Bergen.

Anne Grethe Dalane. Ms. Dalane has served as Senior Vice President and Chief Personnel Officer of Hydro Agri since September 2003. Employed at Hydro since 1984, Ms. Dalane has held numerous financial positions. Most recently, she served as Vice President, Human Resources, for Hydro Oil and Energy from 2001 to 2003, Vice President, Corporate Strategy, from 2000 until 2001, and Vice President, Finance, of Oil and Gas, Norway, from 1996 to 1999. Ms. Dalane graduated from the Norwegian School of Business Economics Administration in Bergen and is also a Certified Financial Analyst.

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Sven Ombudstvedt. Mr. Ombudstvedt has served as Senior Vice President, Upstream, since September 2003. Previously, he served as Senior Vice President, Corporate Strategy, for the Hydro Group from 2002 to 2003, and as deputy to Hydro Agri s Chief Operating Officer from 2000 to 2002, with main responsibilities for commercial strategy and industrial restructuring. Prior to 2000, he served in several senior positions in Hydro Agri s European operations between 1993 and 1999, and as a senior systems analyst on several large projects from 1991 to 1993. Mr. Ombudstvedt earned a Bachelor of Business Administration from Pacific Lutheran University in Tacoma, Washington and a Master of International Management from the American Graduate School of International Management (Thunderbird) in Glendale, Arizona.

Tor Holba. Mr. Holba has served as Senior Vice President, Downstream, since September 2003. He has held numerous positions in Hydro since 1981. From 2001 to 2003, he served as Senior Vice President of Global Supply Chain Management. From 2000 to 2001, he served as President of Trevo. From 1998 to 2000, he served as head of Business Unit Latin America. From 1993 to 1997, he served as President of Hydro Agri Mexico. From 1991 to 1993, he served as Regional Marketing Director for Asia and Managing Director of Hydro (Far East) Ltd. Mr. Holba was educated at the Norwegian Institute of Technology, receiving an MSc in Mechanical Engineering.

Jon Reutz. Mr. Reutz is designated as Senior Vice President, Industrial. He has served as Senior Vice President, Gas and Chemicals Division from 2000 to 2003, President of the Industrial gas group, Hydrogas, from 1991 to 2000, Managing Director of Hydrogas Norway from 1988 to 1992, and in various sales and management positions in the Industrial area from 1979 to 1988. He was employed by Saga Petrochemicals in various development and sales support management functions from 1975 to 1979. He obtained an MSc degree in Industrial Chemistry from the Technical University of Norway.

Kendrick T. Wallace. Mr. Wallace is designated as Senior Vice President and Chief Legal Officer of AgriHold. He has served as Vice President and General Counsel, Norsk Hydro Americas, Inc., the Hydro corporate center for North, Central and South America and the Caribbean, from 1997 to 2003. Previously, he was a partner in the law firm of Bryan Cave LLP and predecessor firms in Kansas City, Missouri, United States from 1976 to 1997. He received his bachelor of arts degree from California State University at Long Beach and his Juris Doctor degree from the Harvard Law School. He is admitted to the bar in the States of Colorado and Missouri.

Arne Cartridge. Mr. Cartridge is designated as Senior Vice President and Chief Communications Officer of AgriHold. From 1996 to 2003, Mr. Cartridge worked for Telenor, Norway s largest telecommunication company, where he served as the head of public relations and public affairs. Prior to his association with Telenor, Mr. Cartridge worked for three years as the head of daily operations and business development for one of Norway s leading communications agencies, Gazette. Before that he was employed as a marketing manager and director of communications of Digital Equipment Corp. and a public relations consultant and journalist in Publicity AS and Informativ AS. Mr. Cartridge has a Bachelor of Science degree in International Politics and Middle East History from the University of Bergen.

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Compensation to AgriHold s Board of Directors and Management

Members of AgriHold s interim Board of Directors will not receive any remuneration.

After consummation of the Demerger, remuneration of AgriHold s new Board of Directors will be determined at AgriHold s annual general meeting.

The salary and other benefits for Thorleif Enger, the President and Chief Executive Officer, will be determined by the new AgriHold Board of Directors. Mr. Enger s salary and other benefits totaled NOK 3,555,000 in 2002. In 2002 he received a bonus of NOK 306,000 in connection with achieved performance targets for Hydro Agri in 2001. Mr. Enger s current salary, excluding other benefits, is NOK 3,300,000 per year. In 2003, he received a bonus for 2002 in the amount of NOK 572,000.

Employee Incentive Plan

The terms of any employee incentive plans adopted by Agri will be decided by AgriHold s new Board of Directors.

Employee Loans

The employees that are being transferred to Agri in connection with the Demerger have, as employees of Hydro, been offered loans on favorable terms from Hydro. AgriHold will not continue this loan scheme, but is working on entering into an agreement with a bank to offer Agri employees the opportunity to transfer their loans from Hydro to such bank on favorable terms. It may be necessary for AgriHold to guarantee some of these loans, but this has not yet been decided.

Hydro has extended a loan to Thorleif Enger with an outstanding amount of NOK 662,934 as of November 1, 2003. This loan will be repaid in connection with the consummation of the Demerger.

Share Ownership of the Members of the Board, the Chief Executive Officer and Senior Management

As of the date of this Information Memorandum, none of the members of AgriHold s Board of Directors, nor the President and Chief Executive Officer or other key executive officers of AgriHold, own AgriHold Shares. Based on their ownership of Hydro Shares, on the Completion Date of the Demerger, the President and Chief Executive Officer and other senior management will own the following number of AgriHold Shares (assuming their shareholding in Hydro remains the same until the Completion Date):

Name	Number of shares
Thorleif Enger	13,864
Daniel Clauw	
Hallgeir Storvik	134
Anne Grethe Dalane	333
Sven Ombudstvedt	26
Tor Holba	130
Jon Reutz	343
Kendrick T. Wallace	100
Arne Cartridge	

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DESCRIPTION OF THE SHARES AND SHARE CAPITAL OF AGRIHOLD FOLLOWING THE DEMERGER

The following is a summary of material information relating to AgriHold s share capital after the Demerger, including summaries of certain provisions of AgriHold s Articles of Association and applicable Norwegian law in effect as of the date of this Information Memorandum, including the Norwegian Public Limited Companies Act. The summary does not purport to be complete and is qualified in its entirety by AgriHold s Articles of Association and Norwegian law.

AgriHold is a public limited company organized under the laws of Norway with its registered office at Bygdøy allé 2, 0240 Oslo, Norway. AgriHold was incorporated on November 10, 2003, and registered in the Norwegian Register of Business Enterprises on November 12, 2003. Its registration number in the Norwegian Register of Business Enterprises is 986 228 608, and the AgriHold Shares are registered in the Norwegian Central Securities Depository (known as *Verdipapirsentralen* or *VPS)* under ISIN NO 001 020 805.1.

Stock Exchange Listing and American Depositary Receipts

After the Demerger, the AgriHold Shares will be listed on the Oslo Stock Exchange. AgriHold has not applied for listing on any other stock exchange. AgriHold intends to set up a sponsored Level I ADR facility. An ADR is the physical certificate that evidences any number of ADSs. Each ADS will represent rights attributable to one AgriHold Share. The ADSs will not be listed anywhere at the time of consummation of the Demerger.

Share Capital

After the Demerger, AgriHold will have a share capital of NOK 543,052,403, divided into 319,442,590 shares, each with a par value of NOK 1.70 per share.

There are no outstanding options, warrants, convertible loans or other instruments which would entitle the holder of any such securities to require that AgriHold issue any AgriHold Shares.

Subscription Rights Certificates

As a result of the Demerger, 83 holders of unredeemed Hydro founder certificates and 4,343 holders of unredeemed Hydro subscription certificates will become holders of identical AgriHold certificates.

According to AgriHold s Articles of Association, holders of unredeemed Hydro founder certificates and subscription certificates hold a special position upon changes in AgriHold s share capital. The Articles of Association provide that if the share capital is increased and provided the Norwegian law in force at the time so permits, preferential subscription rights shall be reserved for such holders in connection with each such

capital increase, on the conditions stipulated by the AgriHold Board of Directors, for up to:

0.83% of the increase for holders of the 83 unredeemed founder certificates, and

2.79% of the increase for holders of the 4,343 unredeemed subscription certificates.

These preferential rights shall not apply if the increase is made in order to allot shares to third parties as compensation for their transfer of assets to AgriHold.

Authorizations to the Board

AgriHold s strategy will include making selective investments and evaluating strategic acquisition opportunities on a case-by-case basis with the aim to strengthen AgriHold s business position. In order to contribute to AgriHold s financial flexibility in this regard, as well as to enable AgriHold s Board of

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Directors to establish share-based compensation systems, Hydro s Board of Directors will propose to Hydro s extraordinary general meeting that it approve the grant of authority to AgriHold s Board of Directors, for a period starting upon consummation of the Demerger and ending two years after this authority is given to AgriHold s Board of Directors, to issue up to 15 million new AgriHold Shares. If this proposal is approved by at least two-thirds of the votes cast at Norsk Hydro ASA s extraordinary general meeting, Norsk Hydro ASA will, as the sole shareholder of AgriHold, approve the grant of such authority to AgriHold s Board of Directors at an extraordinary general meeting of AgriHold.

AgriHold s Board of Directors will not have authority to acquire treasury shares.

Limitations on the Right to Own and Transfer Shares

There are no restrictions affecting the right of Norwegian or non-Norwegian residents or citizens to own AgriHold Shares.

AgriHold s Articles of Association do not contain any provisions restricting the transferability of shares.

Voting Rights

All of the AgriHold Shares have an equal right to vote at general meetings. In general, decisions that shareholders are entitled to make under Norwegian law or AgriHold s Articles of Association may be made by a simple majority of the votes cast. In the case of elections, the persons who obtain the most votes cast are elected. However, certain decisions, including resolutions to authorize an increase or reduction in AgriHold s share capital, to waive preferential rights in connection with any share issue, to approve a merger or demerger and to amend AgriHold s Articles of Association, must receive the approval of at least two-thirds of the aggregate number of votes cast at the general meeting at which any such action is before the shareholders for approval. There are no quorum requirements at general meetings.

In order to attend and vote at an AgriHold annual or extraordinary general meeting, shareholders must notify AgriHold of their attendance by the date stipulated in the notice of such general meeting, which date may be no earlier than five days prior to the meeting. In general, in order to be entitled to vote, a shareholder must be registered as the owner of shares in the share register kept by the Norwegian Central Securities Depository, referred to as the VPS System (described below), or, alternatively, report and show evidence of the shareholder s share acquisition to AgriHold prior to the general meeting. Beneficial owners of shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor are any persons who are designated in the register as holding such shares as nominees. The beneficial owner of AgriHold ADSs is, therefore, only able to vote at meetings by surrendering such holder s ADSs, withdrawing the holder s shares from the AgriHold ADR Depositary and registering the holder s ownership of such shares directly in AgriHold s share register in the VPS System. Alternatively, an AgriHold ADS holder may instruct the AgriHold ADR Depositary to vote the AgriHold shares underlying the ADSs on behalf of the holder, provided that the AgriHold ADS holder instructs the AgriHold ADR Depositary to execute a temporary transfer of the underlying shares in the VPS System to the beneficial owner. Similarly, a beneficial owner of shares registered through other VPS-registered nominees may not be able to vote the beneficial owner s shares unless ownership is re-registered in the name of the beneficial owner prior to the relevant shareholders meeting.

General Meetings

In accordance with Norwegian law, the annual general meeting of AgriHold s shareholders is required to be held each year on or prior to June 30. Norwegian law requires that written notice of general meetings be sent to all shareholders whose addresses are known at least two weeks prior to the date of the meeting. A shareholder may vote at the general meeting either in person or by proxy.

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Although Norwegian law does not require AgriHold to send proxy forms to AgriHold s shareholders for general meetings, AgriHold plans to include a proxy form with notices of general meetings. In addition to the annual general meeting, extraordinary general meetings of shareholders may be held if deemed necessary by the AgriHold Board of Directors. An extraordinary general meeting must also be convened for the consideration of specific matters at the written request of AgriHold s auditors or shareholders representing a total of at least 5% of the share capital.

The VPS System and Transfer of Shares

The VPS System is Norway s paperless centralized securities registry. The VPS System is owned by a public company and operates under a license from the Ministry of Finance. The ownership of, and all transactions relating to, Norwegian listed shares must be recorded in a licensed securities registry. AgriHold s share register is operated through the VPS System.

All transactions relating to securities registered with the VPS System are made through computerized book entries. No physical share certificates are or can be issued. The VPS System confirms each entry by sending a transcript to the registered shareholder, regardless of beneficial ownership. To effect these entries, the individual shareholder must establish a securities account with a Norwegian account agent unless the individual s shares are registered in the name of a nominee, for instance the AgriHold ADR Depositary. Norwegian banks, the Central Bank of Norway, authorized investment firms in Norway, bond-issuing mortgage companies, management companies for securities funds (insofar as units in securities funds they manage are concerned), and Norwegian branches of credit institutions established within the European Economic Area (EEA) are allowed to act as account agents.

The entry of a transaction in the VPS System is prima facie evidence in determining the legal rights of parties as against the issuing company or a third party claiming an interest in the subject security. The VPS System is strictly liable for any loss resulting from an error in connection with registering, altering or cancelling a right, except in the event of contributory negligence, in which event compensation owed by the VPS System may be reduced or withdrawn. A transferee or assignee of shares may not exercise the rights of a shareholder with respect to his or her shares unless that transferee or assignee has registered his or her shareholding or has reported and shown evidence of such share acquisition and the acquisition of such shares is not prevented by law, AgriHold s Articles of Association or otherwise.

Amendments to AgriHold s Articles of Association, including Variation of Rights

The affirmative vote of two-thirds of the votes cast at a general meeting is required to amend AgriHold s Articles of Association. Any amendment which would reduce any shareholder s right in respect of dividend payments or other rights to AgriHold s assets, or restrict the transferability of shares, requires the affirmative vote of at least 90% of the votes cast at the general meeting. Certain types of changes in the rights of AgriHold s shareholders require the consent of all affected shareholders as well as the vote normally required to amend AgriHold s Articles of Association.

Additional Issuances and Preferential Rights

If AgriHold issues any new shares, including bonus share issues, AgriHold s Articles of Association must be amended, which requires the same vote as other amendments to AgriHold s Articles of Association. In addition, under Norwegian law, AgriHold s shareholders have a preferential right to subscribe to issues of new shares by AgriHold. The preferential rights to subscribe to an issue may be waived by a resolution in a general

meeting passed by the same vote required to approve amendments to AgriHold s Articles of Association.

The general meeting may, with a vote as described above, authorize the Board of Directors to issue new shares, and to waive the preferential rights of shareholders in connection with such issuances. Such authorization may be effective for a maximum of two years, and the par value of the shares to be issued may not exceed 50% of the nominal share capital when the authorization was granted.

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The issuance of AgriHold Shares to holders of AgriHold Shares or AgriHold ADSs who are citizens or residents of the United States upon the exercise of preferential rights may require AgriHold to file a registration statement in the United States under U.S. securities laws. If AgriHold decides not to file a registration statement, these holders may not be able to exercise their preferential rights.

Under Norwegian law, bonus shares may be issued, subject to shareholder approval, by transfer from AgriHold s distributable equity or from AgriHold s share premium reserve. Any bonus issues may be effected either by issuing shares or by increasing the par value of the shares outstanding.

Minority Rights

Norwegian law contains a number of protections for minority shareholders against oppression by the majority, including, but not limited to those described in this and preceding paragraphs. Any shareholder may petition the courts to have a decision of the AgriHold Board of Directors or general meeting declared invalid on the grounds that it unreasonably favors certain shareholders or third parties to the detriment of other shareholders or the company itself. In certain circumstances shareholders may require the courts to dissolve the company as a result of such decisions. Minority shareholders holding 5% or more of AgriHold s share capital have a right to demand that AgriHold hold an extraordinary general meeting to discuss or resolve specific matters. In addition, any shareholder may demand that AgriHold place an item on the agenda for any shareholders meeting if AgriHold is notified in time for such item to be included in the notice of the meeting.

Mandatory Bid Requirement

Norwegian law requires any person, entity or group acting in concert that acquires more than 40% of the voting rights of a Norwegian company listed on the Oslo Stock Exchange to make an unconditional general offer to acquire the whole of the outstanding share capital of that company. The offer is subject to approval by the Oslo Stock Exchange before submission of the offer to the shareholders. The offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. The offering price per share must be at least as high as the highest price paid by the offeror in the six-month period prior to the date the 40% threshold was exceeded, but equal to the market price if it is clear that the market price was higher when the 40% threshold was exceeded. A shareholder who fails to make the required offer must, within four weeks, dispose of sufficient shares so that the obligation ceases to apply. Otherwise, the Oslo Stock Exchange may cause the shares exceeding the 40% limit to be sold by public auction. A shareholder who fails to make such bid cannot, as long as the mandatory bid requirement remains in force, vote the portion of his shares that exceed the 40% limit or exercise any rights of share ownership in respect of such shares, unless a majority of the remaining shareholders approve. However, such shareholder retains the right to receive dividends and preferential rights in the event of a share capital increase. In addition, the Oslo Stock Exchange may impose a daily fine upon a shareholder who fails to make the required offer.

Disclosure of Acquisitions and Disposals

A person, entity or group acting in concert that acquires or disposes of shares, options for shares or other rights to shares resulting in its beneficial ownership, directly or indirectly, in the aggregate, reaching, exceeding or falling below the respective thresholds of 1/20, 1/10, 1/5, 1/3, 1/2, 2/3 or 9/10 of the share capital has an obligation under Norwegian law to notify the Oslo Stock Exchange immediately. A corresponding disclosure obligation applies with respect to any holder of ADSs who is entitled, upon surrender of the ADSs, to acquire, directly or indirectly, the beneficial ownership of a number of shares that, together with any other shares, additional ADSs representing shares or options to acquire shares held by such holder, in the aggregate, meets, exceeds or falls below these thresholds.

Compulsory Acquisition

A shareholder who, directly or via subsidiaries, acquires shares representing more than 90% of the total number of issued shares as well as more than 90% of the total voting rights of a company has the

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right (and each remaining minority shareholder of that company would have the right to require the majority shareholder) to effect a compulsory acquisition for cash of any shares not already owned by the majority shareholder. A compulsory acquisition has the effect of the majority shareholder becoming the owner of the shares of the minority shareholders with immediate effect.

A majority shareholder who effects a compulsory acquisition is required to offer the minority shareholders a specific price per share and to pay the consideration offered to a separate bank account for the benefit of the minority shareholders. The determination of the offer price is at the discretion of the majority shareholder. Should any minority shareholder not accept the offered price, such minority shareholder may, within a specified period of not less than two months, request that the price be set by the Norwegian courts. The cost of such court procedure would normally be charged to the account of the majority shareholder, and the courts would have full discretion in determining the consideration due to the minority shareholder as a result of the compulsory acquisition.

Rights of Redemption and Repurchase of Shares

AgriHold will not issue redeemable shares. The share capital may be reduced by reducing the par value of the shares. Such a decision requires the approval of two-thirds of the votes cast at a general meeting. Redemption of individual shares requires the consent of the holders of the shares to be redeemed.

A Norwegian company may purchase its own shares if an authorization for the board of directors of the company to do so has been given by a general meeting with the approval of at least two-thirds of the aggregate number of votes cast at the meeting. The aggregate par value of treasury shares so acquired and held by the company must not exceed 10% of the company s share capital, and treasury shares may only be acquired if the company s distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorization by the general meeting cannot be given for a period exceeding 18 months. At the Completion Date for the Demerger, AgriHold will not have any treasury shares.

Shareholder Vote on Certain Reorganizations

A decision to merge with another company or to demerge requires a resolution of AgriHold s shareholders at a general meeting passed by two-thirds of the aggregate votes cast at the general meeting. A merger plan or demerger plan signed by AgriHold s Board of Directors along with certain other required documentation, would have to be sent to all shareholders at least one month prior to the shareholders meeting. Any agreement by which AgriHold would acquire assets or services from a shareholder or an affiliate of a shareholder against a consideration exceeding the equivalent of 5% of AgriHold s share capital must be approved by the general meeting. This does not apply to acquisitions of listed securities at market prices or to agreements in the ordinary course of business entered into on normal commercial terms.

Liability of Directors

AgriHold s Board of Directors and the President and Chief Executive Officer owe a fiduciary duty to the company and its shareholders. Such fiduciary duty requires that the board members act in AgriHold s best interests when exercising their functions and exercise a general duty of loyalty and care towards AgriHold. Their principal task is to safeguard the interests of the company.

Members of AgriHold s Board of Directors and the President and Chief Executive Officer may each be held liable for any damage they negligently or willfully cause AgriHold. Norwegian law permits the general meeting to exempt any such person from liability, but the exemption is not binding if substantially correct and complete information was not provided at the general meeting when the decision was taken. If a resolution to grant such exemption from liability or not to pursue claims against such a person has been passed by a general meeting with a smaller majority than that required to amend AgriHold s Articles of Association, shareholders representing more than 10% of the share

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capital or, if there are more than 100 shareholders, more than 10% of the shareholders may pursue the claim on AgriHold s behalf and in AgriHold s name. The cost of any such action is not AgriHold s responsibility, but can be recovered from any proceeds AgriHold receives as a result of the action. If the decision to grant an exemption from liability or not to pursue claims is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders cannot pursue the claim in AgriHold s name.

Indemnification of Directors and Officers

Neither Norwegian law nor AgriHold s Articles of Association contain any provision concerning indemnification by AgriHold of AgriHold s Board of Directors.

Distribution of Assets on Liquidation

Under Norwegian law, a company may be wound-up by a resolution of the company s shareholders in a general meeting passed by two-thirds of the aggregate votes cast at the meeting. The shares rank equally in the event of a return on capital by the company upon a winding-up or otherwise.

Summary of AgriHold s Articles of Association that will be in effect after consummation of the Demerger

Name of the company AgriHold s registered name is AgriHold ASA. AgriHold is a Norwegian public limited company.

Registered office AgriHold s registered office is in Oslo, Norway.

Objects of the company The objectives of AgriHold are to engage in industry, commerce and transport and to engage in other activities connected with these objectives. Activities may also proceed through participation in, or in co-operation with, other enterprises.

Share capital AgriHold s share capital will be NOK 543,052,403 divided into 319,442,590 shares.

Nominal value of shares The par value of each share will be NOK 1.70.

Board of directors AgriHold s Articles of Association provide that AgriHold s Board of Directors shall be composed of a minimum of three and a maximum of ten directors.

Annual general meeting AgriHold s annual general meeting will be held no later than June 30 each year upon at least two weeks written notice. The meeting will deal with the annual report and accounts, including distribution of dividends, and any other matters as required by law or AgriHold s Articles of Association.

Exchange Controls and Other Limitations Affecting Shareholders of a Norwegian Company

Under Norwegian foreign exchange controls currently in effect, transfers of capital to and from Norway are not subject to prior government approval except for the physical transfer of payments in currency, which is restricted to licensed banks. This means that non-Norwegian resident shareholders may receive dividend payments without a Norwegian exchange control consent as long as the payment is made through a licensed bank.

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TAXATION

This discussion is based on current law and practice that may be subject to amendments. Such amendments could be effective on a retroactive basis. The discussion is intended to serve as a general guideline, and does not provide a complete description of all relevant issues (e.g., for investors for whom special regulations may be applicable). Shareholders should contact their professional tax advisors for advice concerning individual tax consequences.

Effects of the Demerger

For a description of the effects of the Demerger, see Part II of this Information Memorandum.

Tax Position of Norwegian Shareholders

Taxation of Dividends

As a result of the domestic imputation tax credit system, Norwegian resident shareholders will not be taxed on dividends received from Norwegian companies as long as the dividends are distributed in accordance with applicable corporate law.

Capital Gains Tax

Shareholders resident in Norway for tax purposes will be liable for capital gains tax arising from the sale of shares irrespective of the period of time the shares have been held and the number of shares sold. Capital gains are currently taxed as ordinary income at a flat rate of 28%. Correspondingly, losses on the sale of the shares will be deductible against ordinary income.

The capital gain or loss on each share will be equal to the difference between the consideration received and the adjusted base cost as derived from the original shares in Hydro, with subsequent RISK-adjustments. The adjusted base cost is the acquisition price adjusted up or down in accordance with the changes in the company s retained earnings after tax during the time the shareholder has held the share (RISK adjustment). The adjustment of the base cost for each tax year is allocated to the owner of the shares on January 1 of the following year (the assessment year).

If a shareholder sells shares acquired at different times and at different cost prices, the shares that were acquired first shall be considered to be the shares first realized (FIFO principle).

Costs in connection with both the acquisition and realization of shares are deductible in the year of realization when calculating capital gains or losses.

Net Wealth Taxation

Norwegian resident individual shareholders will be subject to net wealth tax in Norway on their shares. Shareholders that are limited liability companies are not subject to net wealth tax.

The marginal net wealth tax rate for individuals is presently 1.1% of the assessed value. For listed companies, the assessed value equals the quoted share price on January 1 of the year of assessment.

The Norwegian Tax Position of Shareholders Resident in Other Jurisdictions

Taxation of Dividends

The general withholding tax rate in Norway is 25% on dividends distributed to non-resident shareholders. Withholding tax will be withheld by the distributing company upon dividend distribution. This rate will often be reduced, normally to 15%, by an applicable tax treaty between Norway and the shareholder s country of residence. The shareholder will receive the dividends net of any withholding tax applicable.

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Non-resident shareholders, who have been subject to a higher rate of withholding tax than applicable according to tax treaty may apply to the Norwegian tax authorities for a refund. The application must be filed with the Central Office Foreign Tax Affairs *(Sentralskattekontoret for utenlandssaker)*. As yet, there is no standardized application form for obtaining a refund of Norwegian withholding tax. An application must, at a minimum, contain the following information:

1. Specification of the company from which the dividends were distributed, the applicant, the date and amount of payment, the total amount distributed by the company, the exact number of shares held by the applicant, the total number of shares in the distributing company, the amount of tax withheld by Norway and the amount claimed for refund from Norway. All amounts are to be stated in Norwegian kroner.

2. Confirmation (in original) from a central tax authority (a competent authority according to the tax treaty in question) stating that the refund applicant was resident for tax purposes in the country with respect to which such applicant claims the benefits of a tax treaty with Norway, in the year the dividends were declared or received and original documentation that the applicant was the beneficial owner of the shares at the time when the dividends were declared.

3. Evidence that the dividends were actually received by the applicant and which withholding tax rate was used in Norway.

Norwegian tax authorities may from time to time require more specific information.

The application must be signed by the applicant. If the application is signed by proxy, a copy of the letter of authorization must be enclosed.

Dividends distributed on nominee-registered shares will normally be subject to the standard 25% rate of withholding tax, unless the nominee, by agreeing to provide certain information about the beneficial owners, has obtained approval to be registered in VPS with a reduced treaty rate from the Central Office Foreign Tax Affairs.

Dividends paid to a depositary for redistribution to shareholders holding ADSs will at the outset be subject to a withholding tax of 25%. AgriHold intends to establish a sponsored, Level I ADR facility for AgriHold ADSs. Under such facility, it is expected that the financial institution acting as the AgriHold ADR Depositary will acquire the necessary approvals in order to be able to receive and redistribute dividends to U.S. resident holders of AgriHold Shares and AgriHold ADSs at the treaty withholding rate of 15%, provided such holders have furnished the AgriHold ADR Depositary with appropriate certification to establish such holders eligibility for the benefits under an applicable tax treaty with Norway.

Capital Gains Tax

Non-resident shareholders are normally not subject to capital gains tax in Norway on the sale of shares. A tax liability in Norway may nevertheless arise if (i) the shares were effectively connected with a business in Norway carried out by the shareholder or (ii) the shareholder is an individual who has previously been resident in Norway for tax purposes and the shares are sold within five years of the expiration of the calendar year when residency for tax purposes in Norway ceased. In both cases, the Norwegian tax liability may be limited by a tax treaty. The rate of tax on capital gains is 28%.

Net Wealth Tax

Non-resident shareholders are normally not obliged to pay net wealth taxes on shares in Norwegian limited liability companies.

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United States Federal Income Tax Consequences

The following discussion outlines certain potential U.S. federal income tax consequences of the acquisition, ownership and disposition of AgriHold Shares or ADSs. This discussion generally applies to a U.S. Shareholder (as defined below) of AgriHold Shares or ADSs that holds the same as capital assets for tax purposes. This discussion does not apply to certain U.S. Shareholders subject to special rules, such as dealers in securities, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, tax-exempt entities (including pension plans), life insurance companies, persons liable for alternative minimum tax, persons that hold AgriHold Shares or ADSs through a partnership or other pass-through entity, persons that hold AgriHold Shares or ADSs as part of a straddle or a hedging or conversion transaction or persons whose functional currency is not the U.S. dollar.

This discussion is based on the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations, published rulings and court decisions, and the Convention between the United States and the Kingdom of Norway for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Property (the Treaty). These laws are subject to change at any time, possibly on a retroactive basis.

A holder of AgriHold Shares or ADSs is a U.S. Shareholder if he or she is a beneficial owner of such Shares or ADSs and is (i) a citizen or resident of the United States, (ii) a corporation created or organized in or under the laws of the United States or any political subdivision thereof, (iii) an estate whose income is subject to United States federal income tax regardless of its source, or (iv) a trust, if a court in the United States can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

A non-U.S. Shareholder is a beneficial owner of AgriHold Shares or ADSs that is not a U.S. Shareholder.

You should consult your own tax advisor regarding the U.S. federal, state, local and other tax consequences of acquiring, owning and disposing of AgriHold Shares and ADSs in your particular circumstances.

Taking into account the above assumptions, for U.S. federal income tax purposes, if a U.S. Shareholder holds ADRs evidencing ADSs, such shareholder generally will be treated as the owner of the AgriHold Shares represented by those ADSs.

Taxation of Dividends

A non-Norwegian shareholder is generally subject to a withholding tax at a rate of 25% on dividends distributed by Norwegian companies, unless the non-Norwegian shareholder is carrying on business activities in Norway and such shares are effectively connected with such activities. The withholding tax rate of 25% may be lower pursuant to tax treaties between Norway and the country in which the shareholder is resident. The Treaty rate is generally 15%. The Treaty withholding tax rate will generally apply to dividends paid on shares held directly by U.S. Shareholders that are residents of the United States within the meaning of the Treaty.

As noted above, it is the intent that AgriHold will establish an ADR facility with a depositary in the United States that will obtain the necessary approvals from the Norwegian tax authorities to be able to receive and redistribute dividends to U.S. resident shareholders at the Treaty withholding rate of 15%. A U.S. Shareholder must generally include in gross income for United States federal income tax purposes as a dividend the gross amount of any distribution made by AgriHold out of its current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). A U.S. Shareholder must include in gross income any Norwegian tax withheld from any dividend even though such shareholder does not, in fact, receive the amount withheld as tax. Such shareholder must

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include any dividend in income when it (in the case of shares) or the depositary (in the case of ADSs) receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations.

For taxable years beginning after December 31, 2002, and before January 1, 2009, dividends received by U.S. Shareholders that are individuals, estates or trusts from qualified foreign corporations, as defined in Section 1(h)(11) of the Code, generally are taxed at the preferential tax rates applicable to long-term capital gains. Section 1(h)(11) of the Code defines a qualified foreign corporation as a foreign corporation the stock of which is readily tradable on an established securities market in the United States (including through ADRs) or a foreign corporation that is eligible for the benefits of one of certain comprehensive income tax treaties with the United States that include an exchange of information program. AgriHold expects that it will constitute a qualified foreign corporation following the Demerger under the Treaty provided that it is not treated as a Foreign Personal Holding Company, Foreign Investment Company, or Passive Foreign Investment Company, each as defined below, which it believes will be the case. There can be no assurance, however, that AgriHold will not be treated as a Foreign Personal Holding Company, Foreign Investment Company, or Passive Foreign Investment Company in the current or future taxable years. Dividends received in a taxable year when AgriHold does not constitute a qualified foreign corporation, or in a taxable year immediately after one in which AgriHold did not constitute a qualified foreign corporation, will be subject to U.S. federal income tax at ordinary income tax rates. **The dividend rules are complex and a U.S. Shareholder should consult his or her own tax advisor regarding the dividend rules and how these rules may affect his or her U.S. federal, state, local and other income tax situation.**

The amount of the dividend that any U.S. Shareholder must include in income is the U.S. dollar value of the gross amount of the Norwegian krone dividend, determined at the spot Norwegian krone/ U.S. dollar exchange rate on the date the dividend distribution is included in a U.S. Shareholder s income, regardless of whether the payment is, in fact, converted into U.S. dollars.

Distributions to a U.S. Shareholder in excess of such shareholder s pro rata share of AgriHold s current and accumulated earnings and profits, as determined for U.S. federal income tax purposes, will be treated as a nontaxable return of capital to the extent of the U.S. Shareholder s tax basis in the AgriHold Shares or ADSs and, to the extent such distribution exceeds such a shareholder s tax basis, the distribution will be treated as capital gain.

Subject to certain limitations, the 15% Norwegian tax withheld in accordance with the Treaty and paid over to Norway will be creditable against a U.S. Shareholder s U.S. federal income tax liability. Dividends will be income from sources outside the United States, but generally will be passive income or financial services income, which is treated separately from other types of income, for purposes of computing the foreign tax credit allowable. Alternatively, a U.S. Shareholder may elect to claim a U.S. tax deduction, instead of a foreign tax credit, for such Norwegian tax, but only for a year in which the U.S. Shareholder elects to do so with respect to all foreign income taxes.

Any gain or loss resulting from currency exchange fluctuations during the period from the date a U.S. Shareholder includes the dividend payment in income to the date such shareholder converts the payment into U.S. dollars generally will be treated as ordinary income or loss. Such gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Dividends paid to non-U.S. Shareholders in respect of AgriHold Shares or ADSs will not generally be subject to U.S. federal income tax unless the dividends are effectively connected with the conduct of a trade or business within the United States or are attributable to a permanent establishment or fixed base in the United States (if that is required by an applicable income tax treaty as a condition for subjecting a non-U.S. Shareholder to U.S. taxation on a net income basis). In such cases, a non-U.S. Shareholder will generally be taxed in the same manner as a U.S. Shareholder. Effectively connected dividends of a non-U.S. Shareholder may, under certain circumstances, be

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subject to an additional branch profits tax at a 30% rate or at a lower rate if the non-U.S. Shareholder is eligible for the benefits of an income tax treaty that provides for a lower rate.

Taxation of Capital Gains

A U.S. Shareholder who sells or otherwise disposes of AgriHold Shares or ADSs will generally recognize capital gain or loss for United States federal income tax purposes equal to the difference between the U.S. dollar value of the amount realized and the U.S. Shareholder s tax basis, determined in U.S. dollars, in such shareholder s AgriHold Shares or ADSs. Capital gain of a non-corporate U.S. Shareholder is generally taxed at a maximum rate of 15% when the property has been held for more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. If a U.S. Shareholder receives any foreign currency on the sale of AgriHold Shares or ADSs, such shareholder may recognize U.S.-source ordinary income or loss as a result of currency fluctuations between the date of the sale of the AgriHold Shares or ADSs and the date the sales proceeds are converted into U.S. dollars.

A non-U.S. Shareholder will not be subject to United States federal income tax on gain recognized on the sale or other disposition of such shareholder s AgriHold Shares or ADSs unless: (i) the gain is effectively connected with a trade or business in the United States, or the gain is attributable to a permanent establishment or fixed base in the United States (if that is required by an applicable income tax treaty), or (ii) if such shareholder is an individual, is in the United States for at least 183 days in the taxable year of the sale, and certain other conditions exist. If a non-U.S. shareholder is a corporation, effectively connected gains may also, under certain circumstances, be subject to an additional branch profits tax at a rate of 30% or at a lower rate if such shareholder is eligible for the benefits of an income tax treaty that provides for a lower rate.

Foreign Personal Holding Company

If at any time during a taxable year (i) more than 50% of the total combined voting power or the total value of AgriHold s outstanding shares is owned, directly or indirectly, by five or fewer individuals who are citizens or residents of the United States and (ii) 60% (50% in some circumstances) or more of AgriHold s gross income for such year was foreign personal holding company income (e.g. dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions), AgriHold may be treated as a foreign personal holding company. In that event, U.S. Shareholders that hold AgriHold Shares or ADSs would be required to include in gross income for such year their allocable portions of such foreign personal holding company income to the extent AgriHold does not actually distribute such income. AgriHold does not believe that it currently qualifies as a foreign personal holding company. However, there can be no assurance that AgriHold will not be considered a foreign personal holding company for the current or any future taxable year.

Foreign Investment Company

If 50% or more of the combined voting power or total value of AgriHold s outstanding shares is held, directly or indirectly, by citizens or residents of the United States, U.S. domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by Section 7701(a)(31) of the Code), and AgriHold is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that AgriHold may be treated as a foreign investment company as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Shareholder selling or exchanging AgriHold Shares or ADSs to be treated as ordinary income rather than capital gain. AgriHold does not believe that it currently qualifies as a foreign investment company. However, there can be no assurance that AgriHold will not be considered a foreign investment company for the current or any future taxable year.

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Passive Foreign Investment Company (PFIC) Rules

AgriHold believes that, following the Demerger, its Shares and ADSs should not be treated as shares of a passive foreign investment company, or PFIC, for United States federal income tax purposes. However, this conclusion is a factual determination that is made annually and may, therefore, be subject to change.

A PFIC is defined as a corporation that is not formed in the United States and, for any taxable year, either (i) 75% or more of its gross income is passive income or (ii) the average, by fair market value (or, if the corporation is not publicly traded and either is a controlled foreign corporation or makes an election, by adjusted tax basis), of its assets that produce or are held for the production of passive income is 50% or more. Passive income generally includes dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

For purposes of the PFIC income test and the assets test, if a foreign corporation owns (directly or indirectly) at least 25% by value of the stock of another corporation, such foreign corporation shall be treated as if it (a) held a proportionate share of the assets of such other corporation, and (b) received directly its proportionate share of the income of such other corporation. Also, for purposes of such PFIC tests, passive income does not include any interest, dividends, rents or royalties that are received or accrued from a related person to the extent such amount is properly allocable to the income of such related person which is not passive income.

U.S. Shareholders owning shares of a PFIC are subject to the highest rate of tax on ordinary income in effect for the applicable taxable year and to an interest charge based on the value of deferral of tax for the period during which the shares of the PFIC are owned with respect to certain excess distributions on, and certain dispositions of, PFIC stock. However, if the U.S. Shareholder makes a timely election to treat a PFIC as a qualified electing fund (QEF) with respect to such shareholder s interest therein, the above-described rules generally will not apply. Instead, the electing U.S. Shareholder would include annually in his gross income his pro rata share of the PFIC s ordinary earnings and net capital gain regardless of whether such income or gain was actually distributed. A U.S. Shareholder of a QEF may, however, elect to defer the payment of U.S. federal income tax on such income inclusions. In addition, subject to certain limitations, U.S. Shareholders owning, actually or constructively, marketable stock (as specifically defined) in a PFIC will be permitted to elect to mark that stock to market annually, rather than be subject to the tax regime described above. Amounts included in or deducted from income under this alternative (and actual gains and losses realized upon disposition, subject to certain limitations) will be treated as ordinary gains or losses.

There can be no assurance that AgriHold will not be considered a PFIC for the current or any future taxable year. There can be no assurance that AgriHold s determination concerning its PFIC status will not be challenged by the IRS, or that it will be able to satisfy record keeping requirements that will be imposed on QEFs in the event that it qualifies as a PFIC.

U.S. Shareholders owning Agri Shares or ADSs during any year that AgriHold is a PFIC must generally file Internal Revenue Service Form 8621.

Backup Withholding and Information Reporting

Dividend payments, or other taxable distributions, made within the United States to a non-corporate U.S. resident generally will be subject to information reporting requirements and backup withholding tax at a rate of 28% (for 2003) if the resident (i) fails to provide an accurate

taxpayer identification number, (ii) is notified by the Internal Revenue Service that the resident has failed to report all interest or dividends required to be shown on his or her federal income tax returns, or (iii) in certain circumstances, fails to comply with applicable certification requirements.

A person that is not a U.S. person may be required to establish an exemption from information reporting and backup withholding by certifying its non-U.S. status on an appropriate Internal Revenue Service Form W-8.

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If a person sells AgriHold Shares or ADSs to or through a U.S. office of a broker, the payment of the proceeds is subject to both U.S. backup withholding and information reporting unless the person certifies, under penalties of perjury, that he or she is not a U.S. person or otherwise establishes an exemption. If a person sells AgriHold Shares or ADSs outside the United States through a non-U.S. office of a non-U.S. broker, and the sale proceeds are paid to such person outside the United States, then U.S. backup withholding and information reporting requirements generally will not apply to that payment. However, U.S. information reporting, but not backup withholding, will apply to a payment of sales proceeds, even if that payment is made outside of the United States, if a person sells AgriHold Shares or ADSs through a non-U.S. office of a broker that:

- is a U.S. person,
- derives 50% or more of its gross income for a specified three-year period from the conduct of a trade or business in the United States,
- is a controlled foreign corporation as to the United States, or
- is a foreign partnership, if at any time during its tax year: (i) one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or (ii) at any time during its tax year the foreign partnership is engaged in a U.S. trade or business,

unless the broker has documentary evidence in its records that the person is not a U.S. person and does not have actual knowledge that such person is a U.S. person or otherwise establishes an exemption.

One generally may obtain a refund of any amount withheld under the backup withholding rules that exceeds one s income tax liability by filing a timely refund claim with the U.S. Internal Revenue Service.

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DIVIDENDS AND DIVIDEND POLICY

Although it is the responsibility of AgriHold s Board of Directors, AgriHold s management will aim at a dividend payment to shareholders of a minimum of 30% of net income as an average over the business cycle. In any one year, however, the aggregate dividends paid to shareholders may be higher or lower than 30% of net income, depending on AgriHold s future earnings, financial condition and cash flow, as well as other factors affecting AgriHold.

Dividends in respect of a fiscal year will be declared at AgriHold s annual general meeting in the following year. Under Norwegian law, dividends may only be paid in respect of a financial period as to which audited financial statements have been approved by the annual general meeting of shareholders, and any proposal to pay a dividend must be recommended by AgriHold s Board of Directors and approved by the shareholders at a general meeting. The shareholders at the annual general meeting may vote to reduce, but may not increase, the dividend proposed by AgriHold s Board of Directors.

Dividends may be paid in cash or in kind and are payable only out of AgriHold s distributable reserves. The amount of AgriHold s distributable reserves is defined by the Norwegian Public Limited Companies Act, which requires that such reserves be calculated under Norwegian GAAP and consist of:

annual profit according to the income statement approved for the preceding fiscal year, and

retained profit from previous years (adjusted for any reclassification of AgriHold s equity),

after deduction for uncovered losses, the book value of research and development, goodwill and net deferred tax assets as recorded in the balance sheet for the preceding fiscal year, and the aggregate value of treasury shares that AgriHold has purchased or been granted security in and of credit and security given by AgriHold in accordance with Sections 8-7 to 8-9 of the Norwegian Public Limited Companies Act during preceding fiscal years.

AgriHold cannot distribute any dividends if AgriHold s equity, according to AgriHold s unconsolidated balance sheet, amounts to less than 10% of the total assets reflected in AgriHold s unconsolidated balance sheet without following a creditor notice procedure as required for reducing the share capital. Furthermore, AgriHold can only distribute dividends to the extent compatible with good and careful business practice with due regard to any losses which AgriHold may have incurred after the last balance sheet date or which AgriHold may expect to incur. Finally, the amount of dividends AgriHold can distribute is calculated on the basis of AgriHold s unconsolidated financial statements. Although AgriHold currently intends to pay annual dividends on AgriHold s shares, AgriHold cannot provide any assurances that dividends will be paid or as to the amount of any dividends. Future dividends will depend on a number of factors prevailing at the time AgriHold s Board of Directors considers any dividend payment.

Because AgriHold will only pay dividends in Norwegian kroner, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of AgriHold ADSs after the AgriHold ADR Depositary converts cash dividends into U.S. dollars.

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PART IV

HYDRO

HISTORICAL INFORMATION

Hydro was organized under Norwegian law as a public company in 1905 under the name Norsk Hydro-Elektrisk Kvaelstofaktieselskab (Norwegian Hydro-Electric Nitrogen Corporation). In 1969, the name was changed to Norsk Hydro a.s. Over the years, energy, in the form of hydroelectric power, natural gas and petroleum, has been the basis for Hydro s growth and is the common link among its core business activities.

At the outbreak of the Second World War, non-Norwegians owned 97% of Hydro s shares. During the war, plants were subject to bombing by the Allied forces and sabotage. After the Second World War, the Norwegian government took over German shareholdings in Hydro as part of war reparations and ended up owning close to 50% of the equity capital.

Since the end of the Second World War, Hydro has expanded into a number of new businesses. In 1951, Hydro began to produce magnesium metal and polyvinyl chloride at Porsgrunn, Norway. In 1967, Hydro opened an aluminium reduction plant and semi-fabricating facilities at Karmøy, Norway, and built the Røldal-Suldal hydro-electric power project to provide energy to the Karmøy facilities.

In 1965 and 1967, Hydro commenced production of ammonia at two large ammonia plants in Norway, one of which made use of naphtha and the other heavy fuel oil, as feedstocks (i.e., sources of hydrogen) in the ammonia production process. Hydro had previously depended on the electrolysis of water to provide the hydrogen needed to produce ammonia used in nitrogen-based fertilizers. The discovery of natural gas in the Netherlands and on the continental shelf off England in the North Sea created a new and competing source of feedstock for ammonia in Europe. Consequently, Hydro began to take steps to ensure that it could continue to compete with other European producers of ammonia that were obtaining access to these relatively inexpensive natural gas supplies. As a result, Hydro began to investigate various opportunities to participate in oil and gas production. In 1965, Hydro obtained concessions from the Norwegian State to explore for petroleum on the NCS.

Hydro and its partners discovered oil and gas in the Ekofisk field in 1969 and in the Frigg field in 1971. Exploitation of these discoveries ensured Hydro a source of feedstock for its fertilizer plants and also brought Hydro into the petroleum refining and marketing business. In 1975, Hydro began oil refining operations at Mongstad, Norway.

Norway s natural gas liquids resources and Hydro s experience in the chemical process industry served as the foundation for its investments in the petrochemicals industry in Norway, and in 1978, Hydro commenced production of ethylene and vinyl chloride monomer.

In the 1980s, Hydro acquired a number of businesses, both in Norway and in other areas. Hydro s expansion of its fertilizer operations resulted in Hydro becoming one of the leading suppliers of fertilizer in Europe. Hydro also entered a new era as an oil company, becoming operator of the Oseberg offshore oil field. Hydro also developed or tested new technologies for deepwater oil and gas production and horizontal drilling, which Hydro subsequently put to commercial use in developing the Troll oil project. In 1986-87, Hydro acquired the Norwegian State-owned

aluminium company, Årdal og Sunndal Verk, and several European aluminium extrusion plants from Alcan and Alcoa, thus establishing Hydro Aluminium as a major business within Hydro and an important company in the European aluminium industry. While 75% of Hydro s employees worked in Norway at the beginning of the 1980s, ten years later, the percentage of Norwegian-based employees had decreased to 50%. Today, approximately 68% of Hydro s employees are based outside of Norway.

In 1999, Hydro s management determined to concentrate Hydro s business in three core areas:

Oil and Energy;

Aluminium; and

Agri

and to divest other non-core businesses.

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In recent years, each of Hydro s Oil and Energy and Aluminium businesses has grown as a result of substantial investments, including several acquisitions. In 1999, Saga Petroleum a.s, a Norwegian-based oil company, was merged with Hydro s oil and gas business, and in 2002 SDFI interests in oil and gas licenses on the NCS were acquired from the Norwegian State. In 2002, Hydro acquired VAW Aluminium AG, a major integrated international aluminium company based in Germany, and the French building systems supplier, Technal. A significant portion of the expansion of the core businesses has been financed through sale of non-core businesses. Since 1999, Hydro has divested non-core businesses with an enterprise value of approximately NOK 25 billion.

In the second half of 2001, Hydro s Board of Directors initiated a corporate portfolio strategy project that was concluded in June 2003 when Hydro announced that preparations for establishing Hydro Agri as a separate Norwegian-based company would start with the aim of listing the shares of such company in the first half of 2004.

Following the Demerger, Hydro s operating segments will consist of two core business areas: Oil and Energy and Aluminium.

Hydro s principal executive offices are located at Bygdøy allé 2, N-0240 Oslo, Norway and its main telephone number is +47 22 53 81 00. Following the Demerger, Hydro s principal offices will be located at Drammensveien 264, 0240 Oslo, Norway. Hydro s internet site is www.hydro.com.

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OIL AND ENERGY

Hydro Oil and Energy consists of two sub-segments, Exploration and Production, and Energy and Oil Marketing.

Exploration and Production s business activities encompass:

- oil and gas exploration;
- field development; and
- the operation of production and transportation facilities other than the gas export pipelines now owned by Gassled (the gas infrastructure joint venture on the NCS which commenced operations as of January 1, 2003).

Energy and Oil Marketing s business activities encompass:

- Hydro s commercial operations in the oil, natural gas and power sectors;
- the operation of Hydro s power stations;
- management of Hydro s seaborne transportation of crude oil, natural gas liquids and other petroleum products and Hydro s interest in the gas transportation system on the NCS; and
- the marketing and sales of refined petroleum products (e.g., gasoline, diesel and heating oil) to retail customers.

EXPLORATION AND PRODUCTION

Overview

Exploration and Production s business activities encompass oil and gas exploration, field development and the operation of production and transportation facilities.

Hydro is the third-largest interest holder on the NCS, in terms of equity (i.e., owned) oil and natural gas production and proved reserves, trailing only PETORO (the Norwegian State oil and gas holding company) and the majority-State controlled Statoil. In 2002, approximately 90% of

Hydro s average daily production of 480,000 barrels of oil equivalents (boe) was from the NCS. Internationally, Hydro is involved in exploration and/or production activities in several countries, including Angola, Canada, Libya, Russia, Iran and the United States (Gulf of Mexico).

Hydro has a history of delivering strong production growth. From 1998 to 2002, Hydro increased its total production of oil and gas by more than 75%. The increase reflects organic growth on the NCS, start-up of production from Hydro s international activities, the acquisition in 1999 of Saga Petroleum, and, starting in 2002, increased interests in Norwegian fields formerly owned by the Norwegian State.

As of January 1, 2003, Hydro had interests in 105 licenses on the NCS and operated 44 licenses covering 11 fields. The total average daily production in 2003 from Hydro-operated fields is estimated to be approximately 900,000 boe.

Industry Overview

Reduced Exploration Results

In the last few years, worldwide exploration activities generally have reflected reduced findings despite increased drilling efforts. According to industry sources, there was an increase in the number of wildcat exploration wells in the world (exclusive of North America) in 2001 compared to the prior year. However, despite the increased drilling effort, the number of discoveries fell by approximately 14% in 2001 compared to the prior year. In particular, within the area of the Atlantic Ocean Margins (i.e., the deepwater areas around the Atlantic Rim, including the United Kingdom west of Shetland, the

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U.S. Gulf of Mexico, Canada, Brazil and West Africa), discovery trends appear, in general, to be declining due to the maturing of many basins. Nonetheless, there are examples of specific areas yielding good results, such as Nigeria and the Gulf of Mexico. In mature areas, exploration activities have shifted towards the deepwater sections of established basins, as seen in the Gulf of Mexico and Angola. However, in other parts of the world, such as the Middle East, Australia and Russia, exploration has yielded increasing amounts of new technical resources in the last few years. Six major discoveries (each larger than 500 million boe) were made in these regions in 2001, while only two such discoveries were made in the Atlantic Ocean Margins. Western oil companies have challenges in gaining access to exploration areas on attractive terms in certain of the regions where significant discoveries have been made in recent years.

Of more immediate relevance to Hydro, the NCS, where 92% of its reserves are located, is maturing and reserve additions have been low in recent years. Norway s oil production has been in decline for the last two years after peaking at about 3.4 million barrels per day (bpd) in 2001. At current production levels, Norwegian oil reserves will last less than 10 years, and there are currently no new oil fields with immediate plans for development.

Hydro has altered its NCS exploration strategy on the basis of the higher perceived risk/reward level of exploration opportunities. On the prospective resource side, Hydro still believes that there is attractive exploration potential on the NCS, as follows:

Areas around existing infrastructure in the North Sea offer oil and gas potential in terms of satellite tie-ins to increase the economic life of current installations. In addition, these areas still offer some stand-alone possibilities.

The Norwegian Sea may still have potentially larger gas prospects, although the poor results from the exploration on licenses awarded by the Norwegian State in the 16th licensing round in 2000 have increased Hydro s perceived risk in this area.

The northern part of the NCS, including the Barents Sea, has potential in terms of both oil and gas prospects, although the perceived risk is high. Activity in this region is halted at present pending completion of the regional environmental impact assessment study being undertaken by the Norwegian government.

For Hydro Oil and Energy and the Norwegian petroleum industry generally, it is important that industry participants with a presence on the NCS, together with the government authorities, work to ensure that fiscal incentives and other factors of relevance to the risk/reward ratio are established so that exploration activity on the NCS remains competitive with opportunities elsewhere. In this regard, in August 2003, Kon-Kraft, a policy group representing the Norwegian petroleum industry, recommended to the Norwegian government changes to the tax regime and other incentives in order to stimulate more exploration and increase recovery from existing fields. Hydro believes that there is significant potential to add new production and value to its NCS portfolio if changes are made in line with the group s recommendations.

In September 2003, Hydro submitted an application for eight areas in the North Sea in the first round of Norway s new Awards in Predefined Areas system. License awards are expected in December 2003. If Hydro were to be awarded production licenses for the areas covered by its application, this would further Hydro s objective of active portfolio management on the NCS, which includes seeking to concentrate activities by increasing ownership interests in core areas around operated infrastructure and areas with high-value exploration potential, and selling interests in licenses in non-core areas.

Crude Oil Price Levels

By historical standards, crude oil prices have been high over the past three years. However, in real terms crude oil prices have trended downward since 1986, primarily as a result of lower production costs outside of the OPEC cartel due to technological progress. OPEC has aimed to function as a

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stabilizing force in the market, with varying levels of success. Its long-term price target is considered to be approximately U.S.$25 per barrel. This target price is significantly above the marginal cost of new production outside OPEC. This makes it reasonable to question whether maintaining this price target is realistic in the long term and could result in cyclical periods of high and low prices from the interplay between market forces and actions taken by the cartel.

Thus far in 2003, the global oil market has been influenced by the production levels of the OPEC cartel members, relatively weak global economic conditions, the war in Iraq and political unrest in Venezuela.

Strategy

Hydro s strategic focus is to position Hydro as a profitable participant in the upstream oil and gas business by utilizing Hydro s core competencies: advanced drilling, reservoir management and the development of complex and technologically challenging projects. Consequently, Hydro intends to focus its exploration and production strategy on:

- delivering strong production growth through 2006 based on Hydro s existing portfolio in well-defined, profitable projects;
- building the basis for future production; and
- improving the profitability of existing assets through development of satellite structures, enhanced recovery of oil and gas, and continued tight cost controls.

Delivering Strong Production Growth

As noted above, Hydro has a history of delivering strong production growth. From 1998 to 2002, Hydro increased its total production of oil and gas by more than 75%. The increase reflects organic growth on the NCS, start-up of production from Hydro s international activities and the acquisition in 1999 of Saga Petroleum. In addition, in 2002, Hydro acquired increased interests in Hydro-operated fields on the NCS (Oseberg, Tune and Grane) from the Norwegian State. The acquisition of SDFI assets increased Hydro s proved reserves by approximately 187 million boe, and 2002 production by 24,000 boe per day. This growth has continued in 2003 with the start-up of production from the Grane, Fram Vest and Mikkel fields on the NCS, the second phase of the Kharyaga field in Russia, the Murzuq A field in Libya, and the full year production from the fields in which Hydro acquired increased interests from the Norwegian State in 2002.

Hydro has announced a target compound annual growth rate in production of 8% for the 2001-2006 period (including the effect of the SDFI asset acquisition). Hydro expects that the production growth will be achieved within its existing portfolio based on producing fields and development projects. Total oil and gas production in 2002 was 480,000 boe per day, representing an increase of 14% over the prior year. In 2003, Hydro anticipates average daily production of 520,000 boe, which, if achieved, will represent an increase of 8% over the prior year. From 2002 to 2006, Hydro s gas production is expected to increase from 6.4 to approximately 10 bcm. With the projected increase in production, Hydro expects its operational performance to remain strong through 2006.

Existing projects, including development of the large Ormen Lange gas discovery, are expected to require annual investments in the range of NOK 12-14 billion.

In 2002, approximately 10% of Hydro s total oil and gas production came from outside the NCS, compared to 4% in 2001. The greater proportion of production outside the NCS reflects the start-up of production from the Terra Nova field in Canada and the Girassol field in Angola. Based on its current portfolio, Hydro expects that its oil production will continue to grow, both in Norway and internationally, such that the relative contribution from international activities will remain approximately the same during the 2002-2006 period.

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Building the Basis for Future Production

Hydro will continue to explore for and develop new oil and gas fields that can contribute to a sustainable production profile for the long-term. The Grane Field commenced production in September 2003 and should contribute to Hydro s income for many years. Development of the Ormen Lange gas field is expected to make a significant contribution to Hydro s income for many years, as well. Additionally, Hydro will continue to focus on exploration efforts on the NCS. However, in light of the maturity of the NCS, Hydro has increased its focus on international exploration opportunities during the past several years. In 2001, Hydro s international exploration activity was, for the first time in Hydro s history, greater than on the NCS. Hydro s international exploration activity in 2002 represented 74% of total exploration expenditures and is expected to represent a similar percentage in 2003.

Hydro s international expansion has been based on alliances with regional producers and international partners with a focus mainly on oil prospects. Hydro s strategy for international expansion has been to concentrate its efforts in a limited number of areas with sufficient potential to create economic scale. Hydro s technological competence, including the application of leading-edge reservoir and development solutions developed through Hydro s experience as an operator of oil-and gas-producing fields in the harsh Norwegian offshore environment, has provided a solid basis for Hydro s international expansion.

The areas in which Hydro is currently active are the East Coast of Canada, deepwater Gulf of Mexico, Angola, Russia, Libya and Iran. Activities in Russia, Libya and Iran are in onshore areas that have very different cost structures than the activities in the deepwater areas in the Gulf of Mexico and Angola, providing balance in the portfolio. In general, Hydro strives to balance the total risk in its commercial portfolio by seeking partnerships with other companies to share geological, commercial and political risks.

Hydro s extensive two-year international exploration drilling program undertaken during 2002 and 2003 has resulted in further commercial finds in Angola s Block 17 and in Libya, and one small find in the Gulf of Mexico deepwater. Additionally, drilling is ongoing in the Anaran area of Iran, believed to have large hydrocarbon potential.

Improving the Profitability of Existing Assets

Hydro continues to pursue cost improvements in its exploration and production activities. As fields on the NCS mature and decline in production, very high priority will be given to reducing costs and implementing measures to increase production on existing fields.

Hydro has established a goal of reducing its three-year average finding and development (F&D) costs (which represent the cost of adding one boe of proved preserves to Hydro s reserve portfolio), exclusive of acquisitions and disposals, to U.S.$5 per boe of proved reserves added. Hydro expects to reach this target during 2003.

Hydro has also sought to reduce costs by portfolio optimization, including divestment of fields in areas where Hydro lacks critical mass or fields nearing the end of their economic lives, such as the Varg field. Hydro divested its interest in the license of that field in August 2002.

An independent benchmarking of operators in the Central North Sea ranked Hydro as the most efficient operator in 2002. One of Hydro s objectives is to maintain its status as an efficient operator on the NCS.

Reserve Information

At the end of 2002, Hydro s share of proved developed reserves of oil and gas was estimated to be 1.432 billion boe. Hydro s share of proved undeveloped reserves accounted for an additional 793 million boe. Total developed and undeveloped reserves amounted to 2.225 billion boe, of which gas reserves accounted for approximately 53%.

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Reserve life, defined as the number of years of production from proved reserves at the present production level, was approximately 13 years at the end of 2002, with approximately eight years for oil and approximately 29 years for gas.

The following table summarizes Hydro s net quantities of proved oil and gas reserves as of December 31, 2002, 2001 and 2000.

Oil and Gas Reserves

	2002			2001			2000		
Oil in millions of boe *Gas in billions of cubic feet (bcf)*	Norway	Int (1)	Total	Norway	Int (1)	Total	Norway	Int (1)	Total
Proved oil reserves, developed and undeveloped (2)	883	172	1055	825	193	1,018	820	156	976
Of which developed	559	93	652	564	62	626	555	33	588
Proved gas reserves, developed and undeveloped(2)	6,629		6,629	5,986		5,986	6,004		6,004
Of which developed	4,416		4,416	3,669		3,669	3,644		3,644
Proved oil and gas reserves, developed and undeveloped (in millions of boe) (2)	2,053	172	2,225	1,880	193	2,073	1,884	156	2,040
Of which developed	1,339	93	1,432	1,211	62	1,273	1,201	33	1,234

(1) Reserves under international activity are shown net of royalties and the government s share of profit oil. See Oil and Gas Terms included in the Glossary of Terms in the forepart of the Information Memorandum.

(2) For the definition of proved, developed and undeveloped reserves, see Oil and Gas Terms included in the Glossary of Terms in the forepart of the Information Memorandum.

Hydro s reserve replacement ratio in 2002, including the purchase and sale of reserves and the effect of production sharing agreements (PSA) on some international fields, was 187%. Excluding the purchase and sale of reserves and the effect of PSAs, the ratio was approximately 98%. Positive developments in the reserve replacement ratio resulted from the maturing of technical resources into proved reserves, primarily in Norway and Angola, and revisions to recoverable reserve estimates for other fields in the portfolio.

Proved reserves are estimates and are expected to be revised as oil and gas are produced and additional data become available. Accordingly, recoverable reserves are subject to upward and downward adjustments from time to time.

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An analysis of changes to proved developed and undeveloped reserves of oil and gas as of and for the three years ended December 31, 2002, is incorporated below.

	Norway			International			Total		
	Oil	Natural Gas		Oil	Natural Gas		Oil	Natural Gas	
	Million boe[1]	Billion Sm^3	Billion cf	Million boe[1]	Billion Sm^3	Billion cf	Million boe[1]	Billion Sm^3	Billion cf
As of December 31, 1999 [2]	837	167.5	5,928	153	6.0	211	990	173.5	6,139
Revisions of previous estimates [3]	49	4.9	173	(1)	0.1	7	48	5.0	180
Purchase (sale)/exchange of reserves in place [4]	12	0.6	22	(39)	(5.7)	(203)	(27)	(5.1)	(181)
Extensions and new discoveries [5]	32	1.4	48	52			84	1.4	48
Production for the year	(110)	(4.7)	(167)	(9)	(0.4)	(15)	(119)	(5.1)	(182)
As of December 31, 2000 [2]	820	169.7	6,004	156			976	169.7	6,004
Revisions of previous estimates [3]	87	0.3	11	16			203	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 December 31, 2001 [2] [6]	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 December 31, 2002 [2] [6]	883	187.4	6,629	172			1,055	187.4	6,629
Proved developed reserves									
As of December 31, 2000	555	103.0	3,644	33			588	103.0	3,644
As of December 31, 2001	564	103.7	3,669	62			626	103.7	3,669
As of December 31, 2002	559	124.8	4,416	93			652	124.8	4,416

(1) Includes crude oil and natural gas liquids (NGL)/Condensate. All volumes are calculated based on the Norwegian Petroleum Directorate s current conversion factors.

2) Reserve estimates in Norway are made before royalties of approximately 1.6, 2.1 and 3.8 million boe for 2002, 2001 and 2000, respectively.

(3) The revision of previous estimates relates to new information from the current year s drilling operations and additional data that are now available. Included is also a PSA effect for the fields in Angola, Libya and Russia.

(4) In 2002, the change in reserves was due to the acquisition of SDFI assets and the sale of the small field, Varg, in Norway. The sale of a portion of the interests in the Brage and Njord fields in Norway in 2002 to Offshore Engineering Resources AS is not included since the agreement was not closed in 2002. In 2001, the decrease was due to the sale of Glitne in Norway. In 2000, the decrease in reserves outside Norway was due to the sale of the U.K. portfolio. The increase in Norway was due to increased ownership in the Grane filed and purchase of reserves in the Tune field.

(5)

In 2002, extensions and new discoveries of 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 Jasmim field in Angola. Extensions and new discoveries of gas were related to the Snøhvit, Vigdis, Byggve and Skirne fields in Norway. In 2001, extensions and new discoveries of oil related to the Kristin, Mikkel and Sigyn fields in Norway, and the Rosa/Lirio and Jasmim fields in Angola. Extensions and new discoveries of gas were also related to the Kristin, Mikkel and Sigyn fields in Norway. In 2000, extensions and new discoveries of oil related to the Fram, Glitne and STUJ (a neighboring structure to the Tordis field) fields in Norway, and the Dalia field in Angola. Extensions and new discoveries of gas related to the Fram and STUJ fields.

(6) In 2002, reserve estimates included 172 million boe outside the NCS, in Canada, Angola, Russia and Libya. In 2001, reserve estimates included 193 million boe outside the NCS, in Canada, Angola, Russia and Libya. The decrease in 2002 is dominated by the PSA effect, which represents a reduction of 22 million boe for the fields in Angola and Russia.

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Information relating to the various fields comprising proved reserves as of December 31, 2002, and production of oil and gas for 2002 is reflected below:

Proved reserves as of 31 December, 2002 (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	Norsk Hydro /Statoil	9.78	627	67	3,254	92.0	1995/ 1996
Oseberg fields	30/6, 30/9	Norsk Hydro	34.00	354	146	1,150	32.5	1988
Grane	25/11	Norsk Hydro	38.00	201	201			2003
Ågard	6407/2, 6506/11,12, 6507/11	Statoil	9.60	162	69	521	14.8	1999
Snorre fields [1]	34/4, 34/7, 33/9	Norsk Hydro	5.98 - 17.65	138	128	47	1.3	1992
Ekofisk fields	2/4, 2/5, 2/7	ConocoPhillips	5.81 - 6.65	90	76	79	2.2	1971
Visund [1]	34/8, 34/7	Norsk Hydro	20.30	90	40	277	7.8	1999
Sleipner fields	15/6, 15/9, 16/7	Statoil	8.85 - 10.00	60	15	246	7.0	1993
Kvitebjørn	34/11	Statoil	15.00	49	13	192	5.4	2004
Gullfaks fields	34/10, 33/12	Statoil	9.00	41	28	72	2.0	1986
Kristin	6406/2, 6506/11	Statoil	12.00	39	24	90	2.6	2005
Tune	30/8, 30/5, 30/6	Norsk Hydro	40.00	32	7	141	4.0	2002
Fram Vest	35/11	Norsk Hydro	25.00	23	19	23	0.6	2003
Norne	6608/10, 6508/1	Statoil	8.10	22	16	28	0.8	1997
Mikkel	6407/5,6	Statoil	10.00	17	7	57	1.6	2003
Njord	6407/7,10	Norsk Hydro	22.50	8	8			1997
Brage	31/4, 30/6, 31/7	Norsk Hydro	23.20 - 24.44	4	4	1		1993
Vale	25/4	Norsk Hydro	28.53	2	1	6	0.2	2002
Snøhvit	7120/6,7,8,9, 7121/4,5,7	Statoil	10.00	90	13	429	12.1	2005
Byggve/Skirne	25/5	Total FinaElf	10.00	4	1	16	0.5	2004
Total Norway				2,053	883	6,629	187.4	
Hibernia	Grand Banks, Canada	HMDC	5.00	17	17			1997
Terra Nova	Grand Banks, Canada	Petro-Canada	15.00	31	31			2002
Girassol	Block 17, Angola	TotalFinaElf	10.00	32	32			2001
Dalia	Block 17, Angola	TotalFinaElf	10.00	30	30			2006
Jasmim	Block 17, Angola	TotalFinaElf	10.00	5	5			2003
Rosa/Lirlo	Block 17, Angola	TotalFinaElf	10.00	22	22			2006
Kharyaga	Timan Pechora, Russia	TotalFinaElf	40.00	21	21			1999
Mabruk	Sirte Basin, Libya	TotalFinaElf	25.00	9	9			1995

Murzuq	Sirte Basin, Libya	Repsol	8.00	5	5			2004
Total International				172	172			
Total				2,225	1,055	6,629	187.4	

(1) Operatorship of Snorre fields and Visund transferred to Statoil on January 1, 2003.

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Exploration

The following tables reflect the number of exploratory oil and gas wells drilled by Hydro as of December 31, 2002. Information as to the number of exploratory oil and gas wells drilled by Hydro during the first nine months of 2003 may be found in Hydro Management s Discussion and Analysis of Financial Condition and Results of Operations. The first table represents all the exploratory wells drilled and completed during the years indicated, and the second table represents the exploratory wells in the process of being drilled as of December 31, 2002. A total of 31 wells were drilled in 2002, of which two wells remained under evaluation by year-end, and were announced as commercial discoveries in April 2003. In addition, one well, which did not result in a commercial discovery, was in the process of being drilled at year-end.

Drilling Activity

		Norway			International			Total		
As of December 31		2002	2001	2000	2002	2001	2000	2002	2001	2000
Exploratory	Productive [1]	6	8	6	8	7	6	14	15	12
	Dry [2]	5	10	8	12	4	7	17	14	15

Present Drilling Activities

As of December 31, 2002		Norway	International	Total
Exploratory	Gross [3]	0	1	1
	Net [4]	0	0	0

(1) A productive well is an exploratory well deemed to be commercially viable.
(2) A dry well is an exploratory well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.
(3) A gross well is a well in which a whole or fractional working interest is owned.
(4) A net well is the sum of the whole fractional working interests in gross wells which equals one.

Norway

Hydro participated in nine exploratory and two appraisal wells that were completed during 2002. Commercial discoveries were made by four of the exploratory wells and the two appraisal wells confirmed the expectations made from previous discoveries. Hydro s last obligatory exploratory well from the 16th licensing round, drilled at a record depth on the NCS of 1,725 meters, turned out to be dry.

International

In 2002, Hydro s international exploration activities encompassed Angola, Canada, Russia, Libya, Iran, Trinidad and Tobago, Denmark and the United States (Gulf of Mexico). Hydro participated in the drilling of 20 exploratory and appraisal wells that were completed during 2002. In addition, one well was in the process of being drilled at year-end. Eight discoveries were made, each of which is expected to have commercial potential. This includes the Acacia and Hortensia discoveries in Angola that were announced in April 2003.

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Development

In 2002, Hydro invested NOK 8,222 million in the development of new and existing fields and transportation systems compared to NOK 7,763 million and NOK 7,926 million in 2001 and 2000, respectively. Exploration and Production s two most important development projects in 2002 were the Grane and Tune fields. A summary of the fields under development as of December 31, 2002, is set forth in the following table.

Development

Field	Type of Field	Approved for Development	Production Scheduled to Commence[1]	Total Estimated Investment [2]	Hydro s share of the investment	
					Total	Incurred to date
					In NOK billions	
Norway						
Kvitebjørn	Gas/Condensate	July 2000	October 2004	10.5	1.8	0.9
Grane	Oil/Gas	June 2000	September 2003	15.6[3]	5.7	3.4
Fram Vest	Oil/Gas	March 2001	October 2003	4.3	1.2	0.5
Mikkel	Gas/Condensate	September 2001	October 2003	2.4	0.3	0.2
Kristin	Oil/Gas	December 2001	October 2005	18.2	2.5	0.2
Snøhvit	Gas/Condensate	March 2002	October 2006	46.9	5.1	0.3
Visund Gass	Gas	October 2002	October 2005	2.3	0.5	0.01
Vigdis extension	Oil/gas	December 2002	October 2003	2.8	0.4	0.04
Byggve/Skirne	Gas/Condensate	July 2002	March 2004	2.5	0.3	0.1
International						
Kharyaga phase 1 & 2	Oil	October 1997/ October 2000	October 1999 / May 2003	3.2	1.3	1.1
Murzuq A-field	Oil	July 2002	October 2003	1.7	0.2	0.01
Jasmim	Oil	September 2001	November 2003	3.9	0.4	0.1
Dalia	Oil	May 2003	October 2006	42.3	4.6	0.1

(1) Dates of scheduled production commencement are as of November 1, 2003.
(2) Estimated investment and incurred investment amounts are as of December 31, 2002.
(3) The total estimated investment for the Grane field development is exclusive of the gas phase. The table also does not include costs related to purchase of assets on the Grane field from SDFI.

Production

The following table shows the number of gross and net productive oil and gas wells in which Hydro had interests as of December 31, 2002.

Type of well	Norway [1]	International	Total

Crude oil	Gross	513	82	595
	Net	67	15	83
Natural gas	Gross	83	0	83
	Net	10	0	10

(1) Includes 20 wells with multiple completions (i.e., more than one formation producing into the same well bore). If one of the multiple completions in a well is an oil completion, the well is classified as an oil well.

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The following table sets forth 2002 production of oil and gas from the fields in which Hydro has an interest. All volumes are calculated based on the Norwegian Petroleum Directorate s current conversion factors. The conversion factor for NGL is 1 tonne equals 11,951 boe.

2002 Production

			Hydro s share					
Field	**Operator**	**Hydro s % Interest**	**Total Million boe**	**Oil/NGL Million boe**	**Gas Billion cf**	**Gas Billion Sm^3**	**Remaining Prod. Period**	**License Period**
Oseberg fields	Norsk Hydro	34.00 - 40.00[1]	42	36	33	0.9	2013 - 2018	2017 - 2031
Troll	Norsk Hydro/ Statoil	9.78	29	14	89	2.5	2030	2030
Snorre fields[4]	Norsk Hydro	5.98 - 17.65	24	23	5	0.1	2010 - 2019	2015 - 2024
Sleipner fields	Statoil	8.85 - 10.00	12	4	45	1.4	2008 - 2014	2014 - 2018
Asgard	Statoil	9.60	12	8	25	0.7	2026	2027
Ekofisk fields	ConocoPhillips	5.81 - 6.65	10	9	9	0.2	2018 - 2023	2028
Gullfaks fields	Statoil	9.00	9	8	8	0.2	2011	2016
Norne	Statoil	8.10	6	5	2	0.1	2015	2026
Brage	Norsk Hydro	23.20 - 24.44	4	3	1		2006	2017
Visund[4]	Norsk Hydro	20.30	3	3			2022	2023
Njord	Norsk Hydro	22.50	3	3			2006	2021 - 2023
Frigg	Total	19.99	1		8	0.2		2015
Varg	Pertra	42.00[2]	1	1				2011
Others (Heimdal and Vale)	Norsk Hydro		1		2	0.1	2009	2021
Total Norway			157	117	227	6.4		
Girassol	Total	10.00	7	7			2018	2027
Terra Nova	Petro-Canada	15.00	6	6			2013	2093
Hibernia	HMDC	5.00	3	3			2015	2085
Kharyaga	Total	40.00	1	1			2025	2031
Mabruk	Total	25.00	1	1			2028	2028
Total International			18	18				
Total			175[3]	135	227	6.4		

(1) Hydro s ownership interests in the Oseberg fields ranged from 19.60% to 32.02% before the acquisition of SDFI assets on May 10, 2002. Following the acquisition of SDFI assets, Hydro s ownership interests increased to 34% in the Oseberg Sør and Oseberg Øst fields and 40% in the Tune field.

(2) Hydro transferred its ownership interest of 42% together with its operatorship in the Varg field on August 1, 2002.

(3) Average daily production in 2002 was 480,000 boe.

(4) Operatorship of the Snorre field and the Visund field were transferred to Statoil on January 1, 2003.

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ENERGY AND OIL MARKETING

While Energy and Oil Marketing represents a single sub-segment within the Oil and Energy business segment, Hydro believes that the business activities of Energy and Oil Marketing are better explained through a separate discussion of their respective activities.

ENERGY

Overview

Energy s business activities include:

- marketing Hydro s equity oil production, including gas liquids;
- marketing Hydro s equity gas production as well as third-party sourced gas to customers, primarily on the European continent;
- managing Hydro s seaborne transportation of crude oil, NGL and other petroleum products and Hydro s interest in the gas transportation system on the NCS;
- production and sale of electricity generated at hydroelectric power plants in Norway;
- sourcing Hydro s natural gas and power requirements for its Norwegian and European industrial facilities; and
- developing Hydro s hydrogen and renewable energy business activities.

In addition to the business activities listed above, Energy has been responsible for Hydro s oil refining operations. In September 2003, Hydro signed an agreement to sell its 25% interest in the Scanraff oil refinery, located at Lysekil, Sweden, to the oil company, Preem, which already owns the remaining 75% of the refinery. The transaction is scheduled to close in the fourth quarter of 2003, pending satisfaction of conditions to closing, including the obtaining of necessary government approvals. Upon conclusion of the sale, Hydro will no longer hold an ownership interest in the refining business. Hydro will then source the refined products requirements for its Swedish retail marketing activities by means of a long-term supply agreement with Preem.

Hydro has an established position in the European natural gas and power markets as a producer of natural gas and power, a holder of an equity interest in the natural gas transportation systems, an active trader in the markets, and customer portfolios in the industrial/wholesale markets for both natural gas and electricity. By combining all commercial activities for energy products and services in one operating segment, Hydro leverages its commercial skills and contacts in each of the energy sectors. Hydro s experience as a major producer and consumer of energy products has enabled it to provide services to major electricity customers in the Nordic region. Its experience in the Nordic region enables Hydro to pursue opportunities in other markets.

Industry Overview

Liberalization of European Energy Markets

In Europe, both the gas and electricity markets are undergoing liberalization as a result of EU policy. For more information on the European Union s regulatory initiatives to further liberalize EU energy markets, see Oil and Energy Government Regulation Liberalization of European Electricity Markets below.

Growth in European Natural Gas Demand; Market for Norwegian Gas in the United Kingdom

The demand for natural gas in Europe is, by some estimates, expected to grow significantly from the 2001 level of approximately 480 bcm, fueled in large part by demand from the electric power industry. The timing of the electricity sector s increase in gas consumption is uncertain. Norway s share of European gas markets is approximately 12%. This percentage is expected to rise in future years based on existing contract commitments and remaining reserves. The United Kingdom, in

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particular, is an attractive market for Norwegian gas due to the maturing U.K. North Sea fields, expected to demonstrate a decline in production by 2005. Given its close proximity to the United Kingdom, the NCS is considered a competitive source for new deliveries. Norwegian fields are presently linked to the United Kingdom through the Vesterled pipeline to St. Fergus, which can handle 11-12 bcm of natural gas per year. The Norwegian and U.K. authorities have recently agreed on the main principles for a treaty relating to new pipelines between the two countries, making possible the shipment of gas from new gas fields, such as the Ormen Lange field, to the United Kingdom.

Development of Gas for Power

Growth in power consumption in Northwest Europe is expected to be approximately 1% per year for the next several years. However, demand for gas for power production in Northwest Europe is expected to grow substantially during the next 20 years. Several factors influence this trend, including the ongoing liberalization of electricity markets (see Oil and Energy Government Regulation Liberalization of European Electricity Markets below), implementation of environmental restrictions relating to carbon dioxide emissions, and developments in oil and coal prices. Current market conditions in continental Europe appear not to justify current investment in new gas for power facilities. However, the Nordic region is experiencing a trend of much tighter electricity supply, as experienced during the winter of 2002/03, and gas for power production may become economic sooner in this area than in continental Europe.

Integration of Energy Markets

Along with the liberalization of the energy markets in Europe there is a trend towards integration of the electricity and gas markets because the business models are, to a large degree, based on similar competence, types of customers, and similar risk management systems.

Gas and Electricity Trading

After the withdrawal of certain primarily trading-based companies from the European energy markets following the collapse of Enron, trading volumes of both gas and electricity have declined. However, the current size of financial trading activity appears more in line with the general development of liquidity in the physical spot market. In Scandinavia, unusually low precipitation during the autumn of 2002 and high demand due to cold weather resulted in record high power prices on the Nord Pool power exchange and a temporary decrease in trading liquidity. These weather-related conditions are not expected to have a long-term negative effect on the future liquidity of the Nordic power market or the power exchange.

Strategy

One of the key strategic directions for the Energy and Oil Marketing sub-segment is to further enhance Hydro s position in the Northern European energy market, based on increasing gas production and commercial competence gained from the European gas market and the liberalized Nordic power market. Focus areas comprise:

- enhancing the value of Hydro s Norwegian and international crude oil portfolio;

enhancing the value of Hydro s natural gas portfolio;

optimizing Hydro s power activities; and

pursuing hydrogen and renewable energy opportunities.

Enhancing the Value of Hydro s Norwegian and International Crude Oil Portfolio

The focus of Energy s marketing efforts with respect to Hydro s North Sea and international crude oil production is to achieve optimal prices by marketing fewer grades of crude, in larger volumes, while minimizing logistical costs. Swap arrangements result in savings in logistical costs, particularly with respect to production from Hydro s international crude oil portfolio.

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Trading activities include the sale of Hydro s crude oil, refined oil products and NGL production, as well as the supply of NGL feedstock to Hydro s fertilizer and petrochemical plants. The volumes of these activities have increased partly due to Exploration and Production s increased oil and gas production over the past several years. The tables below reflect the volumes of Hydro s sales and refining activities, respectively, in the last three years.

Sales ***(thousands of tonnes)***	**2002**	**2001**	**2000**
Crude oil/NGL	19,068	17,507	16,307
Oil products	2,326	2,912	2,795

Refining ***(thousands of tonnes)***	**2002**	**2001**	**2000**
Gasoline	660	841	956
Diesel fuels, gasoils, etc.	796	897	915
Heavy fuel oil	550	440	516
Other	36	66	59
Total refining	2,042	2,244	2,446

Enhancing the Value of Hydro s Natural Gas Portfolio

Because of location, transportation infrastructure and substantial reserves, both discovered and undiscovered, Norwegian natural gas is competitive in the European region. Hydro is the second-largest seller and the third-largest producer on the NCS. Hydro has an interest in all the major natural gas fields and, through Gassled, the pipelines on the NCS. The table below reflects Hydro s equity gas production and non-equity gas sales and sourcing in the last three years.

(in bcm)	**2002**	**2001**	**2000**
Equity natural gas production	6.4	5.4	5.1
Sales of non-equity gas	4.2	2.7	2.4

Natural gas produced from fields in which Hydro has an interest is mainly sold under long-term contracts. Pricing under long-term contracts is generally based on a price formula whereby the natural gas price is indexed to oil product prices in the end-user market, mainly gas oil and low sulphur fuel oil. These contracts typically have provisions for price reviews based on changes in certain market conditions.

In the future, Hydro expects an increasing volume of its natural gas will be sold under short-term contracts. The European natural gas market is not yet as liberalized as the power market. Physical positions are still necessary in order to gain increased margins by optimizing logistics and trading. However, more natural gas is available on the European continental short-term market and liquidity is increasing at new hubs, complementing the existing long-term, bilateral agreements between producers and large end-users and distributors. Hydro intends to evolve its trading activities as liquidity increases. Such market developments have been evident in the United Kingdom for some time and similar developments are underway on the European continent, most notably around the market hub in Zeebrugge in Belgium. Because of Hydro s broad

production and customer portfolio, Hydro no longer views having new long-term gas sales contracts in place as a prerequisite for making investment decisions for new gas fields, such as the Ormen Lange field.

In 2002, Hydro s equity natural gas production from the NCS amounted to 6.4 bcm. Based on producing fields and fields under development, this is expected to increase to more than 10 bcm in 2006. In addition to its equity gas, Hydro in 2002 supplied 4.2 bcm based on non-equity natural gas, of which 2.1 bcm was supplied to Hydro s industrial factories (mainly Hydro Agri) on the European continent.

Following the Demerger, Hydro expects that natural gas deliveries by Hydro Companies to Agri Companies will be governed by arm s-length agreements. For more information, see Part II of this Information Memorandum, The Demerger-Related Business Agreements between Hydro Companies and Agri Companies.

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Hydro has made substantial investments in natural gas export capacity from the Oseberg and Troll fields, together comprising a major portion of its proved natural gas reserves. This capacity will enable Hydro to increase exports of gas significantly in the coming years as reservoir conditions allow more off-take of natural gas without the need for further investment.

Gassled, the new natural gas transportation infrastructure joint venture on the NCS, has been in operation since January 1, 2003. The NCS natural gas pipelines and associated terminals previously had been organized as several different joint ventures owned by oil companies and the Norwegian government. Hydro holds an initial direct ownership interest of 11.134% in Gassled. The ownership interest will increase to 11.185% in 2005 and then decline to 9.565% in 2011 under the terms of the amended Gassled participant agreement, which is currently awaiting approval by the Norwegian governmental authorities. Hydro s future ownership interest may be revised as the result of the inclusion of new pipelines (e.g., that to be constructed from Ormen Lange) in Gassled.

Through the NCS natural gas transportation system, Hydro has access to four landing points for natural gas in Europe. This offers a flexible and favorable position with respect to capturing value in the market. In the European continental market, Hydro has achieved an attractive position through a combination of long-term sales contracts, long-term supply contracts and access to transportation, and by having been the largest industrial consumer of natural gas in Europe, principally by virtue of Hydro Agri s operations.

Hydro s strategy is to combine its role as a natural gas producer with that of a wholesaler and trader to increase its market share in the developing liberalized European natural gas market. Its main geographic focus is Northwest Europe. The wholesale market includes larger industrial customers, power companies and local distribution companies, as well as the traditional transmission companies. A major focus for Hydro in 2003 has been increasing the value of Hydro s natural gas portfolio through, among other things, more optimal utilization of Hydro s production and transportation capacity. Growth will be based both on increased access to natural gas from fields in which Hydro has an equity interest and by sourcing natural gas in the market.

Optimizing Hydro s Power Activities

Since the liberalization of the Norwegian electricity market in 1991, Hydro has developed trading and marketing activities, along with analysis, portfolio and risk management systems. Hydro s Nordic electricity portfolio includes owned generation facilities, long-term supply contracts, internal and external sales contracts and short-term optimization contracts. The table below reflects Hydro s power production and purchase contracts for the last three years.

(in terawatt hours (TWh))	**2002**	**2001**	**2000**
Power production	10	10	12
Acquired under long-term contracts for Hydro industrial use	7	7	7

All of Hydro Energy s power plants are hydroelectric. Annual production varies depending on annual precipitation and inflow to reservoirs. Production in 2003 has been lower than normal due to less precipitation in Norway during the autumn and winter of 2002/03.

Hydro has title concessions that do not revert to the Norwegian government for power plants with a generating capacity of 2.7 TWh per year. This represents approximately 31% of Hydro s normal production capacity. The remaining production capacity will revert to the Norwegian government without compensation at the expiration date of the concessions. The year of expiration of the concessions ranges from 2022 to 2052.

Energy supplies electric power to Hydro s industrial plants in Norway. To meet those needs, Hydro has entered into long-term purchase contracts, the majority of which are with the Norwegian State-owned power company, Statkraft. These long-term contracts provide assurance of the availability of, and predictable prices for, a certain quantity of power to Hydro s power-intensive industries. In

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1997, Hydro entered into an agreement with Statkraft to purchase electricity from 2000 to 2020. The agreement replaces supplies under existing contracts, which terminate during the 2006-2010 period.

Hydro has more recently begun to build a European continental electricity portfolio based upon optimization of supply to Hydro s larger consuming plants. Hydro is providing Nordic and European continental customers with structured energy products and energy services ranging from physical power supply to advanced hydro-power optimization, pricing services and portfolio management, including market analysis, price forecasting and risk management/trading.

Hydro intends to continue to expand into new markets and grow its Nordic and European continental power portfolios based on demonstrated profitability while controlling risk.

Pursuit of Hydrogen and Renewable Energy Opportunities

There is an increasing interest in renewable energy and the utilization of hydrogen in the energy market in developed economies throughout the world. The major political drive and basis for a number of public support schemes has its roots in the concerns about the security of energy supply and environmental considerations. The European Union has adopted a directive (Directive 2001/77/EC) that seeks to promote the production of electricity from renewable energy sources, including wind and hydropower. EU Member States are encouraged by the directive to set targets in line with global expectations of 12% of gross domestic energy consumption by 2010.

Hydro has extensive experience within the traditional industrial hydrogen markets as well as with renewable hydroelectric energy production. Hydro is seeking to leverage its experience to position itself in renewable energy and new energy markets for hydrogen. Hydro is involved in several demonstration projects, such as providing a filling station for hydrogen-fueled vehicles in Iceland and combining hydrogen and wind power to form a sustainable energy society on the Norwegian island of Utsira.

Hydro considers wind generation an important part of the renewable energy market and is making selective investments in this market. In 2002, Hydro completed the Havøygavlen wind park, located in northern Norway, in which Hydro holds a 41.5% interest. Havøygavlen is one of the largest wind power projects in Norway with an expected annual output of 118 gigawatt-hours (GWh).

OIL MARKETING

Oil Marketing markets and sells refined petroleum products (gasoline, diesel and heating oil) and electricity to retail customers in Scandinavia and the Baltic countries. Hydro owns 100% of its oil marketing unit in Sweden and 50% of Hydro Texaco, an oil marketing company with retail outlets in Norway, Denmark and the Baltic countries. In addition to refined petroleum products, Hydro markets a range of complementary energy products such as electricity, natural gas, biogas for cars, bioenergy for heating purposes, as well as convenience store goods.

At the end of 2002, Hydro s retail network in Sweden comprised 574 gasoline stations and 117 Hydro Diesel service stations. Hydro operates both Hydro and the Uno-X branded stations in the Swedish gasoline market. Approximately 50% of the station network is Hydro-branded.

Hydro Texaco operates 398 gasoline outlets and 46 diesel sites in Norway, 444 gasoline outlets and 106 diesel sites in Denmark, and 39 gasoline outlets and 10 diesel sites in the Baltic countries with Hydro Texaco or Uno-X brands. Hydro s strategy is to maximize its return on investments already made in its gasoline station chains by focusing on the most profitable stations and closing smaller and unprofitable outlets, building strong brand recognition and expanding on profitable segments of the market.

Hydro has a strong brand and market position in the most profitable segments of the industrial and residential heating oil markets. Its large customer base offers a platform for the sale of electricity to residential and industrial customers. Also, Hydro s and Hydro Texaco s large customer bases provide a potential for cross-sales. Sales of electricity have, to date, been relatively modest compared to Hydro s sale of gasoline and gasoil, but are growing.

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Gasoline is sold through service stations and unmanned, automated stations in all markets. Gasoils are sold through automated diesel stations and through direct deliveries from depots to end consumers.

The table below reflects Oil Marketing s sales volumes for each of the last three years.

Volumes (thousands of m^3) [1]	2002	2001	2000
Gasoline	1,476	1,500	1,534
Gasoil	2,074	2,084	2,042

[1] Includes 100% of Hydro Texaco

Oil and Energy Competition

The integrated oil and gas industry is characterized by intense competition for customers, production licenses, operatorships, capital and experienced human resources. Many of Hydro Oil and Energy s competitors are much larger companies. These larger companies, including those created by mergers in the past few years, have a number of competitive advantages, including:

a greater ability to diversify their exploration and production activity geographically to reduce their risks associated with such activities;

greater financial resources, providing additional flexibility with respect to the number and range of properties and prospects that can be considered for exploration and development; and

cost efficiencies made possible by a greater scale of operations and infrastructure.

Research and Development

Hydro Oil and Energy incurred R&D costs in 2002 totaling approximately NOK 143 million. 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 a future energy source, renewable energy and the reduction of emissions of carbon dioxide were also part of Hydro Oil and Energy s R&D programs in 2002.

Oil and Energy Government Regulation

The principal Norwegian legislation applicable to petroleum activities in Norway and on the NCS is currently the Norwegian Petroleum Act of 1996, a number of regulations issued under that Act, and the Petroleum Taxation Act of June 13, 1975.

The general principles underlying the Petroleum Act are:

- the Norwegian State is the owner of all petroleum resources in the ground;
- the exclusive right to resource management is vested in the Norwegian State; and
- the Norwegian State alone is authorized to award licenses with respect to petroleum activities.

Under the Petroleum Act, the Norwegian Ministry of Petroleum and Energy (the Ministry) has been delegated responsibility for managing resources and administering petroleum activities on the NCS. The Ministry primarily implements petroleum policy through its power to award licenses, approve operators field and pipeline development plans, and approve gas sales contracts.

Norwegian Licensing System

Hydro normally participates in exploration and production activities with other parties, including private and state-owned oil and gas companies and other government entities. Contractual arrangements among partners are generally governed by an operating agreement, which provides that

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costs, production entitlements and liabilities are allocated according to each partner s respective percentage interest in a particular field or license area. Normally, one party is appointed as operator. Field activities are conducted under the overall supervision and control of an operating committee consisting of representatives from each participant in the field. This enables each of the non-operator partners to be involved in field development and operations.

The Petroleum Act and related regulations contain the main legal basis for the license system which regulates Norwegian petroleum activity. The most important type of license award under the Petroleum Act is the production license. A production license grants the holder an exclusive right to explore for and produce petroleum within a specified geographical area. The licensee becomes the owner of the petroleum produced from the field covered by the license, and, together with any partners, is jointly and severally liable to the Norwegian State for obligations arising from petroleum operations carried out under the license. Notwithstanding the exclusive rights granted under the production license, the Ministry has the power, in exceptional cases, to permit third parties to carry out exploration in the area covered by a production license.

Production licenses are normally awarded through licensing rounds. The first licensing round for NCS production licenses was announced in 1965. Licenses under the 17th (and most recent) licensing round were awarded in May 2002. In recent years, the principal licensing rounds have mainly included licenses in the Norwegian Sea. Licenses in the North Sea area have been awarded in separate, yearly rounds. In a recent report to the Storting (the Norwegian Parliament), the Ministry announced that this policy will continue.

Licensees are required to submit a plan for development and operation (PDO) to the Ministry for approval. In respect of fields of a certain size, the Storting must accept the PDO before it is formally approved by the Ministry. Until the Ministry approves the PDO, the licensees cannot, without the prior consent of the Ministry, undertake material contractual obligations or commence construction work.

Production licenses are normally awarded for an initial exploration period that is typically six years, but can be for a shorter period or for a period of a maximum of ten years. During this exploration period, the licensees must meet a specified work obligation set out in the license. The work obligation will typically include seismic surveying and/or exploration drilling. If the licensees fulfill the obligations under the production license, they are entitled to extend the license for a period specified at the time when the license is awarded, typically 30 years.

The Norwegian State may, if important public interests are at stake, direct licensees on the NCS to reduce their production of petroleum. From July 15, 1987 until the end of 1989, licensees were directed to curtail oil production by 7.5%. Between January 1, 1990 and June 30, 1990, licensees were directed to curtail oil production by 5%. In 1998, the Norwegian State resolved to reduce Norwegian oil production by about 3%, or 100,000 bpd. In March 1999, the Norwegian State decided to further decrease production by 200,000 bpd. In the second quarter of 2000, the reduction was brought back to 100,000 bpd. On July 1, 2000, this restriction was removed. By a royal decree of December 19, 2001, the Norwegian government decided that Norwegian oil production should be reduced by 150,000 bpd from January 1, 2002 until June 30, 2002. This amounted to roughly a 5% reduction in output.

Licensees may buy or sell interests in production licenses subject to the consent of the Ministry and the approval of the Ministry of Finance of the tax treatment. The Ministries must also approve direct or indirect transfers of interests in a license, including change of control of a licensee, if it would result in a new licensee s obtaining a decisive influence over the license. In most licenses there are no pre-emption rights in favor of the other licensees. The SDFI, or the Norwegian State, as appropriate, however, still holds pre-emption rights in most licenses.

A license from the Ministry is also required in order to establish facilities for transport and utilization of petroleum. When applying for such licenses, the owners, which are in practice licensees under a production license, must prepare a plan for installation and operation. Licenses to establish

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facilities for transport and utilization of petroleum will normally be awarded subject to certain conditions. Typically, these conditions require the facility owners to enter into a participants agreement. The ownership of most facilities for transport and utilization of petroleum in Norway and on the NCS is organized as a partnership or joint venture of a group of license holders, and the participants agreements are similar to the joint operating agreements entered into among the members of the partnership holding production licenses.

Licensees are required to prepare a decommissioning plan before a production license or a license to establish and use facilities for transportation and utilization of petroleum expires or is relinquished, or the use of a facility ceases. The decommissioning plan must be submitted to the Ministry no sooner than five and no later than two years prior to the expiry of the license or the cessation of the use of the facility, and must include a proposal for the disposal of facilities on the field. On the basis of the decommissioning plan, the Ministry makes a decision as to the disposal of the facilities.

The Norwegian government can require that licensees participate in the removal of offshore oil and gas installations (platforms, pipelines, etc.) on the NCS when production ceases or at the expiration of the concessions, whichever occurs first. The Norwegian government has the option to take ownership of an installation at no cost to it at the end of the applicable concession period. In such case, the Norwegian government would assume total responsibility for any well closure and decommissioning costs after this time, as well as removal costs of the installation. As a basis for estimating Hydro s future liabilities related to well closures, decommissioning and removal costs of the installation, Hydro s management evaluates Norwegian and international laws, treaties and practices, and the estimated value of recoverable oil and gas reserves that are expected to exist at the end of the various concession periods. The regulations allow for full deductibility from taxable income of dismantlement and removal costs.

Organization of Norwegian Gas Sales and Transportation

Until June 2001, gas sales contracts with buyers for the supply of Norwegian gas were required by Norwegian authorities to be concluded with the Gas Negotiation Committee, known as the *Gassforhandlingsutvalget* (GFU).

The structural changes taking place in the European gas market prompted the Norwegian State to consider whether changes to the gas resource management system on the NCS could contribute to further enhancing the efficiency of Norwegian gas producers. Accordingly, the Norwegian State has, by a royal decree dated June 1, 2001, decided to abandon the GFU system and put in place a system whereby the individual licensees manage the disposal of their own gas. Adjustments in legislation, license agreements and other existing contracts necessary to implement the new system were finalized during 2002.

From January 1, 2003, the ownership of each of the Zeepipe, Franpipe, Europipe II, Åsgard Transport, Statpipe, Oseberg Gas Transport and Vesterled joint ventures and Norpipe AS was transferred to Gassled. Together with the approval of Gassled, Norwegian authorities have, by a royal decree of December 20, 2002, issued regulations for access to and tariffs for capacity in the upstream gas transportation system.

Health, Safety and Environment Regulations

Petroleum operations in Norway are subject to extensive regulation with regard to health, safety and the environment (HSE). Under the Petroleum Act, which is in this respect administered by the Ministry of Labor and Government Administration, all petroleum operations must be conducted in compliance with a reasonable standard of care, taking into consideration the safety of employees, the environment and the

economic values represented by installations and vessels. The Petroleum Act specifically requires that petroleum operations be carried out in such a manner that a high level of safety is maintained in accordance with technological developments.

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Licensees and other persons engaged in petroleum operations are required to maintain at all times a plan to deal with emergency situations. During an emergency, the Ministry of Labor and Government Administration may decide that other parties should provide the necessary resources, or otherwise adopt measures to obtain the necessary resources, to deal with the emergency for the account of the licensees.

The Norwegian Petroleum Directorate has adopted a wide range of regulations that set forth detailed requirements as to the HSE aspects of petroleum operations. In addition, a number of regulations adopted under other acts, such as the Working Environment Act of 1977 and the Pollution Act of 1981, apply to Hydro s operations. Violations of such regulations can lead to fines.

In Hydro s capacity as a holder of licenses under the Petroleum Act, it is subject to statutory strict liability in respect of losses or damages suffered as a result of pollution caused by spills or discharges of petroleum from petroleum facilities covered by any of its licenses. This means that anyone who suffers losses or damages as a result of pollution caused by any of Hydro s NCS license areas can claim compensation from Hydro without needing to demonstrate that the damage is due to any fault on Hydro s part. If the pollution is caused by a force majeure event, a Norwegian court may reduce the level of damages to the extent it considers reasonable.

EU Regulation

Although Norway is not a member of the EU, it is a member of the European Free Trade Association (EFTA). The European Union and its Member States have entered into the Agreement on the European Economic Area (the EEA Agreement), with the members of the EFTA other than Switzerland. The main purpose of the EEA Agreement is to include the EFTA Countries in the European Common Market. The EEA Agreement makes relevant provisions of EU legislation binding for the EFTA states other than Switzerland. Regulations and directives affecting Hydro are being adopted, in an increasing number, within the EU and then implemented in Norway under the EEA Agreement.

EU Emission Trading Directive

The European Commission has adopted a directive (Directive 2003/87/EC), that seeks to establish an internal emissions trading system by January 1, 2005. The system would limit carbon dioxide emissions from a broad range of industries, including power generation, and place them within a regulatory framework. Under the directive, all producers with significant emissions of climate gases will be given an emissions permit for each year of production. Each member state will develop a national allocation plan for such permits. The emissions trading system will increase a producer s costs if that producer does not achieve its targets. Additional costs would also be associated with the development of emissions reduction technology and trading tools. It is not clear how the directive will be implemented with the EEA.

EU Gas Directive

Fundamental changes are now taking place in the organization and operation of the European gas market, with the objective of opening up national markets to competition and integrating them into a single internal market for natural gas. It is difficult to predict the effect of liberalization measures on the evolution of gas prices, but the main objective of the single gas market is to bring greater choice and reduced prices for customers through increased competition.

The EU Gas Directive of 1998 (Directive 98/30/EC) establishes common rules for the transmission, distribution, supply and storage of natural gas. The main purpose of the directive is to require owners of natural gas pipelines to open up their transport systems, including systems within domestic markets, to customers, such as distribution companies and large industrial customers, in order to bring greater competition into the European gas market. The directive establishes rules relating to the organization and functioning of the natural gas sector, access to the market, the operation of systems, and the criteria and procedures applicable to the granting of authorizations for transmission,

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distribution, supply and storage of natural gas. The directive imposes a series of obligations on EU Member States and other states implementing the directive. In June 2002, the Storting agreed to incorporate the directive into its legislation as part of the EEA Agreement.

On June 26, 2003, the European Union revised the directive, through Directive 2003/55/EC, to establish accelerated deadlines for opening up the natural gas markets. The new deadlines are July 1, 2004, for all non-residential customers and July 1, 2007, for all customers.

In addition, the directive contains provisions relating to upstream pipeline networks. EU Member States are required to take the necessary measures to ensure that natural gas undertakings and eligible customers, wherever they are located, are able to obtain access to upstream pipeline networks, including facilities supplying technical services incidental to such access in accordance with the directive, except for the parts of such networks and facilities which are used for local production operations at the site of a field where the natural gas is produced. Access is to be provided in a manner determined by the EU Member State in accordance with the relevant legal instruments. EU Member States are to apply the objectives of fair and open access, to achieve a competitive market in natural gas and avoid any abuse of a dominant position, taking into account security and regularity of supplies, capacity that is or can reasonably be made available and environmental protection.

Liberalization of European Electricity Markets

The EU electricity liberalization directive of 1996, to a large extent, left implementation of the deregulation process to the EU Member States. As a result, each country designed its own national market structure. These structures are not entirely compatible. The European Commission has acknowledged this problem on a number of occasions, indicating that action will be taken to remedy the situation. In 2003, the European Union enacted a number of provisions bearing on the European electricity market:

Directive 2003/54/EC sets forth common rules for the internal market in electricity. The directive establishes common rules for the generation, transmission, distribution and supply of electricity.

Regulation (EC) No. 1228/2003 addresses conditions for access to the network for cross-border exchanges of electricity. It attempts to establish fair rules for cross-border exchanges of electricity, thus enhancing competition within the internal electricity market, taking into account the specificities of national and regional markets. Realizing this objective will involve the establishment of a compensation mechanism for cross-border flows of electricity, the setting of harmonized principles on cross-border transmission charges, and the allocation of available capacities of interconnections between national transmission systems.

Taxation of Oil and Gas Production

Norway

Ordinary Taxes. Profits from Norwegian oil production are subject to Norwegian income tax at the rate of 28%. Revenue for tax purposes is based on market norm prices (as determined by a government-appointed board, normally on a quarterly basis but in recent years with large price fluctuations, on a monthly basis) for crude oil and on realized prices for gas and other primary products. The taxation of a company s income associated with its exploration and production activities on the NCS is assessed on a consolidated basis.

Investments in oil and gas production facilities are, in general, depreciated for tax purposes over six years using a straight-line method of depreciation (i.e., 16.66% per year). However, there is an exception for certain large-scale gas liquefaction facilities; such investments are depreciated over three years (i.e., 33.33% per year). Depreciation commences when expenditures are incurred. Deductions for exploration and other costs can be taken in the year such costs are incurred.

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Any NCS losses may be carried forward indefinitely against subsequent income earned. Any onshore losses may be carried forward for ten years. Half of the losses relating to activity conducted onshore in Norway may be deducted from NCS income subject to the 28% tax rate. Losses from foreign activities may not be deducted against NCS income. Losses from offshore activities are fully deductible against onshore income.

Special Petroleum Tax. A special petroleum tax is levied on profits derived from petroleum production and pipeline transportation on the NCS. The special petroleum tax is currently levied at a rate of 50%. The special tax is applied to relevant income in addition to the standard 28% income tax, resulting in a 78% marginal tax rate on income subject to petroleum tax. The basis for computing the special petroleum tax is the same as for income subject to ordinary corporate income tax, except that onshore losses are not deductible against the special petroleum tax, and a tax-free allowance, or uplift, is granted at a rate of 5% of capital expenditures per year over a period of a minimum of six years (equal to a maximum total of 30% of the capital expenditure). The uplift is computed on the basis of the original capitalized cost, including capitalized interest, of offshore production installations. The uplift may be deducted from taxable income for a period of six years beginning in the year in which the capital expenditures are incurred. Unused uplift may be carried forward indefinitely. Special provisions apply to investments made prior to 1992. Deficits relating to NCS exploration and production activities can be carried forward indefinitely, both for ordinary and special petroleum tax purposes. Deficits incurred in 2002 and later can be carried forward with interest. The Ministry of Finance is authorized to issue guidelines on the interest rate.

Taxation Outside Norway

Hydro s international oil and gas exploration activities are covered by the tax legislation of the respective countries where it is involved, and are also to a large extent regulated by PSAs. The PSAs are normally negotiable, and the terms are unique for each project. Under a PSA, a host government typically retains the title to the hydrocarbons in place. When a discovery is made, the PSA typically allows the contracting company to recover all its exploration, development and operating costs and receive a share of the profit, subject to certain limits. Normally, contractors carry exploration costs and risk prior to a commercial discovery. The fiscal and contractual conditions vary.

Taxation of Electricity

Ordinary Taxes (Norway)

Profits from hydroelectric power production are subject to ordinary Norwegian income taxation at a rate of 28%. Fixed assets are depreciated for tax purposes over 67 years or the concession period, if shorter (dams and tunnels); 40 years (machinery); and at a 5% declining balance (transmission and other electrical equipment). The depreciation base of fixed assets was valued as of January 1, 1997. The higher basis will be deductible in future years in the form of increased tax depreciation.

A company s ordinary income tax for hydroelectric power plants is assessed on an aggregate basis and may be tax consolidated with other activities in Norway.

Surtax on hydroelectric power plants (Norway)

In 1996, a tax law was enacted in Norway for hydroelectric power plants effective from January 1, 1997. In addition to ordinary income tax, the major provision of the law called for the introduction of a surtax. The surtax rate is 27%. The surtax is assessed individually for each hydroelectric power plant (ring-fenced taxation). Unlike the ordinary income tax, finance costs are not deductible. Uplift is a special deduction in the net income computed as a percentage of the average tax basis of fixed assets (including intangible assets and goodwill) for a given year. The percentage, which is determined annually by the authorities, essentially provides for a certain return on capital that is not subject to surtax. The percentage used to calculate the uplift for 2002 was 10.5%.

Revenue for surtax purposes is based on market spot prices with certain exceptions. Revenues from power supplies used for a company s own industrial production facilities and from sales under

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certain long-term contracts are not subject to market spot price adjustments. As most of Hydro s hydroelectric production is used for its own production or sold under qualifying contracts, only a minor portion of the production is subject to taxation based on spot prices at the time of production.

Losses can be carried forward indefinitely or until the plant reverts to the Norwegian government. Losses carried forward are increased with interest.

A natural resource tax related to hydro-generated electricity became effective as of January 1, 1997. The rate for 2003 is NOK 0.013 per KWh. The tax is fully deductible from the ordinary income tax of the company.

Employees

At December 31, 2002, Hydro Oil and Energy s employees numbered 4,039. Of these employees, 3,372 were in the Exploration and Production segment in Norway and internationally and 667 were in the Energy and Oil Marketing segment. In addition, 796 consultants were working for Hydro Oil and Energy at December 31, 2002.

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HYDRO ALUMINIUM

OVERVIEW OF THE ALUMINIUM INDUSTRY

Aluminium is the third-most abundant element in the Earth s crust and the second-most used metal. The main properties that make aluminium such a valuable material include its light weight, strength, recyclability, corrosion resistance, durability, ductility and conductivity. Because of aluminium s unique combination of properties, the variety of aluminium products continues to grow.

Aluminium Production Process

The aluminium industry produces alumina from bauxite. Bauxite deposits are most commonly found in tropical and subtropical regions of the world, such as Africa (Guinea), India, Jamaica, South America (Brazil, Surinam, Venezuela, and Guyana) and Australia. Bauxite is generally extracted by open cast mining. More than 100 million tonnes of bauxite are mined each year. The bauxite is washed, ground and dissolved in caustic soda (sodium hydroxide) at high pressure and temperature. The resulting liquor contains a solution of sodium aluminate and undissolved bauxite residues containing iron, silicon and titanium. These residues, known in the industry as red mud, gradually sink to the bottom of the tank and are removed. The refining of the bauxite produces aluminium oxide trihydrate or alumina. Two to three tonnes of bauxite are required to produce one tonne of alumina; two tonnes of alumina are required to produce one tonne of aluminium.

The basis for all modern primary aluminium smelting plants is the Hall-Heroult Process, invented in 1886. Alumina is dissolved in an electrolytic bath of molten cryolite (sodium aluminium fluoride) within a carbon- or graphite-lined steel container known as a pot. An electric current is passed through the electrolyte at low voltage, but very high current, typically 150,000 amperes, or as high as approximately 300,000 amperes with modern technology. The electric current flows between a consumable carbon anode (positive), made of petroleum coke and pitch, and a cathode (negative), formed by the thick carbon or graphite lining of the pot. This splits the alumina into molten aluminium and carbon dioxide. The molten aluminium is deposited at the bottom of the pot and is periodically tapped or siphoned off, taken to a holding furnace, often, but not always, blended to an alloy specification, cleaned and then generally cast.

On average around the world, it takes roughly 15.7 kWh of electricity to produce one kilogram of aluminium from alumina. Design and process improvements have progressively reduced this figure from about 21 kWh in the 1950s. In a modern smelter the electricity consumption could be approximately 13 kWh per kilogram. Nonetheless, aluminium smelting remains an energy-intensive process, which is why the world s smelters are located in areas that have access to abundant power resources. Many smelters are located in remote areas, where electricity is generated specifically for the aluminium plant. More than 50% of the energy used to produce aluminium supplied to the European market comes from hydro-electricity.

The smelting process is continuous. A smelter cannot easily be stopped or started. If production is interrupted by a power line failure of more than six to eight hours, the metal in the pots will solidify, often requiring an expensive rebuilding process.

Aluminium Processing

As noted above, aluminium can be alloyed with other metals to make an array of alloys with different properties. The main alloying ingredients are iron, silicon, zinc, copper and magnesium.

Rolling

The aluminium rolling process changes the characteristics of the metal, making it less brittle and more ductile. Prior to rolling, the aluminium is in the form of a rolling ingot that typically is up to 600 millimeters (mm) thick. The rolling ingot is then heated to around 500 degrees Celsius and passed

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several times through a hot rolling mill. This gradually reduces the thickness of the metal to around 3-6 mm. The thinner aluminium is then cooled and transported to a cold rolling mill for further processing. There are various types of cold rolling mills, producing various types of rolled products with thicknesses as low as 0.006 mm in the case of foil. In general, the type of product depends on the alloy used, the rolling deformation and the thermal treatment used in the process. Rolling mills are controlled by very precise mechanisms and measuring systems. Rolled products include:

Foil typically less than 0.06 mm thick, foil is used mainly in the packaging industry (e.g., for foil containers and wrapping), for electrical applications and for building insulation.

Lithographic sheet typically with a high surface quality, lithographic sheet is used in the printing industry.

Sheet and strip typically between 0.06 and 3-4 mm in thickness, sheet and strip are widely used in the construction industry, in transport applications and in packaging.

Plate and shate over 3-4 mm in thickness, plate and shate are used in a number of applications, including airframes, military vehicles and structural components in bridges and buildings.

Extrusion

Aluminium cylinders, referred to as extrusion ingots, which are continuously cast from molten aluminium, can be extruded by heating the aluminium to around 450-500 degrees Celsius and pushing it through a die at great pressure to form intricate shapes and sections. The primary applications for extrusions include:

window frames, door frames and facades;

automotive applications like bumper beams, window and door frames and subframes;

transport segments such as trucks, trains and airplanes;

machines, furniture and consumer durables.

Extruded products are sold in various forms, such as long lengths (e.g., six meters), cut to length, machined, formed, assembled in a component or module or as systems.

Casting

Aluminium can be cast into an infinite variety of shapes. Cast parts are used in a variety of applications including: light weight components for vehicles, aircraft, ships and spacecraft; general engineering components; architectural fittings; and high-tech products for office and home. Cast products can be produced using either sand casting (used for high production volume processing) or die casting.

Recycling

Anything made of aluminium can be recycled repeatedly. The recycling of aluminium requires only about 5% of the energy to produce primary metal. Scrap aluminium has significant value and commands good market prices. Many aluminium companies have invested in dedicated state-of-the-art secondary metal processing or remelt plants to recycle aluminium.

Market Conditions

Aluminium consumption in the Western World (i.e., the world, excluding China, CIS and Eastern Europe) has realized an average annual growth rate of approximately 3% over the last two decades. Industry analysts, such as Brook Hunt and CRU, predict future growth in the Western World s consumption of aluminium in the next decade to be approximately 3% per year and 4-5% on a global basis.

In 2002, growth in demand in Europe and in the United States, currently the world s largest aluminium consumer, was low to moderate. Weak global economic conditions over the past few years

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have contributed to an oversupply situation. China s rapid increase in aluminium production has created increased uncertainty around the potential oversupply situation that could negatively affect international prices. China has traditionally been a net importer of aluminium. However, during 2002, China s capacity and production increased by about 30% while consumption grew by roughly 20%, and the country became a net exporter. Over the longer term, China is expected to devote more or all of its aluminium production to internal consumption. However, if consumption and production in China fail to develop in parallel, it will certainly influence the metal pricing and the need for new capacity in the rest of the world. However, China has few natural advantages for primary production. China must import alumina, power sources are located far into the country and much of its power is coal-based.

Aluminium is used in a variety of applications in several industries. The table below reflects a percentage breakdown, according to Brook Hunt and CRU, of the estimated levels of Western World consumption by the principal consuming industries in 2002, and the historic annual growth rates for these industries over the period of 1997 through 2003 (2003 reflecting forecasted figures).

Industry	% of Western World Consumption in 2002	Annual Growth Rates (1997-2003)
Transport	29.4%	3.0%
Building & Construction	19.3%	0.5%
Packaging	17.4%	0.8%
Electrical	9.2%	(1.0)%
Consumer Durables	8.3%	0.8%
Engineering	7.9%	0.8%
Other	8.5%	0.0%

Based on the historical data, the transport segment is expected to experience the most significant growth rates in the foreseeable future. The packaging and building and construction industries appear to be more mature industries in terms of aluminium consumption, particularly in the United States and Western Europe.

Industry sources (Brook Hunt and CRU) have estimated that total global production of primary aluminium was approximately 26.1 million tonnes in 2002, an increase of 4.2% over the production level in 2001. The table below provides a breakdown of the 2002 production volumes in the principal aluminium producing regions and the percentage of the estimated total global production.

Region	Volume (in millions of tonnes)	% of Global Total
North America	5.4	20.7%
South America	2.2	8.4%
Western Europe	3.9	14.9%
Eastern Europe (including Russia)	4.2	16.1%
Asia	6.8	26.1%
Oceania	2.2	8.4%
Africa	1.4	5.4%
Total	26.1	100.0%

Reported stocks of primary aluminium (defined to include International Aluminium Institute, LME, Japanese merchant/consumer and other reported stocks) in the Western World increased by approximately 300,000 tonnes in 2002 to a level of approximately 3.4 million tonnes. For the first nine months of 2003, aluminium shipments in the Western World are estimated to have been 3.2% higher than those in the same period

of 2002. Reported stocks in the Western World increased by approximately 40,000 tonnes in the first nine months of 2003.

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Historically, stocks in the Western World have fluctuated considerably. From a level of approximately 1.5 million tonnes in the beginning of the 1990s, stocks peaked in 1994 at approximately 4.7 million tonnes and thereafter were rapidly reduced to approximately 2.6 million tonnes at the end of 1995. These changes mainly were attributable to the export of Russian metal to the Western World, and the subsequent production reduction implemented by producers. Since 1995, the annual fluctuations have been less than 500,000 tonnes. High and increasing stocks historically have had a downward impact on price as illustrated in the following graph showing the LME price and reported stocks estimated in days of production since 1994.

Primary aluminium is heavily traded on the LME. The most common benchmark is the three-month price (i.e., the price quotation on the LME for delivery of metal three months from the date of quotation). Prices are quoted on a daily basis, and reflect the market s expectations as to the future supply and demand balance, together with actual consumption and production data. The LME price, which is stated in U.S. dollars per tonne, serves as the main reference price for aluminium purchase and sale contracts worldwide. For medium- to long-term alumina contracts, prices are also normally linked to the LME price of aluminium. For semi-fabricated products, a variety of contracts are used, both with respect to duration and pricing.

The graph below illustrates the annual average LME three-month price of aluminium during the 1981-2002 period.

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During the 1981-2002 period, the LME three-month price reflected an average annual increase of 2.8%. However, adjusting for the U.S. gross domestic product deflator (a common practice in the aluminium industry), the LME three-month price, stated in real terms, declined at an average annual rate of approximately 0.5% during this period. Industry sources expect a decline in the real price of aluminium to continue in the long term.

Aluminium competes with substitution materials like steel, polyvinyl chloride (PVC), wood, glass, etc. In addition, there is strong competition among the various aluminium producers, which have focused on reducing costs in order to retain or improve their competitive position. As a consequence, pressure has been put on uneconomic smelters using outdated technology, and some closures have been completed or announced. According to the EAA, as of November 2003, approximately 1.9 million tonnes of capacity remained idle in the Western World, 1.3 million tonnes of which was located in the Northwest United States, due primarily to the high price of electricity in the regions where the production capacity is located. The likelihood and timing of the reactivation of any of this capacity is uncertain. In response to the competition, aluminium producers are seeking to expand their existing smelter units to capture economies of scale and invest in the development of cost-efficient plants (i.e., in areas with ample energy supplies and favorable energy prices). This is expected to continue in the foreseeable future.

Industry Structure

Over the last decade the aluminium industry has consolidated significantly. Alcoa (based in the United States) has established itself as the number one integrated aluminium company through the acquisitions of Alumix (based in Italy), Inespal (based in Spain), Alumax (based in the United States) and Reynolds (based in the United States). Alcoa has also developed a significant position in alumina. Alcan (based in Canada), the number two integrated aluminium company, has acquired Alusuisse (based in Switzerland), and is currently seeking to acquire Pechiney (based in France). If that transaction is completed, Alcan s integrated aluminium operations will be of a size comparable to that of Alcoa. Hydro Aluminium, following its acquisition of the German aluminium company, VAW Aluminium AG in March 2002, has become the third-largest globally integrated aluminium company, with approximately 50% of the revenues of Alcoa and of a combined Alcan/Pechiney. Industry analysts expect that the consolidation activity within the aluminium industry will continue, although at a reduced scale compared to previous years.

In addition to the integrated companies mentioned in the preceding paragraph, there are several large companies that focus on upstream operations (i.e., bauxite, alumina or primary metal), such as BHP Billiton (based in Australia and the United Kingdom), Rio Tinto, through its subsidiary, Comalco Limited (based in Australia), and CVRD, through its subsidiary, Aluvale (based in Brazil). The Russian aluminium industry has consolidated into two companies, Rusal and Sual. Both companies focus on metal production in Russia, with minor downstream operations. Since the 1990s, China has emerged as a major producer of primary metal. The industry structure in China is still fragmented with many small- and medium-sized companies, of which Chalco has evolved as the most significant.

Downstream, there are few major independent semi-fabricating producers outside the large integrated systems. In finished products, the structure is much more fragmented.

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HYDRO ALUMINIUM S BUSINESS

Overview

In March 2002, Hydro Aluminium solidified its position as one of the top three integrated aluminium companies in the world by acquiring VAW, a major producer of primary aluminium, rolled products and other fabricated aluminium products based in Germany. Through this acquisition, Hydro Aluminium has become a full range aluminium company, expanding its range of products and activities, with leadership positions in certain rolled products markets, a strengthened extrusion and automotive offering and a more significant presence in North America and Asia. In 2002, Hydro Aluminium s total revenues were NOK 65.1 billion. For the first nine months of 2003, revenues were NOK 52 billion, compared to NOK 48.4 billion in the corresponding period of the prior year.

Hydro Aluminium initiated cost improvement programs in 2001 and 2002. These programs are expected to result in cost improvements of NOK 2.5 billion compared to the base-line cost level in 2001, with this result expected to be fully achieved in 2004. Cost savings achieved as of the end of the third quarter of 2003 amounted to NOK 1.9 billion.

Hydro Aluminium s organizational structure is as follows:

The graph below depicts Hydro Aluminium s aluminium operations, in terms of 2002 tonnage along the value chain. The figures included in the graph are approximate pro forma figures, as if the VAW acquisition had been completed as of January 1, 2002.

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Competitive Position

The VAW acquisition has provided a balance between Hydro Aluminium s primary upstream production and downstream activities. The downstream activities added to Hydro Aluminium s business activities through the VAW acquisition have complemented and broadened Hydro Aluminium s product portfolio, contributing to such activities achieving a critical size. For example, Hydro Aluminium has evolved from a rather marginal to a leading producer in the European rolled products business (annual sales of flat rolled products expanded from 133,000 tonnes in 2001 to 834,000 tonnes in 2002). Rolled Products is now the world s fourth-largest producer of flat rolled products, measured by volume, with more than 900,000 tonnes of production per year. Flat rolled products represent roughly 50% of global aluminium consumption.

Hydro Aluminium now has important European positions within high margin rolled products segments such as lithographic (printing) plates and foil. Hydro and Alcan each have a 50% ownership interest in the world s largest rolling mill, Aluminium Norf GmbH (AluNorf).

Strategy

Hydro Aluminium s strategy has multiple components, reflecting its integrated aluminium operations.

Ensuring Alumina Supply

Hydro Aluminium has, over the last decade, based its supply of alumina on a combination of alumina production from facilities in which it has an equity interest and a portfolio of medium- to long-term contracts. Through completion in 2003 of the expansion to approximately 2.4 million tonnes of the Alunorte alumina plant in Brazil, in which Hydro Aluminium holds a 34% interest, the equity portion of its alumina supply has increased and now covers approximately 50% of the needs of its smelter system. Hydro Aluminium has never been an operator of alumina plants, but has instead prioritized its capital and management resources in areas in the value chain where Hydro Aluminium can add greater value. Over the last decade, there has been, in general, a favorable alumina supply situation, with the exception of a few short periods of tight supply. Consequently, it has been possible for Hydro Aluminium to capitalize on its financial strength to enter into favorable contracts. For the foreseeable future the risk is limited for a long-term tightening of supply of alumina in the market, since the potential to expand current capacity with modest investments remains significant. Accordingly, Hydro Aluminium will continue to pursue an alumina strategy based on sourcing a substantial part of its needs through medium- to long-term contracts.

Restructure Smelter Portfolio

Hydro Aluminium, like the other leading integrated aluminium companies, plans to increase the share of its production being produced at larger smelters. Based on approved projects, Hydro Aluminium expects to increase its share of production being produced by smelters with a capacity of more than 250,000 tonnes per year from 27% in 2002 to approximately 45% by the end of 2006. The expansions in primary production are being made in plants where the existing infrastructure supports a larger capacity. This can be done at a lower investment level than a corresponding new or greenfield investment. Expansion of an existing facility improves the operating cost position of the plant, thereby improving the overall long-term cost position.

Hydro Aluminium has taken active steps to increase its metal production and improve its average cost position. The Søral smelter (located in Norway) and the Slovalco smelters (located in Slovakia) have been expanded by approximately 37,000 tonnes and 50,000 tonnes, respectively, to an annual primary aluminium capacity of approximately 160,000 tonnes each. The Sunndal smelter (in Norway) is in the process of being expanded to an annual primary aluminium capacity of 330,000 tonnes, representing a total increase in capacity of 173,000 tonnes. The expansion is scheduled to be completed in 2004. In 2002, Hydro approved participation in the expansion of the Alouette smelter in Canada.

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Total annual primary aluminium production capacity will increase by 307,000 tonnes to 550,000 tonnes in 2005, making Alouette the largest aluminum smelter in North America and among the world s lowest cost smelters. Hydro s share of the production is 20%. Including other smaller projects, these expansions of primary aluminium production capacity will increase Hydro Aluminium s total annual primary aluminium capacity to approximately 1.7 million tonnes from the present level of approximately 1.4 million tonnes.

Leverage Metal Supplier Concept

In view of the high investment costs associated with new smelter capacity, since the 1990s, Hydro Aluminium has pursued a multi-sourcing strategy, which it refers to as the metal supplier concept. This strategy, focusing on building a strong market position in the metal products market, has been based on two primary components:

- develop alternative metal sources through commercial alliances and other agreements; and
- expand Hydro Aluminium s remelt activities.

Hydro Aluminium has entered into several long-term commercial alliances and agreements that further its strategy of developing and leveraging the metal supplier concept with limited asset investment. Under one of the most recent of these agreements, Hydro Aluminium will participate in upgrading the aluminium cast house at Rusal s Sayanogorsk smelter, located in southern Siberia. Upon completion of the first stage of the construction, anticipated at the end of 2003, Hydro Aluminium will be supplied with 80,000 tonnes per year of high quality extrusion ingot. The second stage, to follow a few years later, will further increase casting capacity to 160,000 tonnes. Hydro Aluminium has also entered into a new long-term agreement with Talum in Slovenia, under which Talum will supply Hydro Aluminium with 70,000 tonnes of foundry alloy products per year during 2004-2010.

Focused Growth in Selected Markets Downstream

Rolled Products

Following the acquisition of VAW, Hydro Aluminium is the number two producer in the European rolling industry, with an estimated market share of approximately 18%. Hydro Aluminium holds leading positions globally in the foil and lithographic markets, and a strong position in automotive sheet. The acquisition of VAW has improved Hydro Aluminium s asset base, bringing into Hydro a high level of technical competence in the work force and a portfolio of high quality products. Hydro Aluminium s rolled products strategy is to focus on growth in selected segments (such as lithography, a product segment for which management has recently approved an expansion of capacity), while at the same time continuing to work on operating improvements. Several initiatives have been launched to improve the Rolled Products sub-segment s financial results, addressing both selling, general and administrative costs and direct production costs. Plant specialization will also be pursued to improve efficiency.

Extrusions

Hydro Aluminium currently holds a leading position in the European soft-alloy extrusions market, with an estimated market share of approximately 15%. Hydro Aluminium is a leader in the building systems market in Europe, with its position having been bolstered by the acquisition of the French-based company, Technal, in 2002. The acquisitions of the former Wells Aluminum (based in the United States) in 2000 and VAW in 2002 have strengthened Hydro Aluminium s position in the North American extrusions market. In South America, the plants in Brazil and Argentina have been established as important footholds that will provide bases for future developments. In parallel to this growth, Hydro Aluminium has focused on improving the performance of its extrusions operations under challenging market conditions, in order to place itself in a better position to capture new growth opportunities. Hydro Aluminium intends to continue to expand its product offerings in the global extrusions markets through selected forward integration into product refinements and value-added services to improve margins and volume. Further, Hydro will seek to increase its presence in these markets through organic growth and selective acquisitions.

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Automotive

Hydro Aluminium is actively engaged in meeting the needs of the automotive market, which has become the principal source of the growth in demand in the aluminium industry during the last ten years. Approximately 25% of Hydro Aluminium s sales of primary metal have been ultimately destined for the automotive sector, either as customers of Hydro Aluminium s own semi-fabricated and finished products or through other tier suppliers using Hydro Aluminium s foundry alloys to make automotive parts. Hydro Aluminium s management estimates that, in Europe, Hydro Aluminium has a market share of approximately 30% in primary foundry alloys and even higher market shares in precision tubing and crash management. Hydro Aluminium is also a leading independent manufacturer of aluminium engine blocks and cylinder heads in Europe. Its position in the United States is comparatively strong in precision tubing.

In 2003, the Automotive sector has focused on improving its profitability by streamlining production processes to reduce costs. The short- to medium-term strategy is to continue to focus on selected products and leverage the investments made.

Improvement of Operational Performance throughout the Organization

The VAW acquisition had the immediate advantage of expanding Hydro Aluminium s portfolio of plants with relatively attractive costs given the scale of several of the smelters and rolling mills acquired. Furthermore, it provided opportunities to capture the synergies available from a larger scale of operations. This included streamlining the sales, general and administration processes, reducing manning, and sharing best production and other practices to enhance productivity and reduce fixed and variable costs. Hydro Aluminium dedicated significant time and attention in 2002 to the successful integration and extraction of synergies from the acquisition. These efforts have continued with full force in 2003 to ensure that the entire potential is realized.

Following the completion of the VAW acquisition, Hydro Aluminium undertook the rapid integration of the two companies activities. To capture the synergies associated with the acquisition, Hydro Aluminium launched a program encompassing internal benchmarking to identify and implement cost savings through the introduction of best practices work processes across the units and the optimization of production systems. Together with the improvement programs already in place, these programs contributed to cost reductions throughout the system. Continuation of the improvement programs in 2003 is expected to result in the realization of further synergies and cost savings.

Even before the VAW acquisition, Hydro Aluminium had initiated cost improvement programs throughout its various segments. Hydro Aluminium achieved its combined cost and staff reduction targets for these and the VAW-synergy programs in 2002. This resulted in aggregate savings of approximately NOK 1 billion, compared to the base-line cost level in 2001 for the combined Hydro Aluminium and VAW businesses. Closure of the primary magnesium production in Norway yielded NOK 424 million of the total savings. Additional programs resulted in the remaining savings. Staff reductions in 2002 totaled 534 employees in the primary magnesium operation and 708 employees associated with other cost reduction initiatives. Hydro Aluminium increased its total savings targets for its several improvement programs in the fourth quarter of 2002 by NOK 400 million to a total of NOK 2.5 billion by the end of 2003, to be achieved with full effect for 2004. As of September 30, 2003, the cost improvement programs have achieved an approximate NOK 1.9 billion in cost savings and a manning reduction of 1,637 employees compared to the 2001 base-line level.

Hydro Aluminium s Operating Segments

METALS

Hydro Aluminium s Metals sub-segment (Metals) consists of the two sectors, Primary Metal and Metal Products. The Metals sub-segment encompasses Hydro Aluminium s upstream activities, principally the production and sale of primary aluminium produced in Hydro Aluminium s smelters. Metals activities also include the processing of scrap into high quality products for the mid- and downstream markets, all aluminium and raw materials trading activities, Hydro Aluminium s high purity business and magnesium operations.

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Primary Aluminium Production

Hydro Aluminium produces its primary aluminium at 12 wholly or partly owned primary aluminium smelters. Most smelters operated at full capacity during 2002 and have operated at full capacity so far in 2003. Production at the smelters during the three most recent years are reflected in the table below:

Aluminium production (tonnes)	2002 [1]	2001	2000
Primary Aluminium			
Karmøy	272,000	272,000	270,000
Årdal	200,000	206,000	204,000
Sunndal	153,000	156,000	154,000
Høyanger	73,000	71,000	72,000
Søral (Hydro s 49.9% share)	67,000	62,000	62,000
Slovalco (20% share)	22,000	18,000	17,000
Rheinwerk	226,000		
Elbewerk	69,000		
HAW (33.3% share)	44,000		
Kurri Kurri	155,000		
Tomago (12.4% share)	57,000		
Alouette (20% share)	48,000		
Total primary aluminium production	1,384,000	785,000	779,000
Average price primary aluminium (U.S.$/tonne per LME 3-month price)	1,365	1,454	1,567

[1] Includes VAW volumes on a pro forma basis, as if the VAW acquisition had been completed as of January 1, 2002.

As previously mentioned, Hydro Aluminium has taken active steps to expand its primary metal capacity to approximately 1.7 million tonnes, a level expected to be reached in 2005.

Emission standards established by the Norwegian Pollution Authority in accordance with the Oslo and Paris Convention regulations require primary aluminium production facilities using the Søderberg technology in the Høyanger and Årdal primary aluminium plants to be closed by the end of 2006. Hydro has decided that investments to replace this capacity will not be made. The resulting closures will reduce Hydro Aluminium s annual primary aluminium production capacity by 72,000 tonnes at the latest from 2007.

Raw Materials

Alumina

Hydro Aluminium has secured a part of its long-term alumina requirements for its primary metal production through investments in alumina plants. In 2002, approximately 40% of its alumina requirements for primary metal production were provided by such investments. With the

expansion at Alunorte, a Brazilian alumina refinery, this percentage has increased to approximately 50% in 2003.

Hydro Aluminium s major alumina investment is its 34% participation in Alunorte. After an expansion of the plant in 2003, its capacity has reached approximately 2.4 million tonnes. In the third quarter of 2003, Hydro decided to participate in a further expansion of Alunorte. This planned expansion will increase capacity to approximately 4.5 million tonnes (including the effects of smaller productivity improvements) in 2006, providing Hydro Aluminium with a total of approximately 1.5 million tonnes of alumina annually. Hydro Aluminium believes that Alunorte s cash operating costs are significantly below the alumina industry s world average.

Hydro Aluminium also has a 35% equity interest in the Alpart alumina refinery in Jamaica, which has an annual production capacity of 1.5 million tonnes. In Germany, Hydro Aluminium has a 50% ownership interest in Alumina Oxid Stade, which has a total capacity of approximately 800,000 tonnes.

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In addition to the equity interests in alumina production capacity mentioned above, Hydro Aluminium has a number of short-, medium- and long-term purchase contracts to secure alumina for its own smelters and trading activities.

In June 2003, Hydro Aluminium and Comalco Limited (Comalco) signed one of the largest alumina supply contracts in the history of the aluminium industry. Under the agreement, Comalco will supply Hydro Aluminium with 300,000 tonnes of alumina in 2005 and 500,000 tonnes of alumina annually from 2006 through to 2030.

Hydro Aluminium s remaining alumina requirements are covered by medium- to long-term contracts with price formulas based upon a percentage of the LME price.

Energy

Energy represents about 25% of the operating costs associated with primary aluminium production. Hydro Aluminium has negotiated long-term contracts for its Norwegian smelters. Much of this energy is purchased from or through Hydro Energy. Hydro Energy produces, in its own hydroelectric generating plants, electricity amounting to more than 70% of the requirements of Hydro Aluminium s Norwegian primary aluminium smelters. In 2003, approximately 90% of the electricity needed to operate these smelters has been covered by long-term supply contracts.

The smelters outside Norway source energy under contracts with local producers. For the large smelters in Canada and Australia, Hydro has entered into long-term contracts. The current contract for the German smelter system is scheduled to expire in 2005. New contracts will need to be negotiated at or before that time.

Anodes

Anodes are used and consumed in the smelting process. Most of Hydro Aluminium s smelters produce their anodes at their own on-site facilities.

Remelt Activities

Hydro Aluminium has established remelt plants for conversion of scrap metal into extrusion ingot in all major European markets. Facilities are located in Norway, Luxembourg, the United Kingdom, Germany and France, as well as at the primary metal plants in Norway, Germany and Slovakia. A new remelt and extrusion ingot cast house in Spain came on stream in 2002. The plant, with an annual capacity of 60,000 tonnes, will serve the growing market for extrusion ingot in Spain and Portugal.

Scrap is sourced from internal and external customers, and, in addition, standard ingot is used as input material. The customers are internal and external extrusion plants.

Sales and Distribution; Trading Activities

Most of Hydro Aluminium s own production of aluminium cast house products is sold in Western Europe and in the United States to semi-fabricating plants like extruders, rollers and wire mills, as well as foundries. The main consumer areas are transportation, construction and packaging. The major consuming countries in Europe are Germany, France, the United Kingdom, Italy and Spain. The aluminium is sold in the form of value-added products such as extrusion ingot, rolling ingot, wire rod and foundry alloys.

Hydro Aluminium has consistently strengthened its commitment to customer service and increased the efficiency of its production systems. Metals regional market teams have competencies within technical and commercial services, research and development, logistics, contract administration and scrap conversion. To enhance its existing service level, Metals implemented a program in 2001 called Hydro Billet Plus. The aim of the program is to reward the Metals sub-segment s most important customers and customers who wish to increase their business volume. The Hydro Billet Plus program is likely to add business volume to Hydro Aluminium in a core market segment at attractive terms.

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Hydro Aluminium s metal flow[1] is illustrated in the graph below.

Approximately 40% of the metal processed in Metals is delivered to Hydro Aluminium s downstream units; the remaining 60% is shipped to external customers.

Although trading of aluminium and raw materials is not a core focus area for Hydro Aluminium, it engages in trading of aluminium and related raw materials, mainly alumina. Aluminium trading activities consist of physical metal purchases and sales, as well as trading on the LME. Trading and sourcing activities accounted for approximately NOK 7.4 billion in 2002, compared to approximately NOK 10.0 billion in 2001. The reduction in revenues was due to lower LME prices, lower U.S. dollar exchange rates and lower volumes of alumina and physical metal. In 2002, Hydro s metal traders sold externally 478,000 tonnes of primary aluminium products, compared to 537,000 tonnes in 2001. The main trading product is standard aluminium ingot, which is also the global aluminium product on which price quotations on the LME and other metal exchanges are based. Hydro Aluminium has a small alumina trading activity that has been profitable during the last five years. Alumina is often used in combination with metal trading/sourcing activities, for example, by supplying a third-party smelter with alumina and receiving metal as compensation.

High Purity Aluminium

As a result of the VAW acquisition, Hydro Aluminium is now a world market leader in the production of high purity aluminium products with an estimated market share of approximately 20%. The industry is quite concentrated, with two producers in Europe, four in Japan, two in China and one in Russia. Hydro Aluminium s management has estimated that global production in 2002 was approximately 75,000 tonnes. Through its three production sites in Japan, Norway and Germany, Hydro Aluminium sold about 15,000 tonnes in 2002.

Magnesium

The magnesium industry in the Western World comprises fewer than ten producers with a total production estimated at 220,000 tonnes per year. China was reported to be producing roughly 195,000 tonnes in 2002, of which pure magnesium for export amounted to 170,000 tonnes. Hydro Aluminium has a primary (electrolytic) magnesium plant in Becancour, Canada, that produced 48,000 tonnes in 2002. Metals also owns remelt operations in Norway, Canada, Germany and China, with a combined remelting and recycling capacity of approximately 50,000 tonnes in 2002. The increased quantities of Chinese magnesium available in Western markets have resulted in significant downward pressure on magnesium prices over the past several years.

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ROLLED PRODUCTS

Hydro Aluminium s Rolled Products sub-segment (Rolled Products) is centered in Europe, with rolling mills in Germany, Norway, Spain and Italy, as well as a foil rolling mill in Malaysia that provides a foothold in Asia. Rolled Products production capacity includes a 50% share in the world s largest hot and cold rolling mill, AluNorf, in Germany. In 2002, the AluNorf mill provided almost 600,000 tonnes to Rolled Products. Most of Hydro Aluminium s entitlement to the products from AluNorf is further processed in the nearby plant in Grevenbroich before being delivered to customers. Grevenbroich is, the center (from the standpoint of technology, best competence and capacity) of Rolled Products s foil and lithographic sheet operations.

The table below reflects Rolled Products ownership interest and sales volumes by main site in the Rolled Products production system.

Site	Ownership Share %	2002 Sales volume [1] (in thousands of tonnes)
Grevenbroich, Germany	100	477
Hamburg, Germany	100	118
Slim, Italy	100	77
INASA, Spain	100	23
AISB, Malaysia	81	11
Karmøy, Norway	100	55
Holmestrand, Norway	100	43
Alucoat, Norway	100	30
Total, excluding internal sales and wire rod		834
AluNorf, Germany	50	591[2]

(1) Excluding intra-company shipments, except volume quoted for AluNorf. Volumes are pro forma, as if VAW had been part of Hydro Aluminium as of January 1, 2002.

(2) 100% of shipments from AluNorf are intra-company.

In 2002, Rolled Products had external shipments of 834,000 tonnes, mainly to the European market where it holds an estimated market share of approximately 18%.

Rolled Products, like the rest of the rolling industry, produces a wide variety of products for different industries and with different product margins. To be successful within the rolling industry, one must optimize product mix and capacity utilization, as well as streamline the production system. There are large differences in margins between different products, with the most attractive products limited in terms of demand.

Rolled Products customer base includes customers in the packaging, automotive, transport, building, engineering, electrical and printing industries. A major part of the sales functions is organized centrally along the product and business unit dimension. This organization enables optimization of sales, planning and production in Rolled Products total system.

Rolled Products consists of four business units serving different market segments. In 2002, these units had the following sales volumes to external customers:

Unit	2002 Sales Volumes (in tonnes)
Lithography	112,000
Foil	137,000
Strip	534,000
Automotive	51,000
Total	834,000

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Over the last four years, the Lithography business unit has had an average annual growth in sales volume of about 7%, outpacing the 3% growth in general lithography demand. This is attributable primarily to Rolled Products focus on quality and customer service. Hydro Aluminium s Lithography business is well positioned to continue to expand its customer base and meet increased competition. Both on the demand and supply side, the lithography market is characterized by a high degree of concentration.

Rolled Products Foil business unit has endeavored to leverage its market-leading position in Europe (in terms of volumes) to respond to the needs of global customers for a global supplier with a local presence. In 2001, Rolled Products acquired a 65% ownership interest (increased to 81% in 2002) in a Malaysian rolling mill to serve as a base for supplying customers in the Asian region. Living standards in Asia are rising, hence packaging needs are growing rapidly and foil is one of the most important packaging materials.

The Strip unit s business is characterized by higher volumes and lower margins compared to the other units within Rolled Products. For this business, high capacity utilization and production efficiency are particularly important. The current strategy is to optimize the combined production and market system of Rolled Products to realize the full potential.

Automotive flat rolled products are expected to have higher growth than other flat rolled products in Europe. Principally using its existing asset base, Rolled Products intends to expand its flat rolled product range from non-visible applications to applications that are visible (referred to as the body-in-white market) on a finished manufactured vehicle. Body applications are expected to be a strong, growing market segment due to auto manufacturers constant need to reduce weight. As the surface requirement demands a special quality, a new finishing line has been constructed in Grevenbroich, Germany.

Most of the metal required for production by Rolled Products is delivered from Metals. In addition, process scrap from the customers of Rolled Products and scrap collected from the market is, together with Rolled Products own process scrap, remelted and casted to rolling ingots in Rolled Products casting facilities. Supplies from Metals are priced on an arm s-length basis with reference to the LME price. External supplies of rolling ingot to Rolled Products represent less than 10% of its total requirement.

EXTRUSION AND AUTOMOTIVE

The Extrusion and Automotive sub-segment of Hydro Aluminium consists of three sectors: Extrusion, Automotive and North America. These sectors main products are extruded aluminium profiles, used primarily in the building and construction markets and the transportation segment.

Extrusion

The Extrusion sector is primarily focused on the European market. Extrusion is Europe s largest soft alloy extruder of aluminium in terms of volume. Extrusion also has operating entities in Brazil and Argentina, and has a minority participation in a South African entity. In 2002, Hydro Aluminum s total extrusion production was 512,000 tonnes.

Extrusion mainly consists of general extrusion activities and its Building Systems unit. With respect to its general extrusion activities, Extrusion supplies custom-made general extrusions of soft alloy aluminium, surface treatments such as anodizing and powder coating, fabrication, components and finished products. Building Systems supplies complete design and solution packages to metal builders, enabling them to supply both the commercial and residential building markets with products, such as facades, partition walls, doors and windows, as well as other building applications, through its three main brands: Technal, Wicona and Domal.

In January 2002, Extrusion enhanced its position through the acquisition of Technal, a French-based manufacturer of aluminium building systems. The Technal acquisition augmented Extrusion s

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general extrusion operations through the addition of extrusion capacity in France and by doubling Building Systems volumes. This put Extrusion into a leading position in building systems in Europe based on extruded aluminium.

Automotive

The Automotive sector (Automotive) comprises all of Hydro Aluminium s precision tubing, structures and shape-casting businesses worldwide. In the last few years, Automotive has followed a strategy of continuous growth in order to strengthen its position as a supplier to the highly demanding automotive industry. Automotive is currently introducing several new products with start-up of new production lines and rapid organizational development.

Hydro Aluminium s management believes that Automotive is the leading supplier of aluminium extrusion-based applications within crash management (e.g., bumper beams, crash boxes, engine cradle components) in Europe. Automotive is also involved in crash management in North America and has increased its U.S. bumper production in 2003 based upon existing contracts. The sector has received safety awards for crash management systems supplied to several vehicles.

Automotive s precision tubing unit produces applications used primarily within radiators, fuel coolers and liquid lines. This unit has a significant market presence in Europe, North America and South America. The unit also supplies part of the Chinese market through its plant in China.

Through the acquisition of VAW, Automotive became the owner of VAW s casting business and technology. The sector is now a leading independent (i.e., not affiliated with an automotive manufacturer) supplier in Europe of aluminium cylinder heads, engine blocks and inlet manifolds. Through its own technological leadership and in cooperation with Daimler Chrysler, Automotive has developed the first aluminium high performance, high volume diesel engine block.

North America

The North America sector (North America) comprises all non-automotive extrusion and remelt plants in the United States. Through the acquisition of Wells Aluminum in 2000 and VAW s North American extrusion assets in 2002, the sector has become the third-largest extrusion company in the North American market, with seven extrusion plants and four stand-alone component manufacturing fabrication facilities, including one in Mexico.

The North America sector produces a broad range of extruded shapes, and provides finishing services, for numerous end markets. The sector has a leading position within the North American drawn tube market for demanding applications in office imaging products and health care. It also supplies extrusion-based products to the transportation, building and construction, and consumer durable markets.

The sector operates six remelters, including its new remelter in Commerce, Texas (which started operations in 2002), representing one of the largest remelting systems in the United States. The remelt network produces extrusion ingot and offers cost-efficient remelt solutions to the North American sector s customers.

The U.S. market has proven to be more volatile than the European market. The North American extrusion market fell by approximately 21% from 2000 to 2001, and remained flat in 2002. North America s operations were particularly affected by the trailer market segment, which experienced the largest decline. The North America unit took a number of actions to respond to the drop-off in demand. In 2002 it closed the former VAW headquarters in Florida and an office in Kentucky. In 2002, it also closed a Georgia extrusion plant, transferring existing contracts to other facilities to improve press utilization and profitability.

Research and Development

Hydro Aluminium s R&D is oriented toward the core activities of its business. Hydro Aluminium incurred a total of NOK 408 million in R&D costs in 2002. Metals, Extrusion and Automotive, and

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Rolled Products incurred NOK 99 million, NOK 265 million and NOK 44 million in R&D costs, 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.

Environmental Matters

Hydro Aluminium is subject to a broad range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent environmental protection standards regarding, among other things, air emissions, the storage, treatment and discharge of wastewaters, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination. The costs of complying with these laws and regulations, including participation in assessments and remediation of sites, could be significant.

Aluminium production is an energy-intensive process that has the potential to produce significant environmental emissions, especially air emissions. Carbon dioxide, a greenhouse gas, is a major emission from aluminium production. The European Commission has adopted a directive that would limit carbon dioxide emissions from a broad range of industries and establish an internal emission trading system. The directive could affect production costs at facilities in the European Union, if the facilities do not achieve the targets set by the respective EU Member States. It also could affect facilities in the EEA, although it is not clear at this time how the directive will be implemented in the EEA. See Oil and Energy Government Regulation EU Regulation. In the European Union and other countries, various protocols address trans-boundary pollution controls, including the reduction in emissions from industrial sources of various toxic substances such as poly-aromatic hydro carbons, and the control of pollutants that lead to acidification. Emission standards, established by the Norwegian Pollution Authority in accordance with the Oslo and Paris Convention regulations, require primary aluminium production facilities using the Søderberg technology in the Høyanger and Årdal primary aluminium plants to be closed by the end of 2006. See Metals Primary Aluminium Production above.

Carbon dioxide regulation has been the subject of significant political debate in the United States, but thus far the United States has decided not to ratify the Kyoto Protocol. U.S. legislation regarding carbon dioxide emissions could be enacted in the future. Such legislation could have an effect on costs, but until such legislation is passed, it is not possible to provide a meaningful estimate. The United States has an extensive regulatory program to control other air emissions from aluminium facilities, including hazardous air pollutants.

The European Union has a framework of environmental directives integrated into the Water Framework Directive (2000/60/EC) regarding discharges of dangerous substances to water. The Oslo and Paris Convention for the Protection of the Marine Environment of the North-East Atlantic has resulted in new emission levels for the aluminium industry related to the prevention of marine pollution, which are scheduled for implementation by all signatories to the Convention before 2007. The United States has a regulatory permit system limiting the discharge from facilities to water bodies and publicly owned treatment works, as well as regulations to prohibit discharges of hazardous substances to groundwater.

Hydro Aluminium believes that it is currently in material compliance with the various environmental regulatory and permitting systems that affect its facilities. However, the effect of new or changed laws or regulations or permit requirements, or changes in the way that such laws, regulations or permit requirements are administered, interpreted or enforced, cannot be predicted.

Government Regulation

EU Aluminium Tariffs

The EU has implemented an import duty of 6% on aluminium metal. Importation of aluminium from the EEA, of which Norway is a member, is not subject to such duty for aluminium metal produced in the EEA. The duty has been subject to debate within the European Union, and it is not

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possible to predict whether it will be maintained in the medium- to long-term. The WTO round of negotiations on tariff and non-tariff barriers on industrial products may ultimately lead to a reduction, if not elimination, of aluminium tariffs. However, it is likely that changes arising from WTO commitments will not be phased in until 2007 or 2008 at the earliest. Thus, the WTO negotiations are not expected to have a substantial impact on Hydro Aluminium in the near future. The Federation of Aluminium Consumers in Europe, which represents many aluminium-consuming industries in the European Union, has been pressing the EU authorities for the removal of the EU s aluminium tariff for the past several years. The European Commission has, however, resisted a unilateral reduction of the tariff.

Energy Taxation

The new EU directive on the taxation of energy products, Directive 2003/96/EC, is due to become effective on January 1, 2004. The directive will expand the minimum tax system of energy products from mineral oils to all energy products, including coal, coke, natural gas and electricity. This could affect Hydro Aluminium by making energy inputs, including electricity, more expensive as a result of the tax. However, countries subject to the directive will be authorized to apply reduced rates or tax exemptions on certain products or energy uses, such as renewable energy sources or heat produced in combined generation installations. Accordingly, aluminium producers in the European Union and the EEA may be able to secure some tax relief.

Employees

As of December 31, 2002, Hydro Aluminium had 27,110 employees, of whom 6,284 worked in Metals, 4,306 in Rolled Products and 16,520 in Extrusion and Automotive. The table below reflects a breakdown of the main countries in which Hydro Aluminium has employees:

Country	Number of Employees
Norway	5,676
Germany	5,568
United States	3,931
France	2,017
United Kingdom	1,506
Italy	1,165
Other countries	7,247
Total	**27,110**

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OTHER ACTIVITIES

Other Activities are defined as outside of Hydro s core areas: Oil and Energy, Aluminium and Agri. Other Activities consist of Petrochemicals, Treka AS (formerly known as A/S Korn-og Foderstof Kompagniet or KFK), Pronova, Industriforsikring a.s, the captive insurance company, and Hydro Business Partner.

PETROCHEMICALS

Since late 1996, the global petrochemicals industry has faced an oversupply situation. Competitive pressures have led to alliances, restructurings and mergers within Europe (e.g., the merger of Royal Dutch/Shell s and DEA s petrochemicals businesses in Germany and BP s purchase of Veba Oel from E.On). The consolidation has been motivated, in large part, by the objectives of achieving economies of scale, lowering operating costs and increasing unit margins. The consolidation in the part of the petrochemical industry in which Hydro is active, mainly PVC in Europe, has been less extensive. Hydro s Petrochemicals business has met increased competition by lowering fixed recurring and variable costs and increasing asset productivity through, among other things, de-bottlenecking and staff reductions of roughly 57% (including activities sold) compared to 1996 levels.

For the foreseeable future, the competitive environment for world commodity petrochemicals and polymers is expected to be characterized by a widening cost gap between the global petrochemical/polymer producers that are integrated into raw materials and the smaller, more regional producers and those that are not backwards integrated. In view of market conditions, Hydro s Petrochemicals business will continue to focus on operational improvements through the establishment of best practice teams to ensure the transfer of knowledge in both operations management and process technology. The efficiency enhancement process is expected to entail further staff reductions, improved supply contracts, increased productivity and improved margin management.

Hydro s petrochemicals business is involved in all stages of production of the plastic raw material, PVC, also known as vinyl, and its intermediate products, ethylene, chlorine and vinyl chloride monomer (VCM). Hydro Petrochemicals is the largest PVC supplier in the Nordic countries, with a market share of approximately 70%. In the United Kingdom, Hydro Petrochemicals ranks first with approximately 38% of the market. The PVC industry in Europe is relatively fragmented, reflecting the industry s development on a national, rather than a European, basis. Hydro has an advantage in being backward integrated into ethylene and having close proximity to other Scandinavian countries and the United Kingdom, as well as long-term strategic relationships with customers in these markets.

Hydro has a 29.7% interest in Qatar Vinyl Company Ltd., which operates a petrochemical plant at Mesaieed Industrial City, Qatar. The plant has an annual capacity of 230,000 tonnes of VCM, 175,000 tonnes of ethylene dichloride and 290,000 tonnes of caustic soda. In China, Hydro has a 31.8% interest in Suzhou Huasu Plastics Co., Ltd., which produces PVC film and has a suspension PVC (S-PVC) capacity of 120,000 tonnes per year. Hydro also has a 26.2% interest in CIRES, a PVC resin and compound manufacturer in Portugal.

Raw Materials and Production

Hydro has a 50% ownership interest in an ethylene cracker through Hydro s joint venture interest in Noretyl AS. The cracker is integrated with Hydro s chlorine and VCM production facilities located at Rafnes, in Norway. The production efficiencies inherent in an integrated production process contribute to higher margins compared to margins of competitors that rely on purchased ethylene. Petrochemicals has a secure supply

for most of its remaining ethylene (43,700 tonnes) and chlorine (about 100,000 tonnes) needs through medium-term supply contracts.

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Petrochemicals production (in tonnes)

	Nine Months Ended September 30, 2003	2002	2001	2000
Base Products				
VCM	433,000	540,000	591,000	536,000
Caustic Soda	211,000	262,000	279,000	271,000
Polymers				
S-PVC	378,000	458,000	465,000	445,000
P-PVC	61,000	70,000	72,000	76,000
Total Polymers	439,000	528,000	537,000	521,000
PVC Compounds	97,000	128,000	143,000	154,000

Average Market Quoted Prices in Northwest Europe

	Nine Months Ended September 30, 2003	2002	2001	2000
Ethylene /tonne delivered	535	518	616	662
VCM Spot export fob U.S.$/tonne	442	451	345	562
S-PVC /tonne delivered	678	714	656	857

Hydro manufactures PVC at the following plants: Hydro Polymers AS (Porsgrunn, Norway), Hydro Polymers AB (Stenungsund, Sweden) and Hydro Polymers Ltd. (Aycliffe, United Kingdom). The Nordic sites produce S-PVC and paste PVC (P-PVC) while the U.K. site produces S-PVC for external sale and mixing with additives to generate PVC compounds in a variety of grades to meet customer specifications. VCM is produced at Hydro s Rafnes and Stenungsund plants.

Ethylene feedstock for the Rafnes facility is supplied by long-term contracts for NGLs from a number of North Sea fields for approximately 50% of the required volumes. The remaining need is covered by spot purchases. The share of NGL purchased under long-term contracts will increase from the autumn of 2005. Price formulas are linked to naphtha or oil prices. As such, oil prices are an important driver of ethylene costs. Petrochemicals share of ethylene produced at Rafnes in 2002 was 219,000 tonnes.

The total production of chlorine in 2002 was approximately 232,000 tonnes. Chlorine feedstock in excess of Hydro s own production is covered by medium-term and spot purchases (approximately 100,000 tonnes). Plant closures in Europe have reduced the chlorine supply in 2002.

In March 2003, Hydro s Board of Directors approved a plan to build a new 130,000 tonne chlorine plant at Rafnes, at a cost of approximately NOK 1,000 million.

At present, Petrochemicals transports raw materials and intermediates among its plants in Rafnes, Stenungsund and Aycliffe. Increased efficiency and lower transportation costs could be achieved by an improved balance between input (raw materials) and output (final product) streams at the individual plants.

Sales and Distribution

PVC and PVC compounds are mainly sold by Hydro s own sales organization. Distribution is mainly by truck. Pipe grade S-PVC is considered to be a commodity product, while there is considerable product and price differentiation in other S-PVC applications. P-PVC accounts for about 7% of the total PVC market. P-PVC is traditionally considered to be a specialty product influenced only to a limited extent by S-PVC price developments.

Caustic soda, a by-product of chlorine production, which is used by a variety of industries such as in paper and pulp, alumina and soap production, is sold to customers in Europe and North America mainly through Hydro s own sales organization. Distribution is by vessel, rail or truck. In addition to its own production, Hydro trades moderate quantities of caustic soda in the same markets.

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Investments

The amounts disclosed in this section represent investments made in the respective years that include additions to property, plant and equipment, plus long-term securities, intangibles, long-term advances and investments in non-consolidated investees.

Investments in 2003 (other than in the chlorine expansion at Rafnes) will total approximately NOK 200 million, compared to NOK 254 million in 2002, 347 million in 2001 and 540 million in 2000.

Hydro Petrochemicals is defined as a non-core activity intended for sale.

TREKA AS

Treka AS is a publicly held Danish company, in which Hydro has a 68.8% interest. After the sale of major parts of the former KFK throughout 2002 and 2003, the remaining operational activities in Treka consist of the Biomar fish feed operations. Because of difficult conditions in the fish farming industry, Biomar has made substantial accruals of its accounts receivable during 2003. A potential divestment of the Biomar activities has been announced and initiated, but has not resulted in any agreements to date.

PRONOVA

Hydro Pronova is responsible for commercializing products and businesses at the periphery of Hydro s core business areas, with the objective of developing businesses and realizing their long-term potential as part of Hydro or outside of Hydro.

Hydro Pronova comprises several activities and products, including Omega-3 fatty acids, transcritical (high pressure) carbon dioxide-based technology, packaging systems for transportation of bulk goods, development and production of active pharmaceutical ingredients and other fine chemicals and highly specialized polymeric particles for the life science industries.

Hydro Pronova has developed a highly concentrated Omega-3 pharmaceutical product, Omacor, for treatment of post-myocardial infarction (Post-MI) and hypertriglyceridemia. The product has been approved for treatment of these symptoms by 12 European countries, with further applications in Europe and the United States in process. Agreements have been signed with four major pharmaceutical companies to market Omacor in Europe, where it is currently sold in four countries.

Hydro Pronova has global, exclusive rights to commercialize patented technology developed at the Norwegian Institute of Technology using transcritical carbon dioxide as a medium in heating and air conditioning applications. The technology, branded Shecco, provides an energy-efficient and environmentally friendly alternative to hydrofluoride carbon gases in such systems. Hydro Pronova has signed agreements with Denso of Japan and other major global companies for the application of Shecco technology to systems including water heating and mobile

air conditioning.

INDUSTRIFORSIKRING

Industriforsikring a.s, a captive insurance company, is a wholly-owned subsidiary of Hydro that provides property, casualty and marine insurance for companies in the Hydro Group.

HYDRO BUSINESS PARTNER

Hydro Business Partner (HBP) was formed as a sector for service and support functions in the beginning of January 2000. HBP is organized in two primary functional units: Production and Facility Services and IS Services and Business Support Services.

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LEGAL PROCEEDINGS

Kharyaga Oil Project

On April 9, 2003, the Ministry of Taxes and Revenues of the Russian Federation asserted a claim that there exist no grounds for recovery of costs incurred in 2001 and 2002 under the Kharyaga PSA for the Kharyaga oil project in Northwest Russia. The consortium members of the Kharyaga oil project, including Hydro, and the Russian authorities entered into the PSA under which production commenced in October 1999. The Ministry s assertion is based on the position that the costs in question have not been approved as recoverable costs by the Kharyaga Joint Committee. The Joint Committee consists of six members, three appointed by the Russian Federation and three by the investors (i.e., Total, with a 50% interest; Hydro, with a 40% interest; and Nenets Oil Company, with a 10% interest). The Joint Committee s decision must be agreed by all members.

In response to the Ministry s claim, Total and Hydro have initiated an arbitration claim. The basis for the claim is the unjustified failure of one of the members of the Joint Committee, who is the representative of the Local Administration, to sign the Joint Committee s list of decisions confirming the Joint Committee s approval of the 2001 and 2002 annual accounts and the 2002 work program and budget. The ensuing determination by the Russian government that there are no recoverable costs is deemed to be a breach of the PSA.

The PSA is governed by Swedish law, and the arbitration will be held in Stockholm according to the Arbitration Rules of the United Nations Commission of International Trade Law. Should the investors arbitration be resolved in a manner adverse to the investors, Hydro believes that the maximum exposure it would face is approximately U.S.$30 million, before the assessment of penalties and interest, for the period up to December 31, 2002. At present, no assurances can be provided as to the outcome of this matter. However, Hydro s management does not believe this matter, however resolved, will have a material adverse effect on its results of operations or financial condition.

EFTA Surveillance Authority Investigation

On July 26, 2002, the ESA opened a formal investigation procedure against Norway to establish whether or not the 0-rate electricity tax applicable to Norwegian industry is compatible with the state aid rules of the EEA Agreement. In its decision to open the investigation, ESA advised the Norwegian government that ESA may instruct the Norwegian government to recover unlawful 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. Partly as a consequence of ESA s intervention, the Norwegian government s proposed budget for 2004 contemplates extending the 0-rate to all Norwegian business. If adopted, the extension of the 0-rate tax electricity would remove any uncertainties as to the legality of the electricity taxation system from January 1, 2004.

Should ESA decide to order the Norwegian government to recover the asserted state aid, the decision may be appealed to the EFTA Court. Hydro intends to oppose vigorously, and believes that the Norwegian government will also vigorously oppose, an unfavorable decision related to the past and will make use of all remedies available, both on the EFTA and the national level. Although no assurances can be provided as to the ultimate outcome of this matter, Hydro s management does not believe that the resolution of this matter will have a material adverse effect on Hydro s results of operations or financial position.

Other Proceedings

In the ordinary course of its business, Hydro is a party or subject to legal proceedings, including various claims and governmental actions other than that described above. Hydro s management believes that the resolution of these proceedings, claims and actions will not have a material effect on its financial condition, results of operations, liquidity or competitive position.

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HYDRO

SELECTED CONSOLIDATED FINANCIAL DATA

Hydro Before Demerger

Condensed Consolidated Statements of Income

NOK million, except per share information	Nine months ended [1] 30.09.2003	30.09.2002	2002	Year ended 2001	2000
Operating revenues	127,249	123,033	167,040	152,999	156,467
Depreciation, depletion and amortization	11,079	10,206	13,912	12,273	12,538
Other operating costs	99,049	98,992	133,297	118,681	115,409
Restructuring costs		(10)	(10)	962	54
Operating income	**17,121**	**13,845**	**19,841**	**21,083**	**28,466**
Equity in net income of non-consolidated investees	850	(451)	33	566	672
Interest income and other financial income	1,118	1,084	1,418	2,847	1,747
Other income/(loss), net	(1,702)	219	219	578	3,161
Earnings before interest expense and tax (EBIT)	17,387	14,697	21,511	25,074	34,046
Interest expense and foreign exchange gain/(loss)	(1,288)	294	517	(3,609)	(3,905)
Income before tax and minority interest	16,099	14,991	22,028	21,465	30,141
Income tax expense	(9,301)	(9,549)	(13,278)	(13,750)	(16,178)
Minority interest	124	43	15	177	18
Income before cumulative effect of change in accounting principle	6,922	5,485	8,765	7,892	13,981
Cumulative effect of change in accounting principle	281				
Net income	**7,203**	**5,485**	**8,765**	**7,892**	**13,981**
Earnings per share before change in accounting principles	26.80	21.30	34.00	30.50	53.40
Earnings per share	27.90	21.30	34.00	30.50	53.40
Dividends per share			10.50	10.00	9.50

Average number of outstanding shares	257,803,672	257,745,113	257,799,411	258,434,202	261,620,982

(1) Interim figures are unaudited

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Hydro Before Demerger

Condensed Consolidated Balance Sheets

NOK million, except per share information	30.09.2003 (1)	30.09.2002 (1)	31.12.2002	31.12.2001	31.12.2000
Assets					
Cash and cash equivalents	16,461	10,571	5,965	27,148	21,766
Other liquid assets	1,742	1,956	2,647	2,421	2,491
Receivables	41,299	39,643	40,553	34,961	38,800
Inventories	16,876	17,238	17,232	15,793	18,738
Total current assets	**76,378**	**69,408**	**66,397**	**80,323**	**81,795**
Property, plant and equipment, less accumulated depreciation, depletion and amortization	114,273	111,311	112,342	95,277	95,025
Other non-current assets	29,572	28,327	28,472	22,322	19,534
Total non-current assets	**143,845**	**139,638**	**140,814**	**117,599**	**114,559**
Total assets	**220,223**	**209,046**	**207,211**	**197,922**	**196,354**
Liabilities and shareholders equity					
Bank loans and other interest bearing short-term debt	5,994	8,048	7,306	8,458	9,088
Current portion of long-term debt	1,192	2,062	1,958	1,966	2,209
Other current liabilities	46,663	40,604	38,593	32,569	33,429
Total current liabilities	**53,849**	**50,714**	**47,857**	**42,993**	**44,726**
Long-term debt	29,423	33,247	30,902	37,853	40,174
Other long-term liabilities	17,333	14,325	14,633	10,127	7,421
Deferred tax liabilities	34,299	35,254	36,809	31,105	31,387
Total long-term liabilities	**81,055**	**82,826**	**82,344**	**79,085**	**78,982**
Minority shareholders interest in consolidated subsidiaries	**669**	**1,175**	**1,143**	**1,051**	**1,419**
Shareholders equity	**84,650**	**74,331**	**75,867**	**74,793**	**71,227**
Total liabilities and shareholders equity	**220,223**	**209,046**	**207,211**	**197,922**	**196,354**
Shareholders equity per share	329.70	288.10	294.10	290.30	274.00
Total number of outstanding shares	256,712,000	257,960,532	257,960,532	257,634,172	259,986,070

(1) Interim figures are unaudited

Hydro Before Demerger

Condensed Consolidated Statements of Cash Flows

NOK million	Nine months ended 1) 30.09.2003	30.09.2002	Year ended 2002	2001	2000
Net cash provided by operating activities	23,224	19,784	21,785	26,172	25,626
Net cash used in investing activities	(5,674)	(30,155)	(36,446)	(14,681)	(3,630)
Net cash used in financing activities	(7,626)	(5,716)	(5,995)	(5,990)	(8,129)
Foreign currency effects on cash flows	572	(490)	(527)	(119)	464
Net increase (decrease) in cash and cash equivalents	10,496	(16,577)	(21,183)	5,382	14,331
Cash and cash equivalents at beginning of period	5,965	27,148	27,148	21,766	7,435
Cash and cash equivalents at end of period	16,461	10,571	5,965	27,148	21,766

(1) Interim figures are unaudited

Please see the notes to the Financial Statements included in Part V of this Information Memorandum.

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HYDRO

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Financial Review

Nine Months Ended September 30, 2003 and 2002, and Year Ended December 31, 2002

Consolidated Income Statements (U.S. GAAP)

	Nine Months Ended September 30, [3]		Year Ended December 31,
NOK Million, except per share information	**2003**	**2002**	**2002**
Operating revenues	127,249	123,033	167,040
Operating income	**17,121**	**13,845**	**19,841**
Non-consolidated investees	850	(451)	33
Interest income and other financial income	1,118	1,084	1,418
Other income/(loss), net	(1,702)	219	219
Earnings before interest expense and taxes (EBIT)	17,387	14,697	21,511
Interest expense and foreign exchange gain/(loss)	(1,288)	294	517
Income before taxes and minority interest	16,099	14,991	22,028
Income tax expense	(9,301)	(9,549)	(13,278)
Minority interest	124	43	15
Income before cumulative effect of change in accounting principle	6,922	5,485	8,765
Cumulative effect of change in accounting principle	281		
Net income	**7,203**	**5,485**	**8,765**
Earnings per share before change in accounting principle (NOK)	26.80	21.30	34.00
Earning per share (NOK)	27.90	21.30	34.00

Financial data

EBITDA [1] NOK million	30,855	25,203	35,658
Investments million	13,713	39,767	45,716
Net interest-bearing debt/equity [2]	0.24	0.43	0.44

[1] Earnings before interest, tax, depreciation and amortization.
[2] Net interest-bearing debt divided by shareholders equity plus minority interest.
[3] Unaudited

Summary of Key Developments

Hydro s net income was NOK 7,203 million (NOK 27.90 per share) for the first nine months of 2003, compared to NOK 5,485 million (NOK 21.30 per share) in the same period of the previous year. Operating income in the first nine months of 2003 amounted to NOK 17,121 million, an increase of approximately 24% compared to the corresponding period in 2002.

Higher oil and gas production, together with lower oil and gas exploration costs, were the main factors contributing to the improved operating results. Hydro expects considerably higher oil and gas production in the fourth quarter of 2003, with total production estimated at 520,000 barrels of oil equivalent per day (boed) for the year as a whole, and 560,000 boed for the fourth quarter. Exploration costs charged to expense in the first nine months of 2003 amounted to NOK 1,109 million, compared to NOK 2,992 million in the comparable period of 2002.

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Hydro Aluminium s operating income was lower for the first nine months of 2003, reflecting negative currency effects on the price of primary aluminium, together with a continued weakness in downstream markets. However, Hydro Aluminium s cost improvement programs continue with strong focus and remain on target.

Hydro Agri s results reflect stronger markets for most fertilizer products, offset, however, by high energy prices and negative currency effects relating to the weak U.S. dollar.

Operating income for Hydro Oil and Energy increased approximately 43% for the first nine months of 2003 compared to the same period in the previous year. The improvement resulted from increased production, as well as substantially lower exploration costs charged to expense compared to the same period of the prior year. Oil and gas production for the first nine months averaged 508,000 boed, an increase of about 10% compared to the corresponding period of the prior year. Higher average production and increased regularity of production contributed to a reduction of costs per barrel of 3.9% for the first nine months of 2003 compared to the same period of the prior year. The Hydro-operated Grane development project came on stream ahead of schedule and below initial investment estimates. Fram Vest started production at the beginning of October, as planned.

Hydro Aluminium s operating income for the first nine months of 2003 increased 19% largely as a result of the inclusion of VAW for the entire period (VAW was acquired as of March 15, 2002), as well as a lower level of infrequent and restructuring charges. Excluding new businesses acquired and infrequent items, Hydro Aluminum s operating income declined approximately NOK 550 million, reflecting a substantial fall in margins due to the weakening U.S. dollar. Negative effects were partly offset by higher sales volumes, improved product premiums, price and currency hedges and better trading results. Primary aluminium production volumes increased as a result of the completion of approximately 70% of the ongoing expansion at Hydro Aluminium s smelter in Sunndal. A decision to participate in an expansion of Alunorte, a low-cost alumina refinery located in Brazil, will secure additional supply of raw materials for Hydro Aluminium s smelters.

Hydro Agri s operating income declined somewhat in the first nine months of 2003 compared to the corresponding period of the prior year. Positive price effects were offset by negative currency effects and higher energy costs.

Other Activities generated an operating loss of NOK 424 million in the first nine months of 2003, compared to an operating loss of NOK 7 million in the corresponding period of 2002. Results for Treka were strongly influenced by the troubled salmon farming market, resulting in increased reserves for bad debts and a write-down of goodwill.

Corporate Activities and Eliminations generated an operating loss of NOK 1,244 million for the first nine months of 2003, compared to a loss of NOK 177 million in the same period of the prior year. The increase in the operating loss primarily relates to increased pension costs, including a charge of approximately NOK 230 million relating to a settlement loss incurred in connection with a reduction in the number of participants in certain pension plans in Norway. The increase in the operating loss also reflects increased pension obligations and a reduction in plan assets during 2002. The operating loss also includes NOK 129 million relating to the elimination of an unrealized gain on power purchase contracts included in Hydro Energy.

Hydro Energy is responsible for ensuring the supply of electricity for Hydro s own consumption and has entered into power purchase contracts in the market and sales contracts with other units in the Hydro Group. These contracts are recognized at market value in Hydro Energy. For other Hydro units, the internal purchase contracts are regarded as normal purchase contracts and are not recognized at market value. During the first nine months of 2003, the estimated market value of the internal power contracts declined due to a decrease in electricity forward prices. This resulted in an unrealized gain to Hydro Energy, which offset unrealized losses on external contracts. As mentioned above, elimination of this

unrealized gain in Hydro Energy contributed NOK 129 million to the operating loss in Corporate and Eliminations. The contracts have a duration of up to ten years and can result in significant unrealized gains and losses, affecting future earnings, depending on developments in the electricity markets (forward prices) and changes in the contract portfolio.

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Earnings from non-consolidated investees amounted to NOK 850 million for the first nine months of 2003, compared to a loss of NOK 451 million in the prior year period. The increase was strongly influenced by currency effects relating to the U.S. dollar-denominated loan in Alunorte, as well as improvements of approximately NOK 380 million relating to non-consolidated investees of Hydro Agri as a result of higher fertilizer prices.

Other income/(loss) amounted to a loss of NOK 1,702 million for the first nine months of 2003, compared to income of NOK 219 million in the prior year period. In June 2003, the Norwegian tax regulations relating to the removal costs for oil and gas installations on the NCS were amended. Under prior 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 to other income of NOK 2,207 million in the second quarter of 2003, representing the estimated value of existing grants. At the same time, a deferred tax asset representing the value of the new tax deductions (calculated at 78% of the accrued asset removal obligation) was included as a reduction to the tax provision for the second quarter of 2003 in the amount of NOK 2,380 million. The net non-recurring effect of the change in regulations amounted to NOK 173 million.

EBITDA for the first nine months of 2003 was NOK 30,855 million, compared to NOK 25,203 million in the corresponding period of the prior year.

Net financial expense for the first nine months of 2003 amounted to NOK 170 million, compared to net financial income of NOK 1,378 million in the corresponding period of 2002, including net currency gains of NOK 324 million and NOK 2,405 million, respectively. The currency gains resulted mainly from the effect of the declining U.S. dollar on Hydro s U.S. dollar-denominated loans. However, movements in other currencies, including the euro, have also affected the results.

The provision for current and deferred taxes for the first nine months of 2003 amounted to NOK 9,301 million, compared to NOK 9,549 million in the corresponding period of the prior year. The tax provision represented approximately 58% of pre-tax income for the first nine months of 2003, compared to approximately 64% in the corresponding period of the prior year. The tax provision consists primarily of current taxes.

The tax percentage for the first nine months of 2003 was significantly influenced by the effect of changes in the Norwegian tax regulations relating to the costs of removing oil and gas installations from the NCS. Pre-tax income for the first nine months of 2003 included a negative non-recurring effect of NOK 2,207 million, while the tax expense included a positive non-recurring effect of NOK 2,380 million relating to the new regulations.

In the tax assessment for 2001, Norsk Hydro ASA was disallowed a deduction of NOK 496 million in connection with a tax-related loss on a receivable in connection with a subsidiary company in the United Kingdom during the period of 1982 to 1988. However, the loss was approved for tax deduction by the Norwegian Tax Appeal Board on June 2, 2003, a decision that is now final, and this affected the tax expense positively by NOK 139 million.

Adjusted for the effects described above, the tax provision represented 65% of pre-tax income for the first nine months of 2003. The tax rate reflects the marginal tax rate of 78% on oil and gas activities in Norway, which accounted for a relatively large part of Hydro s earnings in the first nine months of 2003.

Non-GAAP Measures of Financial Performance

In the discussion on operating results, Hydro refers to certain non-GAAP financial measures, including EBITDA and operating income excluding infrequent or non recurring items. Hydro s management makes regular use of these measures to evaluate its performance, both in absolute terms and comparatively from period to period. These measures are viewed by management as providing a

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better understanding for management and investors of the underlying operating results of Hydro s business segments for the period under evaluation. Hydro manages long-term debt and taxes on a Hydro Group basis. Therefore, net income is discussed only for the Hydro Group as a whole.

Hydro s steering model, referred to as Value-Based Management, reflects management s focus on cash flow-based performance indicators. EBITDA, which Hydro defines as income/(loss) before tax, interest expense, depreciation, amortization and write-downs, is 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 (loss), net in the income statement. The definition of EBITDA excludes depreciation, write-downs and amortization, as well as amortization of excess values in non-consolidated investee companies. Hydro s definition of EBITDA may differ from that of other companies.

EBITDA should not be considered as an alternative to operating income and income before taxes as an indicator of Hydro s operating results in accordance with generally accepted accounting principles. Nor is EBITDA an alternative to cash flow from operating activities in accordance with generally accepted accounting principles.

A reconciliation of operating income to EBITDA for Hydro s business areas is presented in the table below.

Operating Income EBIT EBITDA for the Nine Months Ended September 30, 2003

NOK million	Operating Income/(Loss)	Non-cons. Investees	Interest Income	Selected Financial Income	Other Income	EBIT	Depr. and Amort.	EBITDA
Exploration and Production	**13,168**	16	23	5		**13,212**	6,600	**19,812**
Energy and Oil Marketing	**2,001**	62	23	(12)	326	**2,400**	495	**2,895**
Eliminations	**(20)**					**(20)**		**(20)**
Hydro Oil and Energy	**15,149**	78	46	(7)	326	**15,592**	7,095	**22,687**
Metals	**1,685**	324	3	22		**2,034**	1,128	**3,162**
Rolled Products	**71**	1	4	1		**78**	489	**567**
Extrusion and Automotive	**38**	33	14	(5)		**80**	926	**1,006**
Other and eliminations	**(47)**					**(47)**	1	**(46)**
Hydro Aluminium	**1,747**	358	22	18		**2,145**	2,544	**4,689**
Hydro Agri	**1,893**	363	147	(4)		**2,399**	865	**3,264**
Other activities	**(424)**	53	98	171	162	**60**	748	**808**
Corporate and eliminations	**(1,244)**	(2)	591	36	(2,190)	**(2,809)**	2,216[(1)]	**(593)**

Total	**17,121**	850	904	214	(1,702)	**17,387**	13,468	**30,855**

(1) Includes non-cash charge relating to an expected grant by the Norwegian State pertaining to an asset retirement obligation of NOK 2,207 million.

Cash flow

Hydro has historically financed its operations primarily through cash generated by operating activities. For the first nine months of 2003, net cash generated by Hydro s operations was approximately NOK 23,224 million, compared to NOK 19,784 million in the prior year. The increase resulted primarily from higher earnings.

Net cash used in investing activities for the first nine months of 2003 amounted to NOK 5,674 million, compared to NOK 30,155 million in the corresponding period of 2002. The decrease reflects the substantial investments made in 2002, including VAW and Technal, as well as the purchase of SDFI assets from the Norwegian State. Higher proceeds from sales of short- and long-term investments during the first nine months of 2003 compared to the prior year also contributed to the decline.

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Hydro s cash and cash equivalents position as of September 30, 2003, was NOK 16,461 million, compared to NOK 5,965 million at year-end 2002. Hydro anticipates that cash from operations, its cash holdings and short-term credit facilities will be sufficient to meet its planned capital expenditures and operational requirements.

Interest-Bearing Debt

As of September 30, 2003, Hydro s net interest-bearing debt was approximately NOK 20.1 billion, compared to NOK 34.2 billion at year-end 2002. The reduction in interest-bearing debt reflects high cash generation from operating activities, as well as divestments. However, a tax payment of approximately NOK 7 billion was due as of October 1, 2003.

During the first nine months of 2003, Hydro repaid maturing long-term debt of NOK 1.7 billion (GPB 100 million and NOK 500 million), and made extraordinary payments of the long-term mortgage debt of some subsidiaries in the amount of NOK 1.4 billion (U.S.$195 million). As of September 30, 2003, the fair value of Hydro s long-term debt, including the current portion, was approximately NOK 35.0 billion, and the carrying value was approximately NOK 30.6 billion.

The following tables give a break-down of Hydro s long-term debt as of year-end 2002. No new borrowings have taken place in 2003, and there is consequently no significant change in long-term debt since year-end 2002, except for the repayments specified above.

NOK million	Weighted Average Interest Rate	Denominated Amount 2002	Balance in 2002
U.S.$	7.4%	2,935	20,390
NOK	6.9%	2,180	2,180
GBP	7.5%	325	3,641
Euro	6.3%	400	2,915
Other			17
Total unsecured debenture bonds			29,143
U.S.$	6.1%	11	81
SEK	5.5%	1,000	795
Euro	3.5%	61	479
Other			142
Total unsecured bank loans			1,497
Capital lease obligations			122
Mortgage loans			1,400
Other long-term debt			698
Outstanding debt			32,860
Less current portion			(1,958)
Total long-term debt			30,902

Payments on long-term debt fall due as follows:

NOK million	Debentures	Bank Loans	Capital Lease and Other	Total
2003	1,720	124	114	1,958
2004	1,025	45	197	1,267
2005	500	443	1,597	2,540
2006	504	40	120	664
2007	4	423	51	478
Thereafter	25,390	422	141	25,953
Total	29,143[1]	1,497[2]	2,220	32,860

(1) Of which Norsk Hydro ASA is responsible for NOK 29,009 million.
(2) Of which Norsk Hydro ASA is responsible for NOK 1,218 million.

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As can be seen in the above tables, approximately two-thirds of Hydro s long-term debt as of year-end 2002 was denominated in U.S. dollars. Substantially all of Hydro s long-term debt carries fixed interest rates, and the weighted average interest rate on all long-term debt was 7.2% at year-end 2002. The average maturity of Hydro s outstanding long-term debt was approximately 14 years, with about 21% of the long-term debt falling due within the next five years and the remainder thereafter. Following the Demerger, Hydro may consider some adjustments to its debt portfolio through extraordinary repayments or repurchases of parts of the outstanding loans.

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 Norsk Hydro ASA or in which Norsk Hydro ASA owns more than 50% of the issued share capital, (ii) the gross assets of which represent more than 10% of the consolidated gross assets of Norsk Hydro ASA 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 a certain level (e.g., U.S.$ 25 million).

Substantially all of Hydro s debt is unsecured. However, the debt 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 gives the lenders a right to accelerate the loan and demand repayment prior to its scheduled maturity. However, certain of the agreements allow for Hydro s early redemption or repayment of the outstanding principal amounts and specified premiums above such amounts, plus accrued and unpaid interest.

As of September 30, 2003, Hydro had unused short-term credit facilities totalling approximately NOK 2.8 billion. Hydro also has agreements for long-term stand-by credit facilities totalling approximately U.S.$2 billion. There were no borrowings under these agreements as of September 30, 2003. Hydro also has in place a shelf registration in the United States under which it may raise up to an aggregate of U.S.$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.

Investments

Total investments for the first nine months of 2003 amounted to approximately NOK 13.7 billion. Approximately NOK 8.8 billion of this amount related to new and existing oil and gas fields, of which Grane was the most significant.

Hydro Oil and Energy s investments included a non-cash effect of approximately NOK 1.9 billion, reflecting Hydro s adoption of U.S. Financial Accounting Standards Board SFAS No. 143, Accounting for Asset Retirement Obligations, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. This standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal use of the asset.

Hydro Aluminium invested approximately NOK 3.6 billion in the first nine months of 2003. The most important project for Hydro Aluminium during this period was the continued expansion of the Sunndal plant.

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HYDRO OIL AND ENERGY

Operating Income/(Loss)

NOK million	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002
Exploration and Production	13,168	8,660	13,137
Energy and Oil Marketing	2,001	1,903	2,784
Elimination	(20)		26
Total	15,149	10,563	15,947

EBITDA

NOK million	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002
Exploration and Production	19,812	14,864	21,593
Energy and Oil Marketing	2,895	2,589	3,721
Elimination	(20)		26
Total	22,687	17,453	25,340

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002
Oil and gas production (thousands of boed)	508	460	480
Oil price (U.S.$/bbl)	28.60	24.30	24.70
Oil price (NOK/bbl)	203.60	197.60	194.20
Realized average exchange rate (NOK/U.S.$)	7.13	8.13	7.88
Gas price (NOK/Sm^3)	1.01	0.95	0.95

Exploration expense (NOK million)	1,109	2,992	3,558

Operating income for Oil and Energy in the first nine months of 2003 was NOK 15,149 million, around 43% higher than in the same period of the prior year. EBITDA for Oil and Energy in the first nine months of 2003 was NOK 22,687 million, around 30% higher than in the same period of the prior year. The main factors contributing to the increase in operating income and EBITDA were the increase in oil and gas production, the reduction in exploration expense, and higher oil and gas prices.

The average realized oil price was NOK 204 (U.S.$28.6) per barrel during the first nine months of 2003, compared to NOK 197 (U.S.$24.3) in the same period of 2002.

Hydro realized an average gas price for the first nine months of 2003 of NOK 1.01 per Sm^3, compared to the average realized gas price of NOK 0.95 per Sm^3 in the corresponding period of the prior year. The increase reflects the increase in oil product prices. Gas prices under long-term contracts primarily follow oil product prices with a time lag.

Nordic electricity prices remained high at the end of September 2003 as a result of lower than normal reservoir levels due to the exceptionally low precipitation and the increased consumption of electricity during the winter of 2002/2003, which was characterized by relatively cold weather. Average spot prices of electricity for the first nine months of 2003 increased to NOK 0.296 per kWh compared to NOK 0.146 per kWh in the same period of the prior year. Forward prices for deliveries of electricity up to 2006 increased slightly during the third quarter of 2003. Water reservoir levels in Norway and Sweden rose during the third quarter of 2003, but remained around 15% lower than normal.

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Overall exploration activities for 2003, with a planned expenditure of NOK 1.9 billion by year-end, are expected to be somewhat lower than planned.

Hydro has signed an agreement for the sale of its 25% ownership interest in the Scanraff oil refinery in Sweden. The sale is expected to be concluded in the fourth quarter of 2003, pending satisfaction of conditions to closing, including the obtaining of necessary government approvals. Upon completion, the disposal of Scanraff will result in a tax-free gain estimated at approximately NOK 600 million.

In the fourth quarter of 2003, oil and gas production is expected to reach approximately 560,000 boed as a result of the start-up of new fields, fewer planned maintenance shutdowns and normal seasonal variations in gas consumption. On the basis of developments in 2003 and prospects for the rest of the year, Hydro s 2003 production target has been raised from 510,000 boed to 520,000 boed.

EXPLORATION AND PRODUCTION

Operating income for Exploration and Production in the first nine months of 2003 was NOK 13,168 million, an increase of NOK 4,508 million, or 52%, compared to the same period of the prior year. Exploration and Production s EBITDA for the first nine months of 2003 was NOK 19,812 million, up NOK 4,948 million, or 33%, from the prior year. The main contributors to the increase in operating income and EBITDA were the increase in oil and gas production, reduced exploration expense and higher oil and gas prices.

Production of oil and gas for the first nine months of 2003 was up approximately 10.4% compared to the same period of 2002. The effect of the increased production on operating revenues and operating income was positively affected by the higher oil prices, stated in U.S. dollars, but the appreciation of the Norwegian kroner against the U.S. dollar neutralized a large part of the higher price of crude oil.

Exploration and Production s average total production of oil and gas for the first nine months of 2003 was 508,000 boed, compared to 460,000 boed in the same period of 2002. Through the first nine months of 2003, oil production accounted for 75% of total production, down from 78% in the same period of 2002. Gas production increased to a total of 5.6 billion Sm^3 for the first nine months of 2003, compared to 4.4 billion Sm^3 in the same period of the prior year.

In the first nine months of 2003, Hydro experienced strong production growth from both Norwegian and international oil and gas fields. Production from Norwegian fields increased as result of the purchase of SDFI assets, and increased production from the Tune, Snorre B and Åsgard fields. The Grane field commenced production on September 23, 2003, three weeks ahead of schedule. Outside the NCS, increased production came from the Girassol field in Angola and the Terra Nova and Hibernia fields in Canada.

International production accounted for 11% of total oil and gas production, up from 10% in the same period of 2002. Maintenance stops in the first nine months of 2003 caused production losses (or delayed production) of approximately 15,000 boed, compared to approximately 11,000 boed in the same period of 2002.

Cost (i.e., field production cost, depreciation and accruals for abandonment, net tariffs and other income/costs, but excluding exploration costs) per produced barrel for the first nine months of 2003 of NOK 78.8 represented a reduction of 3.9% compared to the same period of 2002, mainly due to increased production and higher regularity.

Hydro s total exploration expense amounted to NOK 1,109 million for the first nine months of 2003, compared to NOK 2,992 million in the same period of 2002. The decrease is partially attributable to the planned lower exploration activity level in 2003 compared to the prior year, and the

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expensing of previously capitalized costs of exploration wells and acquisition costs in 2002. In the first nine months of 2003, a major part (80%) of Hydro s exploration activity was outside the NCS, mainly in Angola, Canada, Iran and the Gulf of Mexico.

Of 12 exploration wells that were completed through the first nine months of 2003, three proved successful. Discoveries were made in the Gulf of Mexico (Lorien) and Norway (Klegg and Ringhorne Øst).

On October 1, 2003, Hydro submitted an application for eight licenses in the North Sea in the first round of the Norwegian Oil Directorate s distribution of previously defined areas.

The Grane and Fram Vest development projects, operated by Hydro, have made good progress throughout the development period. As noted above, Grane came on stream on September 23. Fram Vest started production at the beginning of October, as planned. Development costs for the Grane project were around NOK 1.5 billion lower than initial estimates. Hydro s share of the Grane field is 38%. The Grane field contains oil of a different quality than is found in the rest of the Norwegian sector. It is anticipated that oil from Grane will be sold at a lower price than standard quality Norwegian oil. However, the price level during the start-up phase is uncertain, which is normal when introducing a new grade of oil. The Fram Vest development costs were NOK 600 million below initial estimates. Hydro has a 25% ownership interest in this field. The Mikkel field, in which Hydro has a 10% interest, started production in line with plans on October 1, 2003.

The Norwegian and British authorities have agreed on the main principles for a treaty relating to new pipelines between the two countries. New pipelines would make it possible to ship gas from the Ormen Lange field to the United Kingdom. The PDO for Ormen Lange is expected to be submitted, as planned, in the fourth quarter of 2003.

An agreement with the Russian oil company, Lukoil, on the transfer of a 25% interest in Hydro s exploration contract in the Anaran block in Iran was approved by the Iranian authorities in the third quarter of 2003. This transfer is reflected in the financial statements with a corresponding reduction in capitalized exploration costs. Following the sale, Hydro retains a 75% share in the Anaran contract.

An agreement signed with Gaz de France regarding the sale of Hydro s interest in the Gjøa field is expected to be approved in 2004. The sale is expected to result in a tax-free gain of NOK 250 million, which will be reflected in the financial statements when the final official approval of the sale has been received.

ENERGY AND OIL MARKETING

Energy and Oil Marketing s operating income for the first nine months of 2003 was NOK 2,001 million, an increase of 5% compared to the same period of the prior year. EBITDA for the first nine months of 2003 was NOK 2,895 million, representing an increase of 12% compared with the same period of the prior year. A transfer of ownership interests in Sundsfjord Kraft ANS in return for 20.2% of the shares in SKS Produksjon AS during the second quarter of 2003 resulted in a gain of NOK 326 million, affecting EBITDA.

Operating income from power activities was NOK 526 million in the first nine months of 2003, a decrease of approximately 23% compared to the same period in 2002. Power production in the first nine months of 2003 was 5.5 TWh, compared with 7.8 TWh in the same period of the prior year, a reduction of 29%. Water reservoir levels in Norway and Sweden rose during the second and third quarters of 2003, but remained around 15% lower than normal at the end of September 2003.

Operating income for oil trading and refining activities was NOK 325 million for first nine months of 2003, an increase of 27% from the previous year. Lower results from crude oil trading were offset by improved results from refining, shipping and other trading activities.
Operating income

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derived by refining operations was NOK 145 million for the first nine months of 2003, a decline of NOK 67 million (approximately 32%) compared to the same period of the prior year. The average refining margin for the first nine months of 2003 was U.S.$4.20 per barrel, approximately 80% higher than in the same period of 2002. Operating income for the first nine months of 2003 included an inventory loss of approximately NOK 90 million.

Other oil trading and refining activities, consisting of crude oil trading and gas liquids trading and shipping, generated operating income in the first nine months of 2003 of NOK 180 million, an increase of NOK 136 million compared to the same period in 2002.

Operating income from gas activities in the first nine months of 2003 increased by NOK 304 million compared to the same period of the prior year. Approximately NOK 96 million of the increase was attributable to gas sourcing and marketing activities, while the remainder related to income from gas infrastructure activities. The stronger results from gas infrastructure activities were mainly due to higher tariff income from increased throughput, and lower depreciation charges following the extension of license periods for a number of gas pipelines at the time Gassled was established in January 2003. In the third quarter of 2003, Hydro signed an agreement with A.P. Møller-Mærsk A/S, a Danish company, for the purchase of 0.66 bcm of gas per year during the period of 2005 to 2009.

Operating income/(loss) for the oil marketing activities in the first nine months of 2003 was NOK (24) million, compared to income of NOK 80 million in the same period in 2002. The decrease reflects lower margins and high inventory losses. In the first nine months of 2003, the inventory loss amounted to NOK 30 million, compared to a NOK 59 million gain in the same period of the prior year.

Hydro s share of net income, included in the EBITDA of Energy and Oil Marketing, from Hydro Texaco was NOK 103 million for the first nine months of 2003, up NOK 25 million from the same period of the prior year.

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HYDRO ALUMINIUM

Operating Income/(Loss)

NOK million	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002
Metals	1,685	1,265	1,690
Rolled Products	71	(108)	(295)
Extrusion and Automotive	38	43	14
Other and eliminations [1]	(47)	268	289
Total	1,747	1,468	1,698

EBITDA

NOK million	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002
Metals	3,162	1,739	2,703
Rolled Products	567	211	258
Extrusion and Automotive	1,006	799	1,084
Other and eliminations	(46)	269	289
Total	4,689	3,018	4,334

	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002[2]	Year Ended December 31, 2002
Realized aluminium price LME (U.S.$/tonne)	1,424	1,378	1,372
U.S.$/NOK, realized [3]	7.30	8.45	8.21
Primary production (thousand of tonnes)	1,084	775	1,253

(1) Includes unrealized gains and losses on LME contracts. The effects of these contracts are included in the results for the segment when realized.
(2) Revised figures include realized hedges.
(3) Difference between realized exchange rate and spot rate at the date of transaction is reported as currency gain/(loss) (excluding hedge accounting contracts) and not included in EBITDA.

Hydro Aluminium s operating income for the first nine months of 2003 was NOK 1,747 million, compared to NOK 1,468 million in the corresponding period of the prior year. The increase was mainly due to the inclusion of VAW for the entire first quarter of 2003 and lower infrequent items compared to the first nine months of the prior year. Excluding new business and infrequent items, operating income declined approximately NOK 550 million.

Lower results were mainly because of a substantial fall in margins reflecting an 11% decline in realized aluminium prices, measured in NOK. Positive results relating to improvement programs were offset by higher costs resulting from the ramp-up of new activities and negative currency effects related to the appreciated euro. Hydro Aluminium increased primary metal sales volumes as a result of new production capacity and increased automotive volumes resulting from new contracts. Depreciation increased mainly due to new production capacity. Operating income benefited from much stronger results relating to trading activities (principally because of currency effects) and the contribution from strategic hedging.

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Overall Western World shipments of primary metal increased an estimated 3% for the first nine months of 2003 compared to the same period of the prior year, while reported inventories increased by about 40,000 tonnes from year-end 2002. The average market price for aluminium (LME 3-month average) was U.S.$1,397 per tonne for the first nine months of 2003. This was about 2% higher than in the corresponding period of 2002.

Stagnating demand and weak market conditions affected nearly all of Extrusion and Automotive s products in the first nine months of 2003, resulting in pressure on volumes and margins compared with the corresponding period of the prior year. Light vehicle sales in Europe and the United States declined by just over 2% on a year-to-date basis from 2002. During the first nine months of 2003, the European market for Rolled Products increased slightly compared with the same period of the prior year, while consumption in North America was flat with some positive signs late in the third quarter. The weaker U.S. dollar has put producers outside the United States at a disadvantage.

Improvement programs initiated by Hydro Aluminium in 2001 and 2002 remained on target. The overall goal of the programs is to achieve an improvement in operating results, including reductions of annual costs, of NOK 2.5 billion with full effect in 2004 compared to the cost level of the combined VAW and Hydro Aluminium businesses in 2001. Related savings were about NOK 920 million for the first nine months of 2003. Aggregate savings compared to 2001 amounted to approximately NOK 1.9 billion as of the end of the third quarter of 2003.

EBITDA for the first nine months of 2003 was NOK 4,689 million, an increase of NOK 1,671 million compared to the same period of the prior year. EBITDA was influenced by an unrealized currency gain of NOK 208 million in 2003 relating to the revaluation of U.S. dollar-denominated debt held by Hydro s non-consolidated investee, Alunorte, located in Brazil. Corresponding unrealized currency losses were NOK 626 million in the first nine months of 2002. Excluding new business, infrequent items and the currency effects related to Alunorte, EBITDA declined by NOK 289 million in the first nine months of 2003 compared to the same period of 2002.

In order to illustrate more clearly Hydro Aluminium s underlying performance, in the discussion below operating income has been adjusted for certain items referred to as infrequent items.

Net infrequent charges[1] (including restructuring charges) affecting operating income for the first nine months of 2003 were NOK 125 million, compared to charges NOK 667 million for the corresponding period of 2002.[2]

[1] The infrequent items for the first nine months of 2003 were NOK 140 million related to the loan loss provision on a subordinated loan provided to Goldendale Aluminium Inc., demanning and rationalization costs of approximately NOK 62 million, the reversal of an environmental accrual of NOK 59 million and a one-time gain of NOK 18 million on realigning the North American benefit plan to be closer to common industry practice. Infrequent charges split by sub-segment for the first nine months of 2003 were: Metals, a gain of NOK 19 million; Rolled Products, a charge of NOK 34 million; and Extrusion and Automotive, a charge of NOK 110 million.

[2] Infrequent charges (including restructuring charges) for 2002 mainly related to manning reductions in connection with the improvement programs, an extrusion plant closure 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 by NOK 10 million. Infrequent charges split by sub-segment for the first nine months of 2002 were: Metals, NOK 272 million; Rolled Products, NOK 235 million; and Extrusion and Automotive, NOK160 million

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METALS

For the first nine months of 2003, operating income was NOK 1,685 million, compared to NOK 1,265 million in the corresponding period of the prior year. Excluding VAW activities for the first quarter and infrequent items, operating income fell NOK 175 million. Lower net margins resulted in a reduction in operating income of approximately NOK 875 million. The effect of the lower realized NOK/U.S.$ exchange rate substantially exceeded the improvements in realized aluminium prices and product premiums over the LME price, measured in U.S. dollars. Other net operating improvements, including higher sales volumes, hedging and higher trading results increased operating income by approximately NOK 690 million.

Hydro realized an aluminium price of U.S.$1,424 per tonne for the first nine months of 2003 compared to U.S.$1,378 per tonne for the same period of 2002. The realized price includes the effect of hedges. Measured in Norwegian kroner, however, the realized aluminium price declined by approximately 11%. The average realized NOK/U.S.$ exchange rate was NOK 7.30 for the first nine months of 2003 (NOK 8.45 in the corresponding period of 2002), including hedges.

Realized effects of hedges, which consist of LME futures contracts and U.S. dollar forward contracts, positively affected the results by approximately NOK 405 million for the first nine months of 2003. Hedges related to Sunndal contributed NOK 237 million in the first nine months of 2003. For the first nine months of 2002, the effects of these hedges positively affected the results by NOK 114 million. LME futures contracts relating to Sunndal are spread evenly over the quarters while the amount of U.S. dollar forward contracts varies by quarter. Both the LME and currency hedges related to Sunndal are designated as a cash flow hedge against production. Changes in the fair value of the contracts are included in Other Comprehensive Income while the realized amounts are included in operating revenues. In addition, Metals economically hedges certain revenues in terms of LME prices with the purpose of locking in margins on such transactions. These positions, referred to as price or strategic hedges, do not qualify for hedge accounting. Realized amounts are included in revenues.

Volumes for Hydro Aluminium s primary metal increased 40% in the first nine months of 2003 compared to the same period of 2002. This mainly reflected the inclusion of VAW for the entire first quarter of 2003, as well as new capacity from Sunndal.

Fixed costs[1] for the first nine months of 2003 were approximately NOK 90 million higher than the corresponding period of the prior year, while depreciation increased by approximately NOK 150 million. Both were mainly due to the ramp-up of capacity at Sunndal.

Operating income from trading activities for the first nine months of 2003 increased by approximately NOK 400 million compared to the same period of the prior year, mainly due to the positive impact of a stronger euro/U.S.$ exchange rate and somewhat better alumina trading results.

EBITDA for Metals for the first nine months of 2003 was NOK 3,162 million, compared to NOK 1,739 million in the corresponding period of the prior year. Excluding VAW activities for the first quarter, infrequent items and currency effects for Alunorte, EBITDA declined approximately NOK 110 million.

Hydro Aluminium s brownfield expansion projects are all progressing according to plan and within budget. The expansion of the 50%-owned Søral primary aluminium plant was brought up to full capacity in the first quarter of 2003. The first expansion of the alumina refinery, Alunorte, in Brazil was completed in early April. Approximately 70% of the cells for the new lines at the aluminium plant in Sunndal, Norway, have now started up.

[1] Fixed costs exclude variable production inputs (such as raw materials and energy), depreciation and miscellaneous gains and losses on disposal of assets.

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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 Hydro Aluminium s annual primary aluminium production capacity by 72,000 tonnes. The affected 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 and communities involved is in process. However, the expansion of the primary metal plants at Sunndal and Søral during 2002-2004 will increase Hydro s annual primary aluminium production by approximately 185,000 tonnes per year.

An important strategic step for Hydro Aluminium in the third quarter of 2003 was the decision to participate in the second expansion of Alunorte, the low-cost alumina refinery located in Brazil. 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.

Hydro Aluminium s alumina balance was strengthened with a long-term supply contract with Comalco, entered into in June 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. This 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 and continuing 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.

ROLLED PRODUCTS

For the first nine months of 2003, operating income was NOK 71 million, compared to a loss of NOK 108 million in the same period of the prior year. Excluding infrequent items, operating income was NOK 105 million for the nine months of 2003, compared to NOK 127 million in the prior year period. Positive effects resulting from higher sales volumes in 2003 were offset by lower margins and higher costs. Costs were negatively affected by an accrual of NOK 31 million relating to a duty claim.

Difficult market conditions continued in the first nine months of 2003, with consumption volumes of flat rolled products at a somewhat higher level in Europe and unchanged in the United States compared to the corresponding period of the prior year. A weaker U.S.$/ exchange rate put pressure on export margins in Europe.

Rolled Products margins in the first nine months of 2003 were approximately NOK 40 million lower than in the same period of the prior year. U.S. currency exchange rate changes had a negative affect on margins. Inventory losses from falling metal prices were approximately NOK 150 million in the first nine months of both 2003 and 2002.

External shipments, on a pro forma basis, including comparable VAW figures, increased by approximately 9% to 681,000 tonnes, as Rolled Products activities increased market share.

The Holmestrand improvement program is proceeding according to plan. The goal of the program is to reduce annual fixed costs by approximately NOK 80 million. The program involves manning reductions of 80 persons, representing approximately 16% of the total work force, by the end of 2004. About 80% of the reductions were completed at the end of the third quarter of 2003.

For the first nine months of 2003, EBITDA was NOK 567 million, compared to NOK 211 million in the same period of the prior year. Excluding infrequent items, EBITDA was NOK 601 million, compared to NOK 446 million in the first nine months of 2002. The activities of the former VAW contributed to a positive variance to EBITDA of approximately NOK 112 million in the first nine months of 2003 compared to the same period of the prior year. VAW was consolidated from March 15, 2002.

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EXTRUSION AND AUTOMOTIVE

For the first nine months of 2003, operating income was NOK 38 million, compared to NOK 43 million in the corresponding period of the prior year. Excluding the variance relating to VAW and Technal in the first quarter of 2003 and infrequent items, operating income was NOK 156 million, compared to NOK 204 million in the corresponding period of the prior year. The positive effect of increased volumes was partly offset by higher total costs and depreciation expense. Higher volumes resulted from the ramp-up of new Automotive contracts. The increase in depreciation included a write-down of assets in the amount of NOK 63 million during the first nine months of 2003.

Market sentiment has deteriorated over the first nine months of 2003, and there is no expectation of an imminent recovery. Many customers have prepared to scale back production, and demand for most products has fallen. This has put pressure on prices and margins. Demand in the general extrusion market in Europe was stable or declining, and demand for many extruded products in North America weakened. For the construction industry, two major markets for Hydro Aluminium, Germany and Portugal, were weaker in the first nine months of 2003 than in the same period of the prior year. In the automotive industry, light vehicle sales were lower than in the first nine months of 2002 in both Europe and North America.

Hydro Aluminium Automotive strengthened its market position in the third quarter of 2003 by concluding an important agreement relating to the delivery of front and rear bumper beams for Audi s redesigned A4 model.

Margins for Extrusion operations in Europe in the first nine months of 2003 were at a slightly lower level, measured in euro, but reflected a positive variance when reported in NOK. Despite price pressure on North American operations, margins improved mainly because of lower freight costs and the start of new, efficient remelt operations. Higher margins in these business operations more than offset the impact of lower prices on some Automotive products, as well as somewhat higher costs due to the ramp-up of new product lines.

Total volumes increased compared to the first nine months of 2002 because of the ramp-up of shipments on new automotive contracts. This offset reduced volumes from other business activities. Slightly higher European extrusion shipments offset lower volumes for Hydro s Building Systems operations, which declined due to lower demand from the European construction industry. North American operations were also negatively affected by lower volumes in the first nine months of 2003 compared to the same period of the prior year.

Fixed costs in the first nine months of 2003 increased by approximately NOK 80 million. Measured in local currencies, sales and administration costs declined as a result of improvement programs; fixed costs were lower because of the closure of activities in 2002. However, total costs increased mainly due to currency effects resulting from reporting euro-denominated costs in NOK. In addition, a temporary reduction of production in the third quarter of 2003 resulted in increased costs for the first nine months of 2003.

Depreciation expense increased by nearly NOK 130 million, reflecting a write-down of NOK 63 million of obsolete assets in several operating units in Automotive and higher charges following the start-up of new production lines and remelt operations.

EBITDA for Extrusion and Automotive in the first nine months of 2003 was NOK 1,006 million, compared to NOK 799 million in the same period of the prior year. Excluding the VAW and Technal variance for the first quarter of 2003 and infrequent items, EBITDA increased by NOK 96 million for the first nine months of 2003.

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AGRI

NOK million	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002
Operating income	1,893	1,998	2,207
EBITDA	3,264	3,300	3,945

Hydro Agri s operating income for the first nine months of 2003 was NOK 1,893 million, NOK 105 million lower than in the corresponding period of the previous year. Positive price developments were more than offset by increased energy costs and the effect of the weakening of the U.S. dollar against European currencies.

The nitrogen fertilizer market improved significantly during the first nine months of 2003 compared to the corresponding period of the prior year. The average urea price (fob Middle East) during the first nine months of 2003 was U.S.$142 per tonne, an increase of 34% compared to the same period of the prior year. The urea price increase was supported by higher global consumption, continued production cutbacks in the United States due to high natural gas prices, and production stops because of production problems in Indonesia, Algeria, Venezuela and Alaska. Average ammonia prices reached U.S.$194 per tonne (fob Trinidad and Tobago) in the third quarter of 2003, a historically high level. The positive nitrogen price trend also affected European nitrate prices, which began the spring fertilizer season at a satisfactory level and continued to rise through the quarter.

Higher fertilizer prices, measured in U.S. dollars, improved operating income for the first nine months of 2003. However, the improvement was offset by higher natural gas and oil prices, and the negative currency effects of the weakening of the U.S. dollar against the Norwegian kroner and euro.

Hydro Agri s total sales volume declined approximately 3% in the first nine months of 2003 compared the same period in the previous year. The reduction reflected the exit from low-margin sales in the phosphate fertilizer market in connection with the divestment of Farmland/Hydro in November 2003. For the 2002/03 fertilizer season, Hydro Agri strengthened its overall market position in Europe as a result of capacity closures by European competitors, as well as reduced imports. Sales volumes outside Europe (after adjustment for the divestment of Farmland/Hydro) reflected positive developments in North America, Latin America and Asia, while continued political instability in some key African countries resulted in weakened results for this region.

Operating income for the Industrial segment (Hydro Gases and Chemicals) declined approximately 18% for the first nine months of 2003 compared to the corresponding period of the prior year. The increase in nitrogen raw material costs resulted in a short-term reduction of industrial product margins because of the lag in external sales reflecting the effect of higher raw material costs. Most product groups showed a positive volume trend compared to the same period in 2002.

EBITDA for the first nine months of 2003 was NOK 3,264 million, compared to NOK 3,300 million for the same period of the prior year. The result was influenced by positive price effects of NOK 1,870 million and negative effects from changes in exchange rates of NOK 720 million. Other negative effects included NOK 1,000 million related to higher energy prices, and NOK 186 million relating to a reduction in interest

income on accounts receivable, an increased provision for bad debt, and increased fixed costs, mainly relating to extraordinary maintenance and increased pension costs.

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OTHER ACTIVITIES

Operating Income/(Loss)

NOK million	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002
Petrochemicals	(36)	29	(35)
Other	(388)	(36)	48
Total	(424)	(7)	13

EBITDA

NOK million	Nine Months Ended September 30, 2003	Nine Months Ended September 30, 2002	Year Ended December 31, 2002
Petrochemicals	253	285	320
Other	555	426	724
Total	808	711	1,044

Other Activities consist of Petrochemicals, Treka AS, VAW Flexible Packaging (sold in April 2003), Pronova, the casualty insurance company, Industriforsikring and Hydro Business Partner.

PETROCHEMICALS

Petrochemicals had an operating loss of NOK 36 million for the first nine months in 2003, a decrease of NOK 65 million compared to operating income of NOK 29 million in the corresponding period of the previous year. The decline primarily reflected increased raw material costs. The corresponding decline in EBITDA was partly offset by improvement in results from non-consolidated investee companies. The improvement was mainly due to higher product prices in Asia. Asia is the main market for Qatar Vinyl Company, 29.7% of which is owned by Hydro.

TREKA

Results for Treka, which comprises the fish food producer, Biomar, have been strongly influenced by the troubled salmon farming market. During the first nine months of 2003, the reserve for bad debts has been increased by about NOK 275 million. In addition, goodwill and intangible assets have been written down by approximately NOK 210 million.

PRONOVA

During the first nine months of 2003, Pronova disposed of a Swedish subsidiary, Carmeda AB, resulting in a gain of NOK 139 million. Hydro will also receive a royalty on Carmeda s future income from sales.

YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

The comparative discussions of Hydro s financial condition and results of operations as of and for the years ended December 31, 2002, 2001 and 2000 are incorporated by reference to the Financial Review section (pages 52 through 85) of Hydro s 2002 Annual Report to shareholders and the Financial Review 2001 versus 2000 in Exhibit 3. For major investments for the years ended December 31, 2002, 2001 and 2000, see page 80 and 96-97 of Hydro s 2002 Annual Report.

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MANAGEMENT OF HYDRO FOLLOWING THE DEMERGER

Hydro s management is vested in its Board of Directors and its President and Chief Executive Officer. The President and Chief Executive Officer is responsible for the day-to-day management of Hydro in accordance with the instructions, policies and operating guidelines set out by Hydro s Board of Directors.

Board of Directors

Hydro s Articles of Association require that Hydro s Board of Directors consist of nine members.

The composition of Hydro s Board of Directors will not be affected by the Demerger, other than Steinar Skarstein, an employee representative, will resign on the Completion Date of the Demerger. He will be employed by Agri after the Demerger and will, therefore, be replaced by a Hydro employee who will be elected by the employee representatives of the Corporate Assembly prior to the Completion Date of the Demerger. Certain information about Hydro s directors after the Demerger is presented below:

Name	Place of Residence	Age	Position
Egil Myklebust [1]	Oslo, Norway	61	Chairperson
Borger A. Lenth	Koppang, Norway	66	Deputy Chairperson
Anne Cathrine Høeg Rasmussen	Oslo, Norway	67	Director
Ingvild R. Myhre	Oslo, Norway	46	Director
Elisabeth Grieg	Oslo, Norway	44	Director
Håkan Mogren	Stockholm, Sweden	59	Director
Geir Nilsen [2]	Skien, Norway	48	Director
Odd Semstrøm [2]	Øvre Årdal, Norway	59	Director
One person to be elected by the employee representatives of the Corporate Assembly before the Completion Date of the Demerger [2]			

[1] Mr. Myklebust has announced that he will not stand for re-election to Hydro s Board of Directors when his term expires in 2004.
[2] Elected by the employee representatives in the Corporate Assembly.

Egil Myklebust. Mr. Myklebust has served as a director since 1992 and assumed the position as Chairperson of Hydro s Board of Directors on May 2, 2001, following his serving as President and Chief Executive Officer of Hydro from 1991 to 2001. Mr. Myklebust is currently serving as Chairperson of the Board of Directors of SAS and as a member of the Board of Directors of Norske Skog ASA, the University of Oslo and Sandvik AB. Previously, he held positions within Hydro s legal department both in Norway and in the United States, including a period as Head of Corporate Secretariat, and had the position as Executive Vice President of Human Resources from 1982 to 1987. From 1987 to 1989, Mr. Myklebust held the position of General Director for both the Federation of Norwegian Employers and the Confederation of Norwegian Business and Industry (CNBI).

Borger A. Lenth. Mr. Lenth served as a director from 1990 to 1992, has served as a director from 1998, and as the Deputy Chairperson of the Board since May 2, 2001. Previously, from 1991 to 1997, Mr. Lenth was Chief Executive Officer of Christiania Bank. He has also had the

position of Permanent Secretary in the Ministry of Development Corporation. Mr. Lenth is currently also Chairman of the Board of Treschow Fritzøe AS and Bolig og Næringsbanken ASA, and Deputy Chairman of the Board of Directors of Kommunal Landspensjonskasse (KLP) and Norfund.

Anne Cathrine Høeg Rasmussen. Ms. Høeg Rasmussen has served as a director since 1998. Ms. Høeg Rasmussen is a partner in Bugge, Arentz-Hansen & Rasmussen, a law firm in Oslo. She is also a director of Akzo Nobel Car Refinishes AS, Technip Norge Offshore AS, Technip Geoproduction Norge AS and Organon AS.

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Ingvild R. Myhre. Ms. Myhre has served as a director since 2001. Ms. Myhre is currently the President and Chief Executive Officer of Telenor Mobil AS. She is also the Deputy Chairperson of the Norwegian Defense Research Establishment, a member of the Board of Directors of Flytoget AS, the Research Park in Narvik, Norges Handels- og Sjøfartstidende, and the business newspaper, Dagens Næringsliv.

Elisabeth Grieg. Ms. Grieg has served as a director since 2001. Ms. Grieg, who is the co-owner of the Grieg Group, is the Chief Executive Officer of Grieg International AS. She is also a member of the Board of Directors of the Norwegian Shipowners Association and of the DnV Council and a member of the corporate assembly of Orkla ASA.

Håkan Mogren. Mr. Mogren has served as a director since 2001. Mr. Mogren is also Chairman of Affibody AB and the Swedish-American Foundation, Deputy Chairman of AstraZeneca PLC, Vice Chairman of Gambro AB, a member of the Board of Directors of Investor AB, Remy/Cointreau and the Group Danone and a director for the Marianne and Marcus Wallenberg Foundation.

Geir Nilsen. Mr. Nilsen has served as a director since 2003. He is currently employed by Hydro as a maintenance supervisor. He represents the employees union, LO, where he is a full time union official.

Odd Semstrøm. Mr. Semstrøm has served as a director since 1997. Mr. Semstrøm represents the employees union, LO, where he is a full time union official. Mr. Semstrøm is an electrician and is based at Hydro s aluminium plant in Årdal.

Corporate Management Board

A corporate management board is not required under Norwegian corporate law, but Hydro s President and Chief Executive Officer has, in accordance with rules of procedure established by Hydro s Board of Directors, established a corporate management board to assist him in discharging his responsibilities.

After the Demerger, the corporate management board will consist of Hydro s President and Chief Executive Officer and the Executive Vice Presidents for Hydro s two core business areas, in addition to the Chief Financial Officer and the Executive Vice President Organization and Competence. The members of the corporate management board have a collective duty to promote Hydro s strategic, financial and other objectives, as well as to safeguard Hydro s assets, organization and reputation. The corporate management board convenes approximately once a week.

No member of Hydro s Board of Directors or the corporate management board has any family relationship with any other director or member of the corporate management board**.**

Certain information about the members of the corporate management board after the Demerger is provided below.

Name	Place of residence	Age	Position
Eivind Reiten	Oslo, Norway	50	President and Chief Executive Officer
John Ove Ottestad	Lierskogen, Norway	54	Executive Vice President and Chief Financial Officer
Alexandra Bech Gjørv	Oslo, Norway	38	Executive Vice President
Tore Torvund	Oslo, Norway	51	Executive Vice President
Jon-Harald Nilsen	Oslo, Norway	52	Executive Vice President

Eivind Reiten. Mr. Reiten succeeded Egil Myklebust as President and Chief Executive Officer of Hydro effective from May 2, 2001. From 1999 to the date of his appointment as President and Chief Executive Officer, Mr. Reiten served Executive Vice President for Hydro s Light Metals business area. From 1996 to 1998, he served as President of Hydro Aluminium Metal Products. From

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1992 to 1996, he served as President of Hydro s refining and marketing Division. From 1991 to 1992, he served as Senior Vice President, Special Projects. From 1988 to 1990 he served as President of the Energy Division, following a two-year period as manager, and later Vice President for Hydro Agri. From 1990 to 1991, he had the position of Minister of Petroleum and Energy in the Norwegian government. During the seven-year period from 1979 to 1986, Mr. Reiten held several governmental posts including Junior Executive Officer in the Ministry of Fisheries and Secretary to the Center Party s Parliamentary Group and State Secretary, Ministry of Finance and Minister of Fisheries. Mr. Reiten graduated from the University of Oslo in 1978 with a degree in Economics.

John Ove Ottestad. Mr. Ottestad has served as Executive Vice President and Chief Financial Officer since March 1, 2002. Employed at Hydro since 1975, Mr. Ottestad has held numerous positions. Mr. Ottestad served as Senior Vice President for Mergers and Acquisitions from 1999 to 2002, as President of Hydro s Refining and Marketing Division from 1996 to 1999, as President of Hydro s Magnesium Division from 1988 to 1996, and as President of Hydro Innovation from 1985 to 1987. Between 1975 and 1985, Mr. Ottestad served as Director for Corporate Strategic Planning, as manager in Corporate Financial Planning and as an engineer in the Oil and Gas division. Mr. Ottestad also served two years as an EDP scientist with the Norwegian Research Foundation, SINTEF. Mr. Ottestad graduated from the Norwegian Institute of Technology in 1973 with a degree in Physics.

Alexandra Bech Gjørv. Ms. Gjørv has served as Executive Vice President since January 15, 2002. Ms. Gjørv joined Hydro in New York in 1993 as the legal counsel for Hydro s U.S. subsidiaries. Since then, she has served as Company Secretary from 1995 to 1998 and as Vice President of Strategy and Organization in Hydro s Automotive Structures division from 1998 to 2000 and Senior Vice President of Corporate Human Resources from 2000 to 2002. Ms. Gjørv received a Bachelor of Law degree from the University of Oslo and a Diploma in Legal Studies from Oxford University. She is admitted to the bar in the State of New York, United States.

Tore Torvund. Mr. Torvund has served as Executive Vice President for Hydro s Oil and Energy area since January 2000. From 1996 to the date of his appointment as Executive Vice President, Mr. Torvund served as Senior Vice President with responsibility for all Exploration and Production activities in Norway, and from 1992 to 1996, he had responsibility for Hydro s operations in the Norwegian Continental Shelf. Between 1990 and 1992, he served as Vice President for drilling operations, and from 1982-1990 he held different management positions within the Exploration & Production Division related to a North Sea field development project. From 1977 to 1982, Mr. Torvund worked for the French oil company, Elf Aquitaine, where he was involved with oil and gas projects. Mr. Torvund received an MSc in Petroleum Engineering from the Norwegian Institute of Technology in 1976.

Jon-Harald Nilsen. Mr. Nilsen has served as Executive Vice President of Hydro Aluminium since February 15, 2001. Mr. Nilsen had previously served as President of Hydro Aluminium Metal Products from 1999 to 2001, following seven years as Senior Vice President of various areas within the Hydro Aluminium Metal Products group. From 1985 to 1988, Mr. Nilsen was Hydro s Market/Product Director and held various managerial positions in financial planning and control for the Oseberg project from 1982 to 1985, and financial and market projects in Hydro s Aluminium from 1977 to 1982, and as an Assistant Export Manager for Bergensmeieriet from 1975 to 1977. Mr. Nilsen graduated from the Norwegian School of Economics and Business Administration in 1975.

Corporate Assembly

Hydro s Corporate Assembly consists of 21 members. The general meeting elects 14 members and, according to Norwegian legislation, the employees of Hydro s Norwegian companies elect an additional seven members. In addition, the employees elect alternates and three observers. Two of the present employee-elected members, one observer and one alternate member will be employed by Agri following the Demerger. These employee-elected members of the Corporate Assembly will be replaced by two observers who, together with the one observer being transferred, will be replaced by alternates of the Corporate Assembly. Otherwise, the Corporate Assembly will not be affected by the Demerger.

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Norwegian companies law imposes a fiduciary duty on the Corporate Assembly to Hydro s shareholders. The Corporate Assembly communicates to the general meeting its recommendations concerning Hydro s Board of Directors proposals about the yearly accounts, balance sheets, allocation of profits and coverage of losses of Hydro. The Corporate Assembly elects Hydro s Board of Directors and nominates the external auditor. Upon the recommendation of Hydro s Board of Directors, the Corporate Assembly adopts resolutions in matters concerning investments that are substantial in relation to Hydro s resources, or concerning such rationalization of, or changes in, operations as will entail a major change in or redeployment of the labor force.

Certain information about the members of the Corporate Assembly after the Demerger is set forth below.

Name [1]	Place of Residence	Position
Sven B. Ullring	Oslo, Norway	Chairperson
Svein Steen Thomassen	Bergen, Norway	Vice Chairperson
Ellen Holager Andenæs	Oslo, Norway	Member
Solveig Alne Frøynes	Kopervik, Norway	Member
Westye Høegh	Oslo, Norway	Member
Kjell Kvinge	Bærum, Norway	Member
Karen Helene Midelfart	Oslo, Norway	Member
John-Arne Nilsen	Stathelle, Norway	Member
Anne Merete Steensland	Oslo, Norway	Member
Sigurd Støren	Selbu, Norway	Member
Lars Tronsgaard	Drammen, Norway	Member
Svein Aaser	Drøbak, Norway	Member
Aase Gudding Gresvig	Oslo, Norway	Member
Idar Kreutzer	Oslo, Norway	Member
Sylvi A. Lem	Måløy, Norway	Member
Jon Arne Mo	Ålvundeid, Norway	Member
Rune Strande	Bøverbru, Norway	Member
Siri Teigum	Oslo, Norway	Member
Kjell Aamot	Kolbotn, Norway	Member
Observers:		
Sónia F. T. Gjesdal	Oslo, Norway	Observer[2]
Ingar Aas-Haug	Holmestrand, Norway	Observer[2]
Deputy members: [3]		
Erna Flattum Berg	Stathelle, Norway	Alternate
Anne-Margrethe Firing	Oslo, Norway	Alternate
Billy Fredagsvik	Høyanger, Norway	Alternate
Stig Lima	Hunndalen, Norway	Alternate
Bjørn Nedreaas	Åkerhamn, Norway	Alternate
Sten-Arthur Sælør	Bærum, Norway	Alternate
Sven Edin	Porsgrunn, Norway	Alternate
Odd Arne Fodnes	Årdalstangen, Norway	Alternate
Oddny Grebstad	Straume, Norway	Alternate
Line Melkild	Sunndalsøra, Norway	Alternate
Wolfgang Ruch	Barcelona, Spain	Alternate
Terje Venold	Bærum, Norway	Alternate

(1) Arthur Frank Bakke and Nils-Egil Nilsen, currently members of the Corporate Assembly, Frank Andersen, currently an observer and Morten Ødegård, currently an alternate, will resign from the Corporate Assembly at the Completion Date of the Demerger.

(2) Will meet as a member of the Corporate Assembly on a regular basis.

(3) Three deputy members will meet as observers to the Corporate Assembly on a regular basis.

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Nomination Committee

Hydro s Articles of Association provide for a nomination committee. The committee consists of the Chairperson of the Corporate Assembly, two members elected directly by the shareholders and one member elected by and among the shareholders representatives in the Corporate Assembly. The committee nominates candidates to the Corporate Assembly to be elected by the shareholders at the shareholders meeting, and candidates to Hydro s Board of Directors to be elected by the shareholder-elected members of the Corporate Assembly. The committee operates under a charter established by the shareholders representatives in the Corporate Assembly. After the Demerger, the nomination committee will continue to consist of Sven B. Ullring, Siri Teigum, Westye Høegh and Reier Søberg.

Compensation Committee

On October 12, 2001, Hydro s Board of Directors constituted the compensation committee, to consist of not fewer than three members of Hydro s Board of Directors who are not officers of Hydro. After the Demerger, the compensation committee will continue to consist of Anne Cathrine Høeg Rasmussen, Ingvild R. Myhre and Egil Myklebust. The mandate of the committee provides that the committee is, on an annual basis, to:

(i) review the performance of the President and Chief Executive Officer and other members of the corporate management board;

(ii) prepare and recommend to Hydro s Board of Directors proposals for compensation for the President and Chief Executive Officer, including base salary adjustments, awards under incentive plans and other benefits;

(iii) review and advise the President and Chief Executive Officer on the compensation of the other members of the corporate management board; and

(iv) determine eligible participants in the share incentive plans, and approve the participants in, and the types of awards and number of shares covered under, each such plan.

Audit Committee

On November 1, 2001, Hydro s Board of Directors constituted the audit committee. The audit committee consists of three members of Hydro s Board of Directors and is appointed by Hydro s Board of Directors. After the Demerger, the audit committee will consist of Hydro board members Borger A. Lenth, Elisabeth Grieg and one member of Hydro s Board of Directors to be designated by Hydro s Board of Directors after the consummation of the Demerger, to replace Steinar Skarstein, who will be employed by Agri following the Demerger.

The audit committee operates in accordance with a mandate approved by Hydro s entire Board of Directors. The mandate establishes that the audit committee act as a preparatory body related to Hydro s Board of Directors supervisory role with respect to Hydro s financial controls, disclosures and external audit, consistent with Norwegian law. The mandate provides that the audit committee s primary functions are to assist Hydro s Board of Directors in exercising its supervisory responsibility with respect to:

the integrity of Hydro s financial statements;

the qualifications, independence and performance of the external auditor; and

the performance of Hydro s internal audit function.

Compensation of the Board of Directors, the Corporate Management Board, the Corporate Assembly and the Nomination Committee

In 2002, total remuneration of NOK 2,271,000 was paid to the members of Hydro s Board of Directors, NOK 434,000 to the members of the Corporate Assembly, NOK 48,000 to the members of the audit committee, NOK 36,000 to the members of the compensation committee and NOK 60,000 to the members of the nomination committee.

In 2002, each of the directors (other than Mr. Myklebust) who are also employees of Hydro received, in addition to compensation as an employee, fees of NOK 210,000 for serving on Hydro s

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Board of Directors. Mr. Myklebust, Chairperson of Hydro s Board of Directors, received NOK 410,000 for serving on Hydro s Board of Directors and his salary from Hydro was reduced accordingly. In total, Mr. Myklebust received compensation as a Hydro board member, salary and other benefits of NOK 4,086,000. In May 2001, Mr. Myklebust retired as President of Hydro and continued to be employed by Hydro in accordance with his employment contract of 1991.

In 2002, each of the directors who are not employees of Hydro received fees of NOK 210,000 for serving on Hydro s Board of Directors, except the Deputy Chairperson, who received NOK 315,000.

Compensation of the Chief Executive Officer

Mr. Reiten, Hydro s President and Chief Executive Officer, received a salary and other remuneration of NOK 4,432,000 in 2002. He also received a bonus for 2002 in the amount of NOK 630,000, paid in 2003. Mr. Reiten is entitled to retire at 62 years of age with a pension benefit representing 65% of his salary. In the event his employment terminates, he has the right to salary and the accrual of pension rights for a three-year period. Hydro s obligation can be reduced by salary received or pension rights accrued from other sources. His employment can, under certain conditions, continue after his retirement as President.

Loans to Related Parties

The following table sets forth information regarding loans extended by Hydro to members of Hydro s Board of Directors and the corporate management board:

Name of Loan Recipient	Largest Amount Outstanding at December 31, 2002 (thousands of NOK)	Amount Outstanding as of November 1, 2003 (thousands of NOK)	Nature of Loan	Interest Rate[2]
Odd Semstrøm	53	46	General purpose	5.00%
Egil Myklebust	4,596[1]	4,577[1]	Mortgage and general purpose	3.75%-4.25%
Alexandra Bech Gjørv	269		General purpose	
John Ove Ottestad	702	593	General purpose	4.25%-5.00%
Tore Torvund	460	414	General purpose	4.25%-5.00%
Jon-Harald Nilsen	227	194	General purpose	4.25%

(1) In October 2000, a secured loan of NOK 2.2 million, with an annual interest rate of 3.75% (as of November 1, 2003), was extended to Egil Myklebust, the Chairperson of Hydro s Board of Directors.

(2) Interest rate as of November 1, 2003.

Except as described above, the loans have terms and conditions that are equivalent to those made available to all of Hydro s Norwegian-based employees.

All loans to directors and executive officers (i.e., members of the corporate management board) were entered into prior to July 30, 2002. Hydro has not materially modified or renewed any of the loans extended to or for its directors or executive officers since that date.

Employee Incentive Plan Stock Based Compensation Plans

Approximately 30 people in Hydro s senior management, including the President and Chief Executive Officer and members of the corporate management board, are eligible to participate in Hydro s stock-based compensation plans: the 2003, 2002 and 2001 Executive Share Option Plans. The President and Chief Executive Officer receives options granted under the plans on an annual basis.

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Options issued under those plans may be exercised within a five-year period, but not before the expiry of three years from the grant, their exercise being conditional on the development of the price of the underlying shares (including dividends paid) in the three-year period from the date of grant. If the average increase in share price is less than 12% per year, none of the options vest. If the increase is between 12% and 20%, the corresponding percentage of options that vest increases linearly between 20% and 100%. Upon exercise of an option granted under any of the Executive Share Options Plans, Hydro fulfills its obligation toward the option holders by way of a cash bonus payment equal to the economic value of the option, representing the difference between the market value of the underlying Hydro Share (the average of the closing price during the last five days of trading before the option is exercised) and the exercise price of the options. The option holder is liable for any tax or employee social security contributions arising from the grant or exercise of options. In addition, the option holder must undertake to acquire and hold a set number of shares from this bonus payment.

Eligible participants have been granted options relating to a total of 99,500 shares with an exercise price of NOK 351.50 per share under the 2003 plan, a total of 111,000 shares with an exercise price of NOK 361.90 per share under the 2002 plan and a total of 92,000 shares with an exercise price of NOK 390.40 per share under the 2001 plan.

The total number of shares underlying options which members of senior management are eligible to receive in any year under the Executive Share Option Plans are presented below:

Recipient	Number of Shares Underlying Option Grants
President and Chief Executive Officer	10,000
Other members of the corporate management board	7,000
Other plan participants	2,000 - 3,500

Administration of the Executive Share Option Plans is delegated by Hydro s Board of Directors to its compensation committee, which has responsibility to interpret, construe and administer each of the plans and to determine the number, terms, conditions and duration of any grant in accordance with the terms of the applicable plan. In case of a change in Hydro s share capital, the exercise price may be adjusted in such a manner as the compensation committee considers fair and reasonable. The performance objectives shall only be changed if the compensation committee considers this to be necessary.

In connection with the Demerger the compensation committee has decided that the exercise price and the basis share price for calculation of performance will be adjusted in accordance with the share split ratio. This means that the exercise price of outstanding options and the base share price for calculation of performance will be reduced by 8.5% as of the consummation of the Demerger.

An option holder may exercise his or her options within six months if such holder s employing company or unit exits the Hydro Group. In connection with the Demerger, the compensation committee has decided that options held by employees being transferred to the Agri Group will vest on December 31, 2003. This date will be set as the end date of the performance period and the date of exercise. The exercise price will be the average closing price of Hydro s shares during the last five trading days in 2003.

All Employee Share Purchase Plan

In 2000, Hydro s Board of Directors decided that Hydro would, on an annual basis, offer employees of Norsk Hydro ASA (and employees of Norwegian subsidiaries in which Hydro has an ownership interest of more than 90%) the opportunity to purchase Hydro Shares on favorable terms. The amount of the discount from the traded price of the shares is dependent on the development of Hydro s share price (including dividends paid) during the applicable performance period (i.e., the 12- month period beginning on January 1 of the preceding year). Eligible employees are offered the opportunity to buy shares for NOK 6,000 at a 20% discount to the market price if the share price has increased by less than 12% and a 50% discount to the market price if the share price has increased by more than 12% during the performance period. Interest-free loans are granted to the employees in connection with the share purchase.

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Share and Option Ownership of the Members of the Board of Directors, the Corporate Management Board and Other Key Executive Officers

The following table sets forth the beneficial ownership of Hydro Shares and options as described above held, as of the date of this Information Memorandum, by each director, each member of the corporate management board and each member of senior management. As of the date of this Information Memorandum, no other members of Hydro s Board of Directors has any options outstanding. The options reflected in the table were granted in 2001, 2002 and 2003.

Name	Shares Beneficially Owned	Number of Shares Underlying Options Granted			Exercise Price (NOK/ Share)			Expiration Date		
		2001	2002	2003	2001	2002	2003	2001	2002	2003
Eivind Reiten	7,813[1]	10,000	10,000	10,000	390.40	361.90	351.50	April 30, 2006	June 30, 2007	June 30, 2008
Jon-Harald Nilsen	242	7,000	7,000	7,000	390.40	361.90	351.50	April 30, 2006	June 30, 2007	June 30, 2008
Tore Torvund	3,584[1]	7,000	7,000	7,000	390.40	361.90	351.50	April 30, 2006	June 30, 2007	June 30, 2008
Alexandra Bech Gjørv	872	2,000	7,000	7,000	390.40	361.90	351.50	April 30, 2006	June 30, 2007	June 30, 2008
John Ove Ottestad	8,210	2,000	7,000	7,000	390.40	361.90	351.50	April 30, 2006	June 30, 2007	June 30, 2008
Egil Myklebust	4,244[1]	N/A	N/A	N/A						
Anne Cathrine Høeg Rasmussen	1,014	N/A	N/A	N/A						
Borger A. Lenth	144	N/A	N/A	N/A						
Ingvild Myhre	0	N/A	N/A	N/A						
Håkan Mogren	0	N/A	N/A	N/A						
Elisabeth Grieg	5,460[1]	N/A	N/A	N/A						
Geir Nilsen	27	N/A	N/A	N/A						
Odd Semstrøm	101	N/A	N/A	N/A						

(1) Includes shares owned by family members or wholly owned companies.

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DESCRIPTION OF THE SHARES AND SHARE CAPITAL OF HYDRO

FOLLOWING THE DEMERGER

This is a summary of material information relating to Hydro s share capital after the Demerger, including a summary of certain provisions of Hydro s Articles of Association and certain provisions of applicable Norwegian law in effect as of the date of this Information Memorandum. This summary does not purport to be complete and is qualified in its entirety by Hydro s Articles of Association and Norwegian law.

Norsk Hydro ASA is a public limited company organized under the laws of Norway with its registered office at Bygdøy allé 2, Oslo, Norway. Following the Demerger, Norsk Hydro ASA s registered address will be Drammenveien 264, 0240 Oslo, Norway. Norsk Hydro ASA s registration number in the Norwegian Register of Business Enterprises is 914 778 271. The Hydro Shares are registered in the Norwegian Central Securities Depository (known as *Verdipapirsentralen* or *VPS)* under ISIN No. 0005052605.

Stock Exchange Listings and American Depository Receipts

The Hydro Shares are listed on the Oslo Stock Exchange under the ticker symbol NHY, as well as on the European stock exchanges in Düsseldorf, Frankfurt, Hamburg, London, Paris and Stockholm.

Hydro s ADRs are listed on the New York Stock Exchange under the ticker symbol NHY.

Share Capital

After the Demerger and the redemption and cancellation of Hydro Shares described in Part II of the Information Memorandum, Hydro will have a share capital of NOK 4,830,366,032.40 divided into 263,954,428 shares, nominal value NOK 18.30. Except for the Demerger, and the cancellation and redemption of shares, no changes in the share capital have been made in the last three years.

There are no outstanding options, warrants, convertible loans or other instruments which entitle the holder of such securities to require that Hydro issue new shares.

Subscription Rights Certificates

According to Hydro s Articles of Association, holders of unredeemed founder certificates and subscription certificates hold a special position upon changes in Hydro s share capital. The Articles of Association provide that if Hydro s share capital is increased, and provided the Norwegian law in force at the time so permits, preferential subscription rights shall be reserved for such holders in connection with each such capital increase, on the conditions stipulated by Hydro s Board of Directors, for up to:

0.83% of the increase for holders of the 83 unredeemed founder certificates, and

2.79% of the increase for holders of the 4,343 unredeemed subscription certificates.

These preferential rights shall not apply if the increase is made in order to allot shares to third parties as compensation for their transfer of assets to Hydro.

No Authorizations for Hydro s Board of Directors to Increase the Share Capital

Hydro s Board of Directors has not been authorized to issue new shares or to issue convertible bonds.

Authority to Acquire Treasury Shares and Holding of Treasury Shares

On May 7, 2003, Hydro s ordinary general meeting authorized Hydro s Board of Directors to acquire up to 2,808,810 Hydro Shares. The minimum amount to be paid per share is set at NOK 100 and the maximum amount is set at NOK 500. Shares acquired may only be redeemed. The

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authorization is valid to and including May 6, 2004. As of the date of this Information Memorandum, 1,484,300 shares with a total par value of NOK 29,686,000 (each share with a par value of NOK 20 when the shares were acquired) have been acquired at an average share price of NOK 374 under this authorization. In connection with the Demerger, all of these shares will be cancelled and the 1,157,922 shares held by the Norwegian State will be redeemed. For more information, see Part II, The Demerger.

After the Demerger and the cancellation and redemption of Hydro Shares, Hydro will hold 8,400,350 treasury shares with a total par value of NOK 153,726,405, acquired at an average share price of NOK 356 per share. These shares may be redeemed or disposed of in connection with settlement of business transactions or used as part of the share purchase incentive scheme for employees.

Restrictions on Transfer of Shares

Hydro s Articles of Association do not contain any provisions restricting the transferability of shares other than that Hydro s Board of Directors may refuse to consent to the transfer of shares and may take such other steps as may be necessary to prevent shares from being transferred if in contravention of the restrictions, if any, then provided by applicable Norwegian law. Hydro s Board of Directors is not aware of restrictions on holding shares other than the potential restriction described below under Limitations on the Right to Own Shares.

If Hydro s Board of Directors refuses to consent to a transfer of shares, Hydro s Board of Directors must, without delay, notify the transferee of the decision as well as the reasons for such refusal and what is required in order to remedy the matter. If the transferee has not been notified of a refusal to grant consent within two months of the date of the VPS s receipt of notice of the acquisition, Hydro s Board of Directors consent shall be regarded as having been granted. If Hydro s Board of Directors refuses to grant its consent to the acquisition of the shares, the transferee may (i) rescind the purchase agreement with the transferor (unless otherwise provided in such agreement), (ii) dispose of the shares, or (iii) bring a legal action against Hydro with respect to the refusal to grant consent. Any of the foregoing actions must be taken within two months from when the transferee receives notice of Hydro s Board of Directors refusal of consent to the transfer. If the transferee fails to act in a timely manner, Hydro s Board of Directors may demand that the shares be sold.

Limitations on the Right to Own Shares

There are no restrictions affecting the right of non-Norwegian residents or citizens to own or exercise voting rights with respect to Hydro Shares. However, based on the 1917 Act on the Acquisition of Waterfalls, Mines and Other Real Estate, as amended in 1994 (the Industrial Concession Act), no person or entity may acquire more than 20% (or the right to vote more than 20%) of the share capital of Hydro, and no group of two or more persons may, whether by mutual agreement or by family relationship, jointly or separately acquire an aggregate of more than 20% of the share capital of Hydro or 20% of its voting rights unless such person or persons obtain the consent of the Norwegian government. The Hydro ADR Depositary and The Depository Trust Company have been granted a concession from the Norwegian government to hold up to 25% of Hydro s shares in their respective capacities as depositaries. The Industrial Concession Act precedes adoption of Oslo Stock Exchange Regulations Section 2-4 regarding the free transfer of shares.

Election and Removal of Directors and Corporate Assembly

At the general meeting of shareholders, two-thirds of the members of the Corporate Assembly are elected, together with alternate members, while the remaining one-third, together with alternate members, are elected by and among Hydro s employees. There is no quorum requirement,

and nominees who receive the most votes are elected.

Hydro s directors are elected to Hydro s Board of Directors and may be removed from office by Hydro s Corporate Assembly. If requested by at least one-third of the members of the Corporate

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Assembly, up to one-third of the directors must be employee representatives. Half of the Corporate Assembly members elected by the employees may demand that the members of Hydro s Board of Directors be elected by the shareholder-elected members of the Corporate Assembly and the employee-elected members of the Corporate Assembly, each voting as a separate group. A director (other than a director elected directly by the employee-elected members) may be removed at any time by the Corporate Assembly without cause.

Summary of Certain Other Provisions of Applicable Norwegian Law

For a summary of certain other provisions in the Articles of Association and of applicable Norwegian law in effect at the date of this Information Memorandum, including taxation issues, see the discussion in Part III, Taxation and Description of the Shares and Share Capital in AgriHold following the Demerger, starting with Voting Rights . While the description discusses AgriHold, Hydro is subject to the same provisions.

Summary of Hydro s Draft Articles of Association in Effect after consummation of the Demerger

Name of the company Hydro s registered name is Norsk Hydro ASA. Hydro is a Norwegian public limited company.

Registered office Hydro s registered office is in Oslo, Norway.

Object of the company The objectives of Hydro are to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises.

Share capital Hydro s share capital will be NOK 4,830,366,032.40 divided into 263,954,428 shares.

Nominal value of shares The par value of each share will be NOK 18.30.

Board of directors Hydro s Articles of Association provide that Hydro s Board of Directors shall be composed of nine directors.

Corporate Assembly Hydro has a Corporate Assembly of 21 members who are elected for two-year terms. Fourteen members and four alternates are elected by the general meeting and seven members with alternates are elected by and among the employees.

Annual general meeting Hydro s annual general meeting is held no later than June 30 each year upon at least two weeks written notice. The meeting will deal with the annual report and accounts, including distribution of dividends, and any other matters as required by law or Hydro s Articles of Association.

Restrictions on transfer of shares Hydro s Board of Directors may refuse to consent to a transfer of shares if the transfer will be in breach of Norwegian law.

Limitations on the right to own shares No person or entity may own more than 20% of Hydro s share capital without the consent of the Norwegian government.

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DIVIDENDS AND DIVIDEND POLICY

Hydro s Board of Directors believes that long-term returns to shareholders should reflect the value created in the company in the form of dividends and a higher share price. Hydro s Board of Directors policy is that dividends paid should increase steadily in line with the growth in Hydro s results, while taking into consideration opportunities for adding value through profitable new investments. Over time, the value added will be reflected to a greater extent by a higher share price than through dividend distributions. Hydro s Board of Directors considers it appropriate that dividends over a period of several years average roughly 30% of its net income. Future dividends will be dependent on Hydro s future earnings, financial conditions and cash flow, as well as other factors affecting Hydro.

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Part V

FINANCIAL STATEMENTS

INDEX TO FINANCIAL STATEMENTS

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INDEPENDENT ACCOUNTANTS REPORT FOR INTERIM CONDENSED COMBINED US GAAP FINANCIAL STATEMENTS

To the Shareholders of Norsk Hydro ASA

We have reviewed the allocation adjustments reflecting the initial carve-out of Hydro Agri s condensed combined balance sheets as of September 30, 2003 and 2002 and the related condensed combined statements of income and cash flows for each of the nine-month periods then ended for the proposed demerger of Hydro Agri from its parent company, Norsk Hydro ASA. The historical condensed consolidated financial statements of the parent company, Norsk Hydro ASA, and subsidiaries were reviewed by us (on which we have issued our independent accountants reports dated October 20, 2003 and October 21, 2002, respectively). Such allocation adjustments are based upon management s assumptions described on pages 217-219. Management is responsible for the carve-out financial information.

We have also reviewed the pro forma adjustments to the carve-out condensed combined financial statements of Hydro Agri and the condensed combined financial statements of Hydro After Demerger, respectively, reflecting the proposed demerger of Hydro Agri from its parent company, Norsk Hydro ASA. We have reviewed the application of these pro forma adjustments to the carve-out amounts allocated to Hydro Agri and Hydro After Demerger, respectively, in the accompanying pro forma condensed combined balance sheets as of September 30, 2003 and 2002 and the related pro forma condensed combined statements of income and cash flows for each of the nine-month periods then ended. The carve-out combined financial statements of Hydro Agri and the combined financial statements of Hydro After Demerger were not reviewed or audited by us on a stand-alone basis. Such pro forma adjustments are based upon management s assumptions described on pages 229 and 243, and the accompanying notes to the pro forma financial statements. Management is responsible for the pro forma financial information.

We conducted our review in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management s assumptions, the carve-out allocation and pro forma adjustments, and the application of those adjustments to historical financial information. Accordingly, we do not express such an opinion.

The objective of the pro forma financial information is to show what the significant effects on the historical financial information might have been had the proposed demerger occurred at an earlier date. However, the pro forma condensed financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned proposed demerger actually occurred earlier.

Based on our review, nothing came to our attention that causes us to believe that management s assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned proposed demerger, that the related carve-out allocation adjustments and pro forma adjustments do not give appropriate effect to those assumptions, or do not reflect the proper application of those adjustments to the historical condensed financial statement amounts in the respective Hydro Agri and Hydro After Demerger condensed combined balance sheets as of September 30, 2003 and 2002 and the related condensed combined statements of income and cash flows for each of the nine-month periods then ended as presented on pages 220-222 and pages 230-231 for Hydro Agri and on pages 237-239 and pages 244-246 for Hydro After Demerger.

Oslo, Norway, 28 November 2003

DELOITTE AS

Aase Aa. Lundgaard State Authorized Public Accountant (Norway)

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INDEPENDENT ACCOUNTANTS REPORT FOR COMBINED US GAAP FINANCIAL STATEMENTS

To the Shareholders of Norsk Hydro ASA

We have examined the allocation adjustments reflecting the initial carve-out of Hydro Agri s combined balance sheets as of December 31, 2002, 2001 and 2000, the related combined statements of income for each of the three years then ended and the related combined statements of cash flows for the two years ended December 31, 2002 and 2001 for the proposed demerger of Hydro Agri from its parent company, Norsk Hydro ASA. The historical consolidated financial statements of the parent company, Norsk Hydro ASA, and subsidiaries were audited by us (on which we have issued our reports dated February 28, 2003, February 28, 2002 and March 21, 2001, respectively). Such allocation adjustments are based upon management s assumptions described on pages 217-219. Management is responsible for the carve-out financial information. Our responsibility is to express an opinion on the allocation adjustments to the historical financial information based on our examination.

We have also examined the pro forma adjustments to the carve-out combined financial statements of Hydro Agri and the combined financial statements of Hydro After Demerger, respectively, reflecting the proposed demerger of Hydro Agri from its parent company, Norsk Hydro ASA., We have examined the application of these pro forma adjustments to the carve-out amounts allocated to Hydro Agri and Hydro After Demerger, respectively, in the accompanying pro forma combined balance sheets as of December 31, 2002, 2001, and 2000, the related pro forma combined statements of income for each of the three years then ended and the combined statement of cash flows for the two years ended December 31, 2002 and 2001. The carve-out combined financial statements of Hydro Agri and the combined financial statements of Hydro After Demerger were not audited by us on a stand-alone basis. Such pro forma adjustments are based upon management s assumptions described on pages 229 and 243, and the accompanying notes to the pro forma financial statements. Management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the pro forma adjustments based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The objective of the pro forma financial information is to show what the significant effects on the historical financial information might have been had the proposed demerger occurred at an earlier date. However, the pro forma combined financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned proposed demerger actually occurred earlier.

In our opinion, management s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned proposed demerger, the related carve-out allocation adjustments and pro forma adjustments give appropriate effect to those assumptions, and reflect the proper application of those adjustments to the historical financial statement amounts in the respective Hydro Agri and Hydro After Demerger combined balance sheets as of December 31, 2002, 2001 and 2000, the related combined statements of income for each of the three years then ended and the related combined cash flows for the two years ended December 31, 2002 and 2001, as presented on pages 223-225 and pages 232-234 for Hydro Agri and on pages 240-242 and pages 247-249 for Hydro After Demerger.

Oslo, Norway, 28 November, 2003

DELOITTE AS

Aase Aa. Lundgaard State Authorized Public Accountant (Norway)

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INDEPENDENT ACCOUNTANTS REPORT FOR COMBINED N GAAP FINANCIAL STATEMENTS

To the Shareholders of Norsk Hydro ASA

We have examined the allocation and pro forma adjustments reflecting the carve-out of Hydro Agri s combined balance sheets as of December 31, 2002, 2001 and 2000, the related combined statements of income for each of the three years then ended and the related combined statements of cash flows for the two years ended December 31, 2002 and 2001 for the proposed demerger of Hydro Agri from its parent company, Norsk Hydro ASA. The historical consolidated financial statements of the parent company, Norsk Hydro ASA, and subsidiaries were audited by us (on which we have issued our reports dated February 28, 2003, February 28, 2002 and March 21, 2001, respectively). Such allocation and pro forma adjustments are based upon management s assumptions described on pages 217-219, and 229. Management is responsible for the pro forma financial information. Our responsibility is to express an opinion on the allocation and pro forma adjustments to the historical financial information based on our examination.

We conducted our examination in accordance with auditing standards generally accepted in Norway and attestation standard RS 800 established by the Norwegian Institute of Public Accountants and, accordingly, included such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The objective of the pro forma financial information is to show what the significant effects on the historical financial information might have been had the proposed demerger occurred at an earlier date. However, the pro forma combined financial statements are not necessarily indicative of the results of operations or related effects on financial position that would have been attained had the above-mentioned proposed demerger actually occurred earlier.

In our opinion, management s assumptions provide a reasonable basis for presenting the significant effects directly attributable to the above-mentioned proposed demerger, the related allocation adjustments and pro forma adjustments give appropriate effect to those assumptions, and reflect the proper application of those adjustments to the historical financial statement amounts in Hydro Agri s combined balance sheets as of December 31, 2002, 2001 and 2000, the related combined statements of income for each of the three years then ended and the related combined cash flows for the two years ended December 31, 2002 and 2001, as presented on pages 234-236.

Oslo, Norway, 28 November, 2003

DELOITTE AS

Aase Aa. Lundgaard State Authorized Public Accountant (Norway)

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NOTES TO CARVE-OUT FINANCIAL STATEMENTS FOR HYDRO AGRI AND FINANCIAL STATEMENTS FOR HYDRO AFTER DEMERGER

Background - description of proposed transaction

Hydro s Board of Directors has proposed that Hydro Agri be established as a separate publicly traded company by means of a demerger transaction effected in accordance with Norwegian law, under which a demerger is the transfer of part of the assets, rights and liabilities of a company to one or more companies against consideration in the form of shares of the transferee company issued to the holders of shares in the transferor company.

In the demerger, the assets, rights and liabilities primarily related to Hydro s activities in connection with fertilizer products and related chemicals and industrial gases which are today part of Hydro Agri will be transferred to AgriHold ASA, which is a wholly-owned subsidiary of Norsk Hydro ASA formed solely for the purpose of acting as the transferee company in the demerger. Upon consummation of the demerger, each holder of a share in Norsk Hydro ASA will receive one share in AgriHold ASA for each Hydro Share held by that shareholder. The existing AgriHold Shares, all of which are held by Hydro, will correspond to 20% of the total number of AgriHold Shares outstanding immediately after the consummation of the Demerger.

For further description of the proposed transaction and its background, please refer to Part II of this Information Memorandum.

Basis for presentation; Management Assumptions

The Hydro Agri Carve-Out Financial Statements have been derived from Hydro s consolidated financial statements for the years ended 31 December 2002, 2001 and 2000, and from Hydro s consolidated interim financial statements for the period ended 30 September 2003 and 30 September 2002. For a description of Hydro s accounting principles, please refer to Hydro s annual report, included in the appendices to this Information Memorandum.

Hydro prepares its financial statements in accordance with generally accepted accounting principles in Norway (N GAAP) and in the United States (US GAAP). The differences in net income under N GAAP and US GAAP are immaterial. The Hydro Agri Carve-Out Financial Statements and Financial Statements for Hydro After Demerger are prepared in accordance with US GAAP. Financial statement preparation requires estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from estimates.

The Hydro Agri Carve-Out Financial Statements include Hydro Agri and its subsidiaries as proposed in the demerger plan. For a description of activities, assets and liabilities to be demerged, please refer to Part III of the Information Memorandum. These Hydro Agri Carve-Out Financial Statements are based on the same valuation, estimates and basis for presentation as in the consolidated financial statements of Norsk Hydro ASA. Management believes the assumptions underlying Hydro Agri Carve-Out Financial Statements are reasonable. However, the Carve-Out Financial Statements may not reflect what results of operations, financial position and cash flows would have been had Hydro Agri been a stand-alone company during the periods presented.

The operations and companies to be demerged are not identical to the operations previously reported as the Hydro Agri Business Area in Hydro s segment reporting. Where assets, liabilities or operations previously reported as part of other segments are to be transferred to Hydro Agri, these operations are included in the Hydro Agri Carve-Out Financial Statements. Previously unallocated assets, liabilities, expenses and income, which were reported as part of Corporate and Eliminations have been allocated between Hydro Agri and Hydro as described below. Allocation of shared services, benefits from common assets, etc. allocated to the business areas and subsidiaries for sement reporting purposes are not changed except as described below.

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Revenues

Revenues for Hydro Agri and Hydro after the demerger include sales previously eliminated in Hydro s consolidated financial statements. For Hydro Agri, such sales amounted to NOK 197 million and NOK 408 million for the nine months ended 30 September 2003 and 2002, respectively, and NOK 530 million, NOK 598 million and NOK 852 million for the years ended 31 December 2002, 2001 and 2000, respectively. The majority of this revenue was derived from sale of fertilizers to Treka, prior to Hydro s sale of this business in late 2002. For Hydro, sales previously eliminated amounted to NOK 1,676 million and NOK 1,528 million for the nine months ended 30 September 2003 and 2002, respectively, and NOK 2,021 million, NOK 2,186 million and NOK 2,282 million for the years ended 31 December 2002, 2001 and 2000, respectively. The majority of this revenue derives from energy supply from Hydro to Hydro Agri.

Receivables and payables related to transactions between Hydro and Hydro Agri

Receivables and payables relating to transactions between Hydro and Hydro Agri were previously eliminated as internal items in Hydro s consolidated financial statements. Such receivables and payables are shown separately in the Hydro Agri Carve-Out Financial Statements.

Corporate Costs

Hydro s policy is to charge the costs of shared services and corporate center support to the operating business segments based on their consumption of such services. However, certain costs related to general management, governance functions, corporate accounting, investor relations and similar functions have previously been regarded as shareholder costs, and included in Hydro s corporate overhead costs in its consolidated financial statements. For purposes of the Hydro Agri Carve-Out Financial Statements and Financial Statements for Hydro after Demerger, these general corporate overhead costs have been allocated between Hydro and Hydro Agri. The total allocation to Hydro Agri constitutes NOK 10 million and NOK 3 million for the nine months ended 30 September 2003 and 2002 respectively, and NOK 4 million, NOK 12 million and NOK 35 million for the years ended 31 December 2002, 2001 and 2000, respectively. In addition, costs relating to cash management and finance functions have been allocated to Hydro Agri in the amounts of NOK 22 million and NOK 23 million for the nine months ended 30 September 2003 and 2002, and NOK 30 million, NOK 34 million and NOK 26 million for the years ended 31 December 2002, 2001 and 2000, respectively. General and overhead costs have been allocated based on the ratio of EBITDA as a proxy for the gross values of Hydro and Hydro Agri. For cash management, allocation is based on revenues to reflect use of the services.

Cash and Loans

Hydro uses a centralized approach to cash management and financing of its operations. As a result, Hydro Agri s operations have not had separate funds or external financing. Cash and cash equivalents in the Hydro Agri Carve-Out Financial Statements primarily represent cash held by certain foreign units serving as local finance centers for operations in the Hydro Group, or with separate cash management. Similarly, short and long term borrowings mainly consist of the parent company s loans. The demerger plan provides that Hydro Agri will have a net interest-bearing debt of NOK 8.5 billion as of the separation date. Hydro Agri is currently in the process of obtaining external long-term financing based on this net debt level. Hydro has provided Hydro Agri with short-term interest bearing financing from the Effective Date, 1 October 2003, until the Completion Date, which is expected to be 24 March 2004. Accordingly, this amount is included as net interest-bearing debt in the Hydro Agri Carve-Out Financial Statements. The agreed level of net debt, adjusted for external net debt and cash holdings in Hydro Agri, is presented as a short-term interest bearing loan for Hydro Agri, and a corresponding short-term receivable for Hydro.

Financial Income and Expense

For purposes of calculating Hydro Agri s carve-out financial income and expense, it has been assumed that the agreed net debt assigned to Hydro Agri in the demerger plan consists of an average of NOK 800 million of cash holdings, and NOK 9,300 million of interest bearing debt. The average cash balance of NOK 800 million reflects the assumed level of cash expected to be necessary in Hydro Agri s operations.

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Interest expense has been allocated to Hydro Agri in the Hydro Agri Carve-Out Financial Statements based on Hydro s actual interest expense for the periods presented and Hydro Agri s assumed average debt of NOK 9,300 million relative to Hydro s total interest-bearing debt. Hydro s net foreign currency gains and losses have been allocated to Hydro Agri based on the same principle as for interest expense.

Interest income for Hydro Agri consists of carved-out actual interest income on Hydro Agri s trade receivables, plus calculated interest income on the average cash balances of NOK 800 million. The allocated interest income is based on Hydro s actual interest rates received, and Hydro Agri s assumed average cash position of NOK 800 million relative to Hydro s total cash holdings for the periods presented.

The financial income and expense in the Hydro Agri Carve-Out Financial Statements reflect Hydro s credit rating, hedge activities and strategies, and actual loan agreements in the periods presented, and may not be indicative of financial income and expense for Hydro Agri on a stand-alone basis.

Pension Costs

Under the Demerger plan, as of the Effective Date, Hydro Agri will have assumed responsibility for pension benefits for employees in certain defined benefit plans in Norway that, prior to the separation date, were reported as part of Corporate and Eliminations. Prior to the separation date, Hydro Agri s pension cost for these plans was equal to an approximated service cost and was settled in each period with an offsetting cost recovery effect in Corporate and Eliminations. In the Hydro Agri Carve-Out Financial Statements, the approximated service cost charges have been replaced with Hydro Agri s proportional share of plan assets and obligations, and net periodic pension cost, according to SFAS87 provisions. Effects on results from this change vary from period to period, and are not material.

Income Taxes

Hydro uses a centralized approach to tax planning and tax management. This includes the use of legal structures resulting in tax consolidation across different business areas. Income tax expense for Hydro Agri in the Hydro Agri Carve-Out Financial Statements has been established in order to give an indication of what the tax expenses would have been if Hydro Agri had been a separate company/group. All significant effects of tax consolidation of Hydro Agri s taxable income in the various countries with the taxable income of the remaining part of Hydro have been eliminated.

However, the tax expense in the Carve-Out Financial Statements may not reflect what the tax expense would have been had Hydro Agri been a stand-alone company during the periods presented.

The carve-out balance sheet for Hydro Agri does not reflect any current income taxes payable as at 30 September 2003, as Hydro will, in accordance with the Demerger Plan, be responsible for paying current taxes on Hydro Agri s results for the period until the Effective Date.

Cash Flow Statement

Cash flow statements included in the Hydro Agri Carve-Out Financial Statements and Financial Statements for Hydro are based on historical results of the Hydro Agri business, and certain assumptions regarding the split of assets, liabilities and activities, of which the most important are:

Carve-out adjustments related to cost allocations are charged to cash flows from operations in the same periods as they are charged to results.

Income taxes charged to the Carve-Out Financial Statements are charged to cash flows from operations in the same periods as they are charged to results.

Financing activities are integrated with Hydro s financing activities. The total cash generated by Hydro Agri is, for the purpose of these Carve-Out Financial Statements, assumed to have been used for servicing equity.

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Hydro Agri After Demerger

Carve-Out Condensed Combined Statements of Income 30.09.03 and 30.09.02 (Unaudited)

Nine months ended NOK million, except per share information	30.09.2003	30.09.2002
Operating revenues	27,891	26,523
Depreciation, depletion and amortization	837	878
Other operating costs	25,225	23,694
Operating income	**1,829**	**1,951**
Equity in net income of non-consolidated investees	363	(17)
Interest income and other financial income	136	199
Other income/(loss), net	40	142
Earnings before interest expense and tax (EBIT)	2,368	2,275
Interest expense and foreign exchange gain/(loss)	(447)	(38)
Income before tax and minority interest	1,921	2,237
Income tax expense	(637)	(734)
Minority interest	(19)	1
Net income	**1,265**	**1,504**
Earnings per share	3.96	4.71
Average number of outstanding shares	319,442,590	319,442,590

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Hydro Agri After Demerger

Carve-Out Condensed Combined Balance Sheets 30.09.03 and 30.09.02 (Unaudited)

NOK million, except per share information	30.09.2003	30.09.2002
Assets		
Cash and cash equivalents	295	345
Other liquid assets	161	43
Receivables	8,276	7,397
Receivables, Hydro	104	71
Inventories	5,117	4,403
Total current assets	**13,953**	**12,259**
Property, plant and equipment, less accumulated depreciation, depletion and amortization	7,142	7,019
Other non-current assets	4,101	3,123
Total non-current assets	**11,243**	**10,142**
Total assets	**25,196**	**22,401**
Liabilities and shareholders equity		
Bank loans and other interest bearing short-term debt	717	187
Current portion of long-term debt	28	95
Interest-bearing loans and payables to Hydro	8,307	8,941
Other current liabilities	5,280	4,158
Total current liabilities	**14,332**	**13,381**
Long-term debt	175	142
Other long-term liabilities	2,328	1,806
Deferred tax liabilities	253	960
Total long-term liabilities	**2,756**	**2,908**
Minority shareholders interest in consolidated subsidiaries	**114**	**51**
Shareholders equity	**7,994**	**6,061**
Total liabilities and shareholders equity	**25,196**	**22,401**
Total number of outstanding shares	319,442,590	319,442,590

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Hydro Agri After Demerger

Carve-Out Condensed Combined Statements of Cash Flows 30.09.03 and 30.09.02 (Unaudited)

Nine months ended NOK million	30.09.2003	30.09.2002
Operating activities:		
Net income	1,265	1,504
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	837	878
Other adjustments	(1,371)	(416)
Net cash provided by operating activities	**731**	**1,966**
Investing activities:		
Purchases of property, plant and equipment	(539)	(594)
Purchases of other long-term investments	(318)	(471)
Net sales/(purchases) of short-term investments	(118)	(25)
Proceeds from sales of property, plant and equipment	229	146
Proceeds from sales of other long-term investments	128	435
Net cash used in investing activities	**(618)**	**(509)**
Financing activities:		
Net cash used in financing activities	**(258)**	**(1,870)**
Foreign currency effects on cash flows	21	(102)
Net increase/(decrease) in cash and cash equivalents	**(124)**	**(515)**
Cash and cash equivalents at beginning of year	419	860
Cash and cash equivalents at end of year	**295**	**345**

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Hydro Agri After Demerger

Carve-Out Combined Statements of Income 2002, 2001 and 2000 (Unaudited)

NOK million, except per share information	2002	2001	2000
Operating revenues	33,477	37,449	36,621
Raw materials and energy costs	23,373	26,467	26,333
Payroll and related costs	2,921	3,463	3,905
Depreciation, depletion and amortization	1,183	1,580	1,643
Other	3,857	3,876	3,082
Restructuring costs			135
Operating costs and expenses	31,334	35,386	35,098
Operating income before financial items and other income	**2,143**	**2,063**	**1,523**
Equity in net income of non-consolidated investees	57	330	350
Interest income and other financial income	245	408	291
Other income/(loss) net	142	(53)	
Earnings before interest expense and tax (EBIT)	2,587	2,748	2,164
Interest expense and foreign exchange gain/(loss)	(16)	(765)	(898)
Income before tax and minority interest	2,571	1,983	1,266
Income tax expense	(845)	(599)	(365)
Minority interest	(11)	85	55
Net income	**1,715**	**1,469**	**956**
Earnings per share	5.37	4.60	2.99
Average number of outstanding shares	319,442,590	319,442,590	319,442,590

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Hydro Agri After Demerger

Carve-Out Combined Balance Sheets 2002, 2001 and 2000 (Unaudited)

NOK million, except per share information	2002	2001	2000
Assets			
Cash and cash equivalents	419	860	563
Other liquid assets	35	27	57
Accounts receivable	5,424	6,662	7,380
Receivables, Hydro	126	135	322
Inventories	4,383	5,437	6,227
Prepaid expences and other current assets	1,030	1,169	1,455
Current deferred tax assets	34	4	51
Current assets	**11,451**	**14,294**	**16,055**
Non-consolidated investees	2,089	2,519	2,394
Property, plant and equipment, less accumulated depreciation, depletion and amortization	7,090	8,072	9,354
Prepaid pension, investments and other non-current assets	1,015	970	1,220
Deferred tax assets	375	53	34
Non-current assets	**10,569**	**11,614**	**13,002**
Total assets	**22,020**	**25,908**	**29,057**
Liabilities and shareholders equity			
Bank loans and other interest bearing short-term debt	361	623	838
Current portion of long-term debt	84	116	80
Interest-bearing loans, Hydro	8,336	8,402	7,878
Payables to Hydro	404	728	974
Other current liabilities	4,235	4,241	5,432
Current liabilities	**13,420**	**14,110**	**15,202**
Long-term debt	174	246	323
Accrued pension liabilities	1,530	1,121	977
Other long-term liabilities	624	735	863
Deferred tax liabilities	255	781	980
Long-term liabilities	**2,583**	**2,883**	**3,143**
Minority shareholders interest in consolidated subsidiaries	**85**	**85**	**213**

Share capital	543	543	543
Additional paid-in capital	7,368	8,200	9,527
Accumulated other comprehensive income	(1,979)	87	429
Shareholders equity	**5,932**	**8,830**	**10,499**
Total liabilities and shareholders equity	**22,020**	**25,908**	**29,057**
Total number of outstanding shares	319,442,590	319,442,590	319,442,590

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Hydro Agri After Demerger

Carve-Out Combined Statements of Cash Flows 2002 and 2001 (Unaudited)

NOK million	2002	2001
Operating activities:		
Net income	1,715	1,469
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,183	1,580
Equity in net income of non-consolidated investees	(57)	(330)
Dividends received from non-consolidated investees	206	295
Deferred taxes	(3)	42
Loss/(gain) on sale of non-current assets	(294)	(50)
Loss/(gain) on foreign currency transactions	(670)	77
Other	56	33
Working capital changes that provided/(used) cash:		
Receivables	(201)	758
Inventories	310	502
Prepaid expenses and other current assets	(247)	263
Other current liabilities	757	(1,453)
Net cash provided by operating activities	**2,755**	**3,186**
Investing activities:		
Purchases of property, plant and equipment	(1,134)	(664)
Purchases of other long-term investments	(529)	(233)
Net sales (purchases) of short-term investments	(21)	27
Proceeds from sales of property, plant and equipment	224	122
Proceeds from sales of other long-term investments	506	193
Net cash used in investing activities	**(954)**	**(555)**
Financing activities:		
Net cash used in financing activities	**(2,136)**	**(2,233)**
Foreign currency effects on cash flows	(106)	(101)
Net increase/(decrease) in cash and cash equivalents	**(441)**	**297**
Cash and cash equivalents at beginning of year	860	563
Cash and cash equivalents at end of year	**419**	**860**

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Operating Segment Information Hydro Agri (Unaudited)

External operating revenues *

NOK million	Nine months ended 30.09.2003	Nine months ended 30.09.2002	Year ended 2002	Year ended 2001	Year ended 2000
Upstream	4,059	2,281	3,263	3,760	3,340
Downstream	20,359	20,864	25,768	28,364	28,154
Industrial	3,374	3,280	4,290	4,786	4,719
Other and Elimination	99	98	156	539	408
Total	27,891	26,523	33,477	37,449	36,621

* Including Agri s sale to Hydro, NOK 197 million and NOK 408 million for 9 months 2003 and 2002, and NOK 530 million, NOK 598 million, and NOK 852 million for the years 2002, 2001 and 2000

Internal operating revenues

NOK million	Nine months ended 30.09.2003	Nine months ended 30.09.2002	Year ended 2002	Year ended 2001	Year ended 2000
Upstream	6,719	6,070	7,863	9,521	9,166
Downstream	957	693	954	1,082	515
Industrial	44	64	70	75	119
Other and Elimination	(7,720)	(6,827)	(8,887)	(10,678)	(9,800)
Total					

Operating revenues

NOK million	Nine months ended 30.09.2003	Nine months ended 30.09.2002	Year ended 2002	Year ended 2001	Year ended 2000
Upstream	10,778	8,351	11,126	13,281	12,506
Downstream	21,316	21,557	26,722	29,446	28,669
Industrial	3,418	3,344	4,360	4,861	4,838
Other and Elimination	(7,621)	(6,729)	(8,731)	(10,139)	(9,392)
Total	27,891	26,523	33,477	37,449	36,621

Depreciation, depletion and amortization

NOK million	Nine months ended 30.09.2003	Nine months ended 30.09.2002	Year ended 2002	Year ended 2001	Year ended 2000
Upstream	391	424	557	700	740
Downstream	272	277	370	570	568
Industrial	173	176	257	304	357
Other and Elimination	1	1	(1)	6	(22)
Total	837	878	1,183	1,580	1,643

Operating income

NOK million	Nine months ended 30.09.2003	Nine months ended 30.09.2002	Year ended 2002	Year ended 2001	Year ended 2000
Upstream	736	573	585	1,037	1,128
Downstream	1,014	1,137	1,315	1,073	284
Industrial	333	455	491	377	319
Other and Elimination	(254)	(214)	(248)	(424)	(208)
Total	1,829	1,951	2,143	2,063	1,523

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Equity in net income non-consolidated investees

NOK Million	Nine months ended 30.09.2003	30.09.2002	Year ended 2002	2001	2000
Upstream	278	(56)	12	290	416
Downstream	82	34	36	36	32
Industrial	3	5	9	4	33
Other and Elimination					(131)
Total	363	(17)	57	330	350

Earnings Before Interest and Tax (EBIT)

NOK Million	Nine months ended 30.09.2003	30.09.2002	Year ended 2002	2001	2000
Upstream	1,018	542	627	1,355	1,552
Downstream	1,226	1,400	1,620	1,443	648
Industrial	368	496	540	346	362
Other and Elimination	(244)	(163)	(200)	(396)	(398)
Total	2,368	2,275	2,587	2,748	2,164

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

NOK Million	Nine months ended 30.09.2003	30.09.2002	Year ended 2002	2001	2000
Upstream	1,410	1,039	1,267	2,054	2,142
Downstream	1,532	1,702	2,016	2,028	1,228
Industrial	541	672	797	652	720
Other and Elimination	(243)	(163)	(202)	(389)	(333)
Total	3,240	3,250	3,878	4,345	3,757

Investments

NOK Million	Nine months ended 30.09.2003	30.09.2002	Year ended 2002	2001	2000

Upstream	200	229	401	161	197
Downstream	351	496	1,082	380	835
Industrial	125	196	257	169	242
Other and Elimination	124	(31)	(191)	116	61
Total	800	890	1,549	826	1,335

External interest income

NOK Million	Nine months ended 30.09.2003	30.09.2002	Year ended 2002	2001	2000
Upstream	4	1	5	28	8
Downstream	129	137	175	333	329
Industrial	7	11	15	17	11
Other and Elimination	(7)	12	11	(14)	(61)
Total	133	161	206	364	287

Other income (loss), net

NOK Million	Nine months ended 30.09.2003	30.09.2002	Year ended 2002	2001	2000
Upstream		25	25		
Downstream		91	91		
Industrial	23	25	25	(53)	
Other and Elimination	17	1	1		
Total	40	142	142	(53)	

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Hydro Agri Geographical Segment Information (Unaudited)

	Assets[1]			Long-lived Assets[1]			Investments[1]		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Norway	1,344	2,246	1,571	2,850	3,294	3,937	91	130	146
France	3,668	4,730	7,781	1,007	1,178	1,345	116	76	64
The Netherlands	2,230	1,927	2,247	1,155	1,104	1,129	228	231	150
Germany	1,739	1,307	1,512	578	643	700	79	68	62
Italy	1,668	1,958	1,938	485	507	584	84	90	58
Great Britain	1,261	1,505	1,463	396	438	527	113	15	18
Sweden	783	835	850	317	318	386	73	25	59
Denmark	189	303	330	151	170	179	16	19	37
Spain	288	511	414	28	29	24	2	4	3
Other	719	422	239	58	3	13	118	2	
Total EU	12,545	13,498	16,774	4,175	4,390	4,887	829	530	451
Other Europe	167	528	554	21	61	107	3	15	17
Total Europe	14,056	16,272	18,899	7,046	7,745	8,931	923	675	614
Asia	2,665	3,420	2,986	1,393	1,645	1,524	72	37	85
South and Central America	2,066	2,890	3,553	1,004	1,218	1,376	356	115	557
Africa	1,813	1,554	1,792	176	174	303	68	(32)	54
North America	1,402	1,758	1,802	421	623	646	130	31	25
Australia and New Zealand	18	14	25	1	1	1			
Total outside Europe	7,964	9,636	10,158	2,995	3,661	3,850	626	151	721
Total	22,020	25,908	29,057	10,041	11,406	12,781	1,549	826	1,335

NOK million	Operating revenues[2]		
	2002	2001	2000
Norway	1,759	1,964	2,287
France	3,392	3,689	3,904
Germany	2,312	2,526	2,701
Great Britain	2,239	2,225	2,544
Italy	2,099	2,543	2,474
Spain	1,236	1,109	1,364
Sweden	795	948	940
The Netherlands	739	859	745
Denmark	556	586	700
Other	841	1,332	1,210
Total EU	14,209	15,817	16,582
Other Europe	823	905	1,125

Total Europe	16,791	18,686	19,994
South and Central America	4,716	5,172	4,425
Asia	4,166	4,332	3,812
North America	3,831	5,235	4,694
Africa	3,805	3,705	3,448
Australia and New Zealand	168	319	248
Total outside Europe	16,686	18,763	16,627
Total	33,477	37,449	36,621

(1) 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.

(2) Operating revenues are identified by customer location.

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NOTES TO PRO FORMA FINANCIAL STATEMENTS FOR HYDRO AGRI

Basis For Presentation

Pro forma financial statements are based on the carve-out financial statements described above, with the adjustments described below. These pro forma financial statements are based on regulations from the US Securities and Exchange Commission (SEC). These regulations allow for pro forma adjustments representing changes that are directly attributable to the transaction, and that are factually supportable. This has been interpreted to mean changes supported by contracts, transactions or binding offers. Only items with an ongoing impact may be adjusted to the pro forma income statements.

General And Overhead Costs

In the pro forma figures for Hydro Agri, costs being invoiced and allocated from Hydro are adjusted to represent estimates for Hydro Agri s general and overhead costs, calculated as if Hydro Agri had been a stand-alone company. The adjustments compared to similar costs included in the carve-out accounts are increases of NOK 1 million and NOK 12 million for the nine months periods ended 30 September 2003 and 2002, respectively. Furthermore, adjustments are an increase of NOK 15 million, a decrease of NOK 3 million and a decrease of NOK 14 million for the years ended 31 December 2002, 2001 and 2000, respectively.

Financial Expenses

It has been decided in the Demerger Plan that Hydro Agri will have a net interest bearing debt of NOK 8.5 billion as of the separation date. Hydro Agri is currently in the process of obtaining external long-term financing based on this net debt level. However, this process has not yet reached a stage where binding offers for financing have been received. Consequently, no pro forma adjustments have been made to reflect the borrowing costs Hydro Agri will experience going forward.

Income Taxes

Adjustments for income taxes comprise tax effects of the pro forma adjustments described.

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Hydro Agri After Demerger

Pro Forma Condensed Combined Statements of Income 30.09.03 and 30.09.02 (Unaudited)

Nine months ended NOK million, except per share information	30.09.2003	30.09.2002
Operating revenues	27,891	26,523
Depreciation, depletion and amortization	837	878
Other operating costs	25,226	23,706
Operating income	**1,828**	**1,939**
Equity in net income of non-consolidated investees	363	(17)
Interest income and other financial income	136	199
Other income/(loss) net	40	142
Earnings before interest expense and tax (EBIT)	2,367	2,263
Interest expense and foreign exchange gain/(loss)	(447)	(38)
Income before tax and minority interest	1,920	2,225
Income tax expense	(637)	(731)
Minority interest	(19)	1
Net income	**1,264**	**1,495**
Earnings per share	3.96	4.68
Average number of outstanding shares	319,442,590	319,442,590

Hydro Agri After Demerger

Pro Forma Condensed Combined Balance Sheets 30.09.03 and 30.09.02 (Unaudited)

NOK million, except per share information	30.09.2003	30.09.2002
Assets		
Cash and cash equivalents	295	345
Other liquid assets	161	43
Receivables	8,276	7,397
Receivables, Hydro	104	71

Inventories	5,117	4,403
Total current assets	**13,953**	**12,259**
Property, plant and equipment, less accumulated depreciation, depletion and amortization	7,142	7,019
Other non-current assets	4,101	3,123
Total non-current assets	**11,243**	**10,142**
Total assets	**25,196**	**22,401**
Liabilities and shareholders equity		
Bank loans and other interest bearing short-term debt	717	187
Current portion of long-term debt	28	95
Interest-bearing loans and payables to Hydro	8,307	8,941
Other current liabilities	5,280	4,158
Total current liabilities	**14,332**	**13,381**
Long-term debt	175	142
Other long-term liabilities	2,328	1,806
Deferred tax liabilities	253	960
Total long-term liabilities	**2,756**	**2,908**
Minority shareholders interest in consolidated subsidiaries	**114**	**51**
Shareholders equity	**7,994**	**6,061**
Total liabilities and shareholders equity	**25,196**	**22,401**
Total number of outstanding shares	319,442,590	319,442,590

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Hydro Agri After Demerger

Pro Forma Condensed Combined Statements of Cash Flows 30.09.03 and 30.09.02 (Unaudited)

Nine months ended NOK million	30.09.2003	30.09.2002
Operating activities:		
Net income	1,264	1,495
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	837	878
Other adjustments	(1,371)	(416)
Net cash provided by operating activities	**730**	**1,957**
Investing activities:		
Purchases of property, plant and equipment	(539)	(594)
Purchases of other long-term investments	(318)	(471)
Net sales/(purchases) of short-term investments	(118)	(25)
Proceeds from sales of property, plant and equipment	229	146
Proceeds from sales of other long-term investments	128	435
Net cash used in investing activities	**(618)**	**(509)**
Financing activities:		
Net cash used in financing activities	**(258)**	**(1,870)**
Foreign currency effects on cash flows	21	(102)
Net increase/(decrease) in cash and cash equivalents	**(125)**	**(524)**

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Hydro Agri After Demerger

Pro Forma Combined Statements of Income 2002, 2001 and 2000 (Unaudited)

NOK million, except per share information	2002	2001	2000
Operating revenues	33,477	37,449	36,621
Raw materials and energy costs	23,373	26,467	26,333
Payroll and related costs	2,921	3,463	3,905
Depreciation, depletion and amortization	1,183	1,580	1,643
Other	3,872	3,873	3,068
Restructuring costs			135
Operating costs and expenses	31,349	35,383	35,084
Operating income before financial items and other income	**2,128**	**2,066**	**1,537**
Equity in net income of non-consolidated investees	57	330	350
Interest income and other financial income	245	408	291
Other income/(loss) net	142	(53)	
Earnings before interest expense and tax (EBIT)	2,572	2,751	2,178
Interest expense and foreign exchange gain/(loss)	(16)	(765)	(898)
Income before tax and minority interest	2,556	1,986	1,280
Income tax expense	(841)	(600)	(369)
Minority interest	(11)	85	55
Net income	**1,704**	**1,471**	**966**
Earnings per share	5.33	4.60	3.02
Average number of outstanding shares	319,442,590	319,442,590	319,442,590

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Hydro Agri After Demerger

Pro Forma Combined Balance Sheets 2002, 2001 and 2000 (Unaudited)

NOK million, except per share information	2002	2001	2000
Assets			
Cash and cash equivalents	419	860	563
Other liquid assets	35	27	57
Accounts receivable, less allowances	5,424	6,662	7,380
Receivables, Hydro	126	135	322
Inventories	4,383	5,437	6,227
Prepaid expences and other current assets	1,030	1,169	1,455
Current deferred tax assets	34	4	51
Current assets	**11,451**	**14,294**	**16,055**
Non-consolidated investees	2,089	2,519	2,394
Property, plant and equipment, less accumulated depreciation, depletion and amortization	7,090	8,072	9,354
Prepaid pension, investments and other non-current assets	1,015	970	1,220
Deferred tax assets	375	53	34
Non-current assets	**10,569**	**11,614**	**13,002**
Total assets	**22,020**	**25,908**	**29,057**
Liabilities and shareholders equity			
Bank loans and other interest bearing short-term debt	361	623	838
Current portion of long-term debt	84	116	80
Interest-bearing loans, Hydro	8,336	8,402	7,878
Payables to Hydro	404	728	974
Other current liabilities	4,235	4,241	5,432
Current liabilities	**13,420**	**14,110**	**15,202**
Long-term debt	174	246	323
Accrued pension liabilities	1,530	1,121	977
Other long-term liabilities	624	735	863
Deferred tax liabilities	255	781	980
Long-term liabilities	**2,583**	**2,883**	**3,143**
Minority shareholders interest in consolidated subsidiaries	**85**	**85**	**213**

Share capital	543	543	543
Additional paid-in capital	7,368	8,200	9,527
Accumulated other comprehensive income	(1,979)	87	429
Shareholders equity	**5,932**	**8,830**	**10,499**
Total liabilities and shareholders equity	**22,020**	**25,908**	**29,057**
Total number of outstanding shares	319,442,590	319,442,590	319,442,590

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Hydro Agri After Demerger

Pro Forma Combined Statements of Cash Flows 2002 and 2001 (Unaudited)

NOK million	2002	2001
Operating activities:		
Net income	1,704	1,471
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,183	1,580
Equity in net income of non-consolidated investees	(57)	(330)
Dividends received from non-consolidated investees	206	295
Deferred taxes	(3)	42
Loss/(gain) on sale of non-current assets	(294)	(50)
Loss/(gain) on foreign currency transactions	(670)	77
Other	56	33
Working capital changes that provided/(used) cash:		
Receivables	(201)	758
Inventories	310	502
Prepaid expenses and other current assets	(247)	263
Other current liabilities	757	(1,453)
Net cash provided by operating activities	**2,744**	**3,188**
Investing activities:		
Purchases of property, plant and equipment	(1,134)	(664)
Purchases of other long-term investments	(529)	(233)
Net sales/(purchases) of short-term investments	(21)	27
Proceeds from sales of property, plant and equipment	224	122
Proceeds from sales of other long-term investments	506	193
Net cash used in investing activities	**(954)**	**(555)**
Financing activities:		
Net cash used in financing activities	**(2,136)**	**(2,233)**
Foreign currency effects on cash flows	(106)	(101)
Net increase/(decrease) in cash and cash equivalents	**(452)**	**299**

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Hydro Agri After Demerger

Pro Forma Combined N GAAP Statements of Income 2002, 2001 and 2000 (Unaudited)

The Pro Forma Financial Statements presented in accordance with accounting principles in Norway (N GAAP) have been derived from Hydro s consolidated financial statements for the years ended 31 December 2002, 2001 and 2000. For a description of Hydro s accounting principles, please refer to Hydro s annual accounts, attached to this Information Memorandum. There are no differences in net income under N GAAP and US GAAP.

NOK million, except per share information	2002	2001	2000
Operating revenues	33,477	37,449	36,621
Raw materials and energy costs	23,449	25,998	26,760
Change in inventories of own production	(76)	469	(427)
Payroll and related costs	2,921	3,463	3,905
Depreciation, depletion and amortization	1,183	1,580	1,643
Other	3,872	3,873	3,068
Restructuring costs			135
Operating costs and expenses	**31,349**	**35,383**	**35,084**
Operating income before financial items and other income	2,128	2,066	1,537
Equity in net income of non-consolidated investees	57	330	350
Interest income and other financial income	245	408	291
Other income/(loss), net	142	(53)	
Earnings before interest expense and tax (EBIT)	2,572	2,751	2,178
Interest expense and foreign exchange gain/(loss)	(16)	(765)	(898)
Income before tax and minority interest	2,556	1,986	1,280
Income tax expense	(841)	(600)	(369)
Net income	1,715	1,386	911
Minority interest	(11)	85	55
Net income after minority interest	**1,704**	**1,471**	**966**
Earnings per share	5.33	4.60	3.02
Average number of outstanding shares	**319,442,590**	**319,442,590**	**319,442,590**

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Hydro Agri After Demerger

Pro Forma Combined N GAAP Balance Sheets 2002, 2001 and 2000 (Unaudited)

NOK Million	2002	2001	2000
Assets:			
Deferred tax assets	409	57	85
Other intangible assets	154	155	187
Intangible assets	**563**	**212**	**272**
Property, plant and equipment	**7,090**	**8,072**	**9,354**
Non-consolidated investees	2,089	2,519	2,394
Prepaid pension, investments and other non-current assets	861	815	1,033
Financial non-current assets	**2,950**	**3,334**	**3,427**
Inventories	4,383	5,437	6,227
Accounts receivable, less allowances	5,424	6,662	7,380
Receivables, Hydro	126	135	322
Prepaid expenses and other current assets	1,030	1,169	1,455
Other liquid assets	35	27	57
Cash and cash equivalents	419	860	563
Current assets	**11,417**	**14,290**	**16,004**
Total assets	**22,020**	**25,908**	**29,057**
Liabilities and Shareholders equity:			
Share capital	543	543	543
Premium paid-in capital	3,689	3,689	3,689
Total paid-in capital	**4,232**	**4,232**	**4,232**
Retained earnings	1,700	4,598	6,267
Total retained earnings	**1,700**	**4,598**	**6,267**

Minority shareholders interest in consolidated subsidiaries	85	85	213
Shareholders equity	**6,017**	**8,915**	**10,712**
Accrued pension liabilities	1,530	1,121	977
Deferred tax liabilities	255	781	980
Other long-term liabilities	624	735	863
Long-term liabilities	**2,409**	**2,637**	**2,820**
Long-term debt	**174**	**246**	**323**
Bank loans and other interest-bearing short-term debt	361	623	838
Current portion of long-term debt	84	116	80
Interest bearing loans, Hydro	8,336	8,402	7,878
Payables, Hydro	404	728	974
Other current liabilities	4,235	4,241	5,432
Current liabilities	**13,420**	**14,110**	**15,202**
Total liabilities and shareholders equity	**22,020**	**25,908**	**29,057**

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Hydro After Demerger

Condensed Combined Statements of Income 30.09.03 and 30.09.02 (Unaudited)

Nine months ended NOK million, except per share information	30.09.2003	30.09.2002
Operating revenues	101,231	98,446
Depreciation, depletion and amortization	10,242	9,327
Other operating costs	75,697	77,235
Restructuring costs		(10)
Operating income	**15,292**	**11,894**
Equity in net income of non-consolidated investees	487	(434)
Interest income and other financial income	982	885
Other income/(loss) net	(1,742)	77
Earnings before interest expense and tax (EBIT)	15,019	12,422
Interest expense and foreign exchange gain/(loss)	(841)	333
Income before tax and minority interest	14,178	12,755
Income tax expense	(8,664)	(8,815)
Minority interest	143	41
Income before cumulative effect of change in accounting principle	5,657	3,981
Cumulative effect of change in accounting principle	281	
Net income	**5,938**	**3,981**
Earnings per share before change in accounting principles	21.90	15.40
Earnings per share	23.00	15.40
Average number of outstanding shares	257,803,672	257,745,113

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Hydro After Demerger

Condensed Combined Balance Sheets 30.09.03 and 30.09.02 (Unaudited)

NOK million, except per share information	30.09.2003	30.09.2002
Assets		
Cash and cash equivalents	16,166	10,226
Other liquid assets	1,581	1,913
Receivables	33,023	32,246
Interest bearing and other receivables, Agri	8,307	8,941
Inventories	11,759	12,835
Total current assets	**70,836**	**66,161**
Property, plant and equipment, less accumulated depreciation, depletion and amortization	107,131	104,292
Other non-current assets	27,519	27,252
Total non-current assets	**134,650**	**131,544**
Total assets	**205,486**	**197,705**
Liabilities and shareholders equity		
Bank loans and other interest bearing short-term debt	5,277	7,861
Current portion of long-term debt	1,164	1,967
Payables to Agri	104	71
Other current liabilities	41,383	36,446
Total current liabilities	**47,928**	**46,345**
Long-term debt	29,248	33,105
Other long-term liabilities	15,005	12,519
Deferred tax liabilities	34,046	34,294
Total long-term liabilities	**78,299**	**79,918**
Minority shareholders interest in consolidated subsidiaries	555	1,124
Shareholders equity	**78,704**	**70,318**
Total liabilities and shareholders equity	**205,486**	**197,705**
Total number of outstanding shares	256,712,000	257,960,532

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Hydro After Demerger

Condensed Combined Statements of Cash Flows 30.09.03 and 30.09.02 (Unaudited)

Nine months ended NOK million	30.09.2003	30.09.2002
Operating activities:		
Net income	5,938	3,981
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	10,242	9,328
Other adjustments	6,313	4,509
Net cash provided by operating activities	**22,493**	**17,818**
Investing activities:		
Purchases of property, plant and equipment	(10,425)	(13,743)
Purchases of other long-term investments	(508)	(16,700)
Net sales/(purchases) of short-term investments	1,086	(506)
Proceeds from sales of property, plant and equipment	529	696
Proceeds from sales of other long-term investments	4,262	607
Net cash used in investing activities	**(5,056)**	**(29,646)**
Financing activities:		
Loan proceeds	181	592
Principal repayments	(4,605)	(3,785)
Ordinary shares purchased	(555)	
Ordinary shares issued	64	53
Dividends paid	(2,711)	(2,576)
Contribution from Agri	258	1,870
Net cash used in financing activities	**(7,368)**	**(3,846)**
Foreign currency effects on cash flows	551	(388)
Net increase/(decrease) in cash and cash equivalents	**10,620**	**(16,062)**
Cash and cash equivalents at beginning of year	5,546	26,288
Cash and cash equivalents at end of year	**16,166**	**10,226**

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Hydro After Demerger

Combined US GAAP Statements of Income 2002, 2001 and 2000 (Unaudited)

NOK million, except per share information	2002	2001	2000
Operating revenues	136,114	118,332	122,978
Raw materials and energy costs	82,889	71,016	70,487
Payroll and related costs	17,412	13,774	10,947
Depreciation, depletion and amortization	12,729	10,693	10,895
Other	5,396	2,868	3,706
Restructuring costs	(10)	961	
Operating costs and expenses	118,416	99,312	96,035
Operating income before financial items and other income	**17,698**	**19,020**	**26,943**
Equity in net income of non-consolidated investees	(24)	236	322
Interest income and other financial income	1,173	2,439	1,456
Other income/(loss) net	77	631	3,161
Earnings before interest expense and tax (EBIT)	18,924	22,326	31,882
Interest expense and foreign exchange gain/(loss)	533	(2,844)	(3,007)
Income before tax and minority interest	19,457	19,482	28,875
Income tax expense	(12,433)	(13,151)	(15,813)
Minority interest	26	92	(37)
Net income	**7,050**	**6,423**	**13,025**
Earnings per share	27.40	24.90	49.80
Average number of outstanding shares	257,799,411	258,434,202	261,620,982

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Hydro After Demerger

Combined Balance Sheets 2002, 2001 and 2000 (Unaudited)

NOK million, except per share information	2002	2001	2000
Assets			
Cash and cash equivalents	5,546	26,288	21,203
Other liquid assets	2,612	2,394	2,434
Accounts receivable, less allowances	19,856	16,710	20,175
Interest bearing receivables, Agri	8,336	8,402	7,878
Other receivables, Agri	404	728	974
Inventories	12,849	10,357	12,511
Prepaid expences and other current assets	12,025	8,313	8,108
Current deferred tax assets	2,184	2,102	1,631
Current assets	**63,812**	**75,294**	**74,914**
Non-consolidated investees	9,410	7,168	4,817
Property, plant and equipment, less accumulated depreciation, depletion and amortization	105,252	87,205	85,671
Prepaid pension, investments and other non-current assets	16,114	12,714	11,811
Deferred tax assets	1,517	946	1,306
Non-current assets	**132,293**	**108,033**	**103,605**
Total assets	**196,105**	**183,327**	**178,519**
Liabilities and shareholders equity			
Bank loans and other interest bearing short-term debt	6,945	7,835	8,250
Current portion of long-term debt	1,874	1,850	2,129
Payables to Agri	126	135	322
Other current liabilities	34,096	28,004	27,739
Current deferred tax liabilities	262	324	258
Current liabilities	**43,303**	**38,148**	**38,698**
Long-term debt	30,728	37,607	39,851
Accrued pension liabilities	6,855	3,094	1,758
Other long-term liabilities	5,624	5,177	3,823
Deferred tax liabilities	36,554	30,324	30,407
Long-term liabilities	**79,761**	**76,202**	**75,839**
Minority shareholders interest in consolidated subsidiaries	**1,058**	**966**	**1,206**

Share capital	4,897	4,897	4,897
Additional paid-in capital	13,338	13,320	13,309
Retained earnings	59,582	52,560	45,810
Treasury stock	(3,052)	(3,167)	(2,224)
Accumulated other comprehensive income	(2,782)	401	984
Shareholders equity	**71,983**	**68,011**	**62,776**
Total liabilities and shareholders equity	**196,105**	**183,327**	**178,519**
Total number of outstanding shares	257,960,532	257,634,172	259,986,070

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Hydro After Demerger

Combined Statements of Cash Flows 2002 and 2001 (Unaudited)

NOK million	2002	2001
Operating activities:		
Net income	7,050	6,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	12,729	10,693
Restructuring costs	(10)	961
Equity in net income of non-consolidated investees	24	(236)
Dividends received from non-consolidated investees	208	177
Deferred taxes	(616)	(355)
Loss/(gain) on sale of non-current assets	1,117	(887)
Loss/(gain) on foreign currency transactions	(2,592)	339
Net sales/(purchases) of trading securities	616	(112)
Other	394	740
Working capital changes that provided/(used) cash:		
Receivables	(1,758)	2,869
Inventories	1,448	1,352
Prepaid expenses and other current assets	(1,530)	(618)
Other current liabilities	1,950	1,640
Net cash provided by operating activities	**19,030**	**22,986**
Investing activities:		
Purchases of property, plant and equipment	(18,472)	(13,672)
Purchases of other long-term investments	(17,575)	(1,430)
Net sales/(purchases) of short-term investments	(1,133)	15
Proceeds from sales of property, plant and equipment	717	495
Proceeds from sales of other long-term investments	971	466
Net cash used in investing activities	**(35,492)**	**(14,126)**
Financing activities:		
Loan proceeds	707	408
Principal repayments	(4,196)	(2,865)
Ordinary shares purchased		(1,155)
Ordinary shares issued	70	92
Dividends paid	(2,576)	(2,470)
Contribution from Agri	2,136	2,233
Net cash used in financing activities	**(3,859)**	**(3,757)**
Foreign currency effects on cash flows	(421)	(18)

Net increase/(decrease) in cash and cash equivalents	**(20,742)**	**5,085**
Cash and cash equivalents at beginning of year	26,288	21,203
Cash and cash equivalents at end of year	**5,546**	**26,288**

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NOTES TO PRO FORMA FINANCIAL STATEMENTS FOR HYDRO

Basis For Presentation

Pro forma financial statements are based on the Carve-Out Financial Statements described above, with the adjustments described below. These Pro Forma Financial Statements are based on regulations from the US Securities and Exchange Commission (SEC). These regulations allow for pro forma adjustments representing changes that are directly attributable to the transaction, and that are factually supportable. This has been interpreted to mean changes supported by contracts, transactions or binding offers. Only items with an ongoing impact may be adjusted to the pro forma income statements.

General And Overhead Costs

General and overhead costs incurred within the Hydro Group may not be reduced corresponding to the share of such costs previously charged to and allocated to Hydro Agri. For the pro forma financial statements, the charged and allocated costs are added back to Hydro s costs, to the extent that cost saving initiatives have not been approved and communicated. A total of NOK 15 million is currently identified as annual savings following transfer of employees and other decisions directly following the Demerger. Pro forma adjustments for general and overhead costs included in Hydro s Pro Forma Financial Statements amounted to increases of NOK 59 million and NOK 49 million for the nine months ended September 30, 2003 and 2002 respectively. Furthermore, pro forma adjustments reflects increases of general and overhead costs of NOK 64 million, NOK 82 million and NOK 89 million for the years ended December 31, 2002, 2001, and 2000, respectively.

Financial Income And Expense

Hydro s short- and long-term borrowings will only to a limited extent be transferred to Hydro Agri in the Demerger. Consequently, Hydro will retain the majority of its present long term debt. Financial expenses related to the retained loans are included in Hydro s pro forma financial statements. The pro forma adjustments for financial expenses included in Hydro s pro forma financial statements amounted to increases of NOK 447 million and NOK 38 million for the first nine months ended September 30, 2003 and 2002, respectively. Furthermore, pro forma adjustments reflect increases of financial expenses of NOK 16 million, NOK 829 million and NOK 899 million for the years ended December 31, 2002, 2001 and 2000, respectively.

Resulting from the Demerger, Hydro will acquire a short term receivable on Hydro Agri of NOK 8.1 billion, payable at consummation of the Demerger. This receivable is included in the pro forma financial statements for all periods. No interest income related to this receivable has been reflected in the pro forma financial statements for Hydro for any of the periods presented, as no decision has been made with regard to Hydro s use of the proceeds. However, management believes that the excess cash will be invested in assets generating income.

Income Taxes

Adjustments for income taxes comprise tax effects of the pro forma adjustments described.

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Hydro After Demerger

Pro Forma Condensed Combined Statements of Income 30.09.03 and 30.09.02 (Unaudited)

Nine months ended NOK million, except per share information	30.09.2003	30.09.2002
Operating revenues	101,231	98,446
Depreciation, depletion and amortization	10,242	9,327
Other operating costs	75,756	77,284
Restructuring costs		(10)
Operating income	**15,233**	**11,845**
Equity in net income of non-consolidated investees	487	(434)
Interest income and other financial income	982	885
Other income/(loss) net	(1,742)	77
Earnings before interest expense and tax (EBIT)	14,960	12,373
Interest expense and foreign exchange gain/(loss)	(1,288)	294
Income before tax and minority interest	13,672	12,667
Income tax expense	(8,523)	(8,791)
Minority interest	143	41
Income before cumulative effect of change in accounting principle	5,292	3,917
Cumulative effect of change in accounting principle	281	
Net income	**5,573**	**3,917**
Earnings per share before change in accounting principles	20.50	15.20
Earnings per share	21.60	15.20
Average number of outstanding shares	257,803,672	257,745,113

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Hydro After Demerger

Pro Forma Condensed Combined Balance Sheets 30.09.03 and 30.09.02 (Unaudited)

NOK million, except per share information	30.09.2003	30.09.2002
Assets		
Cash and cash equivalents	16,166	10,226
Other liquid assets	1,581	1,913
Receivables	33,023	32,246
Interest bearing and other receivables, Agri	8,307	8,941
Inventories	11,759	12,835
Total current assets	**70,836**	**66,161**
Property, plant and equipment, less accumulated depreciation, depletion and amortization	107,131	104,292
Other non-current assets	27,519	27,252
Total non-current assets	**134,650**	**131,544**
Total assets	**205,486**	**197,705**
Liabilities and shareholders equity		
Bank loans and other interest bearing short-term debt	5,277	7,861
Current portion of long-term debt	1,164	1,967
Payables to Agri	104	71
Other current liabilities	41,383	36,446
Total current liabilities	**47,928**	**46,345**
Long-term debt	29,248	33,105
Other long-term liabilities	15,005	12,519
Deferred tax liabilities	34,046	34,294
Total long-term liabilities	**78,299**	**79,918**
Minority shareholders interest in consolidated subsidiaries	**555**	**1,124**
Shareholders equity	**78,704**	**70,318**
Total liabilities and shareholders equity	**205,486**	**197,705**
Total number of outstanding shares	256,712,000	257,960,532

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Hydro After Demerger

Pro Forma Condensed Combined Statements of Cash Flows 30.09.03 and 30.09.02 (Unaudited)

Nine months ended NOK million	30.09.2003	30.09.2002
Operating activities:		
Net income	5,573	3,917
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	10,242	9,328
Other adjustments	6,313	4,509
Net cash provided by operating activities	**22,128**	**17,754**
Investing activities:		
Purchases of property, plant and equipment	(10,425)	(13,743)
Purchases of other long-term investments	(508)	(16,700)
Net sales/(purchases) of short-term investments	1,086	(506)
Proceeds from sales of property, plant and equipment	529	696
Proceeds from sales of other long-term investments	4,262	607
Net cash used in investing activities	**(5,056)**	**(29,646)**
Financing activities:		
Loan proceeds	181	592
Principal repayments	(4,605)	(3,785)
Ordinary shares purchased	(555)	
Ordinary shares issued	64	53
Dividends paid	(2,711)	(2,576)
Contribution from Agri	258	1,870
Net cash used in financing activities	**(7,368)**	**(3,846)**
Foreign currency effects on cash flows	551	(388)
Net increase/(decrease) in cash and cash equivalents	**10,255**	**(16,126)**

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Hydro After Demerger

Pro Forma Combined Statements of Income 2002, 2001 and 2000 (Unaudited)

NOK million, except per share information	2002	2001	2000
Operating revenues	136,114	118,332	122,978
Raw materials and energy costs	82,889	71,016	70,487
Payroll and related costs	17,412	13,774	10,947
Depreciation, depletion and amortization	12,729	10,693	10,895
Other	5,460	2,950	3,795
Restructuring costs	(10)	961	
Operating costs and expenses	118,480	99,394	96,124
Operating income before financial items and other income	**17,634**	**18,938**	**26,854**
Equity in net income of non-consolidated investees	(24)	236	322
Interest income and other financial income	1,173	2,439	1,456
Other income/(loss), net	77	631	3,161
Earnings before interest expense and tax (EBIT)	18,860	22,244	31,793
Interest expense and foreign exchange gain/(loss)	517	(3,672)	(3,905)
Income before tax and minority interest	19,377	18,572	27,888
Income tax expense	(12,411)	(12,896)	(15,536)
Minority interest	26	92	(37)
Net income	**6,992**	**5,768**	**12,315**
Earnings per share	27.10	22.30	47.10
Average number of outstanding shares	257,799,411	258,434,202	261,620,982

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Hydro After Demerger

Pro Forma Balance Sheets 2002, 2001 and 2000 (Unaudited)

NOK million, except per share information	2002	2001	2000
Assets			
Cash and cash equivalents	5,546	26,288	21,203
Other liquid assets	2,612	2,394	2,434
Accounts receivable, less allowances	19,856	16,710	20,175
Interest bearing receivables, Agri	8,336	8,402	7,878
Other receivables, Agri	404	728	974
Inventories	12,849	10,357	12,511
Prepaid expences and other current assets	12,025	8,313	8,108
Current deferred tax assets	2,184	2,012	1,631
Current assets	**63,812**	**75,294**	**74,914**
Non-consolidated investees	9,410	7,168	4,817
Property, plant and equipment, less accumulated depreciation, depletion and amortization	105,252	87,205	85,671
Prepaid pension, investments and other non-current assets	16,114	12,714	11,811
Deferred tax assets	1,517	946	1,306
Non-current assets	**132,293**	**108,033**	**103,605**
Total assets	**196,105**	**183,327**	**178,519**
Liabilities and shareholders equity			
Bank loans and other interest bearing short-term debt	6,945	7,835	8,250
Current portion of long-term debt	1,874	1,850	2,129
Payables to Agri	126	135	322
Other current liabilities	34,096	28,004	27,739
Current deferred tax liabilities	262	324	258
Current liabilities	**43,303**	**38,148**	**38,698**
Long-term debt	30,728	37,607	39,851
Accrued pension liabilities	6,855	3,094	1,758
Other long-term liabilities	5,624	5,177	3,823
Deferred tax liabilities	36,554	30,324	30,407
Long-term liabilities	**79,761**	**76,202**	**75,839**

Minority shareholders interest in consolidated subsidiaries	**1,058**	**966**	**1,206**
Share capital	4,897	4,897	4,897
Additional paid-in capital	13,338	13,320	13,309
Retained earnings	59,582	52,560	45,810
Treasury stock	(3,052)	(3,167)	(2,224)
Accumulated other comprehensive income	(2,782)	401	984
Shareholders equity	**71,983**	**68,011**	**62,776**
Total liabilities and shareholders equity	**196,105**	**183,327**	**178,519**
Total number of outstanding shares	257,960,532	257,634,172	259,986,070

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Hydro After Demerger

Pro Forma Combined Statements of Cash Flows 2002 and 2001 (Unaudited)

NOK million	2002	2001
Operating activities:		
Net income	6,992	5,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	12,729	10,693
Restructuring costs	(10)	961
Equity in net income of non-consolidated investees	24	(236)
Dividends received from non-consolidated investees	208	177
Deferred taxes	(616)	(355)
Loss/(gain) on sale of non-current assets	1,117	(887)
Loss/(gain) on foreign currency transactions	(2,592)	339
Net sales/(purchases) of trading securities	616	(112)
Other	394	740
Working capital changes that provided/(used) cash:		
Receivables	(1,758)	2,869
Inventories	1,448	1,352
Prepaid expenses and other current assets	(1,530)	(618)
Other current liabilities	1,950	1,640
Net cash provided by operating activities	**18,971**	**22,331**
Investing activities:		
Purchases of property, plant and equipment	(18,472)	(13,672)
Purchases of other long-term investments	(17,575)	(1,430)
Net sales/(purchases) of short-term investments	(1,133)	15
Proceeds from sales of property, plant and equipment	717	495
Proceeds from sales of other long-term investments	971	466
Net cash used in investing activities	**(35,492)**	**(14,126)**
Financing activities:		
Loan proceeds	707	408
Principal repayments	(4,196)	(2,865)
Ordinary shares purchased		(1,155)
Ordinary shares issued	70	92
Dividends paid	(2,576)	(2,470)
Contribution from Agri	2,136	2,233
Net cash used in financing activities	**(3,859)**	**(3,757)**
Foreign currency effects on cash flows	(421)	(18)

Net increase/(decrease) in cash and cash equivalents	**(20,801)**	**4,430**

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EXHIBITS

Exhibit 1: The Demerger Plan

Translation from Norwegian

DEMERGER PLAN

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for

the demerger

of

Norsk Hydro ASA

organisation number 914 778 271

as Transferor

with

AgriHold ASA

organisation number 986 228 608

as Transferee

entered into by the Board of Directors of each of Norsk Hydro ASA and AgriHold ASA on 28 November 2003, for the subsequent approval of the general meetings of the respective

companies

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This Demerger Plan is today entered into between the Board of Directors of each of

(1) **NORSK HYDRO ASA**, organisation no. 914 778 271, of Bygdøy allé 2, N-0257 Oslo

and

(2) **AGRIHOLD ASA**, organisation no. 986 228 608, of Bygdøy allé 2, N-0257 Oslo

on the terms provided below.

1. MAIN FEATURES OF THE DEMERGER

1.1 Main Content of the Demerger

The activities of Norsk Hydro ASA and its subsidiaries (the "Hydro Group") are presently organised in the three business areas of Oil and Energy, Aluminium and Agri. In addition, it has certain other businesses.

Upon the demerger of Norsk Hydro ASA in accordance with the provisions of this Demerger Plan (the "Demerger"), an independent group with AgriHold ASA as parent company (the "Agri Group") shall be established to continue the activities carried on by the Hydro Group in connection with fertiliser products and related chemicals and industrial gases and which today constitute the Agri business area, including research and development, production, marketing and trade related to these products (the "Agri Business"). The companies that shall form part of the Agri Group after the Demerger (the "Agri Companies") together with certain partly-owned companies where the Hydro Group's ownership interest is part of the Agri Business (the "Minority Interest Companies") are listed in Appendix 1.

All of the remaining activities of the Hydro Group shall after the Demerger be continued by Norsk Hydro ASA and those of its subsidiaries that shall not form part of the Agri Group (the "Hydro Companies").

1.2 Technical Implementation

AgriHold ASA was incorporated on 10 November 2003 with a share capital of NOK 108,610,470.40 divided into 63,888,512 shares, each with a par value of NOK 1.70, all of which were subscribed for by Norsk Hydro ASA in return for a total cash injection of NOK 2,048,049,500. The company is incorporated for the sole purpose of consummating the Demerger and shall not have any operational activity prior to the time of corporate implementation of the Demerger by way of registration with the Norwegian Register of Business Enterprises (the "Completion Date"), see item 11 below.

Prior to the Completion Date, the assets, rights and liabilities defined in item 12 as well as shares and partnership interests shall be transferred through intra-group transactions (Related Transactions) so that on the Completion Date all the shares and interests owned by the Hydro Group in the Agri Companies and the Minority Interest Companies shall be owned by Norsk Hydro ASA directly or indirectly through one or more Agri Companies, whilst all other shares and partnership interests owned by the Hydro Group shall be owned by Norsk Hydro ASA directly or indirectly through one or more other Hydro Companies.

Prior to this Demerger Plan being entered into, the Hydro Companies and the Agri Companies have entered into a number of agreements which regulate the continuation for a transitional period of established commercial connections between the Agri Business and the Hydro Group s remaining business.

Through the Demerger, all assets, rights and liabilities associated with that part of the Agri Business that constitutes part of Norsk Hydro ASA, including all shares and interests owned by Norsk Hydro ASA in Agri Companies and Minority Interest Companies, shall be transferred to AgriHold ASA. This transfer shall take place as a reduction of NOK 448,722,527.60 in Norsk Hydro ASA s share capital, from NOK 5,279,088,560 to NOK 4,830,366,032.40, effected by reducing the par

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value of each share from NOK 20 to NOK 18.30, together with a simultaneous increase of NOK 434,441,932.60 in the share capital of AgriHold ASA to NOK 543,052,403, effected by issuing 255,554,078 new shares, each with a par value of 1.70 as consideration to the shareholders in Norsk Hydro ASA (with the exception of Norsk Hydro ASA itself), such that each share in Norsk Hydro ASA shall entitle its holder to one share in AgriHold ASA.

1.3 Method of Allocation of Assets, Rights and Liabilities in connection with the Demerger and Related Transactions

With regard to the allocation of Norsk Hydro ASA s assets, rights and liabilities, the positions that are to be transferred to AgriHold ASA upon the Demerger are specified below. All other assets, rights and liabilities shall remain in Norsk Hydro ASA following the Demerger.

The Demerger shall not directly affect the allocation of assets, rights and liabilities between Norsk Hydro ASA s subsidiary companies. Such positions shall therefore only be adjusted in connection with the Demerger to the extent that such adjustment is directly required by the provisions of the Related Transaction in question, or is indirectly reflected in the allocation of assets, rights and liabilities in the Demerger, see items 2.6-2.8 below.

1.4 Financial Effective Date

The Agri Business will be carried on for the account and risk of the Agri Group from and including 1 October 2003 (the Effective Date).

This principle is implemented and modified by certain provisions described elsewhere in this Demerger Plan, and by acting in accordance with the following: From and including 1 October 2003, Norsk Hydro ASA shall identify and particularise all rights and liabilities that arise or cease as regards Norsk Hydro ASA and that primarily relate to the Agri Business. All such rights and liabilities that primarily relate to the Agri Business and that exist on the Effective Date or that arise or will arise later and that have not ceased on the Completion Date shall, upon the Demerger, be transferred to AgriHold ASA. The term rights and liabilities shall, both in this connection and otherwise in this Demerger Plan, be deemed to include, in relation to Norsk Hydro ASA, not only rights and liabilities towards third parties, but also rights and liabilities between the remaining and demerged part of Norsk Hydro ASA as a consequence of intra-company transactions as if they were separate companies from the Effective Date.

2. ALLOCATION OF ASSETS, RIGHTS AND LIABILITIES UPON THE DEMERGER

2.1 Transfer of Assets and Rights

Upon the Demerger, the following assets and rights shall be transferred from Norsk Hydro ASA to AgriHold ASA:

a. All shares and interests owned by Norsk Hydro ASA in the Agri Companies and the Minority Interest Companies, including

(i) 100% of the shares in Fertilizer Holdings AS,

(ii) 100% of the shares in Hydro Agri Norge AS,

(iii) 100% of the shares in A/S Djupvasskaia,

(iv) 50% of the interests in Felleslager ANS,

(v) 100% of the shares in Hydroship AS,

(vi) 100% of the shares in Hydro Gas and Chemicals AS,

(vii) 100% of the shares in Hydroship Services AS,

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(viii) 99.99% of the shares in Hydro Agri Argentina S.A.,

(ix) 100% of the shares in AgriHold USA, see item 13.12 below,

(x) 100% of the shares in Norsk Hydro Asia Pte. Ltd.,

(xi) 100% of the shares in Norsk Hydro (Far East) Ltd.,

(xii) 100% of the shares in Hydro Agri Colombia Ltda.,

(xiii) 34.02% of the shares in Abonos del Pacifico S.A.,

(xiv) 99.99% of the shares in Hydro Agri Hellas S.A.,

(xv) 100% of the shares in Haugvik Inc.,

(xvi) 34.02% of the shares in KABEC Investment Corp.,

(xvii) 50% of the shares in Hydro Agri Trade Maroc S.A.,

(xviii) 50% of the shares in Hydro Agri Russland AS,

(xix) 50% of the shares in Talconor AS,

(xx) 100% of the shares in Hydro Agri Russia a.s,

(xxi) 100% of the shares in Hydro Agri Rus Ltd.,

(xxii) 70% of the shares in Ceylon Oxygen Ltd.,

(xxiii) 20% of the shares in Nitrex AG,

(xxiv) 35% of the shares in Phosyn plc.,

(xxv) 60% of the shares in Hydro Agri Venezuela C.A.,

(xxvi) 60% of the shares in Norensacados C.A.,

(xxvii) 21.5% of the shares in Baria Serece and

(xxviii) 100% of the shares in Hydro Uruguay S.A.

b. All interest-bearing debts due to Norsk Hydro ASA from the Agri Companies and the Minority Interest Companies, including debts that have arisen as a result of the financing of Related Transactions. See item 13.13 below.

c. All patents, trademarks and other intellectual property rights that primarily relate to the Agri Business, together with all rights to use the Viking ship symbol as it is incorporated in the Hydro Group s logo, subject, however, to the exceptions defined in the agreement referred to in item 2.8 below.

d. All office and laboratory equipment at the Research and Development Park in Porsgrunn primarily used by Agri Employees, together with technical and commercial know-how developed at the said Park that primarily relate to the Agri Business.

e. All rights in connection with disputes that primarily relate to the Agri Business.

f. All rights under agreements and employment relationships that are transferred to AgriHold ASA in accordance with items 2.3 and 2.4 below.

g. All rights that according to the principles described in item 1.4 above shall be allocated to AgriHold ASA.

h. All other assets and rights that primarily relate to the Agri Business, whether known or unknown, contingent or actual.

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2.2 Transfer of Liabilities

Upon the Demerger, the following liabilities shall be transferred from Norsk Hydro ASA to AgriHold ASA:

a. All liabilities related to the assets and rights that are transferred to Agri in accordance with item 2.1 above.

b. All liabilities in connection with disputes to the extent that they relate to the Agri Business.

c. All interest-bearing debts to Agri Companies.

d. All liabilities under agreements and employment relationships to be transferred to AgriHold ASA or Hydro Agri Norge AS in accordance with items 2.3 and 2.4 below.

e. All pledges and guarantees issued in respect of liabilities of Agri Companies.

f. All responsibility that Norsk Hydro ASA may have for the liabilities, including liabilities under environmental legislation, that Norsk Hydro Produksjon AS was previously deemed to have and which (i) are transferred to Hydro Agri Norge AS under an agreement between them or (ii) shall be transferred to Hydro Agri Norge AS in accordance with the agreement referred to in item 12 below.

g. All liabilities that according to the principles described in item 1.4 above are allocated to AgriHold ASA.

h. All other liabilities that primarily relate to the Agri Business, whether known or unknown, contingent or actual.

2.3 Assignment of Agreements

Upon the Demerger, AgriHold ASA shall acquire from Norsk Hydro ASA all rights and obligations relating to:

a. Employment agreements and other agreements relating to employment relationships that are to be transferred to AgriHold ASA in accordance with item 2.4 below.

b. All other agreements that primarily relate to the Agri Business.

AgriHold ASA shall use all reasonable endeavors to obtain the release of Norsk Hydro ASA from its obligations under such agreements that shall be assigned to AgriHold ASA. In the event that the necessary consent to the assignment of an agreement is not obtained, the parties shall, as far as possible, ensure that the agreements continue in force in the name of Norsk Hydro ASA but for the account and risk of AgriHold ASA. If this is not possible, the parties shall, as far as possible, enter into an agreement between themselves that grants to AgriHold ASA the same rights against and liabilities towards Norsk Hydro ASA as those that Norsk Hydro ASA has against and owes to the contractual party in question.

2.4 Employment and Pensions

2.4.1 Upon the Demerger, those of Norsk Hydro ASA s employees whose work up to the Effective Date has primarily related to the Agri Business (the Agri Employees) shall be transferred to AgriHold ASA. This applies to approximately 240 employees from the Agri business area, approximately 15 employees at Norsk Hydro ASA s group offices, approximately 15 employees at Hydro Business Partner, approximately 45 employees at the Research and Development Park in Porsgrunn, three employees at Industriforskning AS and six administrative employees at the company residence at Herøya.

2.4.2 As from the Effective Date, AgriHold ASA shall assume responsibility for paying premiums to Norsk Hydro ASA s pension fund on behalf of the Agri Employees and pre-retired

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employees whose work, in the latter period of their active employment, primarily related to the Agri Business (the Agri Pensioners). The term pre-retired employees refers in this connection to pensioners who have not attained 67 years of age at the Effective Date. Norsk Hydro ASA s company pension fund shall be divided in accordance with the provisions of section 14-1 of the Company Pension Act. When effectuating the division, the transfer of funds to AgriHold ASA s part of the company pension fund shall be limited in accordance with the provisions of section 14-2 (1) second sentence of the said Act.

2.4.3 As from the Effective Date, Agri shall assume responsibility for rights accrued by the Agri Employees in Norsk Hydro ASA s unsecured pension scheme, which scheme shall be continued for the benefit of the Agri Employees, and for endowment pensions that have been notified to the Agri Pensioners. At the same time, Agri shall assume responsibility for the payment of pensions and endowment pensions to the Agri Pensioners.

2.5 AgriHold ASA s Loan

For the purposes of this Demerger Plan, AgriHold ASA shall be deemed to have received a loan from Norsk Hydro ASA in the form of a multicurrency facility with a draw-down as per the Effective Date of NOK 11,472,049,500. The loan shall carry interest at a rate equivalent to the interbank interest rate for the individual currencies + 0.75%. Interest shall be calculated and paid in arrears on the last business day of each calendar month. The term interbank interest rate shall be deemed to refer to the rate quoted by Reuters at approximately 12 noon on the first business day of each relevant calendar month for loans of one month s duration in the relevant currency beween first class banks. The amount, including unpaid interest, that is drawn on the loan on the Completion Date shall automatically be repaid by set-off of all debts that Norsk Hydro ASA might owe to AgriHold ASA (whether or not all the ordinary terms for set-off are satisfied), whilst the remainder of the amount shall in its entirety be settled in cash unless Norsk Hydro ASA shall consent to the extension of the loan whether in part or in whole beyond the Completion Date and on terms to be agreed between the parties, cf. item 10 b.

2.6 Adjustments for the effects of the intra-group transactions

In order to avoid any intra-group transactions that are to be carried out prior to the Completion Date affecting the allocation of net values between the parties to the Demerger, adjustments in the allocation of assets, rights and obligations under the Demerger shall take place in accordance with the following:

Any distribution (by way of dividend, group contribution or otherwise) made by an Agri Company to a Hydro Company in the period between the Effective Date and the Completion Date shall simultaneously give rise to a liability for Norsk Hydro ASA to pay to AgriHold ASA on the Completion Date a corresponding amount, converted to NOK in accordance with the foreign exchange rate applicable on the day when the relevant distribution was made, together with interest calculated in accordance with the terms of item 2.5 above. These principles shall apply correspondingly to distributions from Hydro Companies to Agri Companies.

Where the purchaser in a Related Transaction is a Hydro Company other than Norsk Hydro ASA, then AgriHold ASA shall pay to Norsk Hydro ASA on the Completion Date an amount equivalent to the purchase price converted to NOK in accordance with the foreign exchange rate applicable on the day when payment is made together with interest calculated in accordance with the terms of item 2.5 above.

If during the period between the Effective Date and the Completion Date, an Agri Company has any loan from any Hydro Company other than Norsk Hydro ASA on interest terms other

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than those that apply to AgriHold ASA s loan in accordance with item 2.5 above, then the difference between the interest actually paid and the interest that would have been payable had the interest terms in item 2.5 applied, shall be calculated monthly in arrears. The total amount of such differences (together with interest calculated in accordance with the principles in item 2.5 from the end of the month during which the difference applies and until the Completion Date) shall be settled on the Completion Date between Norsk Hydro ASA and AgriHold ASA, so that Norsk Hydro ASA shall pay to AgriHold ASA an amount equivalent to the sum of such differences in so far as the sum is positive and AgriHold ASA shall pay to Norsk Hydro ASA an amount equivalent to the sum of such differences in so far as the sum is negative.

If during the period between the Effective Date and the Completion Date an Agri Company has any loan from any Hydro Company other than Norsk Hydro ASA on fixed interest terms, then such loan shall before the Completion Date be converted to a loan with floating interest on the terms set out in item 2.5 above. The difference between the present value of each such loan, discounted with market rate interest for equivalent loans, and the face value of the loan shall be calculated at the date of conversion and shall be settled between the relevant Agri Company and the relevant Hydro Company. The total amount of such differences (together with interest calculated in accordance with the principles in item 2.5 from the date of conversion until the Completion Date) shall be adjusted for on the Completion Date between Norsk Hydro ASA and AgriHold ASA, so that Norsk Hydro ASA shall pay to AgriHold ASA an amount equivalent to the sum of such differences in so far as the sum is positive and AgriHold ASA shall pay to Norsk Hydro ASA an amount equivalent to the sum of such differences in so far as the sum is negative.

The principles set out in the two preceding paragraphs shall apply, mutatis mutandis, if any Hydro Company during the period between the Effective Date and the Completion Date has any loan from any Agri Company other than AgriHold ASA on interest terms other than those that apply to AgriHold ASA s loan in accordance with item 2.5 above.

2.7 Adjustments for tax liabilities

The allocation of net values between the parties under the Demerger is based, inter alia, on the general principle of financial effective date described in item 1.4 above. In accordance with this principle, Norsk Hydro ASA shall directly or indirectly be liable for all of the current tax liabilities of the Agri Group (treated for this purpose as though it had always existed in the form it appears after the consummation of the Demerger and the Related Transactions) up until the Effective Date, and the Agri Companies shall be responsible for all of the Agri Group s estimated current tax liabilities (corrected for the effects of consolidation with Hydro Companies) from the Effective Date. This principle shall be implemented and modified by the adjustment mechanisms described below.

With regard to the settlement of estimated tax payable for the Agri Group in 2003, Norsk Hydro ASA shall pay to AgriHold ASA on the Completion Date an amount equivalent to the positive difference (or AgriHold ASA shall pay to Norsk Hydro ASA an amount equivalent to the negative difference) between the estimated tax payable for the Agri Group for the whole of 2003 based upon the tax reports (i.e. the Hydro Group s internal tax reports) for 2003 (which reports take account of the tax consolidation with the Hydro Companies) and the estimated tax payable for the Agri Group for the final quarter of 2003 as if the Agri Companies in the individual countries had been taxed as a separate tax group (i.e. corrected for the effect of tax consolidation with Hydro Companies).

For the purposes of the provisions of the foregoing paragraph, estimated tax payable for the Agri Group for the final quarter of 2003 shall be computed by multiplying the tax payable for the whole of 2003 (corrected for the tax effect of consolidation with Hydro Companies)

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by a fraction where the numerator shall be the consolidated Carve-out result before tax in accordance with U.S. GAAP for the Agri Group for the fourth quarter of 2003, and the denominator shall be the consolidated Carve-out result before tax in accordance with U.S. GAAP for the Agri Group for the whole of 2003. All estimated tax amounts that are included in the computations done in accordance with the provisions of the foregoing paragraph shall be converted to NOK in accordance with the foreign exchange rate applicable on the Completion Date irrespective of whether or when the relevant tax payment has been made.

If an Agri Company in any country has a tax loss which it is assumed shall in whole or in part be consolidated for tax purposes with Hydro Companies, then Norsk Hydro shall pay to AgriHold ASA on the Completion Date an amount equivalent to $^{3}/_{12}$ of the reduced tax related to the loss which is assumed to be consolidated.

If the balance sheet of any Agri Company includes tax payable for 2002 or earlier that has not been paid at the Effective Date, then Norsk Hydro ASA shall pay to AgriHold ASA on the Completion Date an amount equivalent to the tax payable included in the balance sheet.

If an Agri Company that has been consolidated for tax purposes with one or more Hydro Companies in or prior to 2003 is obliged as a result of the Demerger or Related Transactions to pay compensation to a Hydro Company, then Norsk Hydro ASA shall, on the Completion Date, pay to AgriHold ASA a corresponding amount (after deduction of such amount of nominal tax as the payment may give rise to, irrespective of when the tax is in fact paid) converted to NOK in accordance with the foreign exchange rate applicable on the Completion Date. If a subsequent adjustment of the tax assessment of the relevant Agri Company for previous years results in an adjustment of the payment to the relevant Hydro Company, the amount paid by Norsk Hydro ASA to AgriHold ASA on the Completion Date shall be adjusted correspondingly. The principles set out above shall apply, mutatis mutandis, in the event that a Hydro Company is required to pay compensation as described above to an Agri Company.

In the event that divergence from the tax return of an Agri Company for 2003 or an adjustment of the tax assessment of an Agri Company for previous years results in an increased (or reduced) tax payment for a Hydro Company, then AgriHold ASA shall, after the tax has been paid, pay to Norsk Hydro ASA (or vice-versa) upon demand a corresponding amount converted to NOK in accordance with the foreign exchange rate applicable on the date upon which the tax payment was made. The same principles shall apply in the event that divergence from the tax return of a Hydro Company for 2003 or an adjustment of the tax assessment of a Hydro Company for previous years results in an increased or reduced tax payment for an Agri Company.

In the event that changes in the Agri Companies business or corporate structure after the Completion Date results in a tax liability for one or more Hydro Companies due to the breach of the conditions for tax consolidation for previous years or for tax exemptions in connection with earlier transactions, and Agri has been informed of this prior to the Completion Date, then Agri, after such tax payment has been made, shall pay to Norsk Hydro ASA upon demand a corresponding amount calculated in NOK in accordance with the foreign exchange rate applicable on the date the tax payment was made. The same principles shall apply, mutatis mutandis, in the event that changes in the business or structure of the Hydro Companies should result in a tax liability for one or more Agri Companies.

In the event that an Agri Company, as a consequence of the Demerger, the Related Transactions or prior transfer of assets, rights and liabilities from Norsk Hydro Produksjon a.s. to Hydro Agri Norge AS, is liable to pay tax on account of activities in 2004 or duty on account of activities in 2003 or 2004, then Norsk Hydro ASA shall, on the Completion Date or on such later date that the amount is paid and a claim for reimbursement is made to Norsk Hydro ASA, pay an equivalent amount (after deduction of the nominal value of such tax

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deduction that the payment may give rise to irrespective of when the deduction in fact becomes effective) converted to NOK in accordance with the foreign exchange rate applicable on the Completion Date or such later date when the claim for reimbursement is made. This shall not apply to any increase in tax in 2004 or later as the result of disallowed tax loss carry forwards or the lapse of other tax positions related to 2003 or previous years.

The principles set out above shall apply only insofar as the disparities that they are intended to neutralise have not been compensated in any other way by other payments between the Hydro Companies and Agri Companies.

No claim for adjustment in accordance with this item 2.7 may be made after 31 December 2009 irrespective of whether the circumstances that otherwise could have given rise to such claim are then known or not.

2.8 Transitional issues related to the use of Norsk Hydro ASA s name and logo

Norsk Hydro ASA and AgriHold ASA have entered into an agreement containing transitional provisions for the termination of the Agri Companies use of the Hydro name and for the Hydro Companies termination of the use of the Viking ship as it is incorporated in the Hydro Group s logo, cf. item 2.1 c. The agreement also regulates certain other issues related to the use of trademarks and other company hallmarks that contain the name Hydro or the Viking ship symbol as it is incorporated in the Hydro Group s logo. In addition to the said transitional provisions, the said agreement contains provisions on the right for Norsk Hydro ASA to continue to use the Viking ship as it is incorporated in the Hydro Group s logo, and on the right for the Agri Companies to continue to use the name Hydro in certain defined situations where such use is of considerable commercial value for the company that is granted such right and does not significantly harm or inconvenience the other company.

2.9 Compensation for Guarantees

To the extent that the Hydro Companies continue after the Completion Date to be liable for contingent or actual liabilities owed by the Agri Companies to third parties (including partly-owned Agri Companies and Minority Interest Companies), see item 2.3 above, the relevant Agri Companies shall pay to the relevant Hydro Companies a guarantee fee calculated on the basis of the guaranteed sum at a rate which for the period up until the expiry of the third quarter of 2004 shall be 0.30% p.a. and thereafter shall increase every six months by 0.05 percentage points p.a. up to a maximum of 0.60%, such guarantee fee to be paid every six months in arrears. The relevant Agri Company shall in addition compensate Norsk Hydro ASA on a running basis for any bank charges associated with maintaining the said guarantees.

3. DEMERGER CONSIDERATION

3.1 Demerger Consideration to the Shareholders of Norsk Hydro ASA

As compensation for the transfer of assets, rights and liabilities to AgriHold ASA in connection with the reduction of the share capital in Norsk Hydro ASA through reduction of the par value of each share by NOK 1.70 from NOK 20 to NOK 18.30, the shareholders of Norsk Hydro ASA shall receive one share in AgriHold ASA with a par value of NOK 1.70 for each share in Norsk Hydro ASA.

A draft resolution for the increase of the share capital in AgriHold ASA in connection with the issue of consideration shares is set out in item 5 below.

3.2 Treasury Shares

Norsk Hydro ASA shall not receive shares in AgriHold ASA as consideration upon the Demerger.

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4. REDUCTIONS OF SHARE CAPITAL IN NORSK HYDRO ASA

4.1 Changes in the Share Capital before the Completion Date

As of 28 November 2003, Norsk Hydro ASA holds 9,884,650 treasury shares. Subject to the exceptions set out below, Norsk Hydro ASA shall not issue, redeem or cancel shares, nor acquire or dispose of treasury shares prior to the Completion Date.

This Demerger Plan shall be presented for approval at the extraordinary general meeting of Norsk Hydro ASA which is scheduled for 15 January 2004. At the said general meeting, a proposal shall be made to reduce the share capital prior to the Completion Date by NOK 52,844,440 through the cancellation of 1,484,300 treasury shares and the redemption of 1,157,922 shares owned by the Ministry of Trade and Industry on behalf of the Norwegian State, so that the share capital immediately prior to the Completion Date shall be NOK 5,279,088,560, divided into 263,954,428 shares, each with a par value of NOK 20.

4.2 Proposal for the Reduction of Share Capital in Norsk Hydro ASA as part of the Demerger

This Demerger Plan shall be presented for approval at the aforementioned extraordinary general meeting of Norsk Hydro ASA which is scheduled for 15 January 2004.

As part of the approval of the Demerger Plan, the general meeting of Norsk Hydro ASA shall pass the following resolution on the reduction of share capital:

The share capital in Norsk Hydro ASA shall be reduced by NOK 448,722,527.60 from NOK 5,279,088,560 to NOK 4,830,366,032.40 through reduction of the par value of each share from NOK 20 to NOK 18.30. In executing the reduction, assets, rights and liabilities shall be transferred to AgriHold ASA in connection with the demerger. That portion of the distributions that exceeds the reduction in share capital shall for accounting purposes be charged to retained earnings up to an amount not exceeding NOK 5,000,000,000, and any excess shall be charged to premium paid-in capital.

With effect from the registration of completion of the Demerger with the Norwegian Register of Business Enterprises, Article 4 of the Articles of Association shall read as follows:

The share capital is NOK 4,830,366,032.40 divided into 263,954,428 shares, each with a par value of NOK 18.30. The shares shall be registered in the Norwegian Registry of Securities. The Board of Directors may refuse the transfer of shares and may take such other steps as may be necessary to prevent shares being transferred in contravention of the restrictions laid down in Norwegian law.

5. INCREASE IN THE SHARE CAPITAL AND AMENDMENT TO THE ARTICLES OF ASSOCIATION OF AGRIHOLD ASA

This Demerger Plan shall be presented for approval at the extraordinary general meeting of AgriHold ASA which is scheduled for 15 January 2004.

As part of the approval of the Demerger Plan, the general meeting of AgriHold ASA shall pass the following resolution on the increase of share capital:

The share capital shall be increased by NOK 434,441,932.60 from NOK 108,610,470.40 to NOK 543,052,403 through the issue of 255,554,078 shares, each with a par value of NOK 1.70 in connection with the demerger.

Subscription of shares shall take place by way of approval of the demerger plan by the general meeting of Norsk Hydro ASA.

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Payment for the shares shall take place by the transfer of assets, rights and liabilities from Norsk Hydro ASA in accordance with the demerger plan when completion of the demerger is registered with the Norwegian Register of Business Enterprises. That portion of the capital contribution that exceeds the share capital increase shall for accounting purposes be accounted for as retained earnings for an amount up to NOK 5,000,000,000 and as premium paid-in capital for any excess amount.

The shareholder of AgriHold ASA waives its pre-emptive right to subscribe for new shares, as the shares are issued to the shareholders of Norsk Hydro ASA as consideration for the demerger. No shares shall be issued to Norsk Hydro ASA for its treasury shares. The new shares shall entitle the holders to dividends from and including the financial year 2004 and to a proportionate share of all other distributions from the company that are resolved after the approval of the capital increase.

The new shares shall be registered in the share register of AgriHold ASA as soon as possible after the Completion Date and shall thereafter entitle the holder to full shareholder rights in AgriHold ASA.

With effect from the registration of the demerger with the Norwegian Register of Business Enterprises, Article 4 of the Articles of Association shall read as follows:

The share capital shall be NOK 543,052,403 divided into 319,442,590 shares, each with a par value of NOK 1.70. The shares shall be registered with the Norwegian Registry of Securities.

6. FOUNDER AND SUBSCRIPTION CERTIFICATES

Article 4 A of Norsk Hydro ASA s Articles of Association provides:

If the share capital is increased, and provided that the Norwegian law in force at the time so permits, preferential subscription rights shall be reserved in connection with each such capital increase, on the conditions stipulated by the Board of Directors, for up to

a) 0.83% of the increase for holders of the 83 unredeemed founder certificates, and

b) 2.79% of the increase for holders of the 4,343 unredeemed subscription certificates.

These preferential rights shall not apply if the increase is made in order to allot shares to third parties as compensation for their transfer of assets to the Company. The certificates may be negotiated independently of the shares.

After the Completion Date, the rights of the owners of the founder and subscription certificates shall apply correspondingly in relation to AgriHold ASA. In connection with the adoption of this Demerger Plan, the general meeting of AgriHold ASA shall therefore pass the following resolution amending the Articles of Association of the company:

The following Article 5 shall be added to the Articles of Association of the company with effect from the Completion Date:

If the share capital is increased, and provided that the Norwegian law in force at the time so permits, preferential subscription rights shall be reserved in connection with each such capital increase, on the conditions stipulated by the Board of Directors, for up to

a) 0.83% of the increase for holders of the 83 unredeemed founder certificates issued by Norsk Hydro-Elektrisk Kvaelstofaktieselskab, and

b) 2.79% of the increase for holders of the 4,343 unredeemed subscription certificates issued by Norsk Hydro-Elektrisk Kvaelstofaktieselskab.

These preferential rights shall not apply if the increase is made in order to allot shares to third parties as compensation for their transfer of assets to the Company.

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At the same time, the numbering of the Articles in the Articles of Association of AgriHold ASA shall be amended so that Articles 5 ff. shall become Articles 6 ff.

7. MANAGEMENT AND CONTROLLING BODIES IN AGRIHOLD ASA

7.1 Board of Directors

At the date of adoption of this Demerger Plan, the Board of Directors of AgriHold ASA will constitute the same persons as the Board of Directors of Norsk Hydro ASA. This Board shall remain in office until the Completion Date.

It is intended that the nomination committee of Norsk Hydro ASA will present proposals for new members of the nomination committee and new shareholder representatives on the Board of Directors of AgriHold ASA prior to the extraordinary general meeting of Norsk Hydro ASA which is scheduled for 15 January 2004 for, inter alia, the approval of this Demerger Plan. It will be proposed that the extraordinary general meeting of Norsk Hydro ASA shall instruct the Board of Directors of Norsk Hydro ASA to ensure that the persons nominated by the general meeting are elected with effect from the Completion Date as members of the nomination committee and Board of AgriHold ASA respectively.

7.2 Managing director

The Managing Director of AgriHold ASA is Eivind Reiten. Mr. Reiten will resign on the Completion Date and Thorleif Enger will from the same date take over as Managing Director of AgriHold ASA.

8. ACCOUNTING MATTERS

The Demerger shall be carried out with continuity for accounting purposes. This implies, inter alia, that the book values of assets, rights and liabilities registered in Norsk Hydro ASA shall be carried over to AgriHold ASA s separate and consolidated accounts, and that the reduction of retained earnings and any reduction in the premium paid-in capital of Norsk Hydro ASA shall correspond to an equivalent increase in retained earnings and premium paid-in capital where appropriate of AgriHold ASA, see items 4.2 and 5.

The Demerger shall take effect for accounting purposes from the Completion Date.

A draft Opening Balance Sheet for AgriHold ASA following the consummation of the Demerger is attached as Appendix 12.

9. TAXATION MATTERS

The Demerger shall take effect for tax purposes from 1 January 2004.

The Demerger shall be carried out with continuity for taxation purposes. In accordance with the terms of section 11-8 (1) of the Norwegian Taxation Act, the tax positions nominal and paid-in share capital are allocated in the same ratio as Norsk Hydro ASA s net values, i.e. 91.5% to Norsk Hydro ASA and 8.5% to the assets, rights and liabilities that are transferred to AgriHold ASA upon the Demerger.

Continuity for taxation purposes implies, inter alia, that the tax positions related to assets, rights and liabilities that are transferred from Norsk Hydro ASA to AgriHold ASA upon the Demerger shall be transferred unamended to AgriHold ASA, c.f., inter alia, sections 11-7 (1) and 11-8 (3) and (4) of the Taxation Act, and that the Demerger will not have any immediate tax consequences for the shareholders of Norsk Hydro ASA in Norway and, at the same time, that the tax base in Norsk Hydro ASA shares for tax purposes will remain unchanged, with an apportionment to Norsk Hydro ASA shares and AgriHold ASA shares in the same ratio as the par value of the shares is apportioned under the Demerger, see item 1.2, 4 and 5 above and section 11-7 (2) of the Taxation Act.

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10. CONDITIONS TO THE CONSUMMATION OF THE DEMERGER

Consummation of the Demerger is subject to the following conditions:

a. All the intra-group transactions described in items 12 and 13 below shall have been completed, unless the Board of Directors of each of Norsk Hydro ASA and AgriHold ASA conclude that the non-completion of the transaction in question will not have a material adverse effect on any of the parties, after having taken into consideration any compensatory arrangements that may be agreed between the parties in this regard,

b. Satisfactory documentation shall have been produced to show that AgriHold ASA will satisfy its indebtedness described in item 2.5 above on the Completion Date, unless the Board of Directors of Norsk Hydro ASA consents, subject to more detailed agreement, to the extension of the loan either in whole or in part,

c. All consents required for the assignment of agreements from Norsk Hydro AS to AgriHold ASA under the Demerger shall have been obtained, and all rights of termination of agreements to which an Agri Company or a Minority Interest Company is a party shall have been waived or the deadline for exercising any such rights shall have expired without such rights having been exercised. This shall, however, not apply if, in the opinion of the Board of Directors of each of Norsk Hydro AS and AgriHold ASA, neither the potential failure to obtain consents nor the potential terminations of such agreements would individually or in the aggregate have a material adverse effect on the Agri Companies,

d. The Oslo Stock Exchange shall have given notice that AgriHold ASA will be accepted for listing immediately after the Demerger has been registered with the Norwegian Register of Business Enterprises.

e. 1,157,922 shares in Norsk Hydro ASA held by the Ministry of Trade and Industry on behalf of the Norwegian State shall have been redeemed and 1,484,300 treasury shares shall have been cancelled, and

f. The deadline for objections from creditors pursuant to section 14-7 c.f. section 13-15 of the Public Limited Companies Act shall have expired for both parties and the position regarding any creditors who have raised objections shall have been settled, or the District Court (*tingretten*) shall have decided that the Demerger may nevertheless be consummated and registered with the Norwegian Register of Business Enterprises.

11. CONSUMMATION OF THE DEMERGER

The Demerger shall be consummated when notice from AgriHold ASA that the Demerger shall enter into force is registered with the Norwegian Register of Business Enterprises.

Such registration with the Norwegian Register of Business Enterprises shall take place as soon as possible after the conditions laid down in item 10 above have been satisfied, but in any event no earlier than 24 March 2004. In the event that such registration has not taken place by 30 June 2004, the Demerger shall lapse.

12. TRANSFERS FROM NORSK HYDRO PRODUKSJON A.S TO HYDRO AGRI NORGE AS PRIOR TO THE COMPLETION DATE

Prior to the Completion Date, Norsk Hydro Produksjon a.s (_NHP_) and Hydro Agri Norge AS (_HAN_) shall enter into and complete an agreement for the transfer of assets, rights and liabilities related to the Agri Business without guarantees of any kind, against cash payment of a purchase price

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that reflects the market value. The sale and purchase agreement shall, subject to necessary definitions and any appropriate amendments of minor relevance, be based on the following principles:

The assets to be transferred shall include all land, including quay structures, connected to the industrial park in Glomfjord, the vessel Hydrogutten , the company residences (adminier) including land at Glomfjord and in Porsgrunn, Casino in Porsgrunn, the precious metals pool administered from Porsgrunn, the ammoniac-synthesis catalyser plant at Rjukan, and NHP s 20%-share interest in Meløy Bedriftsservice AS.

In addition, all liabilities pursuant to environmental legislation shall be transferred in so far as they relate to circumstances pertaining prior to the Completion Date and

(i) directly or indirectly relate to industrial areas where Norsk Hydro ASA has previously carried out only Agri Business, including Glomfjord, Kjørholt and Menstad, or

(ii) directly or indirectly relate to industrial areas where Norsk Hydro ASA has carried out both Agri Business and other business, including Herøya and Rjukan, but only to the extent that such liabilities must be deemed to result from Agri Business.

Agreements relating to the transferred business shall be assigned contemporaneously.

The purchase price to be paid by Hydro Agri Norge AS in connection with the transactions described above shall be financed in accordance with the provisions of item 13.13 below.

13. TRANSFER OF SHARES IN SUBSIDIARIES PRIOR TO THE COMPLETION DATE

The activities of Norsk Hydro ASA are divided into geographically based sub-groups. These sub-groups consist of both Agri Business and other business. Prior to the Completion Date, Norsk Hydro ASA shall ensure that the necessary transfer of shares and partnership interests are effected through intra-group transactions to ensure that all shares and partnership interests in the Agri Companies and the Minority Interest Companies that are owned by the Hydro Group immediately prior to the Completion Date will be owned by Norsk Hydro ASA directly or indirectly through one or more Agri Companies, and that at such time all other shares and partnership interest owned by the Hydro Group will be owned by Norsk Hydro ASA directly or only through one or more other Hydro Companies.

The most important intra-group transfers of shares and partnership interests that shall be consummated prior to the Completion Date are listed below.

13.1 The Netherlands

Norsk Hydro Holland B.V. shall inject into Hydro Agri Nederland B.V. as a contribution in kind all shares and interests owned by the company in Agri Companies (with the exception of Hydro Agri Nederland B.V.) and Minority Interest Companies. Norsk Hydro Holland B.V. shall thereafter transfer all its shares in Hydro Agri Nederland B.V. to Fertilizer Holdings AS (FH).

13.2 France

Norsk Hydro France S.A. shall merge with Hydro Agri Specialités France S.A. Norsk Hydro France S.A. shall transfer to FH its 99.99% interest in Hydro Agri France S.A. Norsk Hydro France S.A. shall thereafter transfer its 99.99% interest in Hydro Agri Ambès S.A. to Hydro Agri France S.A.

13.3 Spain

FH shall incorporate a new holding company in Spain. Norsk Hydro España S.A. shall thereafter transfer to the newly incorporated holding company all its shares in Hydro Agri España S.A.

13.4 England

Norsk Hydro UK Ltd. shall transfer to FH all its shares in Hydro Agri (UK) Ltd.

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Norsk Hydro UK Ltd. shall thereafter transfer to Hydro Agri (UK) Ltd. all its shares in

(i) Hydro Estates Ltd.

(ii) Hydro Gas & Chemicals Ltd.

(iii) Hydro Schafer Ltd.

(iv) Hydro Overseas Ltd.

13.5 Sweden

FH shall incorporate a new holding company in Sweden. Norsk Hydro Sverige AB shall thereafter transfer to the newly incorporated holding company all its shares in Hydro Chemicals AB and Hydro Agri AB.

13.6 Denmark

FH shall incorporate a new holding company in Denmark. Norsk Hydro Danmark AS shall thereafter transfer to the newly incorporated holding company all its shares in Hydro Gas & Chemicals A/S and Hydro Agri Danmark AS, together with its 29% interest in Ammonia AS.

13.7 Asia

Hydro Asia Pacific Ltd. shall transfer to Norsk Hydro Asia Pte. Ltd all its ownership interests in Hydro Agri NZ Ltd and Hydrogas (Thailand) Co. Ltd. After the sale of the shares in these companies, Hydro Asia Pacific Ltd. will neither directly nor indirectly be engaged in Agri Business, and the company will be sold to Hydro Aluminium Holdings Ltd. All of the shares in Hydro Asia Pte. Ltd. shall be transferred from Norsk Hydro ASA to AgriHold ASA as part of the Demerger.

Norsk Hydro ASA shall transfer to FH its 10% interest in Qatar Fertiliser Company S.A.Q.

13.8 Canada

Norsk Hydro Canada Inc. shall transfer to Nutrite Inc. its 99% interest in Hydro Agri Canada L.L.P.

13.9 Brazil

NHP shall transfer to FH its 95.9% interest in Adubos Trevo S.A.

13.10 Trinidad and Tobago

NHP shall transfer to FH all its shares in Agri Caribbean Ltd.

13.11 Belgium

Norsk Hydro Holland B.V. shall inject into Hydro Agri Nederland B.V., as contribution in kind, 100% of the shares in Hydro Belgium S.A. Hydro Belgium S.A. shall purchase NHP s 59% interest in Hydro S.A. Hydro S.A. shall thereafter be split into two companies (A and B) by way of a demerger (scission), which two companies shall acquire 59% and 41% respectively of the net assets of the company. A shall acquire, *inter alia*, all of the debts owed to the company by the Hydro Companies, whilst B shall acquire, *inter alia*, all of the debts owed to the company by the Agri Companies. A shall thereafter be transferred to a Hydro Company for an amount equivalent to that paid by Hydro Belgium S.A. for NHP s 59% interest.

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13.12 USA

The Hydro Group s activities in the USA are organised under the main group Norsk Hydro Americas, Inc. (NHAI). The Agri Business and other businesses in the NHAI concern shall be divided by way of a split-up, which shall be consummated by NHAI transferring to a newly incorporated holding company (AgriHold USA), by way of contribution in kind, all of its shares and interests in the Agri Companies, and simultaneously transferring to a newly incorporated holding company for the remaining business, by way of contribution in kind, all assets, rights and liabilities of the remaining business. NHAI shall be liquidated, and the shareholdings in the two newly incorporated American holding companies shall be distributed as liquidation interest to Norsk Hydro ASA. The shares in AgriHold USA shall be transferred to AgriHold ASA as part of the Demerger.

13.13 Financing of the Purchase Price upon the Transfer of Shares and Partnership Interests

The purchase prices payable by the various Agri Companies for the shareholdings and partnership interests that are acquired in accordance with the provisions of items 13.1-13.11 above, shall be financed through loans from Norsk Hydro ASA to the purchasing company. The loans shall be paid out at the same time as the relevant purchase prices are paid and shall be converted from the relevant currencies to NOK in accordance with the foreign exchange rate applicable on the date of payment, and the corresponding debts shall be transferred from Norsk Hydro ASA to AgriHold ASA upon the Demerger, see item 2.1 b above. The loans shall carry interest in accordance with the principles set forth in item 2.5 above. In this way, the relevant transactions will not affect the allocation of net interest-bearing debt between Norsk Hydro ASA and AgriHold ASA on a consolidated basis.

14. MISCELLANEOUS

14.1 Settlement of accounts between the Hydro Companies and the Agri Companies

All outstanding interest-bearing balances between the Agri Companies and the Hydro Companies other than Norsk Hydro ASA shall be settled on the Completion Date. All other outstanding accounts between the Agri Companies and the Hydro Companies other than Norsk Hydro ASA that exist at the Completion Date shall be settled within three months after the Completion Date.

14.2 No Distribution from AgriHold ASA

Prior to the Completion Date, no distribution (in the form of dividend, group contribution or otherwise) shall be made from AgriHold ASA.

14.3 Transfer of Employees at Subsidiary Level

The Parties shall as far as possible procure that employees at subsidiary level are transferred between the relevant Hydro Companies and Agri Companies to the extent that employees in Hydro Companies whose work up to the Effective Date has primarily related to the Agri Business would otherwise have been employed in a Hydro Company or vice-versa.

14.4 Possible Agreements where the Formal Party is not the True Party

Any agreements to which the Hydro Companies are party and which primarily relate to the Agri Business shall be assigned to AgriHold ASA or a company designated by AgriHold ASA. The same principle shall apply, mutatis mutandis, to agreements to which the Agri Companies are party and which do not primarily relate to the Agri Business. In the event that any such agreement shall have a positive or negative commercial value, compensation shall be payable between the assignor and the assignee. If the paying company is an Agri Company, the amount of compensation shall be financed by way of a loan from Norsk Hydro ASA, and the corresponding debt shall be transferred from Norsk Hydro ASA to AgriHold ASA upon the Demerger, see the corresponding provisions on Related Transactions in item 13.13 above. The provisions of item 2.6, third paragraph shall apply correspondingly in the event that the paying company is a Hydro Company.

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14.5 Special Rights and Benefits

Kjelstrup & Wiggen AS shall receive remuneration for its services as experts in connection with the Demerger in accordance with ordinary principles for the remuneration for such work. Otherwise, no directors, managing directors or experts shall be entitled to special rights or benefits in connection with the Demerger.

14.6 Expenses in connection with the Demerger

External expenses that refer directly to work with the planning and implementation of the Demerger or the Related Transactions, including fees and disbursements payable to advisors but excluding expenses related to establishing a new corporate profile for the Agri Companies or other expenses incurred in connection with the continued operation of the Agri Companies, shall be paid by Norsk Hydro ASA or the Hydro Company that is party to the relevant Related Transaction.

14.7 Transfer of Contractual Obligations

The Parties shall use all reasonable endeavours to procure that contractual obligations are brought in conformity with the allocation of liabilities between the Hydro Companies and the Agri Companies consequent upon this Demerger Plan and the agreed terms of Related Transactions, see item 2.3 above in relation to the assignment of agreements from Norsk Hydro ASA to AgriHold ASA. To the extent that this results in extra costs, such costs shall, notwithstanding the terms of item 14.6 above, be borne by the company that is the beneficial party to the relevant agreement.

14.8 Allocation of Corporate Costs between the Effective Date and the Completion Date

The costs related to Norsk Hydro ASA s corporate centre in the period between the Effective Date and 31 December 2003 shall be apportioned between Norsk Hydro ASA and AgriHold ASA in accordance with established principles within the Hydro Group. The final allocation shall take place in 2004 based on the final figures for the actual costs incurred in 2003. Corporate costs that in accordance with established principles within the Hydro Group cannot be allocated to separate business areas shall for the same period be borne by Norsk Hydro ASA alone. From and including 1 January 2004, AgriHold ASA shall not be included in Norsk Hydro ASA s system for the allocation of corporate costs.

14.9 Interest on overdue payments

If any payment that in accordance with the provisions of this Demerger Plan is due on the Completion Date is made at a later date on account of the fact that more time is needed to quantify the actual amount payable, then interest calculated in accordance with the principles in item 2.5 above shall be payable from the Completion Date until payment is made. In the event of any further delay or any other delay of payment due under the provisions of this Demerger Plan, then interest calculated in accordance with the principles in item 2.5 above shall be payable from the due date until payment is made, provided however that the interest rate applicable shall be three percentage points higher than the interest rate otherwise applicable under item 2.5.

14.10 Dealing with Claims to be covered by others

In the event that a Hydro Company receives notice of a potential claim that, under the provisions of this Demerger Plan (pursuant directly or indirectly to the provisions of item 2.6) or under the terms of agreements that regulate Related Transactions, shall be covered by an Agri Company or vice-versa, the company that receives such notice of claim shall without undue delay give written notice to the company which it considers to be responsible for the claim. If the company that receives such notice acknowledges liability for the potential claim in writing, the said company shall henceforward be entitled to deal with all issues connected to the claim in relation to the claimant.

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14.11 Transfer of Rights and Obligations to Subsidiaries

The rights and obligations that each party has under this Demerger Plan may be transferred without limitation to one or more of its subsidiaries.

14.12 Liability for the Obligations of Subsidiaries

Each Party shall be jointly and severally liable for the obligations of its subsidiaries under this Demerger Plan, any agreements related to the Related Transactions and any agreement which is transferred to a subsidiary in accordance with the provisions of item 14.11 above.

14.13 Files

Norsk Hydro ASA and AgriHold ASA shall without limitation in time grant to each other access to copy all accounting records and other files provided that the party that does not have such files in its possession reasonably requests the taking of copies for the purpose of its accounts, legal obligations or administration of business.

14.14 Amendments to the Demerger Plan

The Board of Directors of each of Norsk Hydro ASA and AgriHold ASA may on behalf of the respective general meetings make minor amendments to this Demerger Plan to the extent that such amendments are necessary or appropriate and such amendments will not be to the detriment of the shareholders.

14.15 Disputes

Any disputes between Norsk Hydro ASA and AgriHold ASA in connection with this Demerger Plan shall be settled by arbitration in Oslo. If the parties fail to agree on the constitution of the arbitration tribunal within one month after the parties have submitted a request in writing for the arbitration of a particular dispute, each of the Parties shall be entitled to request the senior judge of the Borgarting Court of Appeal to appoint all of the members of the arbitration tribunal, provided, however, that the Parties shall be entitled to express their opinions in advance on the persons who are being considered for nomination.

This Demerger Plan has been executed in two identical copies, of which Norsk Hydro ASA and AgriHold ASA shall each retain one copy.

Oslo 28 November, 2003

Board of Directors of Norsk Hydro ASA

Egil Myklebust, Chairperson	Borger A. Lenth, Vice-Chairperson	Anne Cathrine Høeg Rasmussen
Ingvild Myhre	Elisabeth Grieg	Håkan Mogren
Geir Nilsen	Odd Semstrøm	Steinar Skarstein

Board of Directors of AgriHold ASA

Egil Myklebust, Chairperson	Borger A. Lenth, Vice-Chairperson	Anne Cathrine Høeg Rasmussen
Ingvild Myhre	Elisabeth Grieg	Håkan Mogren
Geir Nilsen	Odd Semstrøm	Steinar Skarstein

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Exhibit 2: Appendices to the Demerger Plan

Appendices:

1. The Agri Companies and the Minority Interest Companies

2. The current Articles of Association of Norsk Hyro ASA

3. Draft Articles of Association of Norsk Hydro ASA (as per consummation of the Demerger)

4. The current Articles of Association of AgriHold ASA

5. Draft Articles of Association of AgriHold ASA (as per consummation of the Demerger)

6. The Report of the Board of Directors of Norsk Hydro ASA and AgriHold ASA on the Demerger

7. Expert Opinion on the Demerger and the capital injection in AgriHold ASA with assets other than cash

8. The Annual Accounts of Norsk Hydro ASA, the Board of Directors Report and the Auditor s Report for 2000, 2001 and 2002

9. Audited Interim Balance Sheet for Norsk Hydro ASA per 30 September 2003

10. Independent Auditor s Report on the Interim Balance Sheet for Norsk Hydro ASA per 30 September 2003

11. Draft Opening Balance Sheet for AgriHold ASA at the consummation date of the Demerger

12. Independent Accountant s Report regarding the Draft Opening Balance Sheet of AgriHold ASA

13. Independent Accountant s Report that there will be full coverage for the company s restricted equity following the reduction of share capital in Norsk Hydro ASA.

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Appendix 1

The Agri Companies

Company Name	interest ownership	country
Hydro Agri Argentina S.A.	99.99	Argentina
Hydro Agri Australia Pty. Ltd.	100.00	Australia
HydroCare Australia Pty Ltd.	100.00	Australia
Hydro S.A.	100.00	Belgium
Hydro Belgium S.A.	100.00	Belgium
Hydro Agricultura S.A	100.00	Belgium
Hydrochem Benin S.A.	55.00	Benin
Hydro Fertilizantes Ltda.	99.90	Brazil
Adubos Trevo S.A.	95.90	Brazil
Hydro Agri Canada L.P.	100.00	Canada
Nutrite Inc.	100.00	Canada
Hydro Agri Colombia Ltda.	100.00	Colombia
Hydro Agri Danmark A/S	100.00	Denmark
Hydro Gas and Chemicals A/S	100.00	Denmark
Ny-Nitrogen A/S	65.00	Denmark
Agri Danmark Holding	100.00	Denmark
Hydro Agri Dominicana SA	100.00	Dominican Republic
Hydro Agri Trade Egypt Ltd.	51.00	Egypt
Norsk Hydro Egypt Ltd.	100.00	Egypt
Hydrochem Côte d Ivoire S.A.	60.00	The Ivory Coast
Hydro Eesti OU	100.00	Estonia
Norsk Hydro (Philippines) Inc.	64.00	The Philippines
Hydro Agri International France s.n.c.	99.99	France
Hydro Agri Spécialités France	99.99	France
Hydro Agri Ambès	99.99	France
Hydro Agri France	99.99	France
S.A. Hurel-Arc	99.99	France
L Ammoniac Agricole	58.00	France
S.A. Kaltenbach Thuring	100.00	France
Socofer	99.99	France
Société Normande de l Azote	100.00	France
Société Civile Immobilière SCODAC	99.99	France
Transcopa	99.99	France
Centro Agroquimico S.A.	100.00	Guatemala
Hydro Nordic S.A.	100.00	Guatemala
Hydro Agri Hellas S.A.	100.00	Greece
PT. Hydro Sumber Agri Nusantara	72.00	Indonesia
Hydro Agri Italia S.p.A.	100.00	Italy
Hydro Italia Services S.r.l	100.00	Italy
Nuova Terni Industrie Chimiche S.p.A.	100.00	Italy
Hydrochem Cameroun S.A.	65.00	Cameroon
Norsk Hydro East Africa Ltd.	100.00	Kenya
Norsk Hydro (Far East) Ltd.	100.00	China
Hydro Latvija S.I.A.	100.00	Latvia
UAB Hydro Lietuva	100.00	Lithuania
Norsk Hydro Malawi Ltd.	100.00	Malawi
Hydro Fertilizers Sdn Bhd	100.00	Malaysia

Hydrogas (M) Sdn. Bhd.	100.00	Malaysia
Norsk Hydro (Malaysia) Sdn. Bhd.	100.00	Malaysia
Hydro Agri Malaysia Sdn Bhd	60.00	Malaysia

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Company Name	interest ownership	country
HYEX Servicios Corporativos, S.A. de C.V.	100.00	Mexico
Hydro Agri Mexico, S.A. de C.V.	100.00	Mexico
Hydro Agri Nederland B.V.	100.00	The Netherlands
Hydro Agri Sluiskil B.V.	100.00	The Netherlands
Hydro Agri Investments B.V.	100.00	The Netherlands
Hydro Agri Benelux B.V.	100.00	The Netherlands
Hydro Central Europe B.V.	100.00	The Netherlands
Hydro Gas and Chemicals B.V.	100.00	The Netherlands
Hydro Agri Italy Investments B.V	100.00	The Netherlands
Hydro Fertilizer Technology B.V.	100.00	The Netherlands
Hydro Agri Poland Investments B.V.	100.00	The Netherlands
Hydro Agri South Africa Investments B.V.	100.00	The Netherlands
Hydro Agri Rotterdam B.V.	100.00	The Netherlands
Leamaat Delta B.V.	99.00	The Netherlands
Hydro Agri Shared Services B.V.	100.00	The Netherlands
Russia Agro Invest B.V	100.00	The Netherlands
Ukraine Agro Invest B.V.	100.00	The Netherlands
Windmill International B.V.	100.00	The Netherlands
Hydro Agri NZ Limited	100.00	New Zealand
Hydro Agri Norge AS	100.00	Norway
A/S Djupvasskaia	100.00	Norway
Hydroship AS	100.00	Norway
Hydro Gas and Chemicals AS	100.00	Norway
Hydroship Services AS	100.00	Norway
Hydrogas Ship a.s	100.00	Norway
Hydro Agri Russia a.s	100.00	Norway
AgriHold ASA	100.00	Norway
Fertilizer Holdings AS	100.00	Norway
Hydro Formates AS	100.00	Norway
Haugvik Inc. (Panama)	100.00	Panama
Ogrod Sp. z o.o.	100.00	Poland
Hydro Poland Sp. z.o.o.	100.00	Poland
Hydro Agri Rus Ltd.	100.00	Russia
Hydro Asia Pacific Pte Ltd	100.00	Singapore
Hydro Asia Trade Pte. Ltd.	100.00	Singapore
Tohma Pte Ltd	100.00	Singapore
Norsk Hydro Asia Pte Ltd	100.00	Singapore
Hydro Agri España S.A.	100.00	Spain
Hydro C.G. Liquidos S.L.	70.00	Spain
Agri Spania Holding	100.00	Spain
Ceylon Oxygen Ltd.	70.00	Sri Lanka
Agtec Ltd.	100.00	Britain
Diamond Fertiliser and Chemical Company Ltd.	100.00	Britain
Hydro Estates Limited	100.00	Britain
Extran Limited	100.00	Britain
Fertitrade Limited	100.00	Britain
Fertrachem Ltd.	100.00	Britain
George Hadfield & Company Ltd.	100.00	Britain
Hydro Gas & Chemicals Limited	100.00	Britain
Hydro Agri (UK) Ltd.	100.00	Britain
Hydro Agri (UK) Reserve 11 Ltd.	100.00	Britain
Hydro Agri (UK) Reserve 12 Ltd.	100.00	Britain
Hydro Agri (UK) Reserve 13 Ltd.	100.00	Britain
Hydro Agri (UK) Reserve 14 Ltd.	100.00	Britain

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Company Name	interest ownership	country
Hydro Chafer Ltd.	100.00	Britain
Nitrogen Fertilisers Limited	100.00	Britain
Norsk Hydro Overseas Ltd	100.00	Britain
Ploughdown Ltd.	100.00	Britain
Scanitro Limited	100.00	Britain
The Farmers Fertilizer Company Limited	100.00	Britain
Hydro Agri AB	100.00	Sweden
Hydro Chemicals AB	100.00	Sweden
Landskrona Stuveri AB	100.00	Sweden
Skogens Gödslings AB	90.90	Sweden
Agri Sverige Holding	100.00	Sweden
Kynoch Fertilizer (Pty.) Ltd.	100.00	South Africa
Norsk Hydro (Pty.) Ltd.	100.00	South Africa
Hydrogas (Thailand) Co. Ltd.	90.00	Thailand
Hydro Agri Trinidad Ltd.	100.00	Trinidad and Tobago
Hydro Caribbean Ltd	100.00	Trinidad and Tobago
Hydro Czech Republic s.r.o.	100.00	Czech Republic
Hydro Agri Brunsbüttel GmbH	100.00	Germany
Hydro Agri GmbH & Co. KG	100.00	Germany
Hydro Gas and Chemicals GmbH	100.00	Germany
Hydro Agri Besitz GmbH	100.00	Germany
Hydro Agri Verwaltungs GmbH	100.00	Germany
Hydroship Deutschland GmbH	100.00	Germany
Burlington River Terminal Ltd	100.00	USA
Diamond Fertilizer and Chemical Corp	100.00	USA
Hydro Agri Ammonia, Inc.	100.00	USA
Hydro Agri North America, Inc.	100.00	USA
Hydro Agri Phosphates, Inc.	100.00	USA
Hydro Formates Inc.	100.00	USA
USA Holding	100.00	USA
Hydro Hungary Kft.	100.00	Hungary
Hydro Agri Uruguay S.A.	100.00	Uruguay
Hydro Agri Venezuela C.A.	60.00	Venezuela
Norensacados C.A.	60.00	Venezuela
Hydro Agri Viet Nam	67.00	Vietnam
AFF Holdings Ltd.	55.18	Zimbabwe
Norsk Hydro Zimbabwe (Pvt.) Ltd.	100.00	Zimbabwe

Minority Companies

Company name	real interest ownership %	country
Hydro S.A	41.00	Belgium
Dolomie de Merlemont S.A.	49.51	Belgium
Dolomie de Villiers-le-Gambon s.a	49.00	Belgium
3949753 Canada Inc	50.00	Canada
Semico Inc	50.00	Canada
Synagri LP	50.00	Canada
Mining Capital Resources Ltd.	50.00	Cayman Islands
Cayman Mining Services Ltd.	50.00	Cayman Islands
Norte Grande	43.84	Chile
Oro Blanco	34.09	Chile

Pampa Calichera	25.76	Chile
Sociedad Quimica e Minera de Chile S.A.	8.25	Chile
SQNH	49.00	Chile
Suministros y Servicios Mineros de Colombia Ltda	50.00	Colombia

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Company name	real interest ownership %	country
Abonos del Pacifico SA (20-50)	34.02	Costa Rica
Ammonia A/S (20-50)	29.00	Denmark
Hydrogen I/S	35.71	Denmark
MISR Speciality Fertilizer SAE	47.50	Egypt
Farmplant Eesti OU	15.00	Estonia
Engrais Sud Vienne	19.00	France
Société Civile Immobilière FOUGEU	42.85	France
Société Civile Immobilière MOULIN DE PIERRES	30.00	France
Société de Minage en Guinée SAS	50.00	France
NHFL Erste GmbH	50.00	Germany
NHFL Zweite GmbH	50.00	Germany
Nitrokemine Guinée	50.00	Guinea
UH Mining Services Ltd	50.00	Ireland
CR Capital Resources Ltd	50.00	Ireland
Carbonor S.p.A	50.00	Italy
Impronta S.r.i.	50.00	Italy
ZemNor S.I.A.	49.00	Latvia
Blue Sky Agriculture Sdn. Bhd.	30.00	Malaysia
Hydro Agromate Holdings Sdn. Bhd.	49.00	Malaysia
West Fertilizer Terminal Sdn Bhd	23.00	Malaysia
Société Caraïbe d Industrie Chimique	24.70	Martinique
Hydro Agri Trade Maroc SA	50.00	Morocco
Carbonor Shipping Netherlands B.V.	50.00	The Netherlands
NU3 B.V	50.00	The Netherlands
NU3 N.V.	50.00	The Netherlands
Ballance Agri Nutrients Ltd	20.10	New Zealand
DanHydro Co. Ltd.	50.00	Nigeria
Felleslager ANS (20-50) (NHASA)	50.00	Norway
Meløy Næringsutvikling A/S	25.00	Norway
Hydro Agri Russland AS	50.00	Norway
Talconor AS	50.00	Norway
Meløy Bedriftsservice AS	20.00	Norway
KABEC Investment Corp	34.02	Panama
Norteam Seatransport Services Inc	25.00	The Philippines
Pataba Holdings Inc	40.00	The Philippines
Qatar Fertiliser Company S.A.Q.	25.00	Qatar
Eastern Mining Services	50.00	Russia
JSC Apatit	10.30	Russia
JSC Dogorobuszh	12.00	Russia
NordicRus Holding	49.00	Russia
Alboran Agricola S.A.	30.00	Spain
Landskrona Hamn AB	50.00	Sweden
MPS Systems AB	10.00	Sweden
Nitrex AG (20-50)	20.00	Switzerland
Hydro Thai Ltd.	0.33	Thailand
Viking Fertilizer Ltd.	49.00	Thailand
Trinidad Nitrogen Company Ltd.	49.00	Trinidad and Tobago
Explo Most	33.33	Czech Republic
Deutsche Stahlflaschen Treuhand GmbH	9.92	Germany
Gipswerk Embsen Gmbh	50.00	Germany
Gipswerk Embsen Gmbh & Co, KG	50.00	Germany
Immingham Outflow Ltd.	50.00	Britain
Phosyn plc	35.00	Britain
Burlington River Terminal Ltd	50.00	USA

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Company name	real interest ownership %	country
Farmland Hydro LP	50.00	USA
Farmland Hydro, Inc	50.00	USA
Hydro Merschman LLC	50.00	USA
Transcarolina Terminal Corp.	50.00	USA
Transgeorgia Terminal Corp	50.00	USA
Baria Serece (20-50)	21.50	Vietnam
Chemical and Gas Holdings Ltd.	20.42	Zimbabwe
Fertilizer Holdings (Pvt.) Ltd.	27.59	Zimbabwe
Sable Chemicals Ltd.	11.62	Zimbabwe
Techn. & Ind. Investm (Pvt) Ltd.	27.59	Zimbabwe
Windmill (Pvt.) Ltd.	20.07	Zimbabwe
ZFC Ltd.	27.59	Zimbabwe

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Appendix 2

Translation from Norwegian

Articles of Association of Norsk Hydro ASA

(last changed May 7, 2003, in force as per November 28, 2003)

§ 1

The name of the company is Norsk Hydro ASA.

§ 2

The objectives of the company are to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises.

§ 3

The company s registered office is in Oslo.

§ 4

The share capital is NOK 5,331,933,000 divided into 266,596,650 shares, each with a nominal value of NOK 20. The shares shall be registered in the Norwegian Registry of Securities. The Board of Directors may refuse the transfer of shares and may take such other steps as may be necessary to prevent shares being transferred in contravention of the restrictions laid down in Norwegian law.

§ 4 A

If the share capital is increased, and provided that the Norwegian law in force at the time so permits, preferential subscription rights shall be reserved in connection with each such capital increase, on the conditions stipulated by the Board of Directors, for up to

a. 0.83% of the increase for holders of the 83 unredeemed founder certificates and
b. 2.79% of the increase for holders of the 4,343 unredeemed subscription certificates.

These preferential rights shall not apply if the increase is made in order to allot shares to third parties as compensation for their transfer of assets to the Company. The certificates may be negotiated independently of the shares.

§ 5

The company s Board of Directors shall be composed of nine members who are elected by the Corporate Assembly for periods of two years at a time. The Corporate Assembly elects the Chairperson and the Deputy Chairperson of the Board for the same period.

If the office of a director comes to an end during the period for which he or she is elected, the Corporate Assembly may elect another director to hold office for the remainder of the period in question.

§ 5 A

The Electoral Committee consists of four members who shall be shareholders or shareholders representatives. The Chairperson of the Corporate Assembly shall have a permanent seat on the committee. In addition, one member is elected by and from among the members and deputies of the Corporate Assembly elected by the shareholders. Two members are elected by the Annual General Meeting. The members of the Electoral Committee are elected for two years at a time.

The Electoral Committee shall be chaired by the Chairperson of the Corporate Assembly. The Chairperson of the Board and the President, who do not hold voting rights, shall be requested to attend at least one meeting of the Electoral Committee before the Committee reaches its final decision.

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The Electoral Committee makes recommendations to the Annual General Meeting regarding the election of members and deputy members to the Corporate Assembly.

The Electoral Committee makes recommendations to the Corporate Assembly regarding the election of the shareholders representatives to the Board.

At the proposal of the shareholders representatives on the Board, the shareholders representatives of the Corporate Assembly adopt Instructions for the Electoral Committee.

§ 6

The Board of Directors may authorize a Board member, the President or specifically designated employees to sign for the company, and also to designate procurators. The Board of Directors may decide that authorization to sign for the company may only be exercised by several persons jointly.

§ 7

The Corporate Assembly shall comprise 21 members elected for a period of two years at a time. Fourteen of the members and four deputy members shall be elected by the Annual General Meeting, while seven members with deputies shall be elected by and from among the Company s employees. The Corporate Assembly elects its own Chairperson and Deputy Chairperson for periods of two years at a time.

§ 8

The Corporate Assembly shall exercise supervision to ensure that the objects of the Company are furthered in compliance with the law, the Articles of Association and the resolutions of the Annual General Meeting and the Corporate Assembly itself. The Corporate Assembly may adopt recommendations on any matter whatsoever for submission to the Board of Directors.

At the proposal of the Board of Directors, the Corporate Assembly shall adopt resolutions in matters concerning investments that are substantial compared with the Company s resources, or concerning such rationalization of, or changes in, operations as will entail a major change in or redeployment of the labour force.

§ 9

Members of the Board and the Corporate Assembly shall retire the year they reach the age of 70.

§ 10

The Annual General Meeting shall be convened by the Board of Directors in accordance with the applicable legal requirements.

Shareholders or their representatives wishing to attend and vote at the Annual General Meeting must inform the company of this five days prior to the Annual General Meeting.

The Annual General Meeting is presided over by the Chairperson of the Corporate Assembly or, in his or her absence, by the Deputy Chairperson.

§ 11

The Annual General Meeting shall

a) approve the Annual Report and Accounts, including the distribution of dividend,
b) elect the shareholders members and deputy members to the Corporate Assembly,
c) deal with any other matters listed in the notice convening the meeting.

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Appendix 3

Translation from Norwegian

Draft, Articles of Association of Norsk Hydro ASA

(as per consummation of the Demerger):

§ 1

The name of the company is Norsk Hydro ASA.

§ 2

The objectives of the company are to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises.

§ 3

The company s registered office is in Oslo.

§ 4

The share capital is NOK 4,830,366,032.40 divided into 263,954,428 shares, each with a nominal value of NOK 18.30. The shares shall be registered in the Norwegian Registry of Securities. The Board of Directors may refuse the transfer of shares and may take such other steps as may be necessary to prevent shares being transferred in contravention of the restrictions laid down in Norwegian law.

§ 4 A

If the share capital is increased, and provided that the Norwegian law in force at the time so permits, preferential subscription rights shall be reserved in connection with each such capital increase, on the conditions stipulated by the Board of Directors, for up to

a. 0.83% of the increase for holders of the 83 unredeemed founder certificates and
b. 2.79% of the increase for holders of the 4,343 unredeemed subscription certificates.

These preferential rights shall not apply if the increase is made in order to allot shares to third parties as compensation for their transfer of assets to the Company. The certificates may be negotiated independently of the shares.

§ 5

The company s Board of Directors shall be composed of nine members who are elected by the Corporate Assembly for periods of two years at a time. The Corporate Assembly elects the Chairperson and the Deputy Chairperson of the Board for the same period.

If the office of a director comes to an end during the period for which he or she is elected, the Corporate Assembly may elect another director to hold office for the remainder of the period in question.

§ 5 A

The Electoral Committee consists of four members who shall be shareholders or shareholders representatives. The Chairperson of the Corporate Assembly shall have a permanent seat on the committee. In addition, one member is elected by and from among the members and deputies of the Corporate Assembly elected by the shareholders. Two members are elected by the Annual General Meeting. The members of the Electoral Committee are elected for two years at a time.

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The Electoral Committee shall be chaired by the Chairperson of the Corporate Assembly. The Chairperson of the Board and the President, who do not hold voting rights, shall be requested to attend at least one meeting of the Electoral Committee before the Committee reaches its final decision.

The Electoral Committee makes recommendations to the Annual General Meeting regarding the election of members and deputy members to the Corporate Assembly.

The Electoral Committee makes recommendations to the Corporate Assembly regarding the election of the shareholders representatives to the Board.

At the proposal of the shareholders representatives on the Board, the shareholders representatives of the Corporate Assembly adopt Instructions for the Electoral Committee.

§ 6

The Board of Directors may authorize a Board member, the President or specifically designated employees to sign for the company, and also to designate procurators. The Board of Directors may decide that authorization to sign for the company may only be exercised by several persons jointly.

§ 7

The Corporate Assembly shall comprise 21 members elected for a period of two years at a time. Fourteen of the members and four deputy members shall be elected by the Annual General Meeting, while seven members with deputies shall be elected by and from among the Company s employees. The Corporate Assembly elects its own Chairperson and Deputy Chairperson for periods of two years at a time.

§ 8

The Corporate Assembly shall exercise supervision to ensure that the objects of the Company are furthered in compliance with the law, the Articles of Association and the resolutions of the Annual General Meeting and the Corporate Assembly itself. The Corporate Assembly may adopt recommendations on any matter whatsoever for submission to the Board of Directors.

At the proposal of the Board of Directors, the Corporate Assembly shall adopt resolutions in matters concerning investments that are substantial compared with the Company s resources, or concerning such rationalization of, or changes in, operations as will entail a major change in or redeployment of the labour force.

§ 9

Members of the Board and the Corporate Assembly shall retire the year they reach the age of 70.

§ 10

The Annual General Meeting shall be convened by the Board of Directors in accordance with the applicable legal requirements.

Shareholders or their representatives wishing to attend and vote at the Annual General Meeting must inform the company of this five days prior to the Annual General Meeting.

The Annual General Meeting is presided over by the Chairperson of the Corporate Assembly or, in his or her absence, by the Deputy Chairperson.

§ 11

The Annual General Meeting shall

a) approve the Annual Report and Accounts, including the distribution of dividend,
b) elect the shareholders members and deputy members to the Corporate Assembly,
c) deal with any other matters listed in the notice convening the meeting.

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Appendix 4

Translation from Norwegian

ARTICLES OF ASSOCIATION

AgriHold ASA

(last changed 25 November, 2003, in force as per November 28, 2003)

§1

The name of the company is AgriHold ASA. The company is a public company limited by shares.

§2

The objectives of the company are to engage in industry, commerce and transport, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises.

§3

The company s registered office is in Oslo.

§4

The share capital of the company is NOK 108,610,470.40 divided into 63,888,512 shares, each with a nominal value of NOK 1.70.

§5

The company s Board of Directors shall be composed of 3 to 10 members.

§6

The company shall have an Electoral Committee consisting of four members elected by the Annual General Meeting.

The Chairperson of the Board and the President, who do not hold voting rights, shall be requested to attend at least one meeting of the Electoral Committee before the Committee reaches its final recommendation.

The Electoral Committee makes recommendations to the General Annual Meeting regarding the election of the shareholder s representatives to the Board.

The shareholders representatives on the Board propose and adopt instructions for the Electoral Committee.

§7

Two directors jointly have the power to bind the company by their signatures. The Board of Directors may designate procurators.

§8

The members of the Board of Directors shall retire the year they reach the age of 70.

§9

The Annual General Meeting shall be convened by the Board of Directors in accordance with applicable legal requirements.

Shareholders or their representatives wishing to attend and vote at the Annual General Meeting must inform the company of this five days prior to the Annual General Meeting,

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§10

The Annual General Meeting shall be held each year within the expiry of June, and shall deal with and decide on:

1. Approval of the Annual Report and Accounts, including the distribution of dividend.
2. Other matters which under law or these Articles shall be dealt with by the Annual General Meeting.

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Appendix 5

Translation from Norwegian

Draft ARTICLES OF ASSOCIATION

AgriHold ASA

(as per consummation of the Demerger)

§1

The name of the company is AgriHold ASA. The company is a public company limited by shares.

§2

The objectives of the company are to engage in industry, commerce and transport, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises.

§3

The company s registered office is in Oslo.

§4

The share capital of the company is NOK 543,052,403.00 divided into 319,442,590 shares, each with a nominal value of NOK 1.70.

§5

If the share capital is increased, and provided that the Norwegian law in force at the time so permits, preferential subscription rights shall be reserved in connection with each such capital increase, on the conditions stipulated by the Board of Directors, for up to

a) 0.83% of the increase for holders of the 83 unredeemed founder certificates; and
b) 2.79% of the increase for holders of the 4,343 unredeemed subscription certificates.

These preferential rights shall not apply if the increase is made in order to allot shares to third parties as compensation for their transfer of assets to the company.

§6

The company s Board of Directors shall be composed of 3 to 10 members.

§7

The company shall have an Electoral Committee consisting of four members elected by the Annual General Meeting.

The Chairperson of the Board and the President, who do not hold voting rights, shall be requested to attend at least one meeting of the Electoral Committee before the Committee reaches its final recommendation.

The Electoral Committee makes recommendations to the General Annual Meeting regarding the election of the shareholder s representatives to the Board.

The shareholders representatives on the Board propose and adopt instructions for the Electoral Committee.

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§8

Two directors jointly have the power to bind the company by their signatures. The Board of Directors may designate procurators.

§9

The members of the Board of Directors shall retire the year they reach the age of 70.

§10

The Annual General Meeting shall be convened by the Board of Directors in accordance with applicable legal requirements.

Shareholders or their representatives wishing to attend and vote at the Annual General Meeting must inform the company of this five days prior to the Annual General Meeting,

§11

The Annual General Meeting shall be held each year within the expiry of June, and shall deal with and decide on:

1. Approval of the Annual Report and Accounts, including the distribution of dividend.
2. Other matters which under law or these Articles shall be dealt with by the Annual General Meeting.

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Appendix 6

Translation from Norwegian

To the General Meetings of Norsk Hydro ASA and AgriHold ASA

REPORT OF THE BOARDS OF DIRECTORS ON THE DEMERGER

Norsk Hydro ASA and AgriHold ASA

1. INTRODUCTION

The Boards of Directors of Norsk Hydro ASA and AgriHold ASA recommend the shareholders of the respective companies to approve the Demerger Plan dated 28 November 2003 (the "Demerger Plan") entered into by the Boards of Directors of AgriHold AS ("AgriHold") and Hydro, in accordance with the provisions of Chapter 14 of the Norwegian Public Limited Companies Act.

2. REASON FOR THE DEMERGER

The activities of Norsk Hydro ASA and its subsidiaries (the "Hydro Group") are presently organised in the three business areas of Oil and Energy, Aluminium and Agri. In addition, it has certain other businesses.

Upon the demerger of Norsk Hydro ASA in accordance with the provisions of the Demerger Plan (the "Demerger"), an independent group with AgriHold ASA as parent company (the "Agri Group") shall be established to continue the activities carried on by the Hydro Group in connection with fertilizer products and related chemicals and industrial gases and which today constitute the Agri business area, including research and development, production, marketing and trade related to these products (the "Agri Business"). After the Demerger, all the remaining activities of the Hydro Group shall be continued by Norsk Hydro ASA and those of its subsidiaries that shall not form part of the Agri Group (the "Hydro Companies").

The Demerger is the result of considerable growth within Hydro in recent years, following acquisitions and other substantial investments within the Oil and Energy and Aluminium business areas. During the second half of 2001, the Board of Hydro examined the company's corporate portfolio strategy. The Board concluded its examination in June 2003 and on 19 June 2003 Hydro announced that the Agri Business was to be separated from the Hydro Group and established as a separate company with a view to listing the shares of the company on the Oslo Stock Exchange during the course of the first half of 2004.

Following a three-year turnaround program commencing in 1999, Hydro s Board of Directors are of the opinion that the Agri Business will have an advantageous strategic starting point for a value enhancing, industrial development as an independent and leading global player. The turnaround program referred to above included, among other things, increasing cost-efficiency and productivity in the Agri Businesses and the re-organization, closure and sale of under-performing operatons, non-core production facilities, market organizations and businesses

The conclusions of Hydro s Board of Directors were in particular based on the following findings:

After the Demerger, the Hydro Group will be able to focus its financial resources and management attention fully on the significant opportunities for further development within each of the remaining business areas.

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Similarly, the Agri Group s management will be able to focus exclusively on the Agri Business.

The turnaround program was successful.

The Agri Group s operational results and strategic direction provide a good basis for profitable growth, which would be difficult to capture if the Agri Business were to remain part of the Hydro Group due to the capital expenditure requirements of the two other businesses and Agri s lac