GENERAL ELECTRIC CAPITAL CORP
Form FWP
January 31, 2006

Dated January 27, 2006 *as Amended*

January 31, 2006

Filed Pursuant to Rule 433

Registration Statement No. 333-123085

GENERAL ELECTRIC CAPITAL CORPORATION

GLOBAL MEDIUM-TERM NOTES, SERIES A

(Fixed Rate Notes)

Issuer:	General Electric Capital Corporation
Ratings:	Aaa/AAA
Trade Date:	January 27, 2006
Settlement Date (Original Issue Date):	February 1, 2006
Maturity Date:	February 1, 2011
Principal Amount:	US$125,000,000
Price to Public (Issue Price):	100.00%
Agents Commission:	0.250%
Selling Concession:	0.150%
All-in Price:	99.750%
Treasury Benchmark:	4.25% Notes Due January 15, 2011
Treasury Yield:	4.430%

Spread to	
Treasury Benchmark:	Plus 88 basis points
Re-Offer Yield:	5.310%
Net Proceeds to Issuer:	US$124,687,500
Interest Rate Per Annum:	5.310%
Interest Payment Dates:	Semi-Annually on the first day of each August and February of each year, commencing August 1, 2006 and ending on the Maturity Date

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Initial Redemption Date:	February 1, 2008 (See "Additional Terms-Optional Redemption" below)
Interest Reset Periods and Dates:	NA
Interest Determination Dates:	NA
Day Count Convention:	30/360
Denominations:	Minimum of $1,000 with increments of $1,000 thereafter
Call Dates:	February 1, 2008 and each Interest Payment Date thereafter, with not more than 60 nor less than 30 calendar days notice. See "Optional Redemption" below
Put Dates (if any):	Not Applicable
Put Notice Period:	Not Applicable

CUSIP:	36962GV35
Other:	

Additional Terms:

Interest:

Interest on the Notes will accrue from and including February 1, 2006 and will be payable in U.S. Dollars semi-annually on each August 1 and February 1, commencing on August 1, 2006 and ending on the Maturity Date or date of earlier redemption (each, an "Interest Payment Date"). Thereafter, interest will accrue from and including each Interest Payment Date to but excluding the next succeeding Interest Payment Date. In the event an Interest Payment Date, date of earlier redemption or the Maturity Date falls on a day other than a Business Day, principal and/or interest will be paid on the next succeeding Business Day and no interest on such payment shall accrue for the period from and after such Interest Payment Date, date of earlier redemption or Maturity Date to such next succeeding Business Day.

Optional Redemption:

The Company may at its option elect to redeem the Notes in whole on February 1, 2008 and each Interest Payment Date thereafter (the "Optional Redemption Date") at 100% of their principal amount plus accrued interest to but excluding the date of redemption. In the event the Company elects to redeem the Notes, notice will be given to registered holders not more than 60 nor less than 30 calendar days prior to the Optional Redemption Date.

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Plan of Distribution:

The Notes are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Underwriter"), as principal, at the Issue Price of 100.00% of the aggregate principal amount. The Underwriter has advised the Company that the Underwriter proposes to offer the Notes for sale at the Re-offer Yield referenced above.

The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

Additional Information:

General

At September 30, 2005, the Company had outstanding indebtedness totaling $344.022 billion, consisting of notes payable within one year, senior notes payable after one year and subordinated notes payable after one year. The total amount of outstanding indebtedness at September 30, 2005, excluding subordinated notes payable after one year, was equal to $341.143 billion.

Consolidated Ratio of Earnings to Fixed Charges

The information contained in the Prospectus under the caption "Consolidated Ratio of Earnings to Fixed Charges" is hereby amended in its entirety, as follows:

		Year Ended December 31,			Nine Months Ended
2000	2001	2002	2003	2004	September 30, 2005
	(Restated)	(Restated)	(Restated)	(Restated)	
1.52	1.73	1.66	1.86	1.89	1.82

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For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of net earnings adjusted for the provision for income taxes, minority interest and fixed charges. Fixed charges consist of interest and discount on all indebtedness and one-third of rentals, which the Company believes is a reasonable approximation of the interest factor of such rentals.

CAPITALIZED TERMS USED HEREIN WHICH ARE DEFINED IN THE PROSPECTUS SUPPLEMENT SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN THE PROSPECTUS SUPPLEMENT

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by on the SEC Web site at www.sec.gov. Alternatively, the issuer, the underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling the underwriter collect at 1-800-248-3580 or Investor Communications of the issuer at 1-203-357-3950.

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 lack of direct access to capital markets.

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

3. LEGAL CONSEQUENCES OF THE DEMERGER

The Demerger shall be carried out in accordance with Chapter 14 of the Public Limited Companies Act. Upon the Demerger, the assets, rights and liabilities of Norsk Hydro ASA will be divided so that the Agri Business shall be continued by AgriHold ASA.

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 carrying out the Demerger and shall not conduct any operational activity prior to the corporate consummation of the Demerger by way of registration with the Norwegian Register of Business Enterprises.

The Demerger shall be consummated by reducing the share capital of Norsk Hydro ASA by NOK 448,722,527.60 to NOK 4,830,366,032.40, and transferring to AgriHold ASA all assets, rights and liabilities associated with the Agri Business as defined in item 2 of the Demerger Plan. The reduction shall be effected by reducing the par 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), so that the shareholders shall receive one share in AgriHold ASA for each share held in Norsk Hydro ASA.

The Demerger shall be deemed to be completed for company law purposes after the deadline has expired for objections from creditors pursuant to section 14-7 c.f. section 13-15 of the Public Limited Companies Act and the position regarding any creditors who have raised objections has been settled, or the District Court has decided that the Demerger may nevertheless be consummated and registered with the Norwegian Register of Business Enterprises (the Completion Date). The shareholders in Norsk Hydro ASA shall acquire full shareholder rights in AgriHold ASA as soon as the new shares are registered in *Verdipairsentralen* (the Norwegian electronic securities register).

Consummation of the Demerger is conditional *inter alia* upon notice being given by the Oslo Stock Exchange that AgriHold ASA will be accepted for listing immediately after the Demerger has been registered with the Norwegian Register of Business Enterprises and the consideration shares have been registered in AgriHold ASA s shareholder register in *Verdipapirsentralen* (the Norwegian electronic securities register).

The Demerger shall take effect for accounting purposes upon the Completion Date. For tax purposes, the Demerger shall take effect on 1 January 2004.

The Demerger is believed to satisfy the necessary requirements for a tax-free demerger in accordance with Norwegian law. AgriHold ASA will assume Norsk Hydro ASA s tax positions related to assets, rights and obligations transferred upon the Demerger.

The decision to consummate the Demerger shall be made by the approval of the Demerger Plan by two-thirds of the votes cast at the general meetings of Norsk Hydro ASA and AgriHold ASA respectively.

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4. DETERMINATION OF SPLIT RATIO AND DEMERGER CONSIDERATION

As described in item 2 above, each shareholder in Norsk Hydro ASA shall receive one new share in AgriHold ASA with a par value of 1.70 for each share held in Norsk Hydro ASA. At the same time, the par value of each Norsk Hydro ASA share shall be reduced by NOK 1.70 from NOK 20.00 to NOK 18.30 through a reduction in the share capital of Norsk Hydro ASA.

Where a demerger is to be carried out with continuity for taxation purposes, the Norwegian Taxation Act requires that the share capital be divided in the same proportion as the division of net values between the companies in the demerger. Accordingly, Norsk Hydro ASA has calculated the market value of the company by reference to the market capitalization of the company over a four-week period around 30 September, 2003.

The relative values of the demerged assets, rights and liabilities has been calculated by reference to analysts estimates of the Agri Business enterprise value published in the weeks immediately following 19 June 2003 when the plans to demerge the Agri Business as a separate company were announced. The analyst s estimates converged at around NOK 18-20 billion. These estimates were compared with internal valuations of the Agri Business using valuation principles customarily applied within the financial community, and it was concluded that the valuation fell within the range of reasonable valuations based on these methods.

Based on the above-mentioned valuations, the Boards of Directors of Norsk Hydro ASA and AgriHold ASA have concluded that, upon the Demerger, 91.5% of the net values must be deemed to be ascribed to the assets, rights and liabilities that Norsk Hydro ASA shall retain upon the Demerger, while 8.5% of the net values must be deemed to be ascribed to the assets, rights and liabilities that shall be transferred to AgriHold upon the Demerger. The share capital will be divided in the same ratio upon the Demerger, in accordance with the legal requirements of a tax-free demerger.

The reduction of the share capital of Norsk Hydro ASA shall be effected by way of a reduction in the par value of each share, so that one share in AgriHold ASA will be issued for each share in Norsk Hydro ASA with a par value equal to the reduction in the par value of the Norsk Hydro ASA shares. AgriHold ASA was incorporated with an appropriate number of shares designed to give Hydro a 20 % ownership interest in the company following the Demerger. The cash injection made by Norsk Hydro ASA upon the incorporation of AgriHold ASA was determined on the basis of the valuations described above.

The determination of the demerger consideration was unproblematic.

5. IMPLICATIONS OF THE DEMERGER FOR EMPLOYEES

Upon the Demerger, the employees who it is intended to transfer to AgriHold ASA are entitled to retain the same rights and obligations connected to their employment as those they had prior to the Demerger, see Chapter XII A of the Norwegian Employment Act. The Demerger constitutes in this respect a transfer of undertakings.

AgriHold ASA shall assume responsibility for the payment of premiums to Norsk Hydro ASA s company pension fund for employees who are transferred to AgriHold. Following the Demerger, the pension fund will be separated from the group scheme in Norsk Hydro s Pensjonskasse, and will be continued as a separate pension fund or as a life assurance company. AgriHold ASA shall assume responsibility for Hydro s unsecured pension fund, which shall be continued by AgriHold ASA for the benefit of the employees who are transferred to AgriHold ASA.

The Demerger will not involve redundancies. Nor is it expected that the Demerger will have other significant consequences for the employees.

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As far as the employees are concerned, the Demerger shall be implemented in accordance with current legislation and collective bargaining agreements, including the provisions of Chapter XII A of the Employment Act. The Board of Directors shall ensure that the employees are provided with information in accordance with the provisions of section 73 E of the Employment Act and section 14-4 c.f. section 13-11 of the Public Limited Companies Act.

The majority of the employees in the various subsidiaries will not be directly affected by the Demerger. However, a limited number of employees carry out tasks that will fall outside the scope of the business area to be carried on by Norsk Hydro ASA or AgriHold ASA respectively following the Demerger. In these cases, the employment will, as far as possible, be transferred to other subsidiaries so that after the Demerger each employee will be employed by a company within that group which is to continue the business to which his or her work was related prior to the Demerger.

Oslo, 28 November 2003

Board of Directors of Norsk Hydro ASA

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

Board of Directors of AgriHold ASA

Egil Myklebust, leder	Borger A. Lenth, nestleder	Anne Cathrine Høeg Rasmussen
Ingvild Myhre	Elisabeth Grieg	Håkan Mogren
Geir Nilsen	Odd Stenstrøm	Steinar Skarstein

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Appendix 7

Translation from Norwegian

To the general meeting of Norsk Hydro ASA

To the general meeting of AgriHold ASA

Expert statement regarding the demerger plan and the non-cash share contribution

Based on assignments from the Boards of Directors of Norsk Hydro ASA and AgriHold ASA, we are rendering the following statement regarding the demerger plan according to the Public Limited Liability Companies Act § 14-4, and a statement relating to the non-cash share contribution according to § 10-2 ref. § 2-6.

1. The demerger plan

The Boards of Directors of Norsk Hydro ASA and AgriHold ASA signed on November 28, 2003 a demerger plan whereby all assets, rights and liabilities relating to the Agri business as described in paragraph 2 of the demerger plan, shall be transferred to AgriHold ASA.

According to the demerger plan the share capital of Norsk Hydro ASA shall be reduced by NOK 448.722.527,60 and the shareholders shall receive one share in the transferee company AgriHold ASA at a par value of NOK 1,70 for each share they own in Norsk Hydro ASA.

We have reviewed the demerger plan to be able to express an opinion on the proposed consideration to the shareholders in Norsk Hydro ASA. The consideration in the demerger has been based on estimated fair market values of Norsk Hydro ASA and the Agri business. The fair market value of Norsk Hydro ASA has been determined based on the market capitalization of the company during a four-week period around September 30, 2003.

The fair market value of the Agri business has been based on analysts estimates of the enterprise value of the Agri business published in the weeks immediately following the announcement of the plans to demerge the Agri business as a separate entity on June 19, 2003. The analysts estimates converged at about NOK 18-20 billion. These estimates were compared to internal valuations of the Agri business using valuation principles customarily applied within the financial community, and it was concluded that the valuation fell within the range of reasonable valuations based on these methods.

Based on the estimates of fair values, as described above, the Boards of Directors have concluded that the relative relationship between the net values Norsk Hydro ASA retains and the net values being transferred from Norsk Hydro ASA to AgriHold ASA in the demerger is 91,5:8,5.

The method used to determine the consideration has in our view been appropriate.

We are not aware of any specific difficulties when determining the consideration.

In our view the consideration to the shareholders in Norsk Hydro ASA is reasonable and has been based on objective grounds and facts.

2. Confirmation of increase in share capital

According to the demerger plan it is proposed that AgriHold ASA shall receive assets, rights and liabilities as consideration for shares to be issued in connection with the demerger of Norsk Hydro ASA. Assets, rights and liabilities relating to the Agri business, as described in paragraph 2 of the demerger plan, will be transferred to AgriHold ASA based on balance sheet values as reflected in the accounts of Norsk Hydro ASA as the demerger will be accounted for according to the accounting rules regarding continuity.

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We confirm that assets, rights and liabilities to be transferred to AgriHold ASA can be reflected in the balance sheet at a total net value at least equivalent to the par value of the shares to be issued as consideration of NOK 434.441.932,60.

Oslo, November 28, 2003

Kjelstrup & Wiggen AS

Paul Thomassen Jon Wiggen

State Authorized Public Accountants (Norway)

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Appendix 8

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NORSK HYDRO board of directors 2002

Norsk Hydro laid a sound foundation in 2002 for future value creation. Through active portfolio management and improvements to daily operational performance, Hydro management and employees fulfilled key objectives prescribed by the board.

General share value depreciation impacting global financial markets contributed to an overall negative effect on returns for Hydro s shareholders. At the same time, the company s share outperformed key benchmark indices.

Important acquisitions strengthened Aluminium and Oil and Energy. The divestment of businesses outside core activities gave us a more focused portfolio. The most important profitability indicator CROGI (Cash Return on Gross Investments) at normalized prices (see detailed explanation page 55) increased from about eight percent in 2001 to nine percent in 2002. This reflects better operational performance and is well within the declared target range. CROGI measured in realized prices was 8.5 percent in 2002, down from 9.4 percent the previous year. The decline was due mostly to depressed market conditions, lower oil and gas prices measured in Norwegian kroner and high exploration costs.

Financial strength was maintained despite large investments in 2002. At the end of the year, the debt/equity ratio was well within the board s target of 0.5.

The acquisition of the German company, VAW Aluminium AG, was prepared in 2001. The agreement was signed in January 2002 as part of our strategy to give Hydro a new and stronger role in global markets for aluminium and aluminium products. The acquisition made Hydro the largest integrated aluminium company in Europe and one of the world s three leading integrated aluminium companies. The acquisition was finalized in March 2002.

The board is pleased that the integration of VAW and the French building systems company, Technal, with Hydro Aluminium was successfully carried out. Despite unfavorable market conditions since the acquisitions, the board is convinced the strategic decisions will benefit the company.

Cost reduction plans announced at the time of the VAW acquisition were adjusted upward and are progressing according to the adjusted plan. The board closely follows Hydro Aluminium s ability to acquire value from the enhanced enterprise. The basis is good for additional value creation through strategic positioning and proactive portfolio management.

Norway remains the company s core area for oil and gas activities. Exceptionally good operational performance and the acquisition of shares in eight licenses from the Norwegian State s Direct Financial Interest (SDFI) helped increase Hydro s oil and gas production output. Most of the company s exploration activities took place overseas in Angola, Canada, the Gulf of Mexico, Iran and Libya. Results so far have been disappointing.

The board is pleased with Hydro Oil and Energy s ability to boost production while keeping costs down. The business area has additionally demonstrated proficiency in carrying out large and complex development projects and has a solid foundation for growth both in and outside

Norway.

Hydro is a significant player in all facets of the European energy market, including oil, gas and electricity. The company produced 480,000 barrels of oil equivalents per day in 2002, and also generated 10.3 terrawatt hours (TWh) of electricity at its hydropower plants in Norway. Combined with a position as Europe s largest industrial energy consumer, Hydro is well positioned to consolidate its interests and extract opportunities from the liberalized European energy markets.

After completing its turnaround operation in Agri, Hydro has improved its position outside Europe and strengthened its presence in important markets worldwide. Additional productivity improvements were accomplished in 2002, and in light of tough market conditions, Hydro Agri delivered good results. The board is closely following Hydro Agri s development as the global leader within the fertilizer industry.

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The board continuously evaluates Hydro s business portfolio to ensure optimal value creation, development of the group and its individual businesses. The agreement to sell VAW Flexible Packaging and the company s ownership stake in Farmland Hydro L.P, together with subsidiary KFK s sale of several large operations, were in line with Hydro s strategy to divest activities outside its core businesses.

The board is pleased with the company s ability to combine business development and value creation with viable and sustainable solutions. Good examples are Hydro Aluminium s two new remelting plants in Spain and the US, the commissioning of what will be Europe s largest and most environmentally compatible aluminium plant in Norway, Hydro Oil and Energy s work to develop clean and responsible energy supply based on gas and hydrogen as future energy carriers, and Hydro Agri s part in developing products and cultivation methods to optimize the use of plant nutrients.

Our results in areas not primarily measured in financial terms are more closely described in Society, people and environment, on pages 36-50.

The board worked continuously in 2002 on developing the group s corporate governance policies and has closely monitored developments in relevant securities laws and listing standards to ensure responsible and transparent management and monitoring structures imperative to building and maintaining trust. The board convened for two days in November 2002 to work especially with this issue. The development status of the company s corporate governance structure is described in detail on pages 8-10.

FINANCIAL RESULTS

Norsk Hydro s net income in 2002 amounted to NOK 8,765 million, or NOK 34 per share, compared with NOK 7,892 million, or NOK 30.50 per share, in 2001. Progress made from the previous year was tied especially to substantially higher oil and gas output, increased size of Hydro s aluminium activities after the VAW acquisition in the first quarter, unrealized profit from power contracts, and unrealized currency exchange gains associated with company debt. Lower oil and gas prices in Norwegian kroner, tough market conditions for aluminium and a stronger Norwe-gian krone had a negative impact on profit performance. Hydro s return on invested capital was in line with the established target for 2002. The company s financial position is strong, despite the large acquisitions, reflecting high cash flows. Productivity improvements were achieved in all business areas. Growth in oil and gas production especially contributed to the company s profitability.

Operating income of NOK 19,841 million was about six percent lower than in 2001. Also, earnings before interest, tax depreciation and amortization (EBITDA) showed a six percent reduction. The result was greatly impacted by a strong Norwegian krone and weaker markets for several of Hydro s main products. The average oil price was USD 24.70 per barrel, the same level as 2001. Measured in Norwegian kroner, the oil price was about 11 percent lower than in 2001. Market conditions for aluminium were difficult with reduced prices and volumes. Agri delivered good results with continued reduction in costs combined with higher market shares, but due to the stronger Norwegian krone, reported results are lower than in 2001.

Results from associated companies declined by NOK 533 million to NOK 33 million. The reduction was due primarily to unrealized currency losses in Brazilian alumina activities Hydro s share of which amounted to NOK 460 million, compared with NOK 159 million in 2001. The results of associated companies were also hit by lower ammonia prices and tough aluminium market conditions.

Net financial income in 2002 was NOK 1,935 million, compared with an expense of NOK 762 million in 2001. The change was primarily due to currency gains of NOK 3,262 million, against currency losses of NOK 416 million in 2001. At the same time, interest income was reduced by about NOK 1.2 billion, mostly the result of lower cash reserves.

The provision for current and deferred taxes was NOK 13,278 million, approximately 60 percent of pre-tax income. The corresponding figures for 2001 were NOK 13,750 million and 64 percent. The high tax percentage is primarily due to the high relative share of earnings generated by oil operations on the Norwegian continental shelf, where the marginal tax rate is 78 percent.

Cash provided by operations amounted to NOK 21.8 billion, a reduction of 17 percent compared with 2001. Investments in 2002 were NOK 45.7 billion. The acquisition of VAW amounted to NOK 20.9 billion, while the

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NORSK HYDRO board of directors 2002

purchase of SDFI shares totaled NOK 5.5 billion, including NOK 2.1 billion in deferred tax effects. During 2002, agreements were signed concerning the sale of operations totaling some NOK 6 billion, towards a target of NOK 10 billion by the end of 2003.

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

For a more detailed description of the company s operations and their locations, please see the individual core business area chapters.

Oil and Energy

EBITDA NOK million	**2002**	2001
Exploration and Production	**23,332**	25,768
Energy og Oil Marketing	**1,982**	1,836
Eliminations	**26**	
Hydro Oil and Energy	**25,340**	27,604

EBITDA for Oil and Energy was NOK 25,340 million, a decline of eight percent compared with 2001. Main reasons for the reduction were disappointing exploration results and an oil price 11 percent lower than in 2001 measured in Norwegian kroner. The realized average crude oil price for 2002 was USD 24.70, compared with USD 24.20 the previous year. Hydro s production of oil and gas in 2002 was 480,000 barrels of oil equivalents per day, an increase of 14 percent compared with 2001.

We entered into an agreement in March 2002 with the Norwegian government to purchase shares in eight oil and gas licenses on the Norwegian continental shelf. The acquisition augmented ownership stakes in the Hydro-operated Oseberg, Tune and Grane fields. The transfer took place May 10, 2002. Output from the acquired shares contributed to 24,000 barrels of oil equivalents per average day of production. In addition, new fields in production and high gas abatement in the fourth quarter contributed to increased output. Hydro s remaining oil and gas reserves amounted to 2,225 million barrels of oil equivalents at the end of 2002, compared with 2,073 million barrels in 2001. Hydro s reserve replacement ratio in 2002 was 187 percent. The purchase of SDFI shares contributed 187 million barrels of oil equivalents. Excluding acquisitions, sales and effects from production sharing agreements on international fields, the reserve replacement ratio was 98 percent.

Exploration activities in 2002 amounted to NOK 2,495 million. A combined total of NOK 3,558 million was charged as an exploration expense in 2002, about NOK 2.2 billion more than in 2001. The increase was primarily due to disappointing exploration results in 2002. Approximately NOK 1.5 billion of this cost is exploration wells and acquisition costs for exploration rights capitalized in previous years. A total of 31 wells were completed in 2002, resulting in 12 discoveries.

The production of electricity was somewhat higher in 2002 than in 2001 and substantially higher than a normal year. Low reservoir refill rates and high power consumption in the fourth quarter of 2002 contributed to record-high prices in the Scandinavian electricity market. Hydro entered purchase contracts in the derivatives market to compensate for expected lower power production in 2003. These contracts generated unrealized profits in 2002. Falling power prices at the beginning of 2003 are expected to reverse part of these unrealized profits in coming quarters.

Lower refinery margins and volumes had a negative impact on results.

Aluminium

EBITDA NOK million	**2002**	2001
Metal	**2,703**	1,766
Rolled Products	**258**	162
Extrusion and Automotive	**1,084**	632
Others and Eliminations	**289**	(17)
Hydro Aluminium	**4,334**	2,543

EBITDA for Aluminium was NOK 4,334 million, compared with NOK 2,543 million for 2001. In the first quarter of 2002, Hydro acquired the German company, VAW aluminium AG, one of the leading aluminium companies in Europe. Hydro s consolidated income statement includes VAW s results as of 15 March 2002. Hydro also acquired the French building systems company Technal in January 2002. New business contributed NOK 2,489 million to

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EBITDA. In 2001, EBITDA was affected by restructuring costs in connection with the closure of primary magnesium production in Norway, amounting to NOK 700 million; and losses in connection with aluminium options and futures of NOK 545 million. When adjusted for these factors and for the contribution from new units in 2002, Hydro Aluminium s result showed a significant decline.

This result reflected difficult market conditions that affected all parts of the operation. Weak development in the world economy led to lower demand for aluminium products. In response to the situation customers reduced their inventories, which further weakened demand for our products. The market was subsequently characterized by overcapacity with pressure on both the LME price and product margins.

Aluminium has started ambitious improvement programs to increase cost efficiency. The organization will additionally realize synergies from our acquisitions. The target for these improvement programs is a total cost reduction of NOK 2.5 billion by the end of 2003, compared with the level of costs of the integrated operations in 2001. Total cost reductions in 2002 amounted to about NOK 1 billion. These improvement programs also include cost savings tied to the closure of primary magnesium production in Norway, where NOK 430 million was realized in 2002. Total costs connected to carrying out the improvement programs in 2002 were around NOK 300 million. Additional costs of NOK 400 million are expected in 2003.

Agri

EBITDA NOK million	**2002**	2001
Hydro Agri	**3,945**	4,402

EBITDA for Agri was NOK 3,945 million, a reduction of 10 percent in relation to 2001. The main reason for this reduction was the strong Norwegian kroner in relation to the US dollar and the euro. Urea prices were low during 2002, which affected all the important nitrogen fertilizer prices in Europe. The price of nitrate fertilizers dropped seven percent measured in US dollars, while the price of balanced fertilizer (NPK) showed a lesser reduction. Hydro s market share in Europe increased somewhat as a result of a lower percentage of imported goods. On the whole, Hydro Agri maintained its sales volumes in Europe during a year with difficult market conditions. Outside of Europe, sales increased in all main regions in 2002.

Activities outside of Europe accounted for 54 percent of Hydro Agri s total fertilizer volume. Market positions within the main product segments increased in Latin America, Africa, Asia and North America. The strategic cooperation and marketing agreement with the Chilean producer of specialty fertilizer, SQM, was a factor underlying the success in all regions. The sale of ownership interests in the phosphate company Farmland Hydro in Florida was another step to concentrate our focus on core activities.

Other Activities

Petrochemicals

EBITDA in 2002 was NOK 320 million, compared with NOK 363 million in 2001. This reflects a reduction despite the fact that EBITDA in 2001 included major non-recurring costs. The decline is mainly due to price reductions for S-PVC and caustic soda. In addition a maintenance shutdown at the Rafnes plants in Norway resulted in costs and lost volume amounting to NOK 60 million. Lower raw materials costs for natural gas liquid and purchased ethylene had a positive effect.

Market conditions and prospects for 2003

Oil prices were low at the beginning of 2002, but increased during the year as a result of OPEC s more stringent market control in response to the tense situation in Iraq and the strike in Venezuela. Lower gas prices in the US resulted in weaker ammonia prices. There was also a better balance between supply and demand in the European fertilizer market. The market for aluminium was generally difficult.

Prospects for the world economy are uncertain, particularly as a result of the unstable situation in the Middle East and EU economic policy, which limits fiscal freedom and the development of exchange rates.

Weak international economic developments may affect the demand for oil and gas. However the main factor in the development of the oil price is the political situation in the Middle East and Latin America.

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A continued weak aluminium market is expected in 2003. Prices will depend mainly on the general economic development and the balance between supply and demand in the industry. Supply still exceeds demand, which results in the build-up of stocks. Another uncertainty is development in China.

Deliveries of fertilizer from Hydro to the European market are expected to remain stable or fall slightly in 2003. Deliveries to key markets in Asia increased significantly in 2002 and are expected to rise further.

Health, safety and environment

The company has intensified its efforts within health, safety and environment (HSE) in recent years. Systematic efforts have resulted in significant improvements. We must, however, report that tragic accidents also occurred in connection with our operations in 2002.

Improvements are achieved as a result of long-term and continuous efforts throughout all parts of the organization. Our steering documents are revised, and we carry out regular audits and assessments of our HSE work. Results and problem areas are reported on a monthly basis, and experiences are shared systematically throughout the company. Health, safety and environment is one of the main elements in Hydro s leadership development programs.

Two persons died in connection with our operations in 2002. One of our employees was killed in an automobile accident in South Africa, and a contractor employee died in connection with demolition work at our plant in Immingham, England. This is a reduction in comparison with previous years, but still shows that we have to continue our safety improvement work.

Hydro s main parameter for safety follow-up is the rate for total recordable injuries per million hours worked (TRI). The TRI rate for Hydro, excluding VAW, showed a 25 percent improvement in 2002.

The integration of Technal and VAW has been demanding on the health, safety and environment areas. In light of Hydro s ambitions, safety work was not paid enough attention before we took over. Good, systematic work since the acquisitions has generated good results. The group target for 2003, including the new units, is an improvement of 20 percent.

Lost-time injuries among contractors are followed up systematically. Major improvements have been achieved in recent years. After a slight setback in 2001, the injury statistics in 2002 were lower for contractor employees than for Hydro personnel.

The number of major accidents is still too high, but was down by 25 percent in 2002. Improving the routines for near-miss reporting has also given results. This information is used in our injury prevention work.

In response to changes in the international geopolitical picture, we have updated our emergency preparedness plans and have set up sound protection measures for our central computer systems.

Sick leave was further reduced in 2002. There were, however, significant variations among different operations and, not least, among different countries. A number of our companies in Norway have signed agreements relating to working conditions (IA agreements). Hydro continues its work to reduce sick leave, with particular attention directed to occupational illness.

Most emissions and discharges from production were within the concession limits applicable. There were, however, some accidental emissions/discharges. Nevertheless, the company showed an improvement in 2002 compared with the year before. In 2003, we will again devote direct attention to accidental emissions.

Hydro s environmental work meets global, regional and local challenges. These range from global climate change and regional water resources to biological diversity and local pollution. We use lifecycle analyses to optimize the use of raw materials and energy and to influence our suppliers and transporters. Hydro strives to increase recycling and reduce waste.

We work continuously to follow-up the use of chemicals, have introduced acceptance criteria for purchasing chemicals and strive to replace dangerous chemicals in our production.

Focused efforts to reduce emissions of climate gases include developing new technology for our production processes and collaboration with the agricultural sector on environmental use of plant nutrition. Hydro is extensively involved in national and international endeavors to find cost efficient solutions.

For more detailed information regarding environmental matters, see our Internet site www.hydro.com.

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Employees

VAW and Technal were successfully integrated in Hydro Aluminium s organization in 2002, and brought 17,000 new employees into Hydro. Alongside this integration, Hydro s original aluminium operation was reorganized, with a considerable manning reduction as a result. In addition, Oil and Energy commenced with a necessary change process in the first quarter of 2003, in order to adapt the organization to altered framework conditions. Agri is demonstrating good results from the turnaround operation that was implemented in 2000 and 2001.

The company is interested in promoting diversity in gender, experience, age and cultural background. More information is given in the chapter Society, people and environment on page 43.

Considerable flexibility is required of employees during times of restructuring, disposals, acquisitions and manning reductions. Our new employees show great interest for Hydro s culture, while retaining the best elements from their former environment. The board would like to thank all the employees for their good collaboration.

Norsk Hydro ASA

Norsk Hydro ASA (the parent company) had a profit before tax of NOK 6,088 million in 2002, compared with NOK 13,531 million in 2001. Net income was NOK 6,282 million compared with NOK 13,687 million in 2001. The board proposes a dividend of NOK 10.50 per share, totaling a payment of NOK 2,709 million. It is proposed that the remaining NOK 3,573 million is transferred to retained earnings. Distributable equity as of 31 December 2002 was NOK 24,803 million.

Oslo, February 28, 2003

Egil Myklebust, chairman	**Borger A. Lenth, vice chairman**	**Elisabeth Grieg**
Anne Cathrine Høeg Rasmussen	**Håkan Mogren**	**Ingvild Myhre**
Gudmund Per Olsen	**Odd Semstrøm**	**Per Wold**
	Eivind Reiten, President and CEO	

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Total operating revenues for 2002 by area in NOK billion

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NOK million	**2002**	2001	2000
Operating revenues	**162,936**	152,835	156,861
Operating costs and expenses	**(143,095)**	(131,752)	(128,395)
Operating income	**19,841**	21,083	28,466
Non-consolidated investees	**33**	566	672
Interest income and other financial income	**1,418**	2,847	1,747
Other income, net	**219**	578	3,161
Earnings before interest expense and taxes (EBIT)	**21,511**	25,074	34,046
Interest expense and foreign exchange gain/(loss)	**517**	(3,609)	(3,905)
Income before taxes and minority interest	**22,028**	21,465	30,141
Income tax expense	**(13,278)**	(13,750)	(16,178)
Minority interest	**15**	177	18
Net income	**8,765**	7,892	13,981
Earnings per share (NOK)	**34.00**	30.50	53.40

This discussion should be read in conjunction with the information contained in the Company s consolidated financial statements and the related notes included in this annual report. In order to fully understand the discussion below pertaining to the Company s business model and related strategies, the reader is encouraged to review Hydro s annual report on Form 20-F for the year ended December 31, 2002 filed with the US Securities and Exchange Commission (the SEC). The Form 20-F is available directly on the SEC s electronic system (EDGAR) which can be accessed through the SEC s website at www.sec.gov and also on Hydro s internet site.

SUMMARY OF KEY DEVELOPMENTS IN 2002

Norsk Hydro s net income improved approximately 11 percent in 2002 compared to the previous year. The improvement was primarily due to a significant increase in oil and gas production, more extensive aluminium operations following the acquisition of VAW in the first quarter, unrealized gains in connection with energy contracts and unrealized gains associated with the Company s debt due to changes in currency rates. Lower oil and gas prices, stated in Norwegian kroner (NOK), difficult market conditions for the aluminium industry, and the strengthening of the Norwegian kroner negatively impacted the results.

Market conditions for the Company s aluminium operations have been difficult, while the high price of oil has been a strong positive factor. There is considerable uncertainty associated with international economic development in the future. This implies a large degree of uncertainty with regards to price development for Hydro s main products in 2003. Hydro will continue to emphasize efforts to improve the Company s competitiveness while maintaining financial strength. In 2002, Hydro achieved a return on gross investment (CROGI) which was consistent with established targets for the year. The debt/equity ratio, defined as net interest-bearing debt relative to equity, remains strong despite significant acquisitions, which reflects a strong cash flow throughout the year. Productivity improved in all business areas, particularly in the oil and energy segment, where a significant production increase made an important contribution to the Company s profitability.

Non-GAAP Measures of Financial Performance

Within this discussion, Hydro refers to certain non-GAAP financial measures, including cash return on gross investment (CROGI) and EBITDA, each of which is defined below. Hydro s management makes regular use of these cash flow-based indicators to measure 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 rate of return on investments over time, in each of its capital intensive businesses, and
- the operating results of its business segments

Hydro also measure CROGI based on a long-term price set. This is in order to not place undue importance on

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

Operating income - EBIT - EBITDA Year 2002

NOK million	**Operating income (loss)**	Non-cons. Investees	Interest Income	Selected financial items	Other income	**EBIT**	Depr. and amort.	**EBITDA**
Exploration and Production	**14,329**	31	100	5	77	**14,542**	8,790	**23,332**
Energy and Oil Marketing	**1,592**	148	26	(6)		**1,760**	222	**1,982**
Eliminations	**26**					**26**		**26**
Hydro Oil and Energy	**15,947**	179	126	(1)	77	**16,328**	9,012	**25,340**
Metals	**1,690**	(275)	19	92		**1,526**	1,177	**2,703**
Rolled Products	**(295)**	7	5	5		**(278)**	536	**258**
Extrusion and Automotive	**14**	49	18	(10)		**71**	1,013	**1,084**
Other and eliminations	**289**					**289**		**289**
Hydro Aluminium	**1,698**	(219)	42	87		**1,608**	2,726	**4,334**
Hydro Agri	**2,207**	57	206	29	166	**2,665**	1,280	**3,945**
Other activities	**13**	12	178	(271)		**(68)**	1,112	**1,044**
Corporate and eliminations	**(24)**	4	996	26	(24)	**978**	17	**995**
Total	**19,841**	33	1,548	(130)	219	**21,511**	14,147	**35,658**

such variables as historically high or low prices of its commodity products, and the effects of changes in currency exchange rates.

Operating Results and EBITDA

The change in EBITDA for the Group in 2002 and the most important items affecting the change follow:

EBITDA for 2002	35,658
EBITDA for 2001	37,757
Change in EBITDA	(2,099)
Prices and currency, Exploration and Production	(4,380)
Margin including currency	(3,610)
Volume	5,280

Production and exploration costs, Exploration and Production	(2,490)
Fixed costs	1,365
Non-recurring items and Restructuring costs	365
Trading and price hedging, Metals	790
Unrealized LME effects - Aluminium	315
New business [1)]	2,780
Non-consolidated investees	(128)
Interest income and other financial income	(1,531)
Other income	(359)
Other	(496)
Total change in EBITDA	(2,099)

1) EBITDA contributed by newly acquired VAW and Technal.

EBITDA for Oil and Energy was NOK 25,340 million in 2002, a reduction of 8 percent in relation to 2001. Hydro s oil and gas production in 2002 averaged 480,000 barrels of oil equivalents (boe) per day, an increase of some 14 percent from 2001. The positive effect of the increased production was largely offset by lower oil prices stated in NOK as a result of the strong appreciation of the NOK against the USD. Average production for 2003 is estimated at 510,000 boe per day. Hydro s access to new oil and gas reserves, including the purchase and sale of field licenses and the effect of production sharing agreements (PSA) on international fields, comprised 187 percent of its annual production. The reserve replacement ratio was 98 percent, excluding purchases and sales of licenses and the effect of PSAs on international fields. Exploration activities in 2002 were disappointing and approximately NOK 3.6 billion were expensed for the year.

Aluminium EBITDA for 2002 increased to NOK 4,334 million from NOK 2,543 million primarily as a result of the VAW and Technal acquisitions which contributed to EBITDA of NOK 2,485 million. Operations expanded significantly in 2002 with the integration of these businesses during the year. Efforts to realize synergies and other improvement programs continued according to plan. Aluminium s underlying results reflected difficult market conditions which impacted all sub-segments during 2002. In response to the economic conditions, customers reduced their inventories which led to a decline in demand for metal products. As a result, overcapacity in the markets put pressure on both LME prices and product margins. The strong Norwegian kroner and high

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salary and cost levels in Norway contributed significantly to a weakened competitive position for Norwegian production units. This, in combination with low aluminium prices, resulted in weak results for these Norwegian units.

Agri achieved an EBITDA in 2002 of NOK 3,945 million compared to NOK 4,402 million in 2001. The decline was caused by the appreciation of the NOK relative to the USD and EUR. EBITDA expressed in USD remained unchanged at approximately USD 500 million. Agri maintained its level of earnings from the previous year, despite a weak fertilizer market during most of the year. Market shares increased in Europe and sales volumes outside of Europe increased to a level greater than sales in the European market.

During 2002, KFK divested substantial parts of its operations. In addition, Hydro signed an agreement for the sale of the Flexible Packaging unit to Alcan Inc., which the EU Commission announced it would not oppose in late February 2003. In total, Hydro has entered into contracts for divestments of over NOK 6 billion out of its total target for 2002-2003 of NOK 10 billion.

Earnings from non-consolidated investees were 33 million in 2002 compared to NOK 566 million in 2001. Currency losses of NOK 460 million in a non-consolidated investee in Brazil which produces alumina, was expensed in 2002, compared to NOK 159 million in 2001.

Hydro Energy has outstanding purchase contracts for electricity that are primarily intended to secure the power supply for other operating segments within Hydro. Accordingly, Energy has corresponding sales contracts with other units within the Group. Contracts meeting certain criteria are deemed to be derivative contracts and are revalued at market value at the end of each period. At the end of 2002, exceptionally high electricity prices in Norway led to unrealized gains on external derivative contracts and corresponding losses on related internal sales contracts for Hydro Energy. Hydro units account for power contracts with Hydro Energy as ordinary purchase contracts. Therefore, such contracts are not revalued at market value at the end of each period. Elimination of the effects of the market valuation on internal contracts resulted in a positive effect on operating result and EBIT-DA of NOK 588 million, and was included in the Group eliminations. There have been no such significant effects in previous years. The value of the energy contracts portfolio will fluctuate in accordance with changes in market prices and the size and composition of the portfolio at any given time. Electricity prices have fallen after year-end, and the value of these contracts has been reduced.

Net financial income for 2002 was NOK 1,935 million, including a currency gain of NOK 3,262 million. During the year the US dollar and closely linked currencies such as the Canadian dollar weakened considerably against the Norwegian kroner, the EURO and the Australian dollar, resulting in unrealized currency gains on loans and currency forwards but also currency losses on receivables. Hydro started the year with an extraordinarily high cash level which was subsequently used for funding the VAW acquisition early in the year. As a result, interest income has been lower in 2002 than in the preceding year. Net interest-bearing debt at the end of 2002 was NOK 34 billion, an increase of NOK 13 billion compared to 2001. There has been no new issuance of debt during the year, however, a certain amount of the debt assumed as part of the VAW acquisition remained outstanding at year-end.

The provisions for current and deferred taxes for 2002 amounted to NOK 13,278 million, approximately 60 percent of income before tax. This amount is mainly comprised of current taxes. The equivalent figures for 2001 were NOK 13,750 million and 64 percent. On February 7, 2003, the Norwegian Supreme Court unanimously decided to accept Norsk Hydro s tax treatment of Group contribution for the year 1993. Hydro will be reimbursed NOK 177 million in taxes and NOK 148 million in interest which will be reported in the first quarter 2003 results.

EBITDA and reconciliation to income before taxes and minority interest

Hydro s steering model, Value-Based Management, reflects Hydro s focus on cash flow based indicators, before and after taxes, to measure performance in Hydro s operating segments. 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, net in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values in non-consolidated investees. Hydro s definition of EBIT-DA may differ from that of other companies.

EBITDA should not be construed as an alternative to operating income and income before taxes as an indicator of Hydro s results of 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.

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

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EBITDA NOK million	2002	2001	2000
Hydro Oil and Energy	**25,340**	27,604	30,641
Hydro Aluminium	**4,334**	2,543	5,501
Hydro Agri	**3,945**	4,402	3,553
Other	**2,039**	3,208	6,914
Total EBITDA	**35,658**	37,757	46,609
Depreciation	**(13,912)**	(12,273)	(12,538)
Restructing write-down		(261)	
Amortization of excess value of non-consolidated investees	**(235)**	(149)	(25)
Interest expense	**(3,189)**	(3,721)	(4,045)
Capitalized interest expense	**607**	685	1,029
Net foreign exchange gain/ (loss)	**3,262**	(416)	(655)
Other financial items	**(163)**	(157)	(234)
Income before taxes and minority interest	**22,028**	21,465	30,141

Another cash flow based indicator used by Hydro to measure its performance is cash return on gross investment (CROGI). CROGI is defined as gross cash flow after taxes, divided by average gross investment. Gross cash flow is defined as EBITDA less total tax expense. Gross investment is defined as total assets (exclusive of deferred tax assets) plus accumulated depreciation and amortization, less all short-term interest free liabilities except deferred taxes. CROGI in 2002 was 8.5 percent compared with 9.4 percent in 2001. In order to measure the underlying performance development, CROGI is calculated based on midcycle product prices and currency rates - socalled normalized prices. In addition restructuring costs and gains and or losses on divestments, reported as Other income, net are excluded. Based on normalized prices, CROGI in 2002 was approximately 9 percent compared to approximately 8 percent in 2001. The normalized prices used are: an oil price of US dollar 18 per barrel, an aluminium price (London Metal Exchange) of US dollar 1,500 per tonne, a CAN 27 fertilizer price of US dollar 113 per tonne and a US dollar - Norwegian kroner exchange rate of 8.00.

The following table presents a reconciliation of total assets to gross investment for 2002 and 2001:

Reconciliation of Operating Income to Gross Cash Flow

NOK million	2002	2001	2000
Operating Income	**19,841**	21,083	28,466
+ Equity in net income non-consolidated investees	**33**	566	672
+ Interest Income (Note 8)	**1,515**	2,762	1,803
+ Net loss on securities (Note 8)	**(269)**	(113)	(168)
+ Dividends received (Note 8)	**172**	198	112
+ Other Income (Note 9)	**219**	578	3,161
+ Depreciation, depletion and amortization	**13,912**	12,273	12,538
+ Restructuring write-down (Note 6)		261	
+ Amortization of excess value for non-consolidated investees (Note 13)	**235**	149	25

= EBITDA	**35,658**	37,757	46,609
Tax expense	**(13,278)**	(13,750)	(16,178)
Gross Cash Flow	**22,380**	24,007	30,431

Reconciliation of Total Assets to Gross Investments

NOK million	**2002**	2001
Total Assets	**207,211**	197,922
Deferred Tax Assets	**(4,110)**	(3,104)
Other Current Liabilities	**(38,331)**	(32,245)
Accumulated Depreciation PP&E	**99,217**	95,215
Accumulated Depreciation		
Goodwill and Intangible Assets	**2,284**	2,357
Accumulated Amortization of Goodwill and Excess Value in Non-consolidated Investees	**406**	357
Other	**(1,281)**	(1,663)
Gross Investment	**265,396**	258,839

The development of Hydro s result is primarily effected by price developments of Hydro s main products oil, aluminium and fertilizer in addition to foreign currency fluctuation of the most significant currency, the US dollar, against the Norwegian krone. For an indication of the sensitivity regarding prices and foreign currency fluctuation for 2003, refer to the table below. The sensitivity analysis is based on 2003 expected production volumes as well as normalized prices, shown above. The table illustrates the Income Sstatement s sensitivity before and after tax.

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Indicative income statement sensitivities

NOK million	Pre tax	After tax	Change
Price sensitivity			
Oil price sensitivity O&E	1,300	350	1 USD
Oil price sensitivity Agri	(110)	(80)	1 USD
Oil price sensitivity	1,190	270	1 USD
LME price sensitivity Aluminium	830	580	100 USD
CAN price sensitivity Agri	500	350	10 USD
USD sensitivity *			
USD sensitivity O&E	3,000	810	1 NOK
USD sensitivity Aluminium	1,650	1,160	1 NOK
USD sensitivity Agri	800	560	1 NOK
USD sensitivity Hydro	5,450	2,530	1 NOK
USD sensitivity Financial Items **	(2,440)	(1,340)	1 NOK
USD sensitivity NET	3,010	1,190	1 NOK

* USD sensitivity estimates assuming USD/NOK changes, all other currencies fixed against NOK

** Excluding cash flow hedges and equity hedge of total exposure USD 1,275 million and USD 400 million debt in USD-based subsidiaries

Hydro s Critical Accounting Policies

In December 2001, the SEC issued Financial Reporting Release No. 60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, referred to as FR 60, suggesting that companies provide additional disclosure and commentary on those accounting policies considered most critical. FR 60 considers an accounting policy to be critical if it is important to a company s financial condition and results and requires significant judgment and estimates on the part of management and its application.

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

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

Oil and Gas Exploration Costs

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

A determination that proved reserves do not exist can result in a reduction to long-term assets and an increase in operating costs. The amount of the impact depends on the level of current drilling activity and the amount of exploration costs currently capitalized. During 2002, exploration activity (expenditures) totalled NOK 2,495 million, of which NOK 430 million was capitalized during the year. Including capitalized exploration costs and acquisition costs from prior periods, NOK 3,558 million was expensed during the year. At the end of 2002, NOK 1,398 million of such costs were capitalized pending the evaluation of drilling results and planned development, of which NOK 82 million relates to acquisition costs.

Proved Oil and Gas Reserves

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

Downward revisions in reserve estimates or decline in oil price can result in higher depreciation and depletion expense in future periods. If the changes were significant enough that the estimated future cash flows from the remaining reserves were insufficient to recover the unamortized capitalized costs, a write-down of the assets book value would result. Conversely, upward revisions in reserve estimates can result in lower future depreciation, depletion and amortization. Depreciation, depletion and amortization related to oil and gas producing activities in 2002, 2001 and 2000 were NOK 8,553 million, NOK 7,423 million and NOK 7,596 million, respectively.

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Commodity Instruments and Risk Management Activities

Hydro s revenues, operating results, financial condition and ability to borrow funds or obtain additional capital depend substantially on prevailing commodity prices for oil, LME, and the US dollar exchange rate. The historical volatility in these commodity prices materially affects Hydro s financial condition, liquidity, ability to obtain financing, and operating results. Depressed prices can have a negative impact on Hydro s financial results. The majority of Hydro s oil and aluminium production is sold at market prices. To mitigate unwanted price exposure and to protect against undesirable price developments, Hydro utilizes physical and financial commodity instruments on a limited bases. Entering into such positions requires management to make judgements about market conditions and future price expectations. It is important to note that use of such instruments may prohibit Hydro from being able to realize the full benefit of a market improvement. To further understand Hydro s sensitivity to these factors please refer above to the Indicative income statement sensitivities table.

Asset Retirement Obligations

Hydro has adopted as of January 1, 2003 SFAS 143, Accounting for Asset Retirement Obligations. Among other things, SFAS 143 requires significant changes in the accounting treatment for asset retirement obligations such as abandonment of oil and gas production platforms, facilities and pipelines. Specifically, the fair value of a liability for an asset retirement obligation is required to be recorded when incurred. Furthermore, the liability is to be accreted for the change in its present value each reporting period. Determination of the obligation requires management to make assumptions about the future costs associated with removal, including which assets will require removal, the timing and the method of removal. Moreover, determination of the fair value of the liability includes assessing the appropriate discount rate to use and the useful life of the related long-lived asset based on comparable market terms. Asset retirement obligations have the most significant impact on the property plant and equipment and long-term liabilities of Oil and Energy. Revisions of estimates for asset retirement obligations will influence asset value and future operating expenses.

Impairment of Long-Lived Assets

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

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

Contingencies and Environmental Liabilities

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

Business Combinations

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

The purchase price in the VAW acquisition was EUR 1,911 million (NOK 14.9 million). See Note 2 in Notes to the consolidated financial statements for a specification of the allocation of this purchase price to assets and liabilities acquired. The purchase price allocation is preliminary and will be finalized during the first quarter of 2003. Any revisions in the amount allocated to the assets and liabilities acquired will result in adjustments to goodwill.

Goodwill and Intangible Assets

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

The largest portion of goodwill was recorded in the North America sector of the Extrusion and Automotive subsegment. Management assessed the fair value of the sector s goodwill to the carrying value of the sector s net assets. Assumptions related to certain cash flow forecasts and the discount rate was made reflecting the sector s industry. Total goodwill evaluated for impairment during 2002 was approximately NOK 1,200 million. An impairment of NOK 52 million was recorded related to divestment of certain assets.

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Intangible assets determined to have indefinite useful lives are not amortized until a finite life can be estimated. Such assessment requires management to look at the legal, regulatory, competitive, and contractual factors to determine whether the useful life of the asset acquired was considered to be indefinite. In relation to the acquisition of Technal, management assessed the trademarks acquired based on such factors and determined that they had finite useful lives. Goodwill and intangible assets are included in prepaid pension, investments, and other non-current assets.

Income Taxes

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

Employee Retirement Plans

Hydro s employee retirement plans consist primarily of defined benefit pension plans. Measurement of obligations under the plans requires a number of assumptions and estimates to be made by management. These include future salary levels, inflation, discount rates, years of future service, and rate of return on plan assets. Changes in these assumptions can influence the funded status of the plan as well as the net periodic pension expense.

Business Segment Information

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

Oil and Energy:	Exploration and Production
	Energy and Oil Marketing
Aluminium:	Metals (Primary Metals and Metal Products)
	Rolled Products
	Extrusion and Automotive

	(including the North America sector)
Agri:	Agri (Fertilizer and Industrial Gases and Chemicals)

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

HYDRO OIL AND ENERGY

NOK million	**2002**	2001	2000
Operating Revenues	**51,741**	52,016	55,123
Operating Income	**15,947**	19,178	21,804
EBITDA	**25,340**	27,604	30,641
Gross Investment	**140,119**	128,705	120,608
CROGI	**11.9%**	13.0%	14.4%
Number of employees	**4,039**	3,891	3,912

Hydro Oil and Energy consists of the sub-segments Exploration and Production and Energy and Oil Marketing . Exploration and Production includes Hydro s oil and gas exploration activities, field development activities and operation of production and transportation facilities. Energy and Oil Marketing includes Hydro s commercial operations in the oil, natural gas and power sectors, the operation of the Hydro s power stations as well as marketing and sale of refined petroleum products (gasoline, diesel and heating oil) to retail customers. Energy and Oil Marketing buys and/or sells almost all oil production from Exploration and Production, and sells the equity gas production on a commission basis. For this reason, the activities of Energy and Oil Marketing (excluding power production), is predominantly a margin dominated business.

Summary of key developments in 2002

Hydro Oil and Energy s operating income in 2002 was NOK 15,947 million, a decrease of 17 percent compared to 2001. 2002 EBITDA of NOK 25,340 million was down 8 percent, compared to the prior year. Operating income showed a higher decrease than EBITDA because higher total depreciation costs in 2002, due to higher oil and gas production, only affected operating income.

The most significant developments which influenced Hydro Oil and Energy s operating results in 2002 were as follow:

Hydro s position in core areas on the Norwegian Continental Shelf (NCS) was strengthened through the acquisition from the Norwegian state (the State s Direct Financial Interest or SDFI) of increased interests in Hydro-operated Oseberg, Tune and Grane fields, which added 187 million barrels of oil equivalent (boe)

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of reserves, and increased the average annual production in 2002 by 24,000 boe per day.

Oil and gas production increased by 14 percent to 480,000 boe per day (boed) from both fields on the NCS and internationally. However, the effect of the increased production on operating income was to a large extent offset by lower oil prices, stated in Norwegian kroner, as a result of the appreciation of the Norwegian kroner against the US dollar.

Exploration activity in 2002 reached a record level of NOK 2,495 million, of which approximately 74 percent was dedicated to exploration activity outside the NCS. Total exploration costs of NOK 3,558 million were expensed in 2002, mainly due to disappointing drilling results. This included the costs of exploration wells and acquisition cost for exploration rights capitalized in previous years, amounting to NOK 1,492 million.

Including purchase and sale of reserves and the effect of production sharing agreements (PSA) on certain international fields, Hydro s reserve replacement ratio was 187 percent for 2002. The reserve replacement ratio was 98 percent excluding purchase and sales of reserves and effects of PSA.

Operating income from Energy and Oil Marketing activities increased by 17 percent to NOK 1,592 million, of which approximately NOK 220 million represented an unrealized gain resulting from marked to market valuation of the electricity contracts portfolio due to the unusually high Nordic electricity prices at the end of 2002. Electricity prices have subsequently declined and it is expected that the unrealized gain will be partly reversed over the coming quarters.

The change in 2002 EBITDA compared to the prior year and the most important items affecting the change follow:

EBITDA for 2002		25,340
EBITDA for 2001		27,604
Change in EBITDA		(2,264)
Prices and currency		
- oil	310	
- gas	(1,495)	
- currency	(3,135)	
- put options	(60)	
		(4,380)
Volume		4,660
Fixed costs		185
Production costs		(330)
Exploration costs		(2,160)
Other income		(102)
Other		(137)
Total change in EBITDA		(2,264)

EXPLORATION AND PRODUCTION

NOK million	**2002**	2001	2000
Operating Revenues	**34,009**	33,282	35,494
Operating Income	**14,329**	17,813	20,108
EBITDA	**23,332**	25,768	28,656
Gross Investment	**128,486**	118,563	111,021
CROGI	**11.8%**	13.1%	14.5%
Number of employees	**2,838**	2,724	2,628

The change in 2002 EBITDA compared to the prior year and the most important items affecting the change follow:

EBITDA for 2002	23,332
EBITDA for 2001	25,768
Change in EBITDA	(2,436)
Prices and currency	(4,380)
Volume	4,595
Production costs	(330)
Exploration costs	(2,160)
Other Income	77
Other	(238)
Total change in EBITDA	(2,436)

Revenues and market conditions

Exploration and Production s operating revenues in 2002 were NOK 34,009 million, an increase of approximately 2 percent from the previous year. The main reason for the increase was the higher level of production of oil and gas in 2002, up approximately 14 percent compared to 2001. The effect of the increased production on 2002 operating revenues and income was offset to a large extent by the lower oil prices, stated in Norwegian kroner, as a result of the appreciation of the Norwegian kroner against the US dollar. In addition realized gas prices were lower in 2002 compared to 2001. The average realized oil price in Norwegian kroner was NOK 194 (USD 24.70) per barrel in 2002 compared with NOK 217 (USD 24.20) in 2001. Hydro realized an average gas price in 2002 of NOK 0.95 per standard cubic meter compared to the average realized gas price in 2001 of NOK 1.21 per standard cubic meter. The decrease reflects the decline in oil product prices (gas prices under long-term contracts primarily follow oil product price developments with a time lag) and strengthening of Norwegian kroner against Euro.

Exploration and Production s average total production of oil and gas in 2002 was 480,000 boed compared to 421,000 boed in 2001. This includes production limits set by the Norwegian government of an average of 7,500 boed in the first half of 2002. Oil production accounted for 77 percent of the total production in 2002, approximately the same percentage as in 2001. Gas production increased to a total of 6.4 billion standard cubic meters in 2002 compared to 5.4 billion standard cubic meters in

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2001. Oil and gas production reached its peak in fourth quarter in 2002, with an average production of 540,000 boed.

Hydro experienced strong production growth from both Norwegian and international fields. Production from Norwegian fields increased partly as a result of the purchase of SDFI assets, which increased its interests in the Oseberg fields, and partly due to increased production from the Snorre B and Asgard fields. Outside the NCS increased production came from the Girassol field in Angola (production start in December 2001) and the Terra Nova field in Canada (production start in January 2002). International production accounted for 10 percent of the total oil and gas production, up from 4 percent in 2001. Maintenance stops in 2002, primarily in the third quarter, caused production losses (or delayed production) of approximately 9,000 boed, compared to approximately 11,000 boed in 2001.

As Energy and Oil Marketing purchases and sells Hydro s Norwegian equity production of oil, about 67 percent of Exploration & Production s revenues in 2002 were from internal sales. Equity production of gas and international oil production are sold by Energy and Oil Marketing on behalf of Exploration and Production and account for the majority of the external revenues.

Exploration and Production also derives revenues from ownership interests in the oil and gas transportation systems on the NCS. These systems include pipelines and processing plants. Hydro s interests in fields on the NCS and its interests in the transportation systems have been fairly closely aligned, such that tariff revenues and costs largely offset one another. In 2002, Hydro incurred tariff costs that exceeded tariff revenues, primarily reflecting its higher interest in the Oseberg fields than in the transportation systems used by these fields.

Operating costs

Operating costs consist of exploration costs, production costs, net transportation costs, depreciation and abandonment costs and other income/cost. In 2002, Hydro s total operating costs was NOK 100 per boe, an increase from the 2001 level mainly due to increased exploration costs. The 2002 operating costs (excluding exploration costs) of NOK 79 per boe were in line with the 2001 operating costs (excluding exploration costs) of NOK 81 per boe.

Hydro s total exploration costs and cost of appraisal of discoveries amounted to NOK 3,558 million in 2002, compared to NOK 1,400 million in 2001. Costs related to exploration activity for 2002 were NOK 2,495 million, compared to NOK 2,018 million in 2001. In 2002, a major part (74 percent) of Hydro s exploration activity was dedicated to areas outside the NCS, mainly in Angola, Canada, Iran and the Gulf of Mexico.

Exploration activity includes the costs of exploration wells, geological studies, field development studies, the purchase of seismic data and studies, administration of exploration licenses, area fees and, in certain international areas, acquisition costs of exploration rights (fees paid for access to prospective exploration areas). Exploration activity is accounted for according to the successful efforts method. Drilling costs for exploration wells are capitalized pending the determination of the existence of proved reserves. If reserves are not found, the drilling costs are charged to the operating expense. Costs relating to acquired exploration rights are allocated to the relevant areas and charged to operating expense upon determination that proved reserves will not be found in the area. All other exploration activity is expensed as incurred. Well costs and acquisition costs of exploration rights, that have been capitalized in previous years, are expensed if future development is not considered commercial.

Of a total of 31 exploration wells that were completed in 2002, 12 proved successful as of year-end 2002, and 2 remained under evaluation. Discoveries were made in Angola, Libya, Canada and Norway, but the overall result from 2002 exploration activity was not satisfactory. Of Hydro s total exploration activities in 2002, NOK 2,066 million was expensed primarily due to unsuccessful result mainly in Angola, Gulf of Mexico, Trinidad and Norway.

In 2002, total exploration costs were higher than the cost relating to exploration activity due to expensing of previously capitalized costs of exploration wells and acquisition costs in the amount of NOK 1,492 million. This included acquisition costs paid for accessing prospective exploration areas as Block 34 in Angola and Gulf of Mexico that were capitalized in 2001. As a result of disappointing exploration wells mainly in Angola and Gulf of Mexico, such costs totaling NOK 1,118 million, together with the well costs, were expensed during 2002. At the end of 2002, remaining capitalized acquisition costs of exploration rights amounted to NOK 82 million.

Hydro s average production cost, defined as the cost of operating fields, including CO_2 emissions tax, insurance, gas purchased for injection, and lease costs for production installations (but excluding transportation tariffs, operating cost transportation systems and depreciation), was NOK 23 per boe in 2002, compared to NOK 24 per boe in 2001. The cost of operating fields includes offshore operational costs, maintenance, onshore technical support, logistics and administrative support. All operations are under extensive cost control, and Hydro s operated fields are benchmarked against other operators. This control and benchmarking enabled 2002 production costs per boe to remain at approximately the same level as in the previous year despite an average increase in wages in the Norwegian industry of approximately 5 percent in 2002. The increased production efficiency led to higher production and more effective operations, and thus lower costs per boe.

Total depreciation cost increased in 2002 as a result of higher production levels. Depreciation, including accruals for abandonment and well closure costs and write-downs (but excluding depreciation on transportation systems), averaged NOK 46 per boe in 2002, the same level as in 2001. The 2002 depreciation cost figure included a write-down on the Vale satellite totaling NOK 174 million. Depreciation and accruals for abandonment and well closure are accounted for under the unit of production method under which fields are depreciated over the production profile of the proved developed reserves. Costs capitalized for depreciation include expenditures for platform and sub-sea installations, productions wells, inter-field pipelines, capitalized interest and capitalized exploration. The complexity of developing fields in deep water requires considerable expenditures that generally lead to relatively high depreciation costs per boe. Depreciation makes up a larger part of Hydro s total operating costs per boe than production costs. Capital expenditures are subject to extensive cost control measures in order to reduce charges over the life of the fields. Efforts are also aimed at improving recovery and increasing reserves, which translate into lower operating costs per boe.

Net transportation costs include operating costs for transportation systems, depreciation on transportation systems (on a linear basis according to the license period), tariff revenues and tariff costs. Net transportation costs were NOK 9 per boe in 2002, the same level as in 2001, but are expected to increase mainly as a result of higher ownership interests in fields than in the transportation system used by these fields. The establishment, effective as of January 1, 2003, of Gassled, the new gas transportation joint venture on the NCS, is not expected to substantially change Hydro s overall net transportation costs.

Operating income and EBITDA

Exploration and Production s operating income in 2002 was NOK 14,329 million, down NOK 3,484 million (20 percent) from the prior year. Exploration and Production s EBITDA in 2002 was NOK 23,332 million, down NOK 2,436 million (9 percent) from the prior year. The main contributor to the decrease in operating income and EBITDA was the high exploration cost expensed in 2002. The effect of lower oil and gas prices in NOK was offset by higher oil and gas production.

Outlook

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

Hydro s efforts to expand its exploration activities and reserve base internationally led to an extensive drilling program in 2002 that will continue in 2003, but in accordance with the original plan at a lower activity level, in accordance with the original plan, than in 2002. Hydro s total exploration activity in 2003 is estimated at NOK 1.9 billion, of which approximately 75 percent will be allocated to international activities. In 2003, Hydro anticipates that the major part of its international exploration activity will be allocated to Angola, Iran, Canada and the Gulf of Mexico. Other areas of activity include Libya and Russia. On completion of the planned drilling program, Hydro will perform an evaluation of its international exploration entry strategy before entering into new commitments. Although 2003 will see a low exploration level on the NCS, Hydro still believes that there are interesting remaining exploration potential on the NCS.

Hydro s objective is to maintain its position as an efficient operator on the NCS and to maintain its operating cost (excluding exploration activities) at approximately the same level as 2002.

As announced in January 2003, Hydro is making adjustments in the organization as a result of fewer prospective development tasks and the transfer of operatorship of the fields in the Tampen area of the NCS. The total reduction in staffing is estimated to be around 300 consultants and permanent employees. Estimated reduction in staffing is in addition to the 535 employees that were transferred to Statoil as part of the transfer of operatorship. Costs associated with these efforts will be included in the operating results for 2003 while cost savings are expected to take effect from 2004.

Hydro expects its oil and gas production to increase by approximately 8 percent as an annual average during the period 2001-2006 based on its current portfolio. In 2002, Hydro s total production grew by 14 percent. In 2003, the total estimated production is expected to be approximately 510,000 boed, an increase of 6 percent. Contributing to the increased production is the expected start-up of production from the Grane field as well as the full effect of the increased interest in the Oseberg fields.

A main focus for Hydro in 2003 is to prepare for the development of the Ormen Lange gas field on the NCS. This is the largest undeveloped gas field on the NCS, at a water depth of 1,000 meters. The Plan for Development and Operation (PDO) is planned to be submitted to the authorities for approval in the fourth quarter of 2003 together with the Plan for Installation and Operation of the export pipeline system to the UK. Hydro will be the operator for the development of the field. Production is scheduled to begin in 2007. Hydro holds an ownership interest in the field of approximately 18 percent.

The International Energy Agency s (IEA) demand forecast for petroleum products in 2003 is 78.0 million barrels per day, an increase of 1.1 million barrels per day from 2002. The main reason for the increased demand in 2003 is the expected recovery of the global economy. IEA expects an increase in non-OPEC supply of 1.3 million barrels per day. This indicates that there can be no increase in OPEC production if prices are to be kept stable at a high level.

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It is expected that the global oil market in 2003 will continue to be heavily influenced by the OPEC cartel and the development in the world economy. In addition, the market developments are subject to considerable uncertainty given a possible war in Iraq and the current political unrest in Venezuela. The effect of a war in Iraq on the global oil market is largely dependent on the damage such conflict might inflict on oil installations in the area. OPEC is capable of replacing Iraqi supply to the market, but if the conflict were to escalate to involve the countries surrounding Iraq, a reduction of global crude oil supply is possible. For Hydro, war activities in Iraq may also mean the postponement of planned drilling activity on the Hydro-operated Anaran Block in Iran, as the field is close to the border of Iraq. In Venezuela, the third-largest crude oil producer in OPEC, political disturbances are expected to last well into 2003.

It is expected that market management by OPEC, together with political tension in Iraq and Venezuela to keep the forward Brent Blend market for the first quarter of 2003 at levels well above the average price for 2002. The forward market is currently close to the average price for 2002 for the second half of 2003, as the market expects reduced world political tension through the year.

ENERGY AND OIL MARKETING

NOK million	**2002**	2001	2000
Operating Revenues	**39,780**	43,959	45,500
Operating Income	**1,592**	1,365	1,669
EBITDA	**1,982**	1,836	1,956
Gross Investment	**11,580**	10,184	9,633
CROGI	**12.3%**	12.2%	13.2%
Number of employees	**667**	678	608

The change in 2002 EBITDA compared to the prior year and the most important items affecting the change follow:

EBITDA for 2002	1,982
EBITDA for 2001	1,836
Change in EBITDA	146
Margin, including currency	(25)
Volume	65
Fixed costs	185
Other income [1)]	(179)
Other	100
Total change in EBITDA	146

1) Gain on sale of electricity grid assets in 2001.

Operating Revenues and Market Conditions

Energy and Oil Marketing includes Hydro s commercial operations in the oil, natural gas and power sectors. Except for the operation of Hydro s power stations, the activities of Energy and Oil Marketing are predominantly margin-based sales and trading activities.

Energy and Oil Marketing s operating revenues in 2002 were NOK 39,780 million, a decrease of 10 percent compared to 2001. Revenues from oil trading and refinery activities and oil marketing activities declined primarily due to a reduction in refined product prices, while revenues from gas sourcing and marketing activities increased due to increased gas trading volume. Revenues from power sourcing and marketing activities declined due to the unusual situation in the Nordic electricity market, as described in further detail below under the caption Operating income and EBITDA .

In 2002, internal sales to other business areas within Hydro amounted to NOK 3,985 million, including internal sales to Hydro Agri and Hydro Aluminium s Metals sub-segments of NOK 1,616 million and NOK 1,532 million respectively. Internal sales in 2001 were NOK 4,509 million. All internal sales are at market prices.

Hydro s electricity production was slightly higher in 2002 than the previous year (10.3 TWh in 2002 compared to 9.8 TWh in 2001).

The oil marketing activities include marketing and sale of refined petroleum products (gasoline, diesel and heating oil) to retail customers in Scandinavia and the Baltic countries. Hydro owns 100 percent of the operating unit in Sweden and 50 percent of Hydro Texaco, an oil marketing company with retail outlets in Norway, Denmark and the Baltic countries. Because Hydro Texaco is partly owned, its results are not reflected in Energy and Oil Marketing s operating revenues, operating costs or operating income but the net results from this activity are included in EBITDA.

Operating costs

Energy and Oil Marketing s operating costs in 2002 were 10 percent lower than in the prior year. The primary components of Energy and Oil Marketing s operating costs are purchase costs of crude oil, natural gas and electricity. Similar to operating revenues, the operating cost level is largely a function of volume traded and the level of prevailing market prices for these commodities. The decline in operating costs in 2002 reflected the unusual situation in the Nordic electricity market experienced at the end of 2002, described in further detail under the caption Operating income and EBITDA .

Other important elements in operating costs include refining costs, power plant operating costs and fixed costs. Refining costs per barrel, comprised of both fixed and variable processing costs, decreased from NOK 13.0 in 2001 to NOK 11.4 in 2002.

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Power plant operating costs of NOK 610 million in 2002 remained virtually unchanged compared to the prior year.

Energy s fixed costs in 2002 increased by NOK 88 million compared to the prior year, primarily as a result of planned organizational development to better position Hydro to capture business opportunities in the changing, increasingly liberalized European gas market.

Operating income and EBITDA

Energy and Oil Marketing s operating income in 2002 was NOK 1,592 million, an increase of 17 percent compared to the prior year. EBITDA for Energy and Oil Marketing was NOK 1,982 million in 2002 compared to NOK 1,836 million in 2001, an increase of 8 percent. EBITDA for 2001 included a NOK 179 million gain on the sale of electricity grid assets.

Operating income from the power sourcing and marketing activities was NOK 1,185 million in 2002, an increase of approximately 48 percent compared to the previous year. The increase to a large extent reflects the substantial net increase in the fair value of the derivative electricity contracts portfolio at year-end due to the unusually high prices in the Nordic electricity market as a result of very low reservoir levels resulting from exceptionally low precipitation and increased consumption due to cold weather. Additionally, the increase was contributed by somewhat higher production compared to prior year. As described above, most of Energy and Oil Marketing s activities are margin-based sales and trading activities except for the income from the operation of Hydro s power stations. This explains the power sourcing and marketing business s relatively large share of operating income relative to its contribution to operating revenues.

Energy is responsible for securing electricity in the market for Hydro s own consumption, fulfilling delivery commitments to external parties and reducing the risk of price fluctuations in the electricity portfolio. This is accomplished by managing Hydro s own production and entering into contracts in the electricity markets. As noted above, Nordic electricity prices were unusually high towards the end of 2002. Average spot prices for 2002 increased to 20.1 øre per kWh compared to 18.7 øre per kWh in 2001. Spot prices increased strongly during the last quarter of 2002 and ended the year at 62.6 øre per kWh. The forward prices for 2003 were also high at year-end 2002. To compensate for this situation, and the consequent expected reduction in Hydro s own production of electricity in 2003, Hydro purchased electricity contracts in the derivative market for deliveries in 2003. Contracts meeting certain criteria are deemed to be derivative contracts and are revalued at the end of each accounting period. Operating income for 2002 includes a net unrealized gain of approximately NOK 220 million relating to such contracts. Spot and forward electricity prices have fallen in the early part of 2003 and as a result, Hydro expects that the net unrealized gain relating to these contracts will be partly reversed over the coming quarters.

Operating income for the oil trading and refining activities was NOK 388 million in 2002, a decline of approximately 32 percent from the previous year. Operating income derived from refining operations was NOK 120 million in 2002, a decline of NOK 107 million (approximately 47 percent) compared to 2001. Average refining margins for 2002 were US dollar 2.21 per barrel, approximately 41 percent lower than in 2001 as result of lower global demand for refined products in 2002. The planned 6-week maintenance shutdown of the Scanraff refinery further depressed operating income. Operating income in 2002 included inventory gains of approximately NOK 64 million, reflecting a positive impact of NOK 163 million due to increase in crude oil prices and a negative impact of NOK 99 million due to appreciation of the Norwegian kroner against the US dollar.

Other oil trading and refining activities, consisting of crude oil trading, gas liquids trading and shipping, generated operating income in 2002 of NOK 261 million, a reduction of NOK 42 million (approximately 14 percent) compared to 2001. While income from crude oil trading in 2002 increased by NOK 88 million compared to 2001, results from shipping activities decreased by NOK 109 million due to a weak shipping market as result of high shipping capacity.

Operating income from the gas sourcing and marketing activities decreased to NOK 81 million in 2002. The decrease primarily resulted from costs related to the planned organizational developments to capture business opportunities in the changing European gas market. Operating results reflected the limited arbitrage opportunities between the UK and European continental gas markets in increasingly integrated European gas markets. An unplanned 4-week shutdown of the gas pipeline Interconnector between Great Britain and Belgium in the third quarter of 2002 also negatively affected operating income.

Operating income for the oil marketing activities increased to NOK 68 million in 2002 from a loss of NOK 32 million in 2001. The increase reflects improved margins mainly due to lower inventory losses. In 2002 inventory gains amounted to NOK 46 million, compared to a NOK 55 million loss in 2001.

Hydro s share of net income, included in Energy and Oil Marketing s 2002 EBITDA, from Hydro Texaco was NOK 117 million, up NOK 102 million from the prior year. The main contributor to the improved result from Hydro Texaco was the improved margins, including inventory gains of NOK 45 million, compared to inventory losses of NOK 117 million during 2001.

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Outlook

Reservoir levels were far below average at year-end 2002, both for Hydro-owned power stations and in the Nordic market in general. As a result, Hydro s production of power in 2003 is expected to be below the average level of 8.6 TWh. The low reservoir levels create uncertainty for the future price level in the Nordic power market. Spot prices and forward prices for 2003 have fallen rapidly during January 2003. There is a risk for rationing of power during the remainder of the winter season due to low reservoirs and inadequate import capacity. The situation during the winter 2002/03 has illustrated the underlying capacity problem in the Nordic region. Without construction of new import capacity to the region and/or new power stations, this problem will increase in line with increasing demand. The probability of a recurrence will then increase over time.

The European refining margins in 2002 were at a low level at the beginning of the year but trended slowly upwards throughout 2002 due to a gradual increase in product demand. The average European refining margins for 2003 are expected to be better than in 2002 due to the expected recovery of the global economy and low global product inventory as of the beginning of 2003.

The European continental gas market continues to be dominated by long-term contracts indexed to oil product prices. The liberalization process of the European gas market is expected to lead to a more liquid and short-term gas market, such as exists in the UK. New gas trading hubs are emerging, especially at Zeebrügge in Belgium and at Emden/Bunde at the German/Dutch border. This development may influence prices and other terms and conditions under long-term contracts which over the next years constitutes most of Hydro s natural gas deliveries. Hydro will continue to focus on profitable growth of its gas portfolio both upstream and downstream to capture the opportunities created by a more flexible and liquid European gas market.

Oil marketing activities will continue to be strongly affected by international oil prices and competitive conditions in the Scandinavian and Baltic retail markets. In 2003, Hydro expects the demand for motor fuel to be stable in the Scandinavian retail market while the demand for diesel, which is taking market share from gasoline, is expected to continue to grow by 2-3 percent annually. Furthermore, Hydro expects consumption of heating oil to continue to decline as a result of competition from other energy sources.

HYDRO ALUMINIUM

NOK million	**2002**	2001	2000
Operating Revenues	**65,051**	51,083	51,130
Operating Income	**1,698**	185	3,336
EBITDA	**4,334**	2,543	5,501
Gross Investment	**63,833**	42,819	44,729
CROGI	**7.1%**	5.7%	10.8 %
Number of employees	**27,110**	16,244	16,794

As of the first quarter of 2002, Hydro Aluminium is comprised of all of Hydro s and VAW aluminium AG s (VAW) aluminium and magnesium activities with the exception of VAW s Flexible Packaging operations which are included in Other Activities. Hydro Aluminium includes the following sub-segments:

Metals (Primary Metals and Metal Products)

Rolled Products

Extrusion and Automotive (including the North America unit)

Prior year amounts have been restated in accordance with this reporting structure.

Summary of key developments in 2002

During the first quarter of 2002, Hydro acquired VAW and the French building systems company, Technal. Both companies are fully integrated into Hydro Aluminium s operations. Hydro s consolidated results include the operating results of VAW as of March 15, 2002 and Technal, as of January 26, 2002.

With the VAW acquisition, Hydro Aluminium solidified its position as one of the top three integrated aluminium companies in the world. Hydro Aluminium is now a more full range aluminium company with leadership positions in new market segments (foil and lithography in the Rolled Products sub-segment), strengthened extrusion and automotive offering and a greater presence in North America and Asia. An important part of realizing the full potential of the acquisition includes capturing the synergies available from a larger scale of operations. This includes streamlining the selling, general and

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administration processes, reducing manning and sharing best production and other practices to enhance productivity (revenues) and reduce fixed and variable costs.

Operating income for 2002 was NOK 1,698 million, an increase of NOK 1,513 million compared with 2001. Operating income for 2001 included restructuring charges for magnesium of NOK 961 million, of which NOK 261 million related to write-down of assets, and losses on aluminium options and futures of NOK 545 million. The contribution on operating income in 2002 for VAW and Technal was NOK 1,159 million. Excluding these above mentioned items, operating income for Hydro Aluminium declined by NOK 1,152 million.

Hydro Aluminium s results reflected the difficult market conditions that impacted all of its sub-segments during 2002. In response to the economic conditions, customers reduced their inventories leading to a decline in demand for metal products. As a result, overcapacity put pressure on both LME prices and product margins. In total, the margins were reduced by more than NOK 2 billion in 2002 compared to 2001 (excluding new businesses).

Hydro Aluminium increased its total savings targets in the fourth quarter of 2002. Cost reduction targets for the combined savings programs were increased by NOK 400 million to a total of NOK 2.5 billion by the end of 2003 to be achieved with full effect in 2004. These savings are compared to the cost level of the combined Hydro Aluminium and VAW businesses in 2001. This included the target for cost savings of NOK 500 million related to the closure of the primary production of magnesium in Norway. Total costs directly related to the implementation of the improvement programs are expected to be approximately NOK 1.4 billion, of which NOK 990 million was incurred by the end of 2002.

The cost and manning reduction targets for 2002 for these improvement programs were achieved. These programs resulted in savings of approximately NOK 1 billion during 2002 compared to the base line cost level in 2001 for the combined Hydro Aluminium and VAW businesses.

Looking ahead, weak economic conditions, the threat of war in Iraq, and uncertainty about the level of aluminium exports from China create the potential, if not the expectation, of continued weak demand, price and margin pressure in 2003. Hydro Aluminium is responding to these market conditions, not only with the improvement programs mentioned above, but also by a selective investment strategy principally focused on two types:

- Plant expansions in the upstream area (both alumina and primary production), where the existing infrastructure supports a larger capacity. This can be done at a lower investment level than a corresponding greenfield investment and improves the operating cost position of the plant (often to a level comparable to the industry leaders); thereby, improving Hydro Aluminium s long-term cost position.

- Small efficiency improvement projects, such as the ongoing program to increase the amperage in the smelter potrooms thereby increasing output and improving productivity with virtually no capital costs, as well as many projects in Hydro Aluminium s downstream operations intended to improve efficiency and reduce production costs.

The change in 2002 EBITDA compared to the prior year and the most important items affecting the change follow:

EBITDA for 2002	4,334

EBITDA for 2001	2,543
Change in EBITDA	1,791
Margin	(2,320)
Volume	250
Fixed costs	320
Trading and hedging	790
Unrealized LME-effects	315
New business	2,485
Non-recurring items and Restructuring costs	70
Other income	25
Other	(144)
Total change in EBITDA	1,791

Margins were reduced by more than NOK 2 billion mainly due to lower realized aluminium prices stated in NOK. This negative effect was partly offset by lower fixed costs and lower depreciation. EBITDA was negatively impacted by the currency loss on the Alunorte loan of NOK 460 million in 2002 and NOK 159 million in 2001. (See discussion below).

Reductions in fixed costs and depreciation were largely as a result of improvement programs (primarily the magnesium closure; see further discussion below) designed to increase Hydro Aluminium s overall efficiency.

Depreciation, excluding new businesses, was approximately NOK 320 million lower than in 2001. Of this decline, approximately NOK 100 million represented lower impairment write-downs of assets (excluding the impairment write-down of the magnesium plant in Norway).

Operating income and EBITDA for trading and hedging activities, including unrealized LME, effects improved principally because of the termination of a particular strategy resulting in realized and unrealized losses on aluminium options and futures of NOK 545 million in 2001. Trading activities realized results increased by approximately NOK 430 million while the improvement to hedging activities was mainly due to the realized losses on the options and futures strategy of about NOK 340 million in 2001. Similarly, the positive variance on unrealized LME effects was largely explained by the unrealized losses on the same strategy of approximately NOK 205 million in 2001. In 2001, other rationalization costs not

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otherwise specified were NOK 150 million, while the corresponding costs for 2002 is NOK 90 million related to the closure of an extrusion plant and offices in the US. Other non-recurring costs for 2002 related to the integration of VAW or improvement programs as well as other items affecting the understanding of Hydro Aluminium s results include the following (unless otherwise indicated below, each items impacts both operating income and EBITDA):

In connection with the VAW acquisition, inventories were revalued at fair (market) value at the time of the acquisition. This resulted in a non-recurring higher charge to costs of goods sold of approximately NOK 200 million during 2002.

In addition, Hydro Aluminium incurred approximately NOK 150 million in VAW integration costs (unrelated to the improvement programs) in 2002.

Cost and manning targets in 2002 for the improvement programs were achieved. This overall program resulted in savings of approximately NOK 1 billion during 2002 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 430 million of the total savings. Additional programs announced in connection with the VAW acquisition resulted in the remaining NOK 560 million in savings compared to the cost level of the combined Hydro Aluminium and VAW businesses in 2001. Staff reductions during 2002 totaled 528 employees in the primary magnesium operations and 708 employees associated with other cost reduction initiatives.

Total costs incurred in 2002 related to the improvement programs were NOK 300 million, of which NOK 211 million was expensed in 2002. The remainder was recorded as a liability in the opening balance sheet related to the acquisition of VAW.

Results from non-consolidated investees included unrealized currency losses on USD-denominated loans held by a Brazilian company, Alunorte, which was NOK 460 million for 2002 an increase of NOK 301 million compared to 2001. Results from non-consolidated investees are excluded from operating income.

Hydro Aluminium economically hedges certain revenues and raw materials in terms of LME prices and foreign currency using commodity and financial instruments with the purpose of locking in margins on such transactions. These positions referred to as price hedges do not qualify for hedge accounting. Realized gains or losses related to LME price hedges are included in the sub-segment s revenues or costs while unrealized effects are included at the Hydro Aluminium level reported under Other and eliminations. Related currency effects are classified as financial items and excluded from operating income, EBIT and EBITDA

METALS

NOK million	**2002**	2001	2000
Operating Revenues	**39,646**	31,475	30,483
Operating Income	**1,690**	372	2,690
EBITDA	**2,703**	1,766	3,803
Gross Investment	**34,905**	26,330	28,593
CROGI	**7.1%**	6.0%	11.2 %
Number of employees	**6,284**	4,561	4,532

After the acquisition of VAW on March 15, 2002, Metals includes: Hydro s former Aluminium Metal Products, consisting of production of primary aluminium, remelt activities in Europe and magnesium metal activities, as well as the primary materials and metal products activities of VAW including the high purity activities. Similar remelt activities located in North America are included in the Extrusion and Automotive sub-segment.

Through the acquisition of VAW, Hydro Aluminium increased its metal capacity by approximately 70 percent. This was a step forward in one aspect of meeting Hydro s ambition to be one of the top three integrated aluminium companies in the world. However, being among the top is not only about size but performance. In order to be cost competitive in the primary metals industry, a key factor relates to the scale of production necessary to achieve cost competitive unit production costs. Metals principal focus throughout 2002 was on improving its competitive position.

To streamline operations and improve its overall cost position, Metals has initiated several expansion projects. Phase one of the aluminium plant expansion in Sunndal, Norway started production in the fourth quarter 2002 as planned. This replaced an old line (based upon outdated technology) that was no longer cost competitive and did not meet modern environmental performance requirements. The total expansion will be completed in 2004 increasing capacity in total by 173,000 tonnes to approximately 330,000 tonnes. Furthermore, Hydro decided to participate in the expansion of the Alouette smelter in Canada. Total annual primary aluminium production capacity will increase by 307,000 to 552,000 tonnes in 2005 making Alouette the largest aluminium smelter in North America and among the world s lowest cost smelters. Hydro s share of the production is 20 percent. To strengthen its internal supply of alumina (raw material), Metals is participating in an expansion project of the Alunorte alumina refinery in Brazil. This will increase Alunorte s capacity from 1.5 million to approximately 2.3 million tonnes per year in 2003. Hydro s share of the extended production is 50 percent. When completed, Alunorte will be one of the most competitive alumina refineries in the world with further expansion potential based on local bauxite sources. During 2002, Hydro decided not to take part in a new greenfield aluminium smelter in Iceland.

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The decisions are consistent with Metals strategy to selectively invest in high potential, brownfield expansions with comparatively low investment cost and a high overall cost improvement ratio.

In 2001, Hydro Aluminium began restructuring its Norwegian magnesium business and NOK 700 million was accrued for the closure, demolition of the plant and for related staff reductions. In addition, NOK 261 million related to the write-down of the magnesium plant s net assets was charged to operating income in 2001. During 2002, fixed costs and the number of staff were reduced by approximately NOK 430 million and 528 employees, respectively. Further streamlining in Metals administration and other functions has resulted in an additional reduction in staffing of 208 employees in 2002.

The change in 2002 EBITDA compared to the prior year and the most important items affecting the change follow:

EBITDA for 2002	2,703
EBITDA for 2001	1,766
Change in EBITDA	937
Margin	(2,075)
Volume	230
Fixed costs	340
Trading and price hedging	790
New business	1,520
Non-recurring items and restructuring costs	300
Other	(168)
Total change in EBITDA	937

To understand Metals performance in 2002, the following represents one-time costs incurred related to the integration of VAW or improvement programs (unless otherwise indicated below, each item impacts both operating income and EBITDA):

In connection with the acquisition of VAW, assets (including inventory) and liabilities were valued at fair market value as of the acquisition date. The fair value of inventory (which exceeded production cost) was included in cost of goods sold as the inventory was sold. For Metals, this negatively impacted results by NOK 78 million in 2002.

Integration costs from the VAW acquisition were NOK 72 million.

Expenses of NOK 144 million were recorded for improvement programs.

In addition, there were other items that specifically affect the understanding of Metals results (unless other indicated below, each item impacts both operating income and EBITDA):

In 2002 environmental accruals increased by NOK 65 million as a result of the completion of a major part of an environmental review.

Results from non-consolidated investees included unrealized currency losses on a USD-denominated loan held by a Brazilian company, Alunorte, which increased by NOK 301 million compared to last year. Results from non-consolidated investees are excluded from operating income.

Market Conditions

	2002	2001	**% change**	2000
LME 3-month in USD	**1,365**	1,454	**(6%)**	1,567
LME 3-month in NOK	**10,906**	13,086	**(17%)**	13,805
USD/NOK	**7.99**	9.00	**(11%)**	8.81
EUR/USD	**0.945**	0.896	**5%**	0.924

Metals 2002 operating results were adversely affected by the prevailing unfavorable market conditions throughout the year. The average three-month price for primary aluminium on the London Metal Exchange (LME) decreased by approximately 6 percent to USD 1,365 per tonne in 2002 compared to USD 1,454 per tonne in 2001. The LME price stated in Norwegian kroner (impacting smelters in Norway) dropped by 17 percent. In addition, the market premiums for the products fell significantly due to the weak market situation.

In 2002, growth in demand both in the US, the world s largest aluminium consumer, and in Europe was moderate to low. Shipments from aluminium smelters in the Western World increased by close to 500,000 tonnes in 2002 (roughly 2.5 percent). Western World production increased by about 600,000 tonnes. About 400,000 tonnes of the increased production related to new capacity and the balance was due to the restart of idled capacity in Brazil. Worldwide, production grew between 5 - 6 percent in 2002 to approximately 26 million tonnes. China has traditionally been a net importer of aluminium. However, during 2002 China s capacity and production increased by about 30 percent while consumption only grew close to 20 percent and net exports from China in 2002 were estimated at 250,000 tonnes. Over the longer term, China s consumption is expected to utilize more of its aluminium production.

Registered stocks increased by 280,000 tonnes in 2002. However, taking into account unreported inventories, the total estimated increase in primary stocks was approximately 600,000 tonnes. This reflects the low growth in industrial activity in 2002.

Revenues

Metals operating revenues increased NOK 8,171 million and 26 percent in 2002 mainly as a result of the VAW acquisition. VAW s contribution to 2002 operating revenues amounted to NOK 12,919 million. Excluding

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the revenues generated from VAW s smelter and remelting production, the decrease in operating revenues in 2002 was primarily attributable to a decline of more than 15 percent in the realized prices, measured in Norwegian kroner, for the smelters sales volume.

Total smelter production increased from 785,000 tonnes in 2001 to 1,253,000 tonnes in 2002 largely due to the addition of VAW production of 460,000 tonnes. Production in the Norwegian smelters decreased by about 1,000 tonnes largely due to the closure of the Søderberg line in Sunndal, Norway. Metals share of production from partially owned companies, Søral (49.9 percent) and Slovalco (20 percent), increased from 80,000 tonnes in 2001 to 89,000 tonnes in 2002 due to expansion programs.

Total sales volume in 2002, excluding VAW activities as well as trading and sourcing activities, increased 6.5 percent from 1,290,000 tonnes in 2001 to 1,374,000 tonnes in 2002 as a result of new remelting capacity that came on stream in 2002 and higher capacity utilization at the existing casthouses. External sales for trading and sourcing activities accounted for NOK 7,371 million in 2002 compared to NOK 9,989 million in 2001. The reduction in revenues was due to lower LME prices, lower US dollar rates, and lower trading volumes for alumina and physical metal. The Metals sub-segment sells a significant volume of its production internally. Excluding VAW, sales to other sub-segments amounted to around NOK 6.7 billion compared to external sales of over NOK 20.0 billion in 2002.

Operating costs

Total operating costs in 2002 reflected an increase of more than 25 percent compared to the prior year, mainly due to the VAW acquisition. Excluding VAW activities, the operating costs were down approximately 14 percent due to lower variable costs principally for raw materials and energy for the primary aluminium production.

Presently, Hydro Aluminium has secured approximately 40 percent of its alumina requirements for primary metal production through equity investments with production costs that are largely independent of LME price developments. The remaining requirements are covered by medium- to long-term contracts with price formulas based upon a percentage of the LME price.

During 2002, electricity prices remained more or less unchanged for the Norwegian smelters as a result of long-term fixed price contracts. For the former VAW smelters, electricity costs decreased since power prices of the German and Canadian smelters are linked to the LME price.

Cast house costs per tonne for the Norwegian smelters and remelter costs decreased approximately 11 percent and 7 percent, respectively, in 2002 from the prior year. This was due to a 3 percent higher output, lower alloy costs, and the successful implementation of the improvement programs.

Fixed costs (excluding higher fixed costs due to the VAW acquisition and integration) decreased by approximately 5 percent in 2002 compared to the prior year. The closure of the magnesium plant in Norway and fixed costs reductions related to the smelter improvement programs were the reason for the lower fixed cost. This more than offsets additional fixed costs related the new remelter in Spain and start-up costs for the new potline in Sunndal.

For further information on one-time costs related to the improvement programs and the integration of VAW s influence on costs in 2002, see the discussion above.

Operating income and EBITDA

Metals operating income in 2002 was NOK 1,690 million, compared to NOK 372 million in the prior year, including NOK 1,015 million for the VAW activities. EBITDA in 2002 was NOK 2,703 million compared to NOK 1,766 million in the prior year. VAW accounted for NOK 1,520 million of the 2002 EBITDA. Results for 2001 were negatively influenced by the accrual of NOK 700 million for the closure of the Norwegian magnesium plant. Operating income in 2001 was also impacted by magnesium impairment write-downs of NOK 261 million.

Income for investments in non-consolidated investees (excluded from operating income) declined NOK 472 million in 2002 compared with 2001 mainly due to losses in Alunorte and a weaker result in the 49.9 percent-owned aluminium producer, Søral resulting from lower LME prices. Alunorte, a 34 percent-owned alumina producer in Brazil, has a USD-denominated loan. The Brazilian real depreciated relative to the USD in both 2002 and 2001. Metals share of the unrealized loss on revaluation of the loan into local currency was NOK 460 million in 2002 compared to NOK 159 million in the prior year.

Operating income, adjusted for the results from the VAW activities (including fair value of inventory and integration costs), restructuring costs and impairment write-downs, decreased by NOK 508 million from 2001. Excluding the results from the VAW activities (including fair value of inventory and integration cost), restructuring costs and the currency losses for Alunorte, EBITDA declined NOK 832 million in 2002 compared to 2001. Results fell mainly due to lower LME prices and a strong Norwegian kroner exchange rate. In addition, the market premiums especially for billets used for extrusion products were down approximately 20 percent (in US dollar) due to the weak market situation. Operating income benefited from lower depreciation of approximately NOK 115 million principally due to the closure of the magnesium plant. EBITDA was negatively impacted by lower non-consolidated investee results of NOK 171 million (excluding Alunorte).

Adjusting for special items (fair value of inventory, integration costs, costs in connection with improvement

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programs, rationalization costs and the currency losses for Alunorte), the restated EBITDA would have been about NOK 3.4 billion for 2002.

The EBITDA for trading activities increased substantially by NOK 432 million compared to the prior year due to improved realized results for all activities. EBITDA improved for hedging activities by approximately NOK 360 million for 2002 compared to 2001 when the termination of a particular strategy resulted in realized losses on aluminium options and futures of about NOK 340 million.

Outlook

The upstream aluminium industry is primarily a commodity market that is impacted by the world economic situation. The economic slowdown, which began in the US, has spread to Europe and Asia, further eroding consumer and business confidence. As a result, there is a high degree of uncertainty around market developments in 2003. Aluminium shipments can only be expected to increase in 2003 if an economic recovery materializes.

In China, strong economic growth with a corresponding high growth in the consumption of aluminium is expected for 2003. Whether China remains a net exporter of aluminium will depend upon how rapidly internal consumption of aluminium increases to absorb the current surplus.

Towards the end of 2002 and in early 2003, LME prices have fluctuated around US dollar 1,380 per tonne. Prices are expected to remain weak during 2003. Inventories are expected to increase during 2003 by approximately 500,000 tonnes.

In connection with the expansion project at the Sunndal Metal Plant, Hydro expects increased production beginning in 2003. To secure a price for part of the Company s total production for the period 2003 2007, approximately 480,000 tonnes have been sold forward at an average price of approximately US dollar 1,500 per tonne. In addition, approximately US dollar 720 million have been sold forward to secure the exchange rate against the US dollar at about NOK 9.3 per US dollar for the same tonnage. Both hedges are designated as a cash flow hedge against production. As a result, changes in the fair value of the contracts are included in Other Comprehensive Income (OCI). At December 31, 2002 the unrealized gain after tax for both hedges totaling NOK 185 million is expected to be reclassified from OCI into earnings for the next 12 months ended December 31, 2003. Gains and losses on these contracts included in OCI will be included in operating revenues for the periods 2003 2007 when the underlying designated production is sold in the market place.

Power contracts for the German smelters will expire at the end of 2005. New contracts will be negotiated, but given the present market situation and political threat of new eco taxes to be levied on energy producers, it is not possible to predict the outcome of such negotiations.

It was recently announced that the Noranda magnesium plant in Canada, a player in the magnesium industry, with a production of approximately 25,000 tonnes would be temporarily closed. The potential impact on the magnesium market is not yet foreseeable.

Metals intends to meet the challenging market conditions by continuing to improve its short and long-term competitive and cost position during 2003.

ROLLED PRODUCTS

NOK million	**2002**	2001	2000
Operating Revenues	**14,790**	4,228	4,221
Operating Income (loss)	**(295)**	58	(3)
EBITDA	**258**	162	86
Gross Investment	**11,937**	2,626	2,369
CROGI	**3.5%**	5.8%	3.8%
Number of employees	**4,306**	766	766

Following the acquisition of VAW, Rolled Products consists of the business units: Foil, Litho, Strip and Automotive. The rolling assets Rolled Products held prior to the VAW acquisition are now in the Strip business unit. In the discussion of Rolled Products operating results that follows, volumes and sales growth rates are pro forma, assuming that VAW s rolled activities had been a part of Hydro Aluminium Rolled Products from January 1, 2002. In view of Hydro Aluminium Rolled Products marginal rolled activity prior to the VAW acquisition, this manner of presentation is considered more meaningful.

Through the acquisition of VAW, Hydro Aluminium increased from a rather marginal to a leading position 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.

With the ambition of becoming one of the top three integrated aluminium companies in the world, Hydro Aluminium recognized the need to strengthen its flat rolled products segment since it represents 50 percent of the world s aluminium consumption. As a result of the VAW acquisition, Hydro has established important European positions within high margin rolled products segments such as lithographic (printing) plates and foil, as well as obtaining a 50 percent ownership interest in the world s largest hotmill, Aluminium Norf GmbH (Alunorf).

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The change in 2002 EBITDA compared to the prior year and the most important items affecting the change follow:

EBITDA for 2002	258
EBITDA for 2001	162
Change in EBITDA	96
Margin	(30)
Volume	(60)
Fixed costs	(115)
New business	470
Non-recurring items	(170)
Other	1
Total change in EBITDA	96

Rolled Products is a typical margin business such that profit is derived from the margin above aluminium price. Rolled Products, as is the case in the rolling industry generally, produces a wide variety of products for different industries with very different product margins. There are significant spreads in margins between different products, with the most attractive products limited in terms of demand. Rolled Products price its sales based on LME with an additional product premium referred to as product margin.

To understand Rolled Products underlying performance in 2002, the following represents one-time costs incurred related to the integration of VAW or improvement programs (unless otherwise indicated below, each item impacts both operating income and EBITDA).

In connection with the acquisition of VAW, assets (including inventory) and liabilities were valued at fair market value as of the acquisition date. The fair value of inventory (which exceeded production cost) was included in cost of goods sold as the inventory was sold. For Rolled Products, this negatively impacted results by NOK 125 million in 2002.

Integration costs from the VAW acquisition were NOK 57 million.

Expenses of NOK 41 million were recorded for improvement programs.

In addition, there were other items that aid in the understanding of Rolled Products results (unless otherwise indicated below, each item impacts both operating income and EBITDA):

Rolled Product s sales prices are based on a margin over metal prices. The production process requires a long lead time, resulting in a normal inventory level during the process corresponding to between two and three months production. Therefore, margins are impacted by variances in inventory values resulting from changing metal prices. Falling prices result in higher cost of goods sold from products taken from inventories which reduce the segment s margin. In 2002, this negatively impacted margins by approximately NOK

200 million.

Rolled Products uses financial instruments to economically hedge revenues into Euro and lock in the margin on such transactions. These positions, referred to as price hedging, do not qualify for hedge accounting. Realized currency gains were approximately NOK 60 million from such currency hedges. Currency gains and losses are classified as financial items and are excluded from operating income, EBIT, and EBITDA.

Revenues and Market Conditions

Rolled Products operating revenues increased from NOK 4.2 billion in 2001 to NOK 14.8 billion in 2002, mainly as a result of the VAW acquisition. Rolled Products major activities are denominated in Euro and all sales revenues are economically hedged in terms of LME prices and foreign currency using commodity or financial instruments. Realized gains related to LME price hedges are included in revenues while currency effects are included in financial items.

Rolled Products increased sales volume by over 5 percent for flat rolled products in 2002 while maintaining a stable average product margin year on year. European total demand for flat rolled products grew somewhat over the same period.

Foil and litho are, relative to other rolled products, the most attractive products in terms of product margins within the Rolled Product s sectors. Although industry shipments increased by 4 percent for foil and were stable for the litho market, Hydro s sales volume in the West European market increased by 11 percent and 8 percent, respectively for foil and litho products compared to 2001.

Automotive flat rolled products are an increasingly important market for the rolled industry because of the attractive growth rates. Industry sales of flat rolled products in the West European automotive sector increased by 13 percent during 2002. Hydro is in the process of building a position in this market and has increased sales of flat rolled products within the automotive sector by 2 percent in 2002 compared with the prior year. The driver for the growth rates for flat rolled products in automotive is mainly the use of body-in-white parts, which is a term for applications that are visible on a finished manufactured vehicle. The Rolled Products segment intends to grow in this area, mainly utilizing its current asset base, in order to maintain its competitive position and to meet customer demand in this increasingly important market segment.

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A breakdown of 2002 sales volumes sold by each of Rolled Products business units (pro forma figures assuming VAW volumes were included for the entire year) is as follows:

Sales volume	Metric ton	%
Litho	112,000	12%
Foil	137,000	15%
Strip	534,000	59%
Automotive	51,000	6%
Wire Rod	75,000	8%
Total	909,000	100%

Operating costs

Rolled Products cost structures vary with the aluminium price and its product mix. The metal price comprises about 60 percent of total costs. Compared with 2001, metal prices were lower reflecting the lower LME price. Other material costs including, among other things, lacquer for painted flat rolled products account for about 20 percent of the total costs. Information on inventory effects is discussed in previous sections.

An important aspect of the integration of Hydro and VAW is the strong focus on capturing synergies. A separate program with defined actions was established in 2002 to contribute to an improved cost base for Rolled Products. The synergies captured are expected to be a mix of cost savings, optimization of production systems, capitalization on specific technical and commercial knowledge, and increased sales through an extended customer base. Moreover, a cost improvement program will be launched in 2003 to reduce costs, both within sales and general administrative functions, in addition to improving the cost base in the production system.

Operating income and EBITDA

Operating income in 2002 decreased by NOK 353 million from a profit of NOK 58 million in 2001 to a loss of NOK 295 million in 2002. EBITDA increased by NOK 97 million from NOK 161 million in 2001 to NOK 258 million in 2002.

Adjusting for one-time items (fair value of inventory and integration/improvement costs), the restated operating level results would have been an operating loss of NOK 72 million and an adjusted EBITDA of NOK 481 million. The main difference between operating income and EBITDA is depreciation and amortization that increased as a result of the VAW acquisition. Weak results were attributable in part to the negative impact on margins of approximately NOK 200 million due to the variance in inventory values resulting from falling metal prices. In addition to the items described above, Rolled Products results were significantly influenced by the loss in 2002 in the Norwegian rolling mill in Holmestrand, Norway. Holmestrand s major source of aluminium is the European scrap market, which historically has provided the plant with a margin comparable to that of primary metal. In 2002, European scrap prices increased relative to the LME price, reducing the scrap margin in Holmestrand. Furthermore, the ongoing ramp-up of the new thin gauge mill resulted in low productivity in 2002. Due to the strengthening of the Norwegian kroner against the Euro, revenues declined since Holmestrand exports most of its production to other European countries.

Outlook

The general softening of the global economy had a limited effect on demand for Hydro s rolled products in 2002. However, in 2003 it is expected that there will be increased competition for a falling demand for most flat rolled products. The market outlook for 2003 is moderate at best. Rolled Products will continue to leverage on its high quality products and technological services to meet the expected challenging market in 2003.

EXTRUSION AND AUTOMOTIVE

NOK million	**2002**	2001	2000
Operating Revenues	**24,245**	22,487	23,031
Operating Income	**14**	(228)	650
EBITDA	**1,084**	632	1,612
Gross Investment	**16,846**	14,011	13,818
CROGI	**7.0%**	4.5%	11.2%
Number of employees	**16,520**	10,917	11,496

Extrusion and Automotive consists of Extrusion (general extrusion products and building systems), Automotive (structures including crash management systems and bumpers, castings mainly for engine blocks and precision tubing principally used in radiators, fuel cooler and liquid lines) and North America (non-automotive extrusions and remelt plants in the US).

The acquisition of VAW increased activities within Automotive for engine block castings and extrusion activities in North America. Technal strengthened building systems within Extrusion.

The change in 2002 EBITDA compared to the prior year and the most important items affecting the change follow:

EBITDA for 2002	1,084
EBITDA for 2001	632
Change in EBITDA	452
Margin	(225)
Volume	80
Fixed costs	85
New business	515
Non-recurring items	(50)
Other income	25
Other	22
Total change in EBITDA	452

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The following one-time items and costs related to the integration of new activities impacted the performance of Extrusion and Automotive in 2002 (unless otherwise indicated below, each item impacts both operating income and EBITDA):

Integration costs from the VAW acquisition were NOK 21 million.

Expenses of NOK 26 million were recorded for improvement programs.

Costs for closure of an extrusion plant and offices in North America negatively impacted results with approximately NOK 90 million.

By comparison, in 2001 costs for Automotive for rationalization and plant closures in the US and UK were approximately NOK 60 million. In 2002, plant write-downs, which impacted operating income, were NOK 22 million (NOK 113 million in 2001).

Revenues and Market Conditions

Extrusion and Automotive s operating revenues in 2002 increased to NOK 24,245 million compared to NOK 22,487 million in the previous year. Excluding the contributions of the new businesses acquired, the operating revenues were NOK 18,657 million in 2002.

A break down of the percentage of 2002 operating revenues generated by each sector within the Extrusion and Automotive sub-segment is as follows:

Extrusion	49%
Automotive	28%
North America	23%

Excluding new activities, total revenues for the Extrusion and Automotive sub-segment decreased compared to 2001. The revenues from the European activity reflected a 2 percent increase in shipments of general extrusions, while the shipments in building systems increased by 4 percent. The operating revenues from the extrusion (including remelting) activities in North America declined from 2001, due to lower demand in the general extrusion and trucking sectors. Automotive revenues grew slightly due to the start up of a new production line for crash management but this effect was more than offset by the reduction in revenues due to lower prices in precision tubing.

In 2001, North America had a tolling agreement with the Goldendale smelter, which was closed due to the power situation in the northwest region of the US. The termination of this agreement adversely impacted 2002 operating revenues. Goldendale reopened one line at the end of 2002, and this situation is expected to have a favorable impact on the operating revenues in 2003.

Despite a relatively flat demand for extrusion products in Europe, Hydro s extrusion activities increased sales volumes while maintaining margins stated in Euro. During 2002, demand in many of the extrusion and building markets showed a downward trend.

For Automotive, the US market for light vehicles was highly influenced by the record incentives offered by the manufacturers, therefore mitigating the decline to only 1.9 percent year on year. The European market also weakened throughout the year, resulting in a decline in the light vehicle sales of 2.9 percent compared to 2001.

For North America poor economic conditions impacted demand throughout the entire year while the margins for extruded products remained relatively stable.

Operating costs

Operating cost development was affected by the acquisition of VAW and Technal, a lower LME, change in the Norwegian kroner exchange rate, and productivity and cost improvements. Operating cost per tonne declined for Extrusion sector as a result of higher productivity, while for the Automotive sector, it was due to higher volumes in 2002 compared to 2001. In the North America sector, higher operating cost per tonne followed the lower production volume and increased costs from the start up of the new greenfield remelter.

In total, there was a reduction in staffing of about 430 employees within the Extrusion and Automotive subsegment in 2002. This was the main reason for the reduction of fixed costs of approximately NOK 85 million in 2002 compared to 2001.

The operating cost and performance of the sub-segment is dependent upon its ability to adjust the cost level to weak market conditions by reducing shifts, as well as to continuously improve press productivity by the use of benchmarking tools and the transfer of best practices. Both factors have contributed to improve the underlying cost performance in the European and North American extrusion activities.

In North America, press productivity is currently on a par with the industry average for US extruders, but there is a significant productivity gap compared to Hydro s European extrusion system. Through continued transfer of competence between Hydro units it is expected that this gap can be narrowed.

Operating income and EBITDA

Operating income was NOK 14 million in 2002 compared with a loss of NOK 228 million in the prior year. Adjusted for the contribution made by VAW and Technal, operating income was NOK 108 million higher than the prior year. The main reasons for the improvement were lower depreciation and amortization and lower impairment costs than in 2001. Starting in 2002, amortization of goodwill was discontinued which positively impacted amortization between the periods. EBITDA was NOK 1,084 million in 2002 compared to NOK 632 million in

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2001. Excluding newly acquired activities and the variance in one-time items (integration/improvement costs and the variance in rationalization costs), EBITDA was NOK 13 million lower than the prior year. The decline related primarily to lower results in the North America business unit, due to reduced shipments and lower capacity utilization which, as noted above, led to the decision to close one of the extrusion plants. The Extrusion and Automotive business units improved their performance in 2002. Improvements in Extrusion s results were principally due to higher volumes and improved productivity. For Automotive, the better results were largely attributable to slightly higher volumes and cost reduction programs.

Outlook

For the European extrusion activity, absence of growth in the market is expected in 2003. The German market, with 23 percent of the total European extrusion consumption and its role of fueling the other European economies, will be particularly important for 2003. The building and construction markets in Germany and the UK are expected to continue to decline, and the French market is starting to soften from what has been a good level of activity.

Within Automotive, the level of anticipated sales in global light vehicles for 2003 remains uncertain. The US market is expected to decline if the high level of incentives offered by the car manufacturers are either dropped or reduced. The European markets are also showing signs of weakness, particularly in the important German market. The uncertain political situation pertaining to the Iraqi situation is expected to have a considerable negative impact on new car sales if a war should erupt.

The North American activities face the challenges of low consumer confidence and a weak US economy in 2003. One of the major challenges is to fill the press capacity in 2003 and further improve press productivity.

Regarding the improvements put in place by the end of 2002 for the segment as a whole, the expected annualized savings is expected to be approximately NOK 275 million. Including targets achieved, Extrusion and Automotive have total targets to improve its cost savings of about NOK 370 million by the end of 2003 (with full effect from 2004). Further reductions in manning of about 225 are planned.

HYDRO AGRI

NOK million	**2002**	2001	2000
Operating Revenues	**33,348**	37,407	36,607
Operating Income	**2,207**	2,114	1,303
EBITDA	**3,945**	4,402	3,553
Gross Investment	**30,739**	36,513	40,094
CROGI	**9.4%**	9.6%	7.8%
Number of employees	**7,371**	7,841	9,164

Hydro Agri consists of the former sub-segments Plant Nutrition and Gas and Chemicals, for which separate disclosure was provided in the 2001 annual report. A/S Korn- og Foderstof Kompagniet (KFK) was also included in Hydro Agri in the prior year, but in the 2002 annual report KFK is part of Other Activities. Prior year amounts reflected in this annual report have been restated in accordance with this revised reporting structure.

Summary of key developments in 2002

As explained in greater detail below, Agri s 2002 operating results were adversely affected by the significant weakening of the US dollar relative to the Norwegian kroner and the EUR during the year. The pricing of the majority of Agri s products (including those produced at its European plants) is directly linked to the USD. Fixed costs in Europe are, to a large extent, linked to the NOK and the EUR. Accordingly, changes in currency exchange rates have a direct impact on revenues and costs. The changes in currency exchange rates during 2002 reduced EBITDA by an estimated NOK 700 million.

The global fertilizer industry continued to experience difficult markets throughout most of 2002 as a result of low international prices of commodity products such as urea.

In 2002, European fertilizer prices for all major nitrogen products were strongly influenced by a low international urea price. Average prices for 2002 remained at USD 109 per metric tonne (fob Middle East) which is considered low on a historical basis. European Nitrate prices decreased by approximately 7 percent in 2002 reducing the nitrate margin to a more normal historical level. The higher nitrogen margin achieved compared to urea is primarily determined by competition among European producers and importers.

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The relative price of nitrogen is an important element considered by customers when choosing between alternative fertilizer products with varying nitrogen content.

The average price for ammonia was USD 110 per metric tonne (fob Caribbean), down approximately 20 percent compared to 2001 reflecting lower gas prices in the US.

Total sales of fertilizer increased by 1.2 million tonnes in 2002, an increase of approximately 6 percent compared to the previous year. The increase relates to sales outside of Europe. Sales in Asia, Latin America, Africa and North America all increased between 12 and 16 percent during 2002 while European sales showed a small decline. Sales outside of Europe are primarily sourced from third parties (TPP) but also include sales of own produced product.

The industrial gases and chemicals operations significantly improved performance in 2002. EBITDA increased to almost NOK 800 million, an improvement of more than NOK 100 million compared to the prior year. Strong improvements were achieved within technical nitrates, nitrogen chemicals and industrial gases and volume increased in most major markets.

Ambitious plans and targets aimed at reducing operating capital were achieved during 2002 resulting in a reduction of approximately NOK 1,400 million. Operating capital declined a further NOK 900 million as a result of price changes and currency effects.

In November 2002, Agri divested its joint venture phosphate fertilizer business, Farmland/Hydro LP, (Florida) resulting in a negative EBITDA effect of NOK 82 million. The divestment was motivated by Agri s further strategic focus on nitrogen business. Agri also divested several other non-core assets both within the fertilizer and the industrial gases and chemicals activities. In 2002, Agri s partnership with SQM was strengthened through the establishment of the joint venture company Nu3 N.V., where SQM is one of the partners. Significant assets from Hydro in the Netherlands were transferred to the new company which produces water soluble NPK and speciality liquids.

The change in 2002 EBITDA compared to the prior year and the most important items affecting the change follow:

EBITDA for 2002	3,945
EBITDA for 2001	4,402
Change in EBITDA	(457)
Margin, including currency	(1,605)
Volume	345
Fixed costs	725
Non-recurring items	(25)
Non-consolidated investees	(100)

Other income	220
Other	(16)
Total change in EBITDA	(457)

Much of Agri s business is denominated in or heavily influenced by the USD. As a result, currency changes have a direct impact on revenues and costs. The pricing of the majority of Agri s products (including its European operations) is directly linked to the USD. The depreciation of the USD in 2002 had significant negative effects on revenues. However, variable cost in the European plants (mainly energy) also declined as a result of the weak USD partly offsetting the reduction in revenues. Fixed costs in Europe are, to a large extent, linked to NOK and the EUR. Excluding cost saving and efficiency programs, this implies that an appreciation of the European currencies against the USD could reduce the competitiveness of the European fertilizer business.

In order to better understand the variances included in the above table, and the underlying business results of Agri for 2002, the effects of the USD depreciation has been calculated and excluded from the following analysis. This has been accomplished primarily by converting dollar values at fixed rates. EBITDA improved approximately NOK 250 million excluding the currency effects described above reflecting and overall underlying improvement in the business.

Approximate amount in NOK million	
Total change in EBITDA as presented above	(457)
Currency effects impacting EBITDA [1)]	707
Total change in EBITDA calculated with stable currency rates	250
Reductions in energy cost	400
Volume outside of Europe	100
Increased margins - industrial gases and chemicals	100
Fixed cost reduction	350
Other income [2)]	220
Lower fertilizer prices/margins	(700)
Non-consolidated investees	(150)
Other	(70)
Total change in EBITDA calculated with stable currency rates	250

1) Currency effects have been isolated by applying constant (2002) exchange rates

2) Gains/losses on divestments

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Revenues and market conditions

Agri s total operating revenues declined by approximately 11 percent in 2002 primarily as a result of the currency changes described above. An analysis of the operating revenues for each of the principal geographical areas and other key business units in Agri is presented in the table below:

NOK million	**2002**	2001
Fertilizer:		
Europe	**12,179**	14,631
Outside Europe	**14,165**	14,904
Ammonia Trade and Shipping	**2,926**	3,298
Industrial Gases and Chemicals	**4,078**	4,574
Total	**33,348**	37,407

Fertilizer Europe

The decrease in operating revenues for European fertilizer activities mainly reflects the effects of currency changes. Sales volumes were virtually unchanged at 9.7 million tonnes in 2002 compared to 9.8 million tonnes in the prior year. Nitrate prices declined approximately 7 percent during 2002 reflecting the low international urea prices while NPK prices measured in USD fell by approximately 2 percent. Plant closures by competitors in Germany, Spain and Ireland have improved the NPK supply/-demand balance significantly in 2002.

Although Agri s volume remained basically unchanged, total demand in Europe was lower. Hydro Agri strengthened its market position primarily by gaining market share from importers. The key customer account program (increasing focus on Agri as a reliable partner for selected customers) and plant closures of non-Hydro plants were important elements contributing to the improved market position.

Fertilizer outside Europe

Hydro s fertilizer sales outside of Europe totaled 11.4 million tonnes, an increase of 1.4 million tons from 2001. This represented 54 percent of total sales. Significant growth was achieved in Asia, Latin America, Africa and North America, partly due to growing markets as well as increased market share.

Sales in Asia increased by 12 percent in 2002 reaching 3.6 million tonnes. Significant growth was achieved in sales of own produced NPK premium quality fertilizer. Sales to the advanced agricultural segments in Asia generates good margins and improves the capacity utilization potential of Agri s NPK production site in Porsgrunn, Norway (the world s largest).

Latin American sales increased by 15 percent in 2002 to 3.3 million tonnes. The increase related mainly to speciality fertilizer sourced from SQM and NPK. Brazil, the largest fertilizer market in the region, accounted for most of the increase through positive developments in Adubos Trevo, the Brazilian fertilizer company acquired by Agri in 2000.

Volumes in Africa were 2.3 million tonnes, an increase of approximately 12 percent during 2002. The growth came mainly in TPP, primarily NPK and urea while sales of own produced product remained stable. South Africa and the Ivory Coast accounted for most of the increased volumes.

Sales in North America increased by 16 percent in 2002 reaching 2.2 million tonnes. Volumes increased for all main products but primarily for third party products. Significant growth was achieved in sale for speciality fertilizer related to the SQM marketing agreement.

Sales of own produced products in markets outside of Europe is important as it allows for better capacity utilization of Agri s distribution and production system. It also smoothens seasonal demands as overseas market often take products outside of the European fertilizer season. This provides optimization opportunities between geographic markets enabling Agri to prioritize markets based on overall profitability. Growing Agri s TPP business (including joint ventures and blending operations) enables Agri to better utilize the capacity of its extensive overseas marketing and distribution network. Approximately one third of the increase in sales were products sourced under the marketing agreement concluded with SQM, the Chilean fertilizer producer in 2001. SQM products are complementary to Agri s product portfolio and further growth is targeted in 2003.

Ammonia

Average ammonia prices of USD 110 per metric tonne (fob Caribbean) were approximately 20 percent lower than in 2001 reflecting lower natural gas prices in the US. Ammonia prices are strongly influenced by the natural gas price in the US with lower gas prices normally resulting in higher production of ammonia. Agri s ammonia production and consumption in Europe is balanced.

However, significant volumes are traded, partly to optimize logistics and partly to benefit from market opportunities. Price changes relating to ammonia sold from Agri s plants in Trinidad and Qatar have a more direct effect on EBITDA. Volumes sold in these areas in 2002 were in line with 2001.

Industrial gases and chemicals

Revenues from industrial gases and chemicals activities declined approximately 11 percent in 2002 due to the stronger NOK and divestment of low performing non-core activities. Nearly all of core industrial activities experienced volume growth and improvement in 2002.

Strong improvements were achieved within activities relating to environmental products, nitrogen chemicals and technical ammonium nitrates. Volume of technical ammonium nitrates for civil explosives increased by approximately 7 percent compared to prior year. Lower global coal production, which represents approximately 70 percent of technical ammonium nitrate market, reduced the demand for explosives. However, this was offset by increased market share and growth in demand from other mining industries. Volumes of environmental process chemicals (i.e., Nutriox for water treatment and Reduktan for removal of NO_X emission) increased by

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approximately 9 percent. The increase relates primarily to higher coal consumption for power generation in Europe (due to lower coal prices), increasing the demand for Reduktan and new installations at existing customers both for Nutriox and Reduktan.

Sales volumes for industrial gases, a regional business focusing mainly on Europe, increased approximately 3 percent due to higher sales of CO_2 to the end user and wholesale markets for food processing.

Operating costs

Total energy costs declined by approximately NOK 400 million (excluding currency effects) in 2002 compared to the previous year. Natural gas is the most important raw material used in the production of ammonia, nitrogen fertilizer and technical products. Most of Agri s natural gas requirements are purchased from external suppliers. A significant part of the gas used is purchased under long-term contracts with pricing mechanisms linked to the development in market prices for gas. Natural gas prices are closely linked to developments of the crude oil price. However, due to contract terms and Agri s distribution system, gas price changes in Europe are normally reflected in reported earnings with a timelag of approximately 4-5 months.

Variable cost related to the ammonia and urea production in Trinidad and Qatar is generally based on long term contracts, partly linked to the development in the prices of the finished products.

After the completion of the Agri Turnaround program in 2001 (which yielded manning and fixed cost reductions of approximately 35 percent), efforts to achieve further productivity improve-ments continue. In addition to the approximately NOK 2,400 million in fixed cost reductions realized through this program, further cost savings and manning reductions were achieved in 2002. Fixed cost reductions in 2002, excluding the effect of the exchange rates, were approximately NOK 350 million, of which approximately one-third resulted from divestment of low performing, non-core assets. The remaining reductions related to efficiency improvements, mainly within the production system.

Operating income and EBITDA

Agri s operating income in 2002 was NOK 2,207 million, an increase of roughly 4 percent compared to the prior year. The increase was primarily the result of lower depreciation charges in 2002, as well as the charges associated with the write-down of assets in 2001.

2002 EBITDA of NOK 3,945 million was down approximately NOK 450 million (roughly 10 percent). Excluding currency effects 2002, EBITDA increased by approximately NOK 250 million over the prior year. The change in 2002 EBITDA compared to the prior year and the most important items affecting the change is presented in the variance analysis presented above.

Outlook

Market indicators suggest a continued growth in world demand for fertilizer in 2003. This trend is expected to continue with growth outside Europe, mainly in Asia and Latin America.

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

For nitrogen fertilizer, there is little new capacity expected to come onstream in 2003 and 2004. In addition, further closure of capacity could take place in areas of the world where energy costs are high, for example in the US and Mexico. The supply/demand balance for nitrogen fertilizer is expected to continue to tighten over the next several years. High oil prices are expected to result in high gas costs in Europe. Due to the time lag discussed above, Agri s energy costs in the first half of 2003 will be higher than in the first half of 2002. Positive product price development towards the end of 2002 have continued into 2003.

Ammonia prices have correlated strongly with the natural gas price in the US during the last several years. The forward market for natural gas (mid February 2003) indicates that high prices are expected to continue in the medium term. This is positive for the future ammonia prices as well.

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

Grain prices, particularly in the USA, but also elsewhere, increased substantially through 2002, mainly because of poor harvests in the US, Canada and Australia, caused by very dry weather. On a more fundamental level, global production of grain lags consumption and this may not yet be fully reflected in price developments. In 2002, grain inventories were also reduced. The expected need for increased grain production is positive for the demand outlook for fertilizer.

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OTHER ACTIVITIES

NOK million	2002	2001	2000
Operating Revenues	**21,769**	22,361	24,749
Operating Income (loss)	**13**	(341)	208
EBITDA	**1,044**	1,215	2,950
Gross Investment	**21,873**	22,529	24,056
CROGI	**4.7%**	4.9%	9.7%
Number of employees	**10,694**	7,127	7,945

PETROCHEMICALS

Petrochemicals operating revenues decreased by 21 percent in 2002 compared to 2001. The reduction was primarily due to lower average product prices, particularly caustic soda and suspension polyvinyl chloride (S-PVC) prices. Hydro s average realized price for caustic soda and S-PVC was approximately 49 and 6 percent lower, respectively, in 2002 than in 2001. Operating revenues in 2002 decreased by approximately NOK 290 million as a result of the sale of Hydro s share in Singapore Polymer Corporation (SPC) in October 2001.

Operating Income/(loss) and EBITDA for 2002 were NOK (35) million and NOK 320 million, respectively, compared with NOK (101) million and NOK 363 million in 2001. The reduction in EBITDA was primarily due to lower average product prices which were partly offset by lower purchased raw material costs, particularly natural gas liquids and ethylene. EBITDA for 2001 included non-recurring costs in the amount of approximately NOK 225 million and a gain of NOK 59 million for the sale of SPC.

In general, growth in PVC demand tends to follow growth in GDP. Global demand for PVC increased by approximately 5 percent in 2002. The PVC consumption in the Western European countries was stable, while it increased in North America by approximately 4 percent. Global demand for PVC is expected to increase by 3 to 4 percent in 2003. Global PVC margin for 2003 is expected to be below the historical average because the global capacity additions during 2000 and 2001 will continue to put pressure on prices.

TREKA

Following the sale of its feed and grain operation, A/S Korn- og Foderstof Kompagniet was renamed Treka AS. The sale of the Danish operation was completed in the fourth quarter of 2002. The sale of the operations in Sweden was approved by the authorities in the fourth quarter and the transaction was completed in January 2003. The divestments resulted in a write-down of KFK s non-current assets of approximately NOK 150 million in the third quarter of 2002. The main activities remaining in Treka relate primarily to the Biomar fish feed operations.

FLEXIBLE PACKAGING

EBITDA for Flexible Packaging in 2002 was NOK 265 million. Results were included in Hydro s operating results from March 15, 2002. During the fourth quarter an agreement was signed to sell the Flexible Packaging operations to Alcan. The transaction was approved by regulatory authorities in EU in February 2003. No significant gain or loss relating to the sale is expected with the exception of potential currency translation effects at closing. Currency changes would have resulted in an unrealized translation loss of NOK 150 million as of the end of 2002.

LIQUIDITY AND CAPITAL RESOURCES

NOK million	**2002**	2001	2000
Cash flow provided by (used for):			
Operations	**21,785**	26,172	25,626
Investments	**(36,446)**	(14,681)	(3,630)
Financing	**(5,995)**	(5,990)	(8,129)
Increase (decrease) in cash and cash equivalents	**(21,183)**	5,382	14,331
Return on Shareholders equity	**12%**	11%	21%
CROGI	**8.5%**	9.4%	12.5%
Net interest bearing debt/equity ratio	**0.44**	0.28	0.41

Cash flow

Hydro has historically financed its operations primarily through cash generated by operating activities. In 2002, net cash generated by the Company s operations of approximately NOK 21.8 billion was not sufficient to fund the extraordinarily high investing activities of approximately NOK 36.4 billion and the financing activities of approximately NOK 6.0 billion. The residual of approximately NOK 21.2 billion was funded by drawing on the Company s cash balances and increasing the Company s net interest bearing debt.

Cash provided by operating activities was NOK 21,785 million in 2002 a decline of 17 percent from 2001. The decline was due to the generally lower prices and margins experienced in 2002 compared to 2001, especially as a result of the weakening USD and the strong NOK. In spite of a 11 percent increase in net income in 2002 operating cash flow declined. This was partly due to the 2002 net income includes unrealised gains which have no cash effect in 2002.

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Cash used in investing activities in 2002 was NOK 36,446 million compared to NOK 14,681 million in 2001. The increase of NOK 21,765 million was due to the purchases of long-term investments, principally the VAW and Technal acquisitions, and the purchase of assets from the Norwegian State s Direct Financial Interest (SDFI). See the Capital Expenditures section below for an analysis of expenditures for property, plant and equipment and long-term investments.

In 2002, NOK 5,995 million was used in financing activities, which was at the same level as for 2001. Principal repayments in 2002, which included prepayments of certain VAW indebtedness, were higher than in 2001. However, this was offset by the absence of any repurchase of ordinary shares in 2002; in 2001 Hydro used NOK 1,154 million for that purpose.

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 in 2003. Hydro s capital expenditures for 2003 are estimated to be approximately NOK 20 billion (excluding exploration activities).

The cash and cash equivalents position as of year-end 2002 was NOK 5,965 million compared to NOK 27,148 million at year-end 2001. The main reasons for the decline were the lower level of cash provided by operating activities and the significantly higher level of cash used for investing activities. However, it is important to note that Hydro maintained an unusually high cash position in 2001 which was reduced to a more historically normal level in 2002.

Short and long-term borrowings

Through the acquisition of VAW, Hydro assumed interest bearing debt of EUR 703 million (NOK 5,481 million) of which approximately 75 percent of the amount was classified, or has been reclassified, as short-term debt (i.e. with a maturity of less than a year). A significant portion of this short-term debt was repaid during 2002. NOK 400 million was transferred from VAW to Norsk Hydro ASA.

At year-end 2002, short-term bank loans and the current portion of long-term debt in Hydro amounted to NOK 9,264 million down from the year-end 2001 level of NOK 10,424 million.

Hydro s long-term interest bearing debt at the end of 2002 was NOK 30,902 million, compared to NOK 37,853 million at the end of 2001. The main reason for the reduction in long-term interest bearing debt, stated in NOK, was the weakening USD and the strengthening of NOK. In addition, Hydro repaid maturing long-term debt of NOK 1,761 million, and repaid an additional NOK 513 million of VAW long-term debt in 2002.

Approximately two-thirds of Hydro s long-term debt is denominated in US dollars. The weighted average interest rate on all long-term debt was 7.2 percent at year-end 2002. The average maturity of the Company s outstanding long-term debt was approximately 14 years, with approximately 21 percent of the long-term debt falling due within the next five years and the remainder thereafter. (See Note 19 in Notes to the consolidated financial statements for more comprehensive information on the composition of long-term debt).

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

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

At December 31, 2002, Hydro s senior unsecured debt was rated A by Standard & Poors and A2 with negative outlook from Moody s. In determining the rating, the rating agencies have not factored in the Norwegian State s 43.8 percent equity interest in the Company. The factors given significant weight in determining Hydro s current credit rating include: the diversification of the Company s portfolio; its competitive position in each of the businesses (Oil and Energy, Aluminium and Agri); and sound financial profile. The ratings also, however, reflect the commodity characteristics of most of the Company s products, and consequently, the exposure to market price fluctuations and economic cyclicality.

Net interest bearing debt (short- and long-term interest bearing debt, including the current portion of long-term

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debt, less cash and cash equivalents) at the end of 2002 was NOK 34.2 billion, compared to NOK 21.1 billion at the end of 2001 The Company s net interest bearing debt to equity (including minority interests) ratio was 0.44 at year-end 2002, which was well within the stated target of 0.5.

As of December 31, 2002, Hydro had unused short-term credit facilities totaling approximately NOK 2,825 million. The Company also has committed agreements for long-term stand-by credit facilities totaling USD 1,925 million. There were no borrowings under these agreements as of December 31, 2002. Hydro also has in place a shelf registration in the US under which it may raise up to an aggregate of USD 1.5 billion in debt securities. There are no substantial restrictions on the use of borrowed funds under Hydro s material credit and debt facilities.

Employee retirement plans

As of December 31, 2002, the projected benefit obligation (PBO) associated with Hydro s defined benefit plans was NOK 23.7 billion and the fair value of pension plan assets was NOK 15.1 billion, resulting in a net unfunded obligation for such plans of NOK 8.6 billion. In addition, termination benefit obligations and other pension obligations amounted to NOK 1.5 billion, leaving the net unfunded pension obligation at a total of NOK 10.1 billion. For further details see Note 20 to the Notes to the consolidated financial statements.

In 2002, the net unfunded pension obligation increased by NOK 8 billion, of which obligations assumed in business combinations represented approximately NOK 3.3 billion. Unrecognized net loss and prior service cost increased by NOK 4.7 billion from NOK 3.6 billion at the end of 2001 to NOK 8.3 billion at the end of 2002. The increase attributable to the unrecognized net loss and prior service cost was mainly due to negative asset returns, actual compensation increases that exceeded assumed future compensation rates, and remeasurement of obligations at year-end applying a lower discount rate and higher compensation increase assumptions than applied in the prior year valuation.

Hydro s net pension cost for 2002 amounted to NOK 1.6 billion. Cash outflows from operating activities in 2002 regarding pensions amounted to NOK 1.5 billion.

As for 2003 net pension cost and cash requirements, Hydro expects a considerable increase from 2002. Considering uncertainties involved, especially for the cash requirement needs, Hydro s indicative best estimate for both the net pension cost and the cash requirement need in 2003 is NOK 2.4 billion. The main reasons for this increase are as discussed above in explaining the increase in net unfunded pension obligation and unrecognised net loss and prior service cost.

The discount rate Hydro 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 provides defined benefit plans in several countries and in various economic environments that will affect the actual discount rate applied. Approximately two-thirds of Hydro s projected benefit obligation relates to Norway. In assessing the weighted average discount rate of 6.6 percent applied as of December 31, 2002, it should be noted that the Norwegian economy in recent years has remained at a relatively strong level of activity in oil revenues. Combined with lower interest rates outside Norway, this has led to a widening of the interest rate differential between Norway and other countries. The discount rate applied for Norwegian plans as of December 31, 2002 is 7.0 percent.

Contractual Obligations and Commercial Commitments

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

Contractual obligations	**Payments Due by Period**				
In NOK million	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**There - after**
Long-term debt	32,738	1,926	3,750	1,110	25,952
Capital lease obligations	122	32	58	32	
Operating lease obligations	6,965	1,319	2,184	1,514	1,948
Unconditional purchase obligations	43,805	5,072	8,374	6,358	24,001
Total contractual cash obligations	83,630	8,349	14,366	9,014	51,901

In addition, Hydro 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 NOK 10.2 billion. Contractual commitments for investments in property, plant and equipment, and other future investments as of December 31, 2002 amounted to NOK 17.4 billion.

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Minority interest and Shareholders equity

Minority interest increased by approximately 9 percent to NOK 1,143 million in 2002. Shareholders equity was NOK 75,867 million at the end of 2002, an increase of 1 percent compared to 2001. Net income in 2002 of NOK 8,765 million contributed to increasing shareholders equity while foreign currency translation of NOK 7,221 million reduced shareholders equity. The Norwegian krone appreciated significantly against other currencies during 2002, contributing to the increased foreign currency translation effects.

Investments

Investments relating to new and existing fields and transportation systems in 2002 were NOK 14,197 million. The purchase of assets from SDFI and the development of the Grane field were the most important investment projects for Exploration and Production in 2002. The largest investments for Hydro Aluminium included the VAW acquisition, the expansion activities relating to the aluminium smelter in Sunndal, Norway and the alumina refinery in Alunorte in Brazil.

Investments relating to new and existing fields and transportation systems in 2001 were NOK 9,618 million. Grane, Tune, Snorre Phase 2 and Terra Nova were the four most important development projects for Exploration and Production in 2001. The largest investments for Metals in 2001 included the expansion activities relating to the alumina refinery and ownership interest in Alunorte in Brazil, the construction activities related to the remelt plant in Azuqueca, Spain and the modernization and expansion activities relating to the Company s aluminium smelter in Sunndal. Investments for Extrusion and Automotive related primarily to the acquisition of Aldural in Argentina and rationalizing existing business activities including a new press in Italy.

In 2000, Hydro invested NOK 8,322 million in new and existing fields and transportation systems. Snorre 2, Oseberg South, Terra Nova and asgard were the four most important development projects in 2000. The largest investments for Metals in 2000 were the acquisition of an ownership interest in Alunorte in Brazil and a new magnesium facility in China for conversion of local magnesium to high quality alloy ingots. Investments for Extrusion and Automotive related primarily to the acquisition of Wells Aluminum Corporation, the construction of a new remelt plant in Kentucky, and the addition of four new extrusion presses in France, Spain and Italy. A significant part of the 2000 investment for Agri related to the acquisition of Trevo in Brazil.

Investments [1)]

Amounts in NOK million	**2002**	**%**	2001	%	2000	%
Exploration and Production	**14,197**	**31**	9,618	59	8,322	50
Energy and Oil Marketing	**499**	**1**	472	3	186	1
Eliminations					29	
Hydro Oil and Energy	**14,696**	**32**	10,090	62	8,537	51

Metals	**12,728**	**28**	1,872	12	2,437	15
Rolled Products	**7,437**	**16**	201	1	249	2
Extrusion and Automotive	**5,153**	**11**	1,454	9	2,389	14
Other and eliminations						
Hydro Aluminium	**25,318**	**55**	3,527	22	5,075	31
Hydro Agri	**1,543**	**4**	797	5	1,088	7
Other activities [2]	**3,115**	**7**	1,372	8	1,807	11
Corporate and eliminations [3]	**1,044**	**2**	542	3	58	
Total	**45,716**	**100**	16,328	100	16,565	100

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

2) Other Activities consists of the Petrochemicals, Treka AS (previously A/S Korn- og Foderstof Kompagniet, KFK), VAW Flexible Packaging, Pronova, the industrial insurance company, Industriforsikring, and Hydro Business Partner.

3) Includes an equity increase in Norsk Hydro s Independent Pension Trust in Norway in 2002 of NOK 750 million.

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Material commitments for capital expenditures

Contractual commitments for investments in property, plant and equipment relating to land-based activities and oil and gas field activities and transport systems at the end of 2002 were NOK 3,095 million and NOK 14,297 million, respectively. Additional authorized future investments representing projects formally approved by the Board of Directors or management were NOK 2,395 million relating to land-based activities and NOK 764 million relating to oil and gas field activities and transport systems. Hydro expects that cash flow from operations and normal financing activities will be adequate to fund these expenditures.

RESEARCH AND DEVELOPMENT

Hydro engages in research and development (R&D) in order to maintain its competitive position and to develop new products and processes. Hydro spent approximately NOK 815 million, NOK 796 million and NOK 898 million during 2002, 2001 and 2000 respectively, on such activities. As part of its R&D activities, Hydro continues to focus on ecological issues including life cycle analyses and energy efficiency studies relating to products produced by the Company.

Hydro maintains major research centers in Porsgrunn and Bergen in Norway, with a combined staff of approximately 455 as well as smaller research groups in several other locations. The Bergen facility is dedicated to the Group s oil and gas activities. Research centers for Hydro Aluminium are located in Ardal, Raufoss Sunndal and Porsgrunn in Norway; in Bonn and Ulm in Germany; in Denmark and in Michigan, US.

The following highlights major contributors to total R&D costs incurred in 2002.

Hydro Oil and Energy incurred R&D costs in 2002 totaling approximately NOK 143 million, mainly by Exploration and Production. The amount incurred was primarily aimed at exploration technology, virtual reality, increased oil recovery, multiphase transportation, well technology, deep water technology, subsea solutions and health, safety and environment with the purpose of reducing field development and operating costs. Hydrogen as a future energy carrier, renewable energy and reduction of emissions of carbon dioxide are included in Hydro s R&D programs.

Hydro Aluminium incurred a total of NOK 408 million in R&D costs in 2002. Metals, Extrusion and Automotive and Rolled Products incurred NOK 99 million, NOK 265 million and NOK 44 million, respectively. The integration with VAW has substantially enhanced the R&D capabilities of Hydro Aluminium, broadening and deepening its competence base, strengthening the European activites and increasing Hydro Aluminium s overall global reach. R&D activities in 2002 included process and product development along the entire value chain beginning with primary production, through metal products, extruded products and rolled products as well as end products with special focus on automotive applications.

R&D costs for the Agri business area were NOK 152 million in 2002. Activities related to fertilizer operations included process and technology development aimed at optimization and cost reduction as well as product R&D targeting new, innovative products and strategies for customers in selected markets. In addition, activities relating to industrial products have been focused on application and product development including projects relating to environmental issues.

Petrochemicals incurred NOK 27 million in R&D costs in 2002. The main research and development areas are process improvements in VCM and PVC technology, aiming at higher productivity and lower costs and PVC formulation developments with a view to minimizing the environmental impact of the PVC life cycle.

RISK MANAGEMENT

The following discussion about Hydro s risk management policies and the estimated amounts generated from the sensitivity analyses are forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those projected due to actual developments in the global markets. Information related to the financial results for the commodity and financial instruments and hedge accounting strategies as of December 31, 2002 can be found in Note 24 in Notes to the consolidated financial statements.

The methods used by Hydro to analyze risks discussed below should not be considered projections of future events or losses. Risk management in Hydro is based on the principle that risk evaluation is an integral part of all business activities and responsibility is placed at the business area. Each business area has in place policies and procedures for monitoring risks, assessing appropriate risk levels, and mitigating risk. This is also assessed at the Corporate group level, most notably in the following categories:

- Business strategy including events that may impact the Company s reputation and brand;
- Financial risks including events that may have impact on net interest-bearing debt/equity ratio, liquidity and credit rating;
- Health, security, safety, environmental issues and potential impact on communities;
- Commodity price, currency, and interest rate fluctuations.

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The derivative financial and commodity instruments that Hydro uses to manage its primary market risks are as follows:

Futures:	crude oil, aluminium, electricity
Forwards:	crude oil, aluminium, electricity, natural gas, foreign currency
Options:	crude oil, aluminium, electricity, foreign currency
Swaps:	crude oil, aluminium, NGLs, foreign currency, interest rate

For accounting purposes, unless otherwise disclosed below, derivative financial and commodity instruments are marked-to-market with the resulting gain or loss reflected in earnings since most of the instruments do not meet the criteria for hedge accounting. This 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 RISK

A substantial portion of Hydro s revenues is derived from the sale of commodities such as crude oil, aluminium, and fertilizers. Hydro also purchases and sells natural gas and electricity. The prices of these commodities can be volatile, creating fluctuations in Hydro s earnings. To manage this risk, Hydro s financial policy prioritizes financial strength (i.e., debt/equity ratio of 0.5, satisfactory liquidity reserves, and good credit standing). In addition, Hydro uses commodity derivatives, such as commodity futures and forwards, options and swaps, to manage unfavorable price fluctuations and to participate in limited speculative trading within strict limits defined by management. The following highlights Hydro s main commodity price risks.

Oil

Hydro produces and sells crude oil and refined petroleum products. Hydro utilizes futures, physical and financial swaps and options with international oil and trading companies. These instruments are used to mitigate unwanted price exposure for a portion of its crude oil portfolio production and certain inventories of oil or petroleum products at its partly owned refinery in Sweden. For the purpose of protecting against the risk of low oil prices, Hydro has purchased average rate put options (Asian options) to sell 10 million barrels of oil in the first half of 2003 for an average strike price of US dollar 17 per barrel.

Natural gas

Hydro is a producer, consumer, buyer and seller of natural gas. Through December 31, 2001, the production from the Norwegian Continental Shelf was sold through the Gas Negotiating Committee (GNC). As of January 1, 2002 the GNC was dismantled, resulting in each stakeholder on the Norwegian Continental Shelf being individually responsible for its natural gas marketing activities. The consumption of natural gas is mainly sourced through long-term contracts with major producers and distributors. Hydro is mainly involved in physical over-the-counter forward contracts traded bilaterally in the UK and on the European continent where there exists a liquid market for such contracts. The main purpose of this activity is to secure natural gas for Hydro s own production and deliveries to Hydro s customers, to reduce the risk in the natural gas portfolio against unfavorable fluctuations in price, and to participate in limited speculative trading within strict limits defined by management. Activities qualifying as derivatives under Statement of Financial Accounting Standards (SFAS) No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS 133) are marked-to-market with the related adjustments reflected in operating income.

Electricity

Hydro is a producer, consumer, buyer and seller of electricity. In Norway, Hydro s consumption of electricity exceeds its production. In Europe, only small-scale production exists and consumption is considerably higher. This deficit is principally covered through long-term purchase contracts with other producers and suppliers. Hydro s demand and supply balance can also be affected by other factors, such as seasonal variations in the level of its production, which is influenced by precipitation and reservoir levels. Hydro utilizes derivative instruments, such as futures, forwards and options, and physical contracts that are traded either bilaterally or over electricity exchanges such as the Nordic power exchange, Nord Pool. The main purpose of this activity is to secure electricity in the market for Hydro s own consumption and delivery commitments, to reduce the risk in the electricity portfolio against unfavorable fluctuations in price, and to participate in limited speculative trading within strict limits defined by management.

The electricity market was extremely volatile during the last few months of 2002. The market trended upwards since the end of the summer and the spot price reached an all-time high towards the end of 2002 due to very low precipitation levels experienced in Norway. Activities qualifying as derivatives under SFAS 133 are marked-to-market with the related adjustments reflected in operating income.

Aluminium

Hydro is a leading producer of primary aluminium and fabricated aluminium products. Hydro also has considerable activities related to physical aluminium and raw

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material trading aimed at extending Hydro s role as a reliable and long-term supplier of raw materials and aluminium products. The objective of this trading is to optimize capacity utilization, logistical costs and strengthen market positions by providing customers with flexibility in pricing and sourcing. In addition, Hydro also has considerable activities relating to remelting and long-term commercial agreements to secure sourcing of casthouse products. The acquisition of VAW adds further flexibility to Hydro s metal system and strengthens its positions in Europe, North America, and Asia.

To secure margins on physical contracts and achieve an average LME price on smelter production, Hydro enters into corresponding future contracts with the LME. The majority of these contracts mature within one year. Hydro manages these hedging activities on a portfolio basis, often taking LME positions based upon net exposures. Accordingly, it is difficult to meet certain hedge accounting criteria. Therefore, aluminium price volatility can result in significant fluctuations in the marked-to-market adjustments for LME positions recorded to operating income. However, the long-term effect of price changes of future physical metal purchases and sales is expected to largely offset the marked-to-market adjustments for the LME future contracts.

In addition, Hydro nets positions internally, then takes them externally to reduce commissions paid to the external market. This activity is defined within strict limits as defined set by management. Volatility from market adjustments on these positions will not have offsetting effects from other transactions.

As a result of the expansion project at the Sunndal metal plant, Hydro s exposure to commodity prices and foreign currency exchange rates has increased. Accordingly, Hydro has entered into short positions using LME future contracts and US dollar forward contracts to secure an average aluminium price of approximately NOK 14,000 per tonne of a portion of the forecasted sales of primary metal production per year for the period 2003 to 2007. Simultaneously, Hydro secured the US dollar - NOK exchange rate at about NOK 9.3 for the same tonnage in the same period. This hedging strategy meets certain hedging criteria in accordance with SFAS 133, and has therefore been designated as a cash flow hedge.

In addition, in 2001 Hydro entered into short positions using LME future contracts, designating such contracts as cash flow hedges under SFAS 133 against the risk of lower aluminium prices for forecasted sales of primary metal production for the period 2001 to 2003. These positions were closed in 2001 and the hedges dedesignated.

Hydro also has a 10-year commitment with Aluvale to purchase a fixed tonnage of remelt ingot per year. At the end of 2002, Hydro entered into short positions using LME futures to hedge against the fluctuations in the fair value of the purchase commitment due to changes in the LME price of aluminium over the period of 2003 - 2006.

FOREIGN CURRENCY EXCHANGE RATE RISK

Prices of many of Hydro s most important products, mainly crude oil, aluminium, natural gas and magnesium, are either denominated in US dollars or are influenced by local currency rates against the US dollar. The cost of raw materials, including natural gas, NGLs and alumina, are affected by the US dollar price of crude oil, and fluctuations in the US dollar against local currencies. Hydro s primary foreign currency risk is tied to local currency fluctuations against the US dollar. To reduce the long-term effects of fluctuations in US dollar exchange rates, Hydro incurs most of its debt in US dollars (67 percent of Hydro s long-term debt is US dollar denominated). The remaining long-term debt is denominated in Norwegian kroner, Euro, Swedish kroner, and British pounds. Hydro s pre-tax operating income would most likely increase when the US dollar appreciates against European currencies, whereas financial expense, including interest expense and net foreign currency losses, is likely to be negatively affected. In addition, the effects of the translation of changes in the exchange rate of local currencies to Norwegian kroner for subsidiaries outside of Norway can influence comparative results of operations.

Hydro primarily employs foreign currency swaps and forward currency contracts to modify the currency exposures for Hydro s long-term debt portfolio. Foreign currency swaps allow Hydro to raise long-term borrowings in one currency and swap them into another with lower funding costs rather than borrowing directly in the second currency. Forward currency contracts are entered into to safeguard cash flows for forecasted future transactions or to cover short-term liquidity needs in one currency through excess liquidity available in another currency. Short-term forward currency contracts reduces funding costs as it is alternative to drawing a short-term loan in one currency and investing short-term in another.

In order to further mitigate its exposure to foreign currency risk, Hydro has designated a portion of its foreign denominated long-term debt, including certain related balances in currencies arising from foreign currency swaps and forwards, as hedges of net foreign investments in subsidiary companies. The foreign exchange gains and losses on this debt are recorded as a separate component of shareholders equity.

INTEREST RATE RISK

Hydro is exposed to changes in interest rates primarily as a result of borrowing and investing activities used to

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maintain liquidity and fund its business operations. Hydro maintains 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 periodically uses derivative financial instruments such as foreign currency and interest rate swaps to minimize its exposure to interest rate risks.

CREDIT RISK

Internal policies are established to limit credit risk through limit setting for counterparty risks, insurance of risks, and procedures for monitoring exposures. Furthermore, the risk level is reduced through a diversified customer base representing various industries and geographic areas.

Credit risk arising from the inability of the counterparty to meet the terms of Hydro s derivative financial instrument contracts is generally limited to amounts, if any, by which the counterparty s obligations exceed the obligations of Hydro. It is Hydro s policy to enter into derivative financial instruments with various international banks with established limits for transactions with each institution. Therefore, Hydro does not expect to incur material credit losses on its risk management or other derivative financial instruments.

Hydro also has some exposure to credit risk related to derivative commodity instruments. However, this risk is significantly limited because most instruments are settled through commodity exchanges. Hydro limits credit risks relating to other contracts not traded on exchanges with internal policies for credit ratings and limits for counter-parties.

SENSITIVITY ANALYSIS

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

The sensitivity analysis depicted in the tables below reflects the hypothetical loss in fair values assuming a 10 percent change in rates or prices and no changes in the portfolio of instruments as of December 31, 2002 and December 31, 2001, respectively. Hydro s management cautions against relying on the information presented. This is due to the arbitrary nature of assumptions involved, the inability of such a simple analysis to model reality, continuous changes to Hydro s portfolio and the exclusion of certain of Hydro s positions necessary to reflect the net market risk of the Group. Accordingly, the information does not represent management s expectations about probable future losses.

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

The tables only include the effects of the derivative instruments discussed above and of certain financial instruments (see Footnote 2 below). It does not include all related physical positions, contracts, and anticipated transactions that many of the derivatives instruments are meant to secure. A rate or price change of 10 percent will often result in a corresponding effect to the fair value of the physical or underlying position such that the resulting gains and losses would offset.

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

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

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

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

As depicted in the tables below, in 2002 Hydro s exposure to foreign currency and interest rate risks decreased compared to the prior year. The reasons for the change include the following:

During 2002, Hydro repaid long-term loans of NOK 1,761 million and prepaid an additional NOK 513 million of VAW long-term loans. Furthermore, the reduction in long-term interest-bearing debt calculated in NOK was due to the weakening of the USD against the NOK.

Hydro s level of cash and cash equivalents decreased by approximately NOK 21 billion. The primary reason for the change was the VAW acquisition which was fully funded by Hydro s cash reserves.

During the course 2002, the Norwegian kroner appreciated against the US dollar.

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

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

As of 31 December, 2001 Hypothetical loss from +/- 10% change in:

NOK million (unaudited)	Fair value as of 31 December, 2001 1)	Interest rates	Foreign currency exchange rates	Commodity prices	Volatitlity	Other
Derivative instruments related to:						
Commodities	559		162	825	22	
Other 2)	(51)	55	1,015		18	
Financial instruments 3)	(16,555)	1,994	2,925			93

1) The change in fair value due to price changes is calculated based upon pricing formulas for certain derivatives, the Black-Scholes model for options and the net present value of cash flows for certain financial instruments or derivatives. Discount rates used vary as appropriate for the individual instruments.

2) Other mainly includes forward currency contracts, currency swaps and swaptions.

3) Financial instruments include cash and cash equivalents, investments in marketable securities, bank loans and other interest bearing short-term debt and long-term debt. A substantial portion of the hypothetical loss in fair value for changes in interest rates relates to Hydro s long-term fixed rate debt. As Hydro expects to hold this debt until maturity, changes in the fair value of debt would not be expected to affect earnings.

Hydro s exposure to commodity price risk for aluminium decreased in 2002 as compared to the prior year. This was mainly due to the acquisition of VAW s long LME positions in 2002. Inclusion of VAW s long LME positions more than offsets existing short LME positions and reduces Hydro s overall net exposure to increases in commodity prices. Moreover, due to the strengthening of the NOK against the USD, the resulting effect is a decreased exposure in commodity price risk when expressed in NOK. Hydro s exposure to commodity price risk for energy increased in 2002 as compared to the prior year mainly due to significant changes in market prices related to electricity contracts. These effects resulted in an overall increase in the hypothetical losses in the fair value of Hydro s derivative commodity instruments. The remaining activities for 2002 have not materially impacted the other hypothetical losses in the fair value for the year ended December 31, 2002.

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NORSK HYDRO ASA and subsidaries - US GAAP

CONSOLIDATED INCOME STATEMENTS

Year ended 31 December, Amounts in million (except per share amounts)	Notes	**2002 NOK**	**2002 EUR*)**	2001 NOK	2000 NOK
Operating revenues	5	**162,936**	**22,396**	152,835	156,861
Raw materials and energy costs		**99,607**	**13,691**	94,537	94,082
Payroll and related costs	7,20	**20,333**	**2,795**	17,237	14,852
Depreciation, depletion and amortization	5,15,16	**13,912**	**1,912**	12,273	12,538
Other	7,25	**9,253**	**1,272**	6,744	6,788
Restructuring costs	6	**(10)**	**(1)**	961	135
Operating costs and expenses		**143,095**	**19,669**	131,752	128,395
Operating income before financial items and other income	5	**19,841**	**2,727**	21,083	28,466
Equity in net income of non-consolidated investees	5,13	**33**	**5**	566	672
Interest income and other financial income	8,24	**1,418**	**195**	2,847	1,747
Other income, net	5,9	**219**	**30**	578	3,161
Earnings before interest expense and taxes (EBIT)		**21,511**	**2,957**	25,074	34,046
Interest expense and foreign exchange gain (loss)	8,24	**517**	**71**	(3,609)	(3,905)
Income before taxes and minority interest		**22,028**	**3,028**	21,465	30,141
Income tax expense	10	**(13,278)**	**(1,825)**	(13,750)	(16,178)
Minority interest		**15**	**2**	177	18
Net income	27	**8,765**	**1,205**	7,892	13,981
Earnings per share	3	**34.00**	**4.70**	30.50	53.40

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME **)

Net income		**8,765**	**1,205**	7,892	13,981
Net unrealized gain (loss on securities available-for-sale	3	**(31)**	**(4)**	41	(3)
Minimum pension liability adjustment	3	**(323)**	**(44)**	(397)	(95)
Net investment hegde	3	**1,333**	**183**	89	(412)
Cash flow hedges	3	**979**	**135**	136	
Net foreign currency translation adjustments	3	**(7,207)**	**(991)**	(794)	1,010
Total other comprehensive income (loss), net of tax	3	**(5,249)**	**(721)**	(925)	500
Comprehensive income, net of tax		**3,516**	**483**	6,967	14,481

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2002, which was 7.2754 (unaudited)

**) Changes in shareholders equity include net income together with other changes not related to investments by and distribution to shareholders. (See Note 3)

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

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CONSOLIDATED BALANCE SHEETS

31 December, Amounts in million	Notes	2002 NOK	2002 EUR*)	2001 NOK
ASSETS				
Cash and cash equivalents		**5,965**	**820**	27,148
Other liquid assets	11	**2,647**	**364**	2,421
Accounts receivable, less allowances of 1,102 and 1,138		**25,280**	**3,475**	23,372
Inventories	12	**17,232**	**2,368**	15,794
Prepaid expenses and other current assets		**13,055**	**1,794**	9,482
Current deferred tax assets	10	**2,218**	**305**	2,106
Current assets	5	**66,397**	**9,126**	80,323
Non-consolidated investees	13	**11,499**	**1,581**	9,687
Property, plant and equipment, less accumulated depreciation, depletion and amortization	15	**112,342**	**15,441**	95,277
Prepaid pension, investments and other non-current assets	14,16,20	**15,081**	**2,073**	11,636
Deferred tax assets	10	**1,892**	**260**	999
Non-current assets	5	**140,814**	**19,355**	117,599
Total assets	5	**207,211**	**28,481**	197,922
LIABILITIES AND SHAREHOLDERS EQUITY				
Bank loans and other interest-bearing short-term debt	17	**7,306**	**1,004**	8,458
Current portion of long-term debt	19	**1,958**	**269**	1,966
Other current liabilities	18	**38,331**	**5,269**	32,245
Current deferred tax liabilities	10	**262**	**36**	324
Current liabilities		**47,857**	**6,578**	42,993
Long-term debt	19	**30,902**	**4,247**	37,853
Accrued pension liabilities	20	**8,385**	**1,152**	4,215
Other long-term liabilities	21	**6,248**	**859**	5,912
Deferred tax liabilities	10	**36,809**	**5,060**	31,105
Long-term liabilities		**82,344**	**11,318**	79,085
Minority shareholders interest in consolidated subsidiaries		**1,143**	**157**	1,051
Share capital	3	**5,332**	**733**	5,332
Additional paid-in capital	3	**15,088**	**2,074**	15,070
Retained earnings	3	**63,260**	**8,694**	57,070
-Treasury stock	3	**(3,052)**	**(419)**	(3,167)
Accumulated other comprehensive income	3	**(4,761)**	**(654)**	488
Shareholders equity	3,27	**75,867**	**10,428**	74,793
Total liabilities and shareholders equity		**207,211**	**28,481**	197,922

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2002, which was 7.2754 (unaudited)

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

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NORSK HYDRO ASA and subsidaries US GAAP AND N GAAP[1)]

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December, Amounts in million	Notes	**2002 NOK**	**2002 EUR*)**	2001 NOK	2000 NOK
Operating activities:					
Net income		**8,765**	**1,205**	7,892	13,981
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, depletion and amortization	5	**13,912**	**1,912**	12,273	12,538
Restructuring costs	6	**(10)**	**(1)**	961	135
Equity in net income of non-consolidated investees	5,13	**(33)**	**(5)**	(566)	(672)
Dividends received from non-consolidated investees	13	**414**	**57**	472	398
Deferred taxes	10	**(619)**	**(85)**	(313)	2,467
Loss (gain) on sale of non-current assets		**823**	**113**	(937)	(3,162)
Loss (gain) on foreign currency transactions	8	**(3,262)**	**(448)**	416	655
Net sales (purchases) of trading securities		**616**	**85**	(112)	(115)
Other		**450**	**62**	773	377
Working capital changes that provided (used) cash:					
Receivables		**(1,959)**	**(269)**	3,627	(3,149)
Inventories		**1,758**	**242**	1,854	(2,461)
Prepaid expenses and other current assets		**(1,777)**	**(244)**	(355)	(616)
Other current liabilities		**2,707**	**372**	187	5,250
Net cash provided by operating activities		**21,785**	**2,994**	26,172	25,626
Investing activities:					
Purchases of property, plant and equipment		**(19,573)**	**(2,690)**	(14,348)	(11,943)
Purchases of other long-term investments		**(18,104)**	**(2,488)**	(1,663)	(4,348)
Net sales (purchases) of short-term investments		**(1,154)**	**(159)**	42	(15)
Proceeds from sales of property, plant and equipment		**908**	**125**	629	1,334
Proceeds from sales of other long-term investments		**1,477**	**203**	659	11,342
Net cash used in investing activities		**(36,446)**	**(5,009)**	(14,681)	(3,630)
Financing activities:					
Loan proceeds		**707**	**97**	408	993
Principal repayments		**(4,196)**	**(577)**	(2,865)	(6,328)
Ordinary shares purchased	3			(1,155)	(763)
Ordinary shares issued		**70**	**10**	92	63
Dividends paid	3	**(2,576)**	**(354)**	(2,470)	(2,094)
Net cash used in financing activities		**(5,995)**	**(824)**	(5,990)	(8,129)
Foreign currency effects on cash flows		**(527)**	**(72)**	(119)	464
Net increase (decrease) in cash and cash equivalents		(21,183)	(2,912)	5,382	14,331
Cash and cash equivalents at beginning of year		**27,148**	**3,731**	21,766	7,435
Cash and cash equivalents at end of year		**5,965**	**820**	27,148	21,766

Cash disbursements were made for:				
Interest (net of amount capitalized)	**1,363**	**187**	357	1,460
Income taxes	**13,935**	**1,915**	14,006	8,027

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

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2002, which was 7.2754. (unaudited)

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

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NORSK HYDRO ASA and subsidaries - N GAAP

CONSOLIDATED INCOME STATEMENTS

Year ended 31 December, Amounts in NOK million	Notes	**2002**	2001	2000
Operating revenues	5	**162,945**	152,969	156,861
Raw materials and energy costs		**101,334**	93,990	95,146
Change in inventories of own production		**(1,727)**	547	(1,064)
Payroll and related costs	7,20	**20,333**	17,237	14,852
Depreciation, depletion and amortization	5,15,16	**14,073**	12,273	12,538
Other		**9,124**	6,924	6,773
Restructuring costs	6	**(10)**	961	135
Operating costs and expenses	7	**143,127**	131,932	128,380
Operating income	5	**19,818**	21,037	28,481
Equity in net income of non-consolidated investees	5,13	**23**	566	672
Interest income and other financial income	8,24	**1,418**	2,847	1,747
Other income, net	5,9	**219**	578	3,161
Earnings before interest expense and taxes (EBIT)		**21,478**	25,028	34,061
Interest expense and foreign exchange gain (loss)	8,24	**517**	(3,609)	(3,905)
Income before taxes and minority interest		**21,995**	21,419	30,156
Income tax expense	10	**(13,328)**	(13,733)	(16,188)
Net income		**8,667**	7,686	13,968
Minority interest		**15**	177	18
Net income after minority interest	27	**8,682**	7,863	13,986

Oslo, 28 February, 2003

Egil Myklebust, chairman	**Borger A. Lenth, vice chairman**	**Elisabeth Greig**
Anne Cathrine Høeg Rasmussen	**Håkan Mogren**	**Ingvild Myhre**
Gudmund Per Olsen	**Odd Semstrom**	**Per Wold**
		Eivind Reiten, President and CEO

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 27 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

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NORSK HYDRO ASA and subsidiaries N GAAP

CONSOLIDATED BALANCE SHEETS

31 December, Amounts in NOK million	Notes	**2002**	2001
ASSETS			
Deferred tax assets	10	**2,184**	1,892
Other intangible assets	14,16	**3,038**	2,051
Intangible assets		**5,222**	3,943
Property, plant and equipment	15	**112,342**	95,277
Non-consolidated investees	13	**11,490**	9,687
Prepaid pension, investments and other non-current assets	14,16,20	**11,594**	9,166
Financial non-current assets		**23,084**	18,853
Inventories	12	**17,232**	15,794
Accounts receivable, less allowances of 1,102 and 1,138		**25,280**	23,372
Prepaid expenses and other current assets		**12,932**	9,321
Other liquid assets	11	**2,647**	2,421
Cash and cash equivalents		**5,965**	27,148
Current assets		**64,056**	78,056
Total assets	5	**204,704**	196,129
LIABILITIES AND SHAREHOLDERS EQUITY			
Share capital	3	**5,332**	5,332
Treasury stock		**(173)**	(179)
Premium paid-in capital		**15,055**	15,055
Other paid-in capital		**33**	15
Total paid-in capital		**20,247**	20,223
Retained earnings incl. treasury stock	3	**54,523**	54,726
Treasury stock		**(2,879)**	(2,988)
Total retained earnings		**51,644**	51,738
Minority shareholders interest in consolidated subsidiaries		**1,143**	1,051
Shareholders equity	3,27	**73,034**	73,012
Accrued pension liabilities	20	**8,385**	4,215
Deferred tax liabilities	10	**34,731**	30,120
Other long-term liabilities	21	**7,348**	5,684

Long-term liabilities		**50,464**	40,019
Long-term debt	19	**30,902**	37,853
Bank loans and other interest-bearing short-term debt	17	**7,306**	8,458
Current portion of long-term debt	19	**1,958**	1,966
Dividends payable		**2,709**	2,576
Other current liabilities	18	**38,331**	32,245
Current liabilities		**50,304**	45,245
Total liabilities and shareholders equity		**204,704**	196,129

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 27 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

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NORSK HYDRO ASA and subsidaries

Notes to the consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries (Hydro) prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) are included on pages 86 to 88. The consolidated financial statements prepared in accordance with accounting principles generally accepted in Norway (N GAAP) are located on pages 88 to 90. Financial statement preparation requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

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

Note 27 provides a reconciliation and explanation of the differences between net income and shareholders equity for US GAAP and N GAAP.

CONSOLIDATION

The consolidated financial statements include Norsk Hydro ASA and subsidiary companies owned directly or indirectly more than 50 percent. All significant intercompany transactions and balances have been eliminated.

Investments in companies (non-consolidated investees) in which Hydro exercises significant influence are accounted for using the equity method. Significant influence normally exists when Hydro has a substantial ownership interest of 20 to 50 percent of voting shares. Participation in joint ventures are accounted for using the equity method, except for jointly controlled assets where the partners have an undivided interest. These and other participation in joint ventures in the upstream oil- and gas business are accounted for using the pro rata method.

BUSINESS COMBINATIONS

Terms and conditions underlying most previous acquisitions have resulted in purchase accounting treatment (vs. pooling). See note 2 for a description of significant acquisitions and disposals during the past three years. All business combinations initiated after 30. June 2001 are accounted for as acquisitions (purchase accounting). Purchase accounting involves recording assets and liabilities of the acquired company at their fair value at the time of acquisition. Any excess of purchase price over fair value is recorded as goodwill. When the ownership interest in a subsidiary is less than 100 percent, the recorded amount of assets and liabilities acquired reflect only Hydro s relative share of excess values.

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

FOREIGN CURRENCY TRANSLATION

The financial statements, including any excess values, of foreign operations which are not an integral part of the parent company s operations are translated using exchange rate at year end for the balance sheet, and average exchange rates for the income statement. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in Other comprehensive income. None of the Company s existing significant foreign operations are considered to be an integral part of the parent company for foreign currency translation purposes.

FOREIGN CURRENCY TRANSACTIONS

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

REVENUE RECOGNITION

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

Revenues from the production of oil and gas are recognized on the basis of the company s net working interest, regardless of whether the production is sold (entitlement method). The difference between Hydro s share of produced volumes and sold volumes is not material.

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

CASH AND CASH EQUIVALENTS

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

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NORSK HYDRO ASA and subsidaries

Notes to the consolidated financial statements

OTHER LIQUID ASSETS

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

INVENTORIES

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

INVESTMENTS

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

For N GAAP, investments are valued at the lower of historical cost or market value. [Note 27].

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

Producing oil and gas properties are depreciated as proved developed reserves are produced using the unit-of-production method calculated by individual field. Depreciation and depletion expense includes provisions for future abandonment and removal costs for offshore facilities.

INTANGIBLE ASSETS

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

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GOODWILL

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

For N GAAP, goodwill is amortized over a period not exceeding 10 years. [Note 27]

OIL AND GAS ROYALTY

Oil and gas revenue is recorded net of royalties payable.

SHIPPING COSTS

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

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as incurred.

OTHER INCOME (EXPENSE), NET

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

INCOME TAXES

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

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

For N GAAP, Hydro follows the NRS (The Norwegian Accounting Standards Board) standard which, like SFAS 109, is based on the liability method. [Note 27].

DERIVATIVE INSTRUMENTS

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

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

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

Swaption contracts are marked to their market value at each balance sheet date with the resulting unrealized gain or loss reflected in interest expense and foreign exchange gain (loss).

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

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

Contracts that qualify as energy trading activities under EITF 98-10 Accounting for Contracts Involved in Energy Trading and Risk Management Activities are measured at fair value with unrealized gains and losses recognized in current period earnings. New contracts entered into subsequent to 25 October, 2002 are accounted for according to EITF 02-3 Recognition and Reporting of Gains and Losses on Energy Contracts .

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This standard requires energy contracts that meet the definition of a derivative according to FAS133 Accounting for Derivative Instruments and Hedging Activities and are held for trading, be recorded in the balance sheet at fair value. Changes in the fair value are recorded to earnings for each period unless specific hedge criteria are met. Fair values are based on quoted market prices. Energy contracts that do not meet the criteria of EITF 02-3 are recorded at the lower of historical cost and fair market value. For contracts entered into before 25 October, 2002, the new regulation will be applicable from 1 January 2003.

For N GAAP, commodity derivative instruments that are traded in a regulated, liquid market are marked-to-market with their fair market value recorded in the balance sheet as either assets or liabilities. Unrealized gains and losses for commodity derivative instruments that are not traded in a regulated, liquid market are netted for each portfolio and net unrealized gains are not recognized. Cash flow hedges with derivative instruments are not recognized on the balance sheet or income statement under N GAAP, until the underlying hedged transactions actually occur. [Note 27].

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

STOCK-BASED COMPENSATION

Hydro accounts for stock based compensation in accordance with Accounting Principles Board (APB) Opinion 25 and provides disclosures required under SFAS 123. For fixed awards, compensation expense is recorded in the income statement based on any excess of market price of the Company s shares over the exercise price of options granted to employees as of the date of the grant if both the number of shares to be granted and the exercise price are known. For variable awards compensation cost is measured at the end of each period as the amount by which the market price of the Company s shares exceeds the price of the options. For variable awards where vesting depends on achieving a specified improvement in Hydro s share price, compensation cost is measured when it is probable the performance criteria will be met. Compensation is charged to expense over the periods the employee performs the related services.

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

EMPLOYEE RETIREMENT PLANS

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

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

CHANGE IN ACCOUNTING PRINCIPLES

Effective 1 January, 2002, Hydro adopted the Financial Accounting Standards 141 Business Combinations (SFAS 141), and Statement 142, Goodwill and Other Intangible Assets (SFAS 142). Under SFAS 142, goodwill is no longer systematically amortized but reviewed at least annually for impairment. Goodwill is allocated to reporting units (for Hydro this is the sector level). At transition, impairment tests comparing the fair value of sectors with goodwill to the carrying value of the net assets of the respective sectors were performed. SFAS 142 continues the requirement to amortize intangible assets over their estimated useful life. However, if the useful life is determined to be indefinite, no amortization is recognized and the value of the intangible asset is assessed for impairment similar to goodwill. See Note 16 for further information.

For N GAAP the previous regulation regarding accounting for business combinations, intangible assets and goodwill is continued. The implementation of SFAS 141 and 142 results in differences between US GAAP and N GAAP.

Effective 1 January, 2002, Hydro also adopted the Financial Accounting Standards No 144 Accounting for Impairment or Disposal of Long-Lived Assets . This standard supercedes SFAS 121 Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of . SFAS 144 applies to all long-lived assets, including discontinued operations. In addition, it expands the scope for the presentation of discontinued operations to include all components of an entity with operations that are distinguishable and will be eliminated in a disposal transaction

The change is not expected to represent differences in measurement of transactions compared to N GAAP.

Effective 1 January, 2001, Hydro adopted the Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), as amended by SFAF 138. See further discussion in Note 24.

For N GAAP there is no change in accounting principles related to SFAS 133. As result of a change in the Norwegian

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Accounting Act, quoted commodity instruments are marked to their market value as from 2001. Changes in fair market value is recorded in income. There were no implementation effects from this change.

RECLASSIFICATIONS

Certain amounts in previously issued consolidated financial statements were reclassified to conform with the 2002 presentation.

In 2000, Hydro changed the presentation of revenues for certain trading activities. Revenues and related cost for these activities were previously presented net reflecting only the related margins in revenues. These activities are now presented on a gross basis. This change resulted in an increase of Operating revenues and Raw materials of NOK 12.7 billion in 2000 compared to former presentations. The change has no impact on results or equity.

NEW PRONOUNCEMENTS

Asset Retirement Obligations

In June 2001, FASB issued SFAS 143, Accounting for Asset Retirement Obligations . This Statement requires significant changes in the accounting treatment for asset retirement obligations such as decommissioning of oil and gas production platforms, facilities and pipelines. Specifically, it requires that the fair value of a liability for an asset retirement obligation be recorded in the period it is incurred. Related asset retirement costs are to be capitalized as part of the carrying value of the long-lived asset. Furthermore, the liability is to be accreted for the change in its present value each reporting period, and the associated asset retirement costs are to be depreciated over the useful life of the related long-lived asset. Hydro will adopt this Statement on 1 January, 2003. Preliminary asses-ments indicates an effect of approximately NOK 300 million, which will be recognized as income in Cumulative effect of change in accounting principles in 2003.

The change is not expected to represent differences in measurement of transactions compared to N GAAP. Corresponding change will be recognized in N GAAP, were the effect is recorded to equity.

Energy contracts

In October 2002, EITF 02-3 Recognition and Reporting of Gains and Losses on Energy Contracts was issued. This standard requires only energy contracts that meet the definition of a derivative according to FAS133 Accounting for Derivative Instruments and Hedging Activities and are held for trading, be recorded in the balance sheet at fair value. Other energy contracts are recorded at the lower of historical cost and fair market value. This regulation applies to contracts entered into after 25 October, 2002. For contracts entered into before 25 October, 2002, the new regulation will be applicable from 1 January 2003. The implementation effect was not material for Hydro s financial statements.

This change is expected to bring the treatment of energy contracts into closer alignment with N GAAP.

Exit costs

In June 2002 FASB issued Statement 146 Accounting for Costs Associated with Exit or Disposal Activities . The standard supersedes EITF Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring) , and changes accounting for costs related to closing and restructuring an activity. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, not at the date of an entity s commitment to an exit plan. However, termination benefits for involuntary termination of employees that are not required to render services beyond a minimum retention period are expensed at communication to the employees.

The change is expected to represent differences in date of recognition compared to N GAAP, as N GAAP requires certain costs to be recognized at commitment to an exit plan.

Guarantees

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

The change is not expected to represent differences in measurement of transactions compared to N GAAP.

Consolidation of Variable Interest Entities

Issued in January 2003, FASB Interpretation (FIN) 46 Consolidation of Variable Interest Entities addresses consolidation of certain entities (variable interest entities) where the usual conditions for consolidation, such as control or majority voting interest, does not apply. Variable interest entities have commonly been referred to as special purpose entities. The Interpretation provides guidance on how to identify variable interest entities and how to determine which owner is the primary beneficiary of the variable interest entity, and therefore should consolidate the entity. The interpretation is to be applied for variable

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NORSK HYDRO ASA and subsidaries

Notes to the consolidated financial statements

interest entities created after 31 January 2003, and must be applied by third quarter 2003 to variable interest entities existing before 31 January 2003. Hydro is currently in the process of evaluation existing arrangements to determine if they are variable interest entities.

Preliminary evaluation of the effects of this Interpretation does indicate material differences between US GAAP and N GAAP for Hydro s activities.

Impairment of assets

NRS(F) Impairment of Assets is changed, applicable from 1 January, 2003. Impairment tests for long-lived assets are, from this date, required to measure impairment as the difference between carrying value and fair value of the asset, either as net selling price or discounted future cash flows. This will represent a difference between US GAAP and N GAAP.

2. BUSINESS COMBINATIONS AND DISPOSITIONS

Subsequent to and during the three years ended 31 December, 2002, Hydro entered into the following significant business combinations and dispositions.

2002 Acquisitions

On March 19, 2002, Hydro entered into an agreement with the Norwegian State to purchase interests in eight oil and gas licenses on the Norwegian continental shelf. This transaction increased Hydro s interests in the Oseberg, Tune and Grane fields, where Hydro is operator, to 34, 40 and 38 percent, respectively. The transaction was completed and is reflected in Hydro s operating results from the acquisition date of May 10, 2002. The agreement was effective from January 1, 2002. However, net cash flows relating to these operations prior to the acquisition date have been allocated as a reduction of the purchase price. Hydro has agreed to pay NOK 3.45 billion for the license interests.

In January, 2002, Hydro entered into an agreement to purchase all the outstanding shares of the German group VAW aluminium AG, a leading aluminium company in Europe. The acquisition was completed on March 15, 2002 and is included in Hydro s results from the same date. VAW had operations in more than 20 countries. The major part of these activities were located in the EU in addition to important operations located in North America and the Pacific region.

The consideration for all outstanding shares, including direct acquisition costs amounted to EUR 1,911 million (NOK 14.8 billion). In addition, interest bearing debt of EUR 703 million (NOK 5.5 billion) and pension commitments of approximately EUR 410 million (NOK 3.2 billion) was assumed. The acquisition was financed by Hydro s cash holdings.

Assets acquired and liabilities assumed in the VAW acquisition have been recorded at estimated fair value. The purchase price allocation is based on estimates for fair value of assets and liabilities in VAW, and is substantially complete. Excess values are for the most part allocated to tangible fixed assets. The allocation does not indicate material goodwill in the transaction. As VAW s inventories have been recorded at estimated fair values as of the time of the acquisition, cost of goods sold was unusually high in the period after acquisition. The effect was approximately NOK 200 million.

Amounts in NOK million	
Preliminary allocation of purchase price	
Cash and cash equivalents	410
Other current assets	11,597
Property, plant and equipment	16,592
Other non-current assets	6,140
Short-term liabilities	(9,517)
Long-term liabilities	(10,022)
Minority interests	(356)
Estimated fair value of net assets of VAW	14,844

Certain information regarding the estimated fair values of assets and liabilities acquired is still outstanding and will be finalized in first quarter 2003.

In November 2001, an agreement was signed to purchase the French building systems group Technal for a price of EUR 73 million (NOK 580 million) and the assumption of approximately NOK 307 million in debt. The aquisition was completed 25 January, 2002 and is included in Hydro s results from the same date.

2002 Dispositions During 2002, Hydro sold non-core subsidiaries and ownership interests for a total consideration of NOK 2.9 billion. The dispositions resulted in a total pretax gain of NOK 219 million. In September, KFK entered into agreements to sell its Danish feed and grain activities for a total consideration of approximately NOK 2 billion, and its Swedish feed and grain activities for approximately NOK 450 million. The agreements resulted in impairment charges of approximately NOK 150 million. The sale of the Danish activities was completed in forth quarter, while the sale of the Swedish was completed in January 2003 after approval from competition authorities. In December, Hydro entered into an agreement for the sale of the Flexible Packaging unit for a total consideration of approximately NOK 3 billion. Flexible Packaging was acquired as part of the VAW acquisition in first quarter 2002, and is part of Other activities. The transaction has received competition authority approval in EU in February 2003 and is expected to be completed in second quarter 2003.

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2001 Dispositions Hydro concluded the sale of Hydro Seafood s activities based in UK, Hydro Seafood GSP Ltd. The sale resulted in a pretax gain of NOK 418 million. Hydro sold the remainder of its electric power grid in Norway, resulting in a pretax gain of NOK 179 million.

2000 Acquisitions Hydro acquired 100 percent of the shares in Wells Aluminium Corporation, an aluminium extruder in the United States of America. The purchase price was NOK 1,352 million, including debt assumed of NOK 870 million.

In July 2000, Hydro entered into an agreement to acquire 58 percent of Adubos Trevo, a Brazilian fertilizer company. As of 31 December 2000, 20.3 percent of the total shares and 51 percent of the voting shares were transferred to Hydro. The purchase price for the total acquisition was NOK 374 million including assumed debt. Transfer of the remaining shares was finalized during the first six months of 2001. As of 31. December 2002 Hydro s ownership share is 95,9 percent.

2000 Dispositions During 2000, Hydro sold subsidiaries and ownership interests for a total consideration of NOK 10.3 billion. The dispositions resulted in a total pretax gain of NOK 3,161 million. In April, Hydro entered into an agreement with a Dutch company, Nutreco Holding N.V., to sell its salmon production and sales activities operating as Hydro Seafood AS. Approximately 80 percent of the total operations was transferred to Nutreco in November. The activities based in the United Kingdom were excluded as a result of objection from the UK competition authorities.

Hydro s activities on the British Continental Shelf were sold to Conoco UK (now ConocoPhillips). These activities were acquired as a part of Hydro s acquisition of Saga Petroleum ASA (Saga) in 1999. In addition, Hydro disposed of its shares in Dyno ASA and Autoplastics AB (now Sapa Autoplastics AB).

Pro Forma Information (Unaudited)

The following unaudited pro forma information has been prepared assuming VAW was acquired as of the beginning of 2001.

Amounts in NOK million	**31 December, 2002**	31 December, 2001
Assets	**207,211**	216,978

Amounts in NOK million	**Year 2002**	Year 2001
Operating revenues	**174,630**	180,567
Operating income	**20,554**	22,941
EBITDA	**36,878**	40,656
Net income	**9,125**	8,268
Earnings per share in NOK	**35.30**	32.00

This pro forma information has been prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the transaction occurred on the date described above. The pro forma information is based on Hydro s results for 2002 and 2001 and results for VAW for 2001, presented in accordance with US GAAP. For the period 1 January 2002 to Hydro s acquisition on 15 March 2002, this pro forma information is based on internal management reports for VAW. For the period previous to Hydro s acquisition, some accounting principles differ from Hydro s normal application. For example, VAW used the LIFO (last-in-first-out) method for inventory valuation. In general, uncertainty related to pro forma information is higher than for historic accounts.

VAW s results have been translated into Norwegian kroner at average exchange rates. Pro forma adjustments are made for fair value adjustments for assets and liabilities, depreciation and amortization of these adjustments, finance cost of the acquisition price, and deferred tax related to the above mentioned adjustments. However, no adjustment has been made for the fair valuation of inventories. Significant sales and receivables between the companies are eliminated.

The effect of the remaining acquisitions and dispositions for 2002 and 2001 is not significant.

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3. CONSOLIDATED SHAREHOLDERS EQUITY

Amounts in NOK million except number of shares in thousands	Ordinary Shares issued Norsk Hydro ASA		Additional paid-in capital	Total paid-in capital	Retained earnings	Treasury Stock Norsk Hydro ASA		Accumulated other compre-hensive income	Total shareholders equity[1)]
	Number	Amount				Number	Amount		
Balance 31 December, 1999	266,597	5,332	15,055	20,387	39,761	(4,891)	(1,564)	913	59,497
Net income 2000					13,981				13,981
Dividend declared and paid (NOK 8.00 per share)					(2,094)				(2,094)
Net unrealized loss on securities								(3)	(3)
Minimum pension liability								(95)	(95)
Hedge of net investment								(412)	(412)
Purchase of treasury stock						(2,041)	(763)		(763)
Treasury stock reissued to employees			4	4	(1)	322	103		106
Foreign currency translation								1,010	1,010
Balance 31 December, 2000	266,597	5,332	15,059	20,391	51,647	(6,610)	(2,224)	1,413	71,227
Net income 2001					7,892				7,892
Dividend declared and paid (NOK 9.50 per share)					(2,470)				(2,470)
Net unrealized gain on securities								41	41
Minimum pension liability								(397)	(397)
Hedge of net investment								89	89
Cash flow hedges								136	136
Purchase of treasury stock						(2,959)	(1,155)		(1,155)
Treasury stock reissued to employees			16	16		351	122		138
Treasury stock reissued for acquisition of shares in Hydro Asia Pacific			(5)	(5)		256	90		85
Foreign currency translation					1			(794)	(793)
Balance 31 December, 2001	266,597	5,332	15,070	20,402	57,070	(8,962)	(3,167)	488	74,793

Net income 2002					**8,765**				**8,765**
Dividend declared and paid (NOK 10.00 per share)					**(2,576)**				**(2,576)**
Net unrealized gain on securities								**(31)**	**(31)**
Minimum pension liability								**(323)**	**(323)**
Hedge of net investment								**1,333**	**1,333**
Cash flow hedges								**979**	**979**
Treasury stock reissued to employees			**18**	**18**		**326**	**116**		**134**
Foreign currency translation					**1**		**(1)**	**(7,207)**	**(7,207)**
Balance 31 December, 2002	**266,597**	**5,332**	**15,088**	**20,420**	**63,260**	**(8,636)**	**(3,052)**	**(4,761)**	**75,867**

1) See note 27 for a reconciliation to N GAAP equity.

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Components of Accumulated Other Comprehensive Income and Related Tax Effects

	31 December, 2002			31 December, 2001			31 December, 2000		
Amounts in NOK million	**Pretax**	**Tax**	**Net**	**Pretax**	**Tax**	**Net**	**Pretax**	**Tax**	**Net**
Unrealized gain (loss) on securities	**(43)**	**12**	**(31)**	58	(17)	41			
Less: Reclassification adjustment							(3)		(3)
Net unrealized gain (loss) on securities	**(43)**	**12**	**(31)**	58	(17)	41	(3)		(3)
Net investment hedge	**1,851**	**(518)**	**1,333**	124	(35)	89	(574)	162	(412)
Cash flow hedge	**1,441**	**(405)**	**1,036**	188	(52)	136			
Less: Reclassification of hedging gain	**(79)**	**22**	**(57)**						
Net cash flow hedge	**1,362**	**(383)**	**979**	188	(52)	136			
Minimum pension liability adjustment	**(472)**	**149**	**(323)**	(553)	156	(397)	(132)	37	(95)
Foreign currency translation	**(7,215)**		**(7,215)**	(671)		(671)	1,328		1,328
Loss (gain) on companies sold	**8**		**8**	(123)		(123)	(318)		(318)
Net foreign currency translation	**(7,207)**		**(7,207)**	(794)		(794)	1,010		1,010
Total accumulated other comprehensive income	**(4,509)**	**(740)**	**(5,249)**	(977)	52	(925)	301	199	500

Norsk Hydro ASA had authorized and issued 266,596,650 ordinary shares having a par value of NOK 20 per share for the years ended 31 December, 2002, 2001, and 2000. As of 31 December, 2002, 8,636,118 shares were treasury stock resulting in 257,960,532 outstanding ordinary shares (for 2001 257,634,172 outstanding ordinary shares). For N GAAP, the amount for the treasury stock of NOK 3,052 million was comprised of NOK 173 million for share capital and NOK 2,879 million for retained earnings. Treasury stock may be used as consideration in connection with commercial transactions or share schemes for the employees and representatives of the Corporate Assembly and the Board of Directors. In 2002, Hydro sold 326,360 shares of its treasury stock to employees for NOK 134 million. The weighted average number of outstanding shares for the year ended 31 December, 2002 was 257,799,411. As of 31 December, 2002, the Norwegian government ownership interest in Norsk Hydro ASA was 45.3 percent adjusted for treasury stock. The share capital and paid-in premium in Norsk Hydro ASA s balance sheet are not available for dividend purposes.

4. STOCK-BASED COMPENSATION

Hydro has three stock-based compensation plans, the Executive Share Option Plan established in 2001, the Executive Share Option Plan established in 2002 and a subsidized share purchase plan for permanent employees in the parent company and Norwegian subsidiaries owned more than 90 percent by Norsk Hydro ASA.

The Executive Share Option Plans are variable plans that relates to options granted to approximately 30 persons in Hydro s top management including the president and CEO, persons in the corporate management board and others. During 2001, 92,000 options were granted. The options vesting schedule is based on shareholder return, as defined in the Plan calculated over a three-year performance period beginning in May 2001. During 2002, 111,000 options were granted. The options vesting schedule is based on shareholder return, as defined in the Plan calculated over a three-year performance period beginning in July 2002. If shareholder return is less than 12% none of the options vest. If the shareholder return achieved is between 12% and 20% the corresponding percentage of options that vest increases linearly between 20% and 100%. The options are exercisable for two years following the three-year performance period. All the shares authorized for both plans have been granted.

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During 1999, 165,000 options were granted under the 1999 Plan at an exercise price of NOK 367.50. This plan expired at the end of 2002. There were no options exercised or cancelled during 1999. During 2000 there were no options granted, exercised or canceled. During 2001, in addition to the Executive Share Option Plan 2001, 3,500 options were exercised under the 1999 plan. Activity for 2002 is as follows:

Options outstanding	Number of shares	Strike price	Fair value per share
		(in NOK)	(in NOK)
1 January, 2002	253,500	375.80	
Granted	111,000	361.90	60
Exercised	3,300	367.50	
Expired	158,200	367.50	
31 December, 2002	203,000	374.80	
Options exercisable:			
31 December 2001	161,500	367.50	
31 December 2002			

The grant date fair value of the options granted in 2001 and 2002 was NOK 82 and NOK 60 per option respectively, which approximated the market price on the grant date. There was no compensation expense recognized during 2000, 2001 or 2002 related to these awards.

As of 31 December, 2002, 92,000 options, related to the Executive Share Option Plan 2001, with an exercise price of NOK 390.40 were outstanding with a remaining contractual life of 3.3 years, none of which were exercisable. In addition 111,000 options related to the Executive Share Option Plan 2002, with an exercise price of NOK 361.90 were outstanding with a remaining contractual life of 4.5 years, none of which were exercisable.

In March 2001, Hydro expanded the subsidized share-purchase plan for employees in Norway. Under this plan Hydro s employees in Norway receive a NOK 1,500 share-purchase rebate to purchase shares of Norsk Hydro, which corresponds to a 20% discount from the market price. If shareholder return, as defined by the plan, meets or exceeds 12% in the period from 1 June to 31 May (the measurement period), employees receive an additional rebate of NOK 4,500 for a total of NOK 6,000, which corresponds to a 50 percent discount from the market price. The performance criteria was met for the 2000-2001 measurement period. In June 2001, 347,474 shares were awarded to employees at a per share price of NOK 196.90. Compensation expense recognized in 2001 related to this award was approximately NOK 68 million.

In 2002, Hydro modified the measurement period for the share-purchase plan for Norwegian employees so that the period would run from 1 January 2002 to 31 December 2002. 2002 was a transitional year so that the scheme had the old scheme running from 1 June 2001 to 31 May 2002 and the new scheme running from 1 January 2002 to 31 December 2002.

The performance criteria was met for the 1 June 2001 to 31 May 2002 measurement period. In July 2002, 323,060 shares were awarded to employees at a per share price of NOK 205.15. Compensation expense recognized in 2002 related to this award amounted to NOK 73 million.

At 31 December 2002, the 12 percent performance target was not met for the 1 January 2002 to 31 December 2002 measurement period, consequently the rebate for this award was NOK 1,500 or 20 percent.

Pro Forma Information (Unaudited)

Statement of Financial Accounting Standards (SFAS) 123 requires disclosure of certain pro forma information based on the estimated fair value of the options granted if the intrinsic value method is used to measure compensation expense (See Note 1). Under the fair value method defined by SFAS 123, compensation expense is measured by using estimated fair value of the options at the date of the grant. For the pro forma disclosure, the estimated fair value is amortized from the date of the grant until the options become exercisable. The following unaudited pro forma information is presented as if the fair value method of accounting for stock-based compensation had been used.

In NOK millions, except for earnings per share (unaudited)

	2002	2001	2000
Pro forma net income	**8,761**	7,890	13,974
Pro forma earnings per share	**34.00**	30.50	53.40

Hydro uses valuation model based on the Black-Scholes option-pricing model. The weighted average assumptions used in the model for the 2001 plan are: expected life of 3 years, expected volatility of 29 percent, a risk-free interest of 6.7 percent and a dividend yield of about 2.5 percent. The model also includes an assumption regarding the probability of meeting the performance criteria.

The weighted average assumptions used in the model for the 2002 plan are: expected life of 3 years, expected volatility of 30 percent, a risk-free interest of 5.5 percent and a dividend yield of about 2.5 percent. The model also includes an assumption regarding the probability of meeting the performance criteria.

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5. OPERATING AND GEOGRAPHIC SEGMENT INFORMATION

Operating segments are components of a business that are evaluated regularly by dedicated senior management utilizing financial and operational information prepared specifically for the segment for the purpose of assessing performance and allocating resources. Generally, financial information is required to be disclosed on the same basis that is used internally enabling investors to see the company through the eyes of management.

Hydro s operating segments are managed separately and each operating segment represents a strategic business area that offers different products and serves different markets. Hydro s operating segments are the three business areas Hydro Oil and Energy, Hydro Aluminium and Hydro Agri. The business areas are divided into sub-segments representing different parts of the value chain.

Hydro Oil and Energy consists of Exploration and Production, and Energy and Oil Marketing. Exploration and Production is responsible for Hydro s oil and gas exploration, field development, and operation of production and transportation facilities. Energy and Oil Marketing includes Hydro s commercial operations in the oil, natural gas and power sectors, the operation of Hydro s power stations as well as marketing and sale of refined petroleum products (gasoline, diesel and heating oil) to retail customers. Energy and Oil Marketing buys and/or markets almost all oil production from Exploration and Production, and sells the equity gas production on a commission basis.

Hydro Aluminium consists of Metals, Rolled Products and Extrusion and Automotive. Metals activities include the production of primary aluminium and primary magnesium, aluminium oxide, remelting of metal, and the international trading of aluminium, aluminium products and aluminium oxide. Rolled Products delivers foil, strip, sheet and plate for application in such sectors as packaging, automotive and transport industries, as well as for offset printing plates. Extrusion and Automotive is involved in the manufacture and sale of extruded aluminium products and components for the automotive industry. Hydro s aluminium activities in North America, including trading activities, is included in Extrusion and Automotive.

Hydro Agri s main activities are the production and sale of ammonia and fertilizer products, including nitrate fertilizer, complex fertilizer and urea. Most of the production takes place in Europe while trading is done worldwide. In addition, Agri markets numerous products for industrial use which mainly have their origin in Hydro s ammonia and fertilizer production.

Other activities consists of Petrochemicals, Treka AS (previously A/S Korn- og Foderstof Kompagniet), Flexible Packaging and certain other activities. Petrochemicals is a producer of the plastic raw material polyvinyl chloride (PVC) in Scandinavia and in the UK. Treka s main activity is production and sale of fish feed, after disposing of activities related to trading of grain, feedstuffs, fertilizers and other agricultural related products in November 2002 and January 2003.

Operating Segment Information

Hydro s steering model referred to as value-based management, reflects management s focus on cash flow-based performance indicators, before and after taxes. EBITDA [1)] (defined as income/loss before tax, interest expense, depreciation, amortization, write-downs and certain other financial items) is an approximation of cash flow from operations before taxes. EBITDA is considered an important measure of performance for the company s operational areas and operating segments. EBITDA, in addition to operating income includes financial income, results from non-consolidated investee companies as well as gains and losses on sales of activities classified as Other Income, net in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values in non-consolidated investee companies.

Hydro also uses cash return on gross investment (CROGI) as a measure of annual rate of return on assets employed. CROGI is defined as gross cash flow after taxes, divided by average gross investment [2], while gross cash flow is defined as EBITDA less total tax expense, gross investment is defined as total assets plus accumulated depreciation, amortization and write-downs, minus short-term interest-free debt [3]. Hydro manages long-term funding and taxes on a group basis. Therefore, segment debt is defined as short-term interest free liabilities excluding short-term deferred tax liabilities.

Certain segment information such as EBITDA and Gross Investment are non-GAAP measures. Therefore there is no directly corresponding figure in the financial statements. A reconciliation to GAAP measures is included at page 55.

Intersegment sales and transfers reflect arms length prices as if sold or transferred to third parties. Results of activities considered incidental to Hydro s main operations as well as unallocated revenues, expenses, liabilities and assets are reported separately under the caption Corporate and eliminations . These amounts principally include interest income and expenses, realized and unrealized foreign exchange gains and losses and the net effect of pension schemes. In addition, elimination of gains and losses related to transactions between the Areas. The accounting policies of the operating segments reflect those described in the summary of significant accounting policies. See Note 1.

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

2) Deferred tax assets are not included in gross investment.

3) Deferred tax liabilities are not deducted from gross.

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Amounts in NOK million	External revenues			Internal revenues			Total operating revenues [1)]		
	2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Exploration and Production	**11,175**	7,848	9,436	**22,834**	25,434	26,058	**34,009**	33,282	35,494
Energy and Oil Marketing [1)]	**35,795**	39,450	40,837	**3,985**	4,509	4,663	**39,780**	43,959	45,500
Eliminations [5)]	**26**			**(22,074)**	(25,225)	(25,871)	**(22,048)**	(25,225)	(25,871)
Hydro Oil and Energy	**46,996**	47,298	50,273	**4,745**	4,718	4,850	**51,741**	52,016	55,123
Metals [1)]	**26,025**	24,961	24,177	**13,621**	6,514	6,306	**39,646**	31,475	30,483
Rolled Products	**14,135**	4,126	4,122	**655**	102	99	**14,790**	4,228	4,221
Extrusion and Automotive	**24,186**	21,854	22,491	**59**	633	540	**24,245**	22,487	23,031
Other and eliminations [4)]	**162**	1	17	**(13,792)**	(7,108)	(6,622)	**(13,630)**	(7,107)	(6,605)
Hydro Aluminium	**64,508**	50,942	50,807	**543**	141	323	**65,051**	51,083	51,130
Hydro Agri	**32,818**	36,809	35,756	**530**	598	851	**33,348**	37,407	36,607
Other activities [2)]	**17,988**	17,713	19,911	**3,781**	4,648	4,838	**21,769**	22,361	24,749
Corporate and Eliminations	**626**	73	114	**(9,599)**	(10,105)	(10,862)	**(8,973)**	(10,032)	(10,748)
Total	**162,936**	152,835	156,861				**162,936**	152,835	156,861

Amounts in NOK million	Depreciation, depletion and amortization			Other operating expenses			Operating income (loss) before fin. and other income		
	2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Exploration and Production	**8,785**	7,791	8,046	**10,895**	7,678	7,340	**14,329**	17,813	20,108
Energy and Oil Marketing	**221**	229	240	**37,967**	42,365	43,591	**1,592**	1,365	1,669
Eliminations			2	**(22,074)**	(25,225)	(25,900)	**26**		27
Hydro Oil and Energy	**9,006**	8,020	8,288	**26,788**	24,818	25,031	**15,947**	19,178	21,804
Metals	**1,117**	751	837	**36,839**	30,352	26,956	**1,690**	372	2,690
Rolled Products	**496**	104	93	**14,589**	4,066	4,131	**(295)**	58	(3)
Extrusion and Automotive	**1,010**	895	715	**23,221**	21,820	21,666	**14**	(228)	650
Other and eliminations [4)]				**(13,919)**	(7,090)	(6,604)	**289**	(17)	(1)
Hydro Aluminium	**2,623**	1,750	1,645	**60,730**	49,148	46,149	**1,698**	185	3,336
Hydro Agri	**1,172**	1,570	1,640	**29,969**	33,723	33,664	**2,207**	2,114	1,303

Other activities [2]	**1,100**	912	945	**20,656**	21,790	23,596	**13**	(341)	208
Corporate and Eliminations [3) 5)]	**11**	21	20	**(8,960)**	(10,000)	(12,583)	**(24)**	(53)	1,815
Total	**13,912**	12,273	12,538	**129,183**	119,479	115,857	**19,841**	21,083	28,466

1) Presentation of income from certain trading activities was in 2000 changed from net presentation of margin to gross presentation as operating revenues and raw materials. This includes metal trading within Aluminium Metal Products and trading of petroleum products within Energy. Prior periods have been reclassified to be presented on a consistent basis.

2) Other Activities consists of the following: Petrochemicals, Treka AS (previously A/S Korn- og Foderstof Kompagniet), Flexible Packaging, Pronova, the industrial insurance company, Industriforsikring, Hydro Business Partner and Seafood.

3) Corporate and Elimination s operating income (loss) and EBITDA includes a net periodic pension cost of NOK 312 million for 2002, and a credit of NOK 421 million and NOK 2,263 million in 2001 and 2000, respectively. In 2000, Hydro changed the way it allocates pension costs to its Norwegian operations. Previously costs were determined based on the number of years of service resulting in a concentration of the total costs towards the end of the service period. The change resulted in non-recurring charges to the segments with a corresponding credit of NOK 2,007 million reflected in Corporate, which is included in Corporate s net periodic pension credit. Part of these costs have been charged to external parties resulting in a positive effect to the Company of NOK 470 million.

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Amounts in NOK million	Equity in net income non-consolidated investees			Other income, net			EBITDA		
	2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Exploration and Production	**31**	35	21	**77**		387	**23,332**	25,768	28,656
Energy and Oil Marketing	**148**	32	15		179		**1,982**	1,836	1,956
Eliminations		(2)					**26**		29
Hydro Oil and Energy	**179**	65	36	**77**	179	387	**25,340**	27,604	30,641
Metals	**(275)**	196	237				**2,703**	1,766	3,803
Rolled Products	**7**						**258**	162	86
Extrusion and Automotive	**49**	(78)	26		(25)	122	**1,084**	632	1,612
Other and eliminations [4)]							**289**	(17)	
Hydro Aluminium	**(219)**	118	263		(25)	122	**4,334**	2,543	5,501
Hydro Agri	**57**	330	349	**166**	(53)		**3,945**	4,402	3,553
Other activities [2)]	**12**	51	20		477	1,698	**1,044**	1,215	2,950
Corporate and Eliminations [3) 5)]	**4**	2	4	**(24)**		954	**995**	1,993	3,964
Total	**33**	566	672	**219**	578	3,161	**35,658**	37,757	46,609

Amounts in NOK million	Gross Cash Flow after Tax			Gross Investment			CROGI		
	2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Exploration and Production	**14,632**	15,009	16,309	**128,486**	118,563	111,021	**11.8**	13.1	14.5
Energy and Oil Marketing	**1,337**	1,212	1,276	**11,580**	10,184	9,633	**12.3**	12.2	13.2
Eliminations	**18**		20	**53**	(42)	(46)			
Hydro Oil and Energy	**15,987**	16,221	17,605	**140,119**	128,705	120,608	**11.9**	13.0	14.4
Metals	**2,188**	1,651	2,992	**34,905**	26,330	28,593	**7.1**	6.0	11.2
Rolled Products	**258**	144	86	**11,937**	2,626	2,369	**3.5**	5.8	3.8
Extrusion and Automotive	**1,077**	632	1,375	**16,846**	14,011	13,818	**7.0**	4.5	11.2
Other and eliminations [4)]	**289**	58	2	**145**	(148)	(51)			
Hydro Aluminium	**3,812**	2,485	4,455	**63,833**	42,819	44,729	**7.1**	5.7	10.8
Hydro Agri	**3,174**	3,669	3,071	**30,739**	36,513	40,094	**9.4**	9.6	7.8
Other activities [2)]	**1,045**	1,147	2,365	**21,873**	22,529	24,056	**4.7**	4.9	9.7
Corporate and Eliminations [5)]	**(1,638)**	485	2,935	**8,832**	28,273	23,059	**(8.8)**	1.9	19.2
Total	**22,380**	24,007	30,431	**265,396**	258,839	252,546	**8.5**	9.4	12.5

4) Other and eliminations includes unrealized gains and losses related to LME contracts with a gain of NOK 266 million in 2002, a loss of NOK 50 million in 2001 and a gain of NOK 31 million in 2000.

5) Corporate and eliminations in 2002 includes elimination of unrealized loss on power contracts between Energy and other units in Hydro with NOK 588 million. In addition, NOK 26 million is eliminated within the Oil and Energy Area.

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Amounts in NOK million	Current assets [2]		Non-current assets		Assets [2]	
	2002	2001	**2002**	2001	**2002**	2001
Exploration and Production	**8,461**	8,546	**73,694**	70,760	**82,155**	79,306
Energy and Oil Marketing	**15,550**	6,563	**5,695**	5,443	**21,245**	12,006
Eliminations	**(2,459)**	(1,984)	**25**	(53)	**(2,434)**	(2,037)
Hydro Oil and Energy	**21,552**	13,125	**79,414**	76,150	**100,966**	89,275
Metals	**9,517**	8,903	**19,979**	10,855	**29,496**	19,758
Rolled Products	**6,451**	1,466	**4,464**	869	**10,915**	2,335
Extrusion and Automotive	**7,852**	6,880	**9,926**	7,057	**17,778**	13,937
Other and eliminations	**(1,506)**	(868)	**22**		**(1,484)**	(868)
Hydro Aluminium	**22,314**	16,381	**34,391**	18,781	**56,705**	35,162
Hydro Agri	**11,473**	14,520	**11,248**	11,996	**22,721**	26,516
Other activities [1]	**10,286**	10,032	**7,508**	7,068	**17,794**	17,100
Corporate and Eliminations	**772**	26,265	**8,253**	3,604	**9,025**	29,869
Total	**66,397**	80,323	**140,814**	117,599	**207,211**	197,922

Amounts in NOK million	Non-consolidated investees, investments and advances		Segment debt [3]		Investments [4]	
	2002	2001	**2002**	2001	**2002**	2001
Exploration and Production	**566**	625	**5,390**	5,508	**14,197**	9,618
Energy and Oil Marketing	**1,400**	1,445	**12,924**	4,887	**499**	472
Eliminations	**25**	25	**(2,485)**	(1,983)		
Hydro Oil and Energy	**1,991**	2,095	**15,829**	8,412	**14,696**	10,090
Metals	**2,632**	2,603	**4,405**	4,469	**12,728**	1,872
Rolled Products	**1,428**		**1,602**	711	**7,437**	201
Extrusion and Automotive	**842**	685	**4,758**	3,783	**5,153**	1,454
Other and eliminations			**(1,648)**	(740)		
Hydro Aluminium	**4,902**	3,288	**9,117**	8,223	**25,318**	3,527

Hydro Agri	**2,089**	2,519	**5,948**	6,001	**1,543**	797
Other activities [1]	**1,127**	1,296	**3,221**	3,394	**3,115**	1,372
Corporate and Eliminations	**1,390**	489	**(4,430)**	(1,482)	**1,044**	542
Total	**11,499**	9,687	**29,685**	24,548	**45,716**	16,328

1) Other Activities consists of the following: Petrochemicals, Treka AS (previously A/S Korn- og Foderstof Kompagniet), VAW Flexible Packaging, Pronova, the industrial insurance company, Industriforsikring, Hydro Business Partner and Seafood.

2) Current assets and assets excludes internal cash accounts and accounts receivable related to group relief.

3) Segment debt is defined as short-term interest free liabilities excluding income taxes payable and short-term deferred tax liabilities.

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

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Amounts in NOK million	Assets			Long-lived assets			Investments		
	2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Norway	**95,585**	115,838	113,375	**88,558**	80,871	79,931	**17,294**	8,630	8,080
Great Britain	**7,855**	6,563	6,754	**1,552**	1,826	2,114	**272**	200	464
Germany	**24,926**	3,028	3,121	**13,146**	1,260	1,258	**14,752**	141	63
France	**6,911**	6,221	9,260	**1,617**	1,531	1,595	**922**	272	122
Sweden	**8,105**	7,394	7,364	**2,079**	1,949	1,985	**512**	477	256
Denmark	**6,562**	8,516	8,391	**2,182**	3,428	3,054	**438**	1,000	651
Italy	**3,660**	3,153	3,125	**1,036**	749	790	**499**	50	120
Spain	**1,562**	920	732	**590**	300	160	**381**	197	89
The Netherlands	**10,471**	6,396	6,612	**1,448**	1,126	2,093	**410**	439	1,113
Other	**5,544**	4,567	4,671	**819**	551	588	**483**	110	111
Total EU	**75,596**	46,758	50,030	**24,469**	12,720	13,637	**18,669**	2,886	2,989
Other Europe	**1,352**	848	885	**908**	210	258	**642**	28	37
Total Europe	**172,533**	163,444	164,290	**113,935**	93,801	93,826	**36,605**	11,544	11,106
USA	**6,949**	7,681	8,137	**2,457**	2,102	2,179	**1,399**	312	1,678
Asia	**5,611**	5,012	4,386	**3,621**	2,891	2,266	**1,373**	805	456
Other Americas	**5,391**	6,584	5,785	**3,792**	4,286	2,742	**1,290**	770	1,334
Africa	**5,797**	6,126	4,164	**3,506**	4,176	2,484	**670**	1,874	881
Canada	**7,411**	8,908	9,454	**6,173**	7,149	7,446	**1,794**	987	1,078
Australia and New Zealand	**3,519**	167	138	**2,255**	144	105	**2,585**	36	32
Total outside Europe	**34,678**	34,478	32,064	**21,804**	20,748	17,222	**9,111**	4,784	5,459
Total	**207,211**	197,922	196,354	**135,739**	114,549	111,048	**45,716**	16,328	16,565

Amounts in NOK million	Operating revenues		
	2002	2001	2000
Norway	**14,784**	12,595	14,238
Germany	**19,348**	18,942	18,503
Great Britain	**18,435**	20,787	19,311
France	**14,509**	12,155	16,538
Sweden	**10,375**	11,425	13,494
Italy	**7,895**	6,801	6,562
Denmark	**6,002**	7,262	7,256
The Netherlands	**5,113**	3,291	3,163
Spain	**4,798**	3,757	3,751
Other	**10,347**	9,088	8,139
Total EU	**96,822**	93,508	96,717
Switzerland	**6,529**	6,063	5,550

Other Europe	**6,799**	5,529	5,434
Total Europe	**124,934**	117,695	121,939
USA	**14,931**	16,584	16,849
Asia	**8,978**	6,479	7,376
Other Americas	**6,198**	6,035	5,099
Africa	**4,088**	4,156	3,811
Canada	**3,193**	1,419	1,231
Australia and New Zealand	**614**	467	556
Total outside Europe	**38,002**	35,140	34,922
Total	**162,936**	152,835	156,861

The identification of assets, long-lived assets and investments is based upon location of operation. Included in long-lived assets are investments in non-consolidated investees; property, plant and equipment (net of accumulated depreciation) and non-current financial assets.

Operating revenues are identified by customer location.

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6. RESTRUCTURING COSTS

In October of 2001 Hydro decided to discontinue production of primary magnesium in Norway. As a result Hydro closed the Porsgrunn production facilities in March 2002, and has started the clean up and dismantling work. Dismantling and clean-up work is expected to be substantially completed during 2003. As part of the closure of the plant facilities, restructuring costs totaling NOK 961 million were recognized at the end of 2001. Of this amount NOK 261 million was charged as an impairment loss on the plant facilities and NOK 40 million was related to reduction in inventories due to obsolescence. The remaining NOK 660 million of restructuring costs included termination costs for customers and supplier agreements, work-force reduction costs, and dismantling and clean-up costs. Hydro recorded additional restructuring costs of NOK 59 million related to work-force reduction in the first quarter of 2002. The initial restructuring accrual was reduced by NOK 69 million during the third quarter of 2002 due to the reversal of certain accruals relating to contract termination costs that were lower than originally anticipated.

The following table summarizes the types and amounts recognized as accrued expenses for the restructuring together with changes in the accruals for the twelvemonth period ended 31 December, 2002:

Amounts in NOK million	31. Dec. 2001	Additions [1] (Deductions)	Payment	**31. Dec. 2002**
Demolition costs	316		(41)	**275**
Workforce severance	130	59	(171)	**18**
Shutdown cost of operations	98		(98)	
Contract termination	116	(69)	(47)	
Total	660	(10)	(357)	**293**

[1] Charged to the income statement.

7. OPERATING COSTS AND EXPENSES

Operating costs include research and development, operating lease expense and payroll and related costs as follows:

Amounts in NOK million	**2002**	2001	2000
Research and development expense	**815**	796	898
Operating lease expense: [1]			

Drilling rigs, ships, office space	**1,715**	1,489	1,636
Office space leased from Hydro s independent pension trust	**206**	211	200
Total	**1,921**	1,700	1,836
Payroll and related costs:			
Salaries	**15,561**	13,306	12,023
Social security costs	**2,398**	1,927	1,609
Social benefits	**788**	503	486
Net periodic pension cost (Note 20)	**1,586**	1,501	734
Total	**20,333**	17,237	14,852

Estimating earnings relating to research and development costs incurred is considered impracticable for the years ended 31 December 2002, 2001, 2000.

1) Total minimum future rentals of NOK 6,965 million are due under non-cancelable operating leases as follows (in NOK million): 2003 - 1,319; 2004 - 1,216; 2005 - 968; 2006 - 801; 2007 - 713; and thereafter - 1,948.

8. FINANCIAL INCOME AND EXPENSE

Amounts in NOK million	**2002**	2001	2000
Interest income	**1,515**	2,762	1,803
Net gain (loss) on securities	**(269)**	(113)	(168)
Dividends received	**172**	198	112
Interest income and other financial income	**1,418**	2,847	1,747
Interest expense	**(3,189)**	(3,721)	(4,045)
Capitalized interest	**607**	685	1,029
Net foreign exchange gain (loss)	**3,262**	(416)	(655)
Other, net	**(163)**	(157)	(234)
Interest expense and foreign exchange gain (loss)	**517**	(3,609)	(3,905)
Net financial income (expense)	**1,935**	(762)	(2,158)

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9. OTHER INCOME AND EXPENSE

Other income of NOK 219 million in 2002 consisted of a gain on the sale of Hydro s interest in the oil company Pelican AS with NOK 77 million, the remaining NOK 142 million related primarily to earnings from the divestment of the following activities in the Agri area: KA Rasmussen, parts of the formate activity and the reorganizing of the Vlaardingen operations in the Netherlands into a new joint venture company.

In 2001, other income and expense of NOK 578 million consisted of: Gain on sale of Hydro Seafood UK of NOK 418 million, gain on sale of transmission grid assets of NOK 179 million, gain on sale of Singapore Polymer Corporation of NOK 59 million, loss on sale of Oleo-chemicals of NOK 53 million and charges of NOK 25 million relating to the sale of Fundo a.s. in 2000.

Other income in 2000 of NOK 3,161 million consisted of: NOK 1,609 million for Hydro Seafood, NOK 954 million for shares in Dyno, NOK 387 million for Saga Petroleum UK, NOK 89 million for KFK s pet food business BS Pet Products AS, NOK 72 million for shares in Sapa Autoplastics AB, and NOK 50 million for Fundo a.s.

10. INCOME TAXES

Amounts in NOK million	**2002**	2001	2000
Income before taxes and minority interest:			
Norway	**17,876**	18,763	26,341
Other countries	**4,152**	2,702	3,800
Total	**22,028**	21,465	30,141
Current taxes:			
Norway	**12,766**	13,631	12,892
Other countries	**1,131**	432	819
Current income tax expense	**13,897**	14,063	13,711
Deferred taxes:			
Norway	**(510)**	(576)	2,131
Other countries	**(109)**	263	336
Deferred tax expense (benefit)	**(619)**	(313)	2,467
Total income tax expense	**13,278**	13,750	16,178

Components of deferred income tax expense

Amounts in NOK million	**2002**	2001	2000
Deferred tax expense (benefit) excluding items below	**641**	(230)	2,567
Benefits of tax loss carryforwards	**(495)**	2	(58)

Tax expense (benefit) allocated to other comprehensive income	**(727)**	52	199
Effect of tax law changes	**125**	78	38
Net change in valuation allowance	**(163)**	(215)	(279)
Deferred tax expense (benefit) - US GAAP	**(619)**	(313)	2,467
Adjustments to N GAAP:			
Tax effects of differences between US GAAP and N GAAP (Note 27)	***50***	*(17)*	*10*
Deferred tax expense (benefit) - N GAAP	***(569)***	*(330)*	*2,477*

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2002**	2001	2000
Expected income taxes at statutory tax rate [1)]	**6,168**	6,010	8,439
Petroleum surtax [2)]	**8,665**	9,138	8,665
Uplift benefit [2)]	**(1,034)**	(800)	(720)
Hydro-electric power surtax [3)]	**217**	190	155
Tax law changes	**125**	78	38
Losses and other deductions with no tax benefit	**517**	549	417
Non-deductible expenses	**79**	28	149
Foreign tax rate differences	**127**	62	117
Tax free income	**(363)**	(395)	(481)
Dividend exclusion	**(60)**	(22)	(22)
Losses and other benefits not previously recognized	**(581)**	(637)	(962)
Other, net	**(582)**	(451)	383
Income tax expense - US GAAP	**13,278**	13,750	16,178
Effective tax rate - US GAAP	**60.3%**	64.1%	53.7%
Tax effect of differences between US GAAP and N GAAP (Note 27)	***50***	*(17)*	*10*
Income tax expense - N GAAP	***13,328***	*13,733*	*16,188*
Income before taxes - N GAAP	***21,995***	*21,419*	*30,156*
Effective tax rate - N GAAP	***60.6%***	*64.1%*	*53.7%*

1) Norwegian nominal statutory tax rate is 28 percent.

2) Income from oil and gas activities on the Norwegian Continental Shelf is taxed according to the Petroleum Tax Law. This stipulates a surtax of 50 percent after deducting uplift, a special deduction for surtax, in addition to normal corporate taxation of 28 percent.

3) A surtax of 27 percent is applied to taxable income, with certain adjustments, for Norwegian hydro-electric power plants. The surtax comes in addition to the normal corporate taxation. Tax depreciation, including that from the upward revision of basis under the new law, is deductible for both corporate tax and surtax purposes.

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The tax effects of temporary differences and tax loss carry-forwards giving rise to deferred tax assets and liabilities were as follows as of 31 December, 2002 and 2001.

	US GAAP Deferred Tax			
Amounts in NOK million	Assets **2002**	Liabilities **2002**	Assets 2001	Liabilities 2001
Short-term:				
Marketable securities	**93**	**(11)**	18	(25)
Inventory valuation	**121**	**(273)**	104	(291)
Accrued expenses	**2,700**	**(1,127)**	1,452	(453)
Unrealized exchange (gains) losses	**80**	**(80)**	35	(61)
Uplift benefit	**844**		817	
Other	**41**	**(298)**	1	(14)
Long-term:				
Unrealized exchange (gains) losses	**63**	**(718)**	58	(2)
Depreciation	**2,346**	**(28,423)**	1,590	(25,075)
Capitalized interest		**(3,665)**		(3,619)
Exploration drilling costs		**(2,661)**		(2,802)
Other non-current assets	**1,808**	**(4,169)**	1,235	(530)
Accrued expenses	**703**	**(1,047)**	612	(642)
Pensions	**1,543**	**(1,486)**	887	(1,317)
Deferred (gains) losses on sales	**161**	**(1,632)**	238	(1,570)
Uplift benefit	**1,545**		1,528	
Decommissioning	**871**		779	
Other	**647**	**(1,764)**	208	(1,445)
Total tax loss carryforwards	**2,727**		2,265	
Subtotal	**16,293**	**(47,354)**	11,827	(37,846)
Total valuation allowance	**(1,900)**		(2,305)	
Gross deferred tax assets and liabilities	**14,393**	**(47,354)**	9,522	(37,846)
Adjustments for N GAAP: (Note 27)				
Short and long-term:				
Unrealized gains		***414***		*96*
Gross deferred tax assets and liabilities, N GAAP	***14,393***	***(46,940)***	*9,522*	*(37,750)*
Net - N GAAP	***2,184***	***(34,731)***	*1,892*	*(30,120)*

Deferred income taxes have not been provided for on undistributed earnings of foreign subsidiaries, amounting to NOK 12,242 million, since those earnings are considered to be indefinitely invested. No deferred income taxes have been recognized on undistributed earnings of Nor-wegian subsidiary which can be remitted tax-free as dividends.

At the end of 2002, Hydro had tax loss carryforwards of NOK 8,743 million, primarily in Norway, Germany, Canada, Italy, Jamaica, United Kingdom and Spain. Carry forward amounts expire as follows:

Amounts in NOK million	
2003	305
2004	330
2005	228
2006	394
2007	176
After 2007	2,898
Without expiration	4,412
Total tax loss carryforwards	8,743

11. OTHER LIQUID ASSETS

Amounts in NOK million	**2002**	2001
Bank time deposits	**1,161**	10
Marketable equity securities	**551**	869
Debt securities and other	**935**	1,542
Total other liquid assets	**2,647**	2,421

The net change in unrealized gains on securities for the years ended 31 December 2002, 2001 and 2000 was a net loss of NOK 259 million, a net loss of NOK 22 million and a net loss of NOK 358 million, respectively. Total cost of marketable equity securities and debt securities and other was NOK 1,822 million and NOK 2,484 million as of 31 December, 2002 and 2001, respectively.

12. INVENTORIES

Amounts in NOK million	**2002**	2001
Finished goods	**8,804**	10,023
Work in progress	**2,734**	773
Raw materials	**5,694**	4,998
Total inventories	**17,232**	15,794

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13. NON-CONSOLIDATED INVESTEES

Amounts in NOK million	Hydro Texaco	Scanraff	Alunorf	Alunorte	Søral	Meridian	Qafco	Noretyl	Other	Total
Balance 01.01.2001	869	332		789	503	697	1,033		2,988	7,211
Investments (sale), net				300		(13)	96		417	800
Change in long-term advances, net		(19)							197	178
Transfers (to) from other investments								462	986	1,448
Hydro s share of net income (loss)	14			31	197	26	167	50	230	715
Amortization and write-down				(28)		(42)			(79)	(149)
Dividends received by Hydro	(1)				(100)	(15)	(45)		(311)	(472)
Foreign currency translation and other	(28)	(16)		78		(25)	15		(68)	(44)
Balance 31.12.2001	854	297		1,170	600	628	1,266	512	4,360	9,687
Changes in 2002:										
Investments (sale), net		159	1,468	137		(5)			1,207	2,966
Change in long-term advances, net		145							964	1,109
Transfers (to) from other investments									(109)	(109)
Hydro's share of net income (loss)	115		47	(291)	75	19	121	72	111	269
Amortization and write-down			(40)	(21)					(174)	(235)
Dividends received by Hydro	(1)	(23)			(100)	(5)	(95)		(190)	(414)
Foreign currency translation and other	(49)	(90)	(47)	(459)		(142)	(290)		(697)	(1,774)
Balance 31.12.2002	**919**	**488**	**1,428**	**536**	**575**	**495**	**1,002**	**584**	**5,472**	**11,499**
Amortization N GAAP						*(9)*				*(9)*
Balance 31.12.2002 N GAAP	*919*	*488*	*1,428*	*536*	*575*	*486*	*1,002*	*584*	*5,472*	*11,490*

Specification of Non-consolidated Investees

		Hydro s current			
	Percentage owned by Hydro	Investments in and advances to investees		receivable (payable), net with investees	
Amounts in NOK million, except ownership	**2002**	**2002**	2001	**2002**	2001
Hydro Texaco	**50.0%**	**919**	854	**(61)**	(45)

Scanraff	**25.0%**	**488**	297	**12**	(8)
Alunorte	**34.0%**	**536**	1,170	**(47)**	(55)
Søral	**49.9%**	**575**	600	**(103)**	(121)
Meridian	**49.0%**	**495**	628	**62**	(57)
Qafco	**25.0%**	**1,002**	1,266	**(142)**	42
Alunorf	**50.0%**	**1,428**		**(115)**	
Noretyl	**50.0%**	**584**	512	**(179)**	(64)
Others		**5,472**	4,360	**(131)**	346
Total		**11,499**	9,687	**(704)**	38

A description of significant investees business, majority owners and the nature of related party transactions with Hydro including amounts if material follow:

Hydro Texaco a.s operates 881 gasoline stations and 162 diesel stations in Norway, Denmark and the Baltics. Hydro and ChevronTexaco Corp. each own 50 percent in the joint venture. Hydro sells and purchases oil related products with the joint venture at market prices. Sales from Hydro Texaco to Hydro amounted to NOK 510 million, NOK 558 million and NOK 900 million in 2002, 2001 and 2000, respectively. Sales from Hydro to Hydro Texaco amounted to NOK 674 million, NOK 1,194 million and NOK 969 million in 2002, 2001 and 2000, respectively. Hydro Texaco is part of Energy and Oil Marketing.

Skandinaviska Raffinaderiet AB (Scanraff), part of Hydro Energy, operates the Scanraff refinery in Lysekil, Sweden. Hydro paid processing fees to Scanraff for refining of its oil of NOK 195 million, NOK 224 million and NOK 232 million in 2002, 2001 and 2000, respectively. The other partner is an unaffiliated company.

Aluminium Norf GmbH (Alunorf) is the world largest rolling mill located in Germany nearby other Hydro facilities. Alunorf is jointly owned by Hydro and Alcan (50 percent each). Hydro s shares in Alunorf were part of the VAW acquisition in 2002. Each partner supplies Alunorf with ingots, which are transformed to flat rolled coils and delivered to the partners. Sales from Alunorf to Hydro in 2002 amounted to NOK 1,941 million. Hydro sells alloys to Alunorf, operating revenues in 2002 from sales to Alunorf were not material to Hydro Aluminium. Alunorf is part of Rolled Products.

Alumina do Norte do Brasil S.A. (Alunorte) is an alumina refinery located in Brazil. Hydro s owner share is at

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present 34.0 percent, an increase from 32.3 percent in 2001. Hydro purchased alumina from Alunorte amounting to NOK 433 million, NOK 734 million and NOK 703 million in 2002, 2001 and 2000, respectively. Alunorte is part of Metals.

Sør-Norge Aluminium AS (Søral) part of Metals, is a Norwegian primary aluminium manufacturer. Søral sells 50 percent of its production to each major owner at current market prices. The other 50 percent owner of Søral is an unaffiliated company. Sale of aluminium from Søral to Hydro amounted to NOK 847 million, NOK 1,018 million and NOK 1,026 million in 2002, 2001 and 2000, respectively. Sales from Hydro to Søral amounted to NOK 363 million, NOK 350 million and NOK 405 million in 2002, 2001 and 2000, respectively.

Meridian Technologies Inc. (Meridian), part of Extrusion and Automotive, is a Canadian company owned 51 percent by Teksid S.p.A. (a subsidary of the Fiat group) and 49 percent by Hydro. Meridian provides magnesium die-casting products to the automobile industry. Meridian purchases alloyed magnesium from Hydro. Operating revenues in 2002 from sales to Meridian were not material to Hydro Aluminium as a whole.

Qatar Fertiliser Company S.A.Q. (Qafco) owns and operates a fertilizer complex for which Hydro provides marketing support and technical assistance. Hydro has a 25 percent ownership in Qafco, the remaining 75 percent of Qafco is owned by Qatar Petroleum, which is owned by the State of Qatar. Qafco operates three separate lines for production of ammonia and urea, a fourth is currently under construction. The expansion is scheduled for completion in June 2004. Hydro purchased urea from Qafco amounting to NOK 944 million, NOK 876 million, NOK 1,030 million in 2002, 2001 and 2000, respectively.

Hydro and Borealis own Noretyl AS as a joint venture (50-50 percent). Noretyl is part of Petrochemicals. Hydro paid processing fees to Noretyl for refining NGL of NOK 242 million and NOK 250 million in 2002 and 2001, respectively.

Non-consolidated investees split by segment can be found in Note 5.

NON-CONSOLIDATED INVESTEES 100 PERCENT BASIS

The following table sets forth summarized unaudited financial information of Hydro s non-consolidated investees on a 100 percent combined basis. Hydro s share of these investments, which is also specified below, is accounted for using the equity method.

Income Statement Data

Amounts in NOK million

(unaudited)	**2002**	2001	2000
Operating revenues	**35,204**	36,772	41,080
Operating income	**4,534**	6,507	5,714
Income before taxes and minority interest	**1,772**	3,475	3,065
Net income	**1,240**	2,771	2,435
Hydro s share of net income	**269**	714	697

Balance Sheet Data

Amounts in NOK million

(unaudited)	**2002**	2001	2000
Current assets	**14,805**	17,205	16,408
Non-current assets	**38,218**	40,066	30,610
Assets	**53,023**	57,271	47,018
Current liabilites	**9,548**	11,589	12,246
Non-current liabilities	**16,600**	15,321	14,150
Minority interest	**6**	27	30
Shareholders equity	**26,869**	30,334	20,592
Liabilites and shareholders equity	**53,023**	57,271	47,018
Hydro s investments and advances	**11,499**	9,687	7,211

14. PREPAID PENSION, INVESTMENTS AND NON-CURRENT ASSETS

Amounts in NOK million	**2002**	2001
Goodwill for consolidated subsidiaries, less accumulated amortization	**1,217**	1,265
Intangible assets, less accumulated amortization	**1,967**	786
Total intangible assets	**3,184**	2,051
Prepaid pension (Note 20)	**4,989**	4,599
Available-for-sale securities at fair value [1)]	**19**	62
Other investments at cost	**2,948**	1,868
Non-current assets	**3,941**	3,056
Total prepaid pension, investments and non-current assets	**11,897**	9,585
Total - US GAAP	**15,081**	11,636
Total prepaid pension, investments and non-current assets	***11,897***	*9,585*
Adjustments [2)] (Note 27)	***(303)***	*(419)*
Total prepaid pension, investments and non-current assets - N GAAP	***11,594***	*9,166[1)]*

1) As of 31 December, 2002 and 2001, available-for-sale securities at cost amounted to NOK 4 million. Unrealized holding gain as of 31 December, 2002 and 2001, was NOK 15 million and NOK 58 million, respectively.

2) The difference consists of fair value adjustment for cash flow hedge instruments, unrealized gain on available for sale securities, and unrealized gain on freestanding derivatives.

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15. PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Land-based Activities						
	Land	Machinery and Equipment	Buildings	Plant under construction	Other	E&P [1]	Total
Cost:							
Cost 31.12.2001	912	53,883	16,079	3,149	772	115,697	190,492
Additions at cost	877	13,019	3,652	6,213	2	14,145	37,908
Retirements	(55)	(4,996)	(1,891)	(68)		(2,079)	(9,089)
Transfers		1,976	307	(2,323)		40	
Foreign currency translation	(154)	(4,713)	(1,130)	(250)		(1,504)	(7,751)
Balance 31.12.2002	**1,580**	**59,169**	**17,017**	**6,721**	**774**	**126,299**	**211,560**
Depreciation:							
Balance 31.12.2001		(37,748)	(9,060)		(263)	(48,144)	(95,215)
Depreciation, depletion and amortization [2]		(4,034)	(602)		(39)	(8,553)	(13,228)
Retirements		4,420	1,239			407	6,066
Foreign currency translation and transfers		2,427	359			373	3,159
Balance 31.12.2002		**(34,935)**	**(8,064)**		**(302)**	**(55,917)**	**(99,218)**
Net Book Value:							
Balance 31.12.2001	912	16,135	7,019	3,149	509	67,553	95,277[3]
Balance 31.12.2002	**1,580**	**24,234**	**8,953**	**6,721**	**472**	**70,382**	**112,342**[3]

1) Includes land-based activities for Exploration and Production (E&P).

2) Impairment losses for 2002, 2001 and 2000 were NOK 398 million, NOK 396 million and NOK 141 million, respectively. In 2001 additional impairment losses of NOK 261 million was recorded as restructuring cost. The fair value of the impaired asset was generally estimated by discounting the expected future cash flows of the individual assets. During the three years ended 31 December 2002, impairment was generally indicated as the result of current period cash flow losses, combined with a history of losses, or a significant change in the manner in which the asset is to be used.

3) Includes NOK 173 million and NOK 176 million related to capital leases for 2002 and 2001 respectively.

16. GOODWILL AND INTANGIBLES

Intangible Assets

Amounts in NOK million	Finite Useful Life	Indefinite Useful Life	Total

Cost:			
Cost 31.12.2001	1,889		1,889
Additions at cost	1,560	5	1,565
Disposals	(225)		(225)
Foreign currency translation and transfers	60		60
Accumulated amortization 31.12.2002	(1,605)		(1,605)
Net book value 31.12.2002	**1,679**	**5**	**1,684**

Amortization of intangibles of NOK 397 million and NOK 294 million were recorded for 2002 and 2001, respectively. Estimated amortization expense in million NOK for the next five years is 2003 - 447; 2004 - 399; 2005 - 345; 2006 - 175; 2007 - 145.

Proforma information

The following table reconciles the reported Earnings Before Interest Expenses and Taxes (EBIT), reported net income, and reported earnings per share to that which would have resulted for the years ended December 31, 2001 and 2000 assuming SFAS 142 were adopted on January 1, 2000.

NOK million, except per share data	**2002**	2001	2000
Earnings before interest expenses and taxes (EBIT)	**21,511**	25,074	34,046
Goodwill amortization		178	238
Pro forma EBIT	**21,511**	25,252	34,284
Net income	**8,765**	7,892	13,981
Goodwill amortization (after tax)		178	238
Pro forma net income	**8,765**	8,070	14,219
Reported earnings per share	**34.00**	30.50	53.40
Goodwill amortization per share		0.70	0.90
Pro forma earnings per share	**34.00**	31.20	54.30

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Goodwill

NOK million	**Extrusion and Automotive**	**Other**	**Total**
Balance at December 31, 2001	1,042	223	1,265
Goodwill acquired	200	128	328
Impairment loss		(52)	(52)
Currency translation effect	(255)	(20)	(275)
Other	31	(80)	(49)
Balance at December 31, 2002	**1,018**	**199**	**1,217**
Amortization of goodwill N GAAP	*(142)*	*(19)*	*(161)*
Foreign currency translation N GAAP	*15*		*15*
Balance at December 31, 2002 N GAAP	***891***	***180***	***1,071***

Original cost of goodwill at 31 December 2002 was NOK 1,896 million. Accumulated amortization of goodwill for N GAAP amounted to NOK 825 million.

Hydro incurred a NOK 52 million goodwill impairment charge in the Other Activities segment related to KFK s divestment of its feed and grain activity. Impairment exists when the carrying amount of goodwill exceeds its fair value. The contract sale price of KFK s feed and grain activity was lower then the recorded book value.

17. BANK LOANS AND OTHER INTEREST BEARING SHORT-TERM DEBT

	Weighted Average Interest Rates			
Amounts in NOK million	**2002**	2001	**2002**	2001
Bank loans and overdraft facilities	**4.7%**	6.5%	**3,011**	3,428
Commercial paper	**3.5%**	3.8%	**20**	8
Other	**4.3%**	4.2%	**4,275**	5,022
Total bank loans and other interest-bearing short-term debt			**7,306**	8,458

As of 31 December, 2002, Norsk Hydro ASA had unused short-term credit facilities with various banks totaling approximately NOK 2,825 million. The interest rate for withdrawals under these facilities is based on the inter-bank interest rate for the relevant currency plus a margin depending on the currency.

18. OTHER CURRENT LIABILITIES

Amounts in NOK million	**2002**	2001
Accounts payable	**14,732**	12,190
Income taxes payable	**8,646**	7,697
Payroll and value added taxes	**3,106**	2,622
Accrued liabilities	**8,839**	8,578
Other liabilities	**3,008**	1,158
Total other current liabilities	**38,331**	32,245

19. LONG-TERM DEBT

Substantially all unsecured debenture bonds and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bondholders and lenders. Certain of the debenture bond agreements contain provisions allowing Hydro to call the debt prior to its final redemption date at par or at certain specified premiums.

Long-term debt payable in various currencies

	Weighted Average Interest	Denominated Amount	Balance in NOK	
Amounts in million	Rates	**2002**	**2002**	2001
USD	7.4%	**2,935**	**20,390**	26,462
NOK	6.9%	**2,180**	**2,180**	3,830
GBP	7.5%	**325**	**3,641**	4,243
EUR	6.3%	**400**	**2,915**	3,192
Other			**17**	
Total unsecured debenture bonds:			**29,143**	37,727
USD	6.1%	**11**	**81**	193
SEK	5.5%	**1,000**	**795**	860
EUR	3.5%	**61**	**479**	23
Other			**142**	263
Total unsecured bank loans:			**1,497**	1,339
Capital lease obligations			**122**	174
Mortgage loans			**1,400**	171
Other long-term debt			**698**	408

Outstanding debt			**32,860**	39,819
Less: Current portion			**(1,958)**	(1,966)
Total long-term debt			**30,902**	37,853

As of 31 December, 2002 the fair value of long-term debt, including the current portion, was NOK 37,794 million and the carrying value was NOK 32,860 million.

Foreign currency swaps are not reflected in the table above. (See Note 24).

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Payments on long-term debt fall due as follows

Amounts in 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.

Norsk Hydro ASA has entered into long-term committed stand-by credit facility agreements with several international banks for a total amount of USD 1,925 million. Of this amount, USD 350 million expires in 2007, and the remainder in 2009. There are no borrowings under these facilities as of 31 December, 2002. Average commitment fee on these facilities is 0.15 percent.

20. EMPLOYEE RETIREMENT PLANS

PENSION BENEFITS

Norsk Hydro ASA and many of its subsidiaries have defined benefit retirement plans which cover substantially all of their employees. Plan benefits are generally based on years of service and final salary levels. Some subsidiaries have defined contribution or multiemployer plans.

The pension plan assets had the following investment profile at the end of 2002: equity securities 30 percent, bonds 39 percent, real estate 19 percent and other 12 percent. The corresponding profile at the end of 2001 was: equity securities 41 percent, bonds 32 percent, real estate 17 percent and other 10 percent.

Net periodic pension cost

Amounts in NOK million	**2002**	2001	2000
Defined benefit plans:			

Benefits earned during the year, net of participants contributions	**610**	543	528
Interest cost on prior period benefit obligation	**1,314**	1,087	1,004
Expected return on plan assets	**(1,265)**	(1,373)	(1,412)
Recognized loss (gain)	**58**	(11)	(69)
Amortization of prior service cost	**145**	151	258
Amortization of net transition asset	**(58)**	(57)	(57)
Curtailment loss	**119**	117	19
Settlement loss (gain)	**(4)**	1	(48)
Net periodic pension cost	**919**	458	223
Defined contribution plans	**48**	57	51
Multiemployer plans	**21**	8	14
Termination benefits and other	**598**	978	446
Total net periodic pension cost	**1,586**	1,501	734
Change in the additional minimum pension liability included within other comprehensive income	**472**	553	132

Change in projected benefit obligation (PBO)

Amounts in NOK million	**2002**	2001
Projected benefit obligation at beginning of year	**(17,620)**	(15,660)
Benefits earned during the year	**(627)**	(560)
Interest cost on prior period benefit obligation	**(1,314)**	(1,087)
Actuarial loss	**(2,722)**	(1,058)
Plan amendments	**49**	(178)
Benefits paid	**912**	728
Curtailment loss	**(39)**	(10)
Settlements	**8**	58
Special termination benefits	**(187)**	
Business combinations	**(2,993)**	
Divestments	**6**	57
Foreign currency translation	**813**	90
Projected benefit obligation at end of year	**(23,714)**	(17,620)

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Change in pension plan assets

Amounts in NOK million	2002	2001
Fair value of plan assets at beginning of year	**16,876**	18,372
Actual return on plan assets	**(1,119)**	(755)
Company contributions	**648**	69
Plan participants contributions	**17**	17
Benefits paid	**(686)**	(640)
Settlements	**(8)**	(50)
Divestments	**(9)**	(61)
Foreign currency translation	**(597)**	(76)
Fair value of plan assets at end of year	**15,122**	16,876

Status of pension plans reconciled to balance sheet

Amounts in NOK million	2002	2001
Defined benefit plans:		
Funded status of the plans at end of year	**(8,592)**	(744)
Unrecognized net loss	**6,854**	1,903
Unrecognized prior service cost	**1,398**	1,708
Unrecognized net transition asset	**(6)**	(64)
Net prepaid (accrued) pension recognized	**(346)**	2,803
Termination benefits and other	**(1,516)**	(1,388)
Total net prepaid (accrued) pension recognized	**(1,862)**	1,415
Amounts recognized in the balance sheet consist of:		
Prepaid pension	**4,989**	4,599
Accrued pension liabilities	**(8,385)**	(4,215)
Intangible asset	**283**	251
Accumulated other comprehensive income	**1,251**	780
Net amount recognized	**(1,862)**	1,415

Weighted-average assumptions at end of year:

	2002	2001
Discount rate	**6.6%**	7.0%
Expected return on plan assets	**7.7%**	8.0%
Rate of compensation increase	**3.4%**	3.0%

Plans in which the accumulated benefit obligation exceeds plan assets:

Amounts in NOK million	**2002**	2001
Projected benefit obligation	**11,075**	4,800
Accumulated benefit obligation (ABO)	**9,693**	3,847
Plan assets	**3,380**	1,281

In 2002, Hydro incurred a curtailment loss of NOK 119 million. This charge includes a curtailment loss resulting from an agreement between Hydro and an external party, to transfer Hydro s operatorship of certain licenses on the Norwegian continental shelf to the external party, including the transfer of employment for 535 employees, as of 1 January, 2003.

In 2001, Hydro s Norwegian activities incurred termination benefit costs of NOK 654 million and a curtailment loss of NOK 116 million. These charges included costs to improve competitiveness for certain Norwegian operations, and curtailment loss resulting from the termination of primary production of magnesium in Norway.

Effective 1 January, 2000, certain Norwegian plans amended their plan benefit formulas as to provide for indexation of pension benefits. The resulting prior service cost of NOK 1,654 million is being amortized on a straight-line basis over the employees average remaining service period.

OTHER RETIREMENT BENEFITS

Hydro has unfunded retiree medical and life insurance plans for certain of its employees outside Norway. The net periodic post retirement cost was NOK 19 million in 2002. In 2001 the net periodic post retirement cost was NOK 46 million, whilst in 2000 the net periodic post retirement income was NOK 11 million, as a result of a curtailment gain related to employees in Great Britain. The post retirement liability was NOK 226 million and NOK 266 million as of 31 December, 2002 and 2001, respectively.

21. CONTINGENCIES AND OTHER LONG-TERM LIABILITIES

Hydro is subject to changing environmental laws and regulations that in the future may require the company to modernize technology to meet more stringent emissions standards or to take actions for contaminated areas. As of 31 December, 2002 and 2001, Hydro had accrued NOK million 795 and NOK 268 million, respectively, for corrective environmental measures. The corresponding expense was NOK 115 million in 2002 compared to NOK 58 million and NOK 46 million in 2001 and 2000, respectively.

The net present value of Hydro s share of the estimated total future cost of decommissioning and abandonment relating to off-shore installations is NOK 4.6 billion. As of 31 December, 2002, Hydro had accrued NOK 2,131 million for decommissioning and abandonment costs using the unit-of-production method. The accrual was NOK 2,110 million as of 31 December, 2001.

Decommissioning and abandonment expense were NOK 233 million, NOK 365 million and NOK 450 million

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in 2002, 2001 and 2000, respectively. Hydro s future expenses for these corrective environmental measures are affected by a number of uncertainties including, but not limited to, the method and extent of corrective action. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Hydro s major production facilities and product storage terminals. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

Hydro is involved in or threatened with various other legal, tax and environmental matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Amounts in NOK million	**2002**	2001
Other long-term liabilities:		
Insurance premiums and loss reserves	**842**	846
Accruals abandonment costs Offshore	**1,115**	1,127
Accruals decommissioning costs Offshore	**1,016**	983
Postretirement benefits other than pension	**226**	266
Derivatives	**336**	621
Other	**2,713**	2,069
Total US GAAP	**6,248**	5,912
Adjustment to N GAAP Cash Flow hedge (Note 27)	***1,100***	*(228)*
Total N Gaap	***7,348***	*5,684*

22. SECURED DEBT AND GUARANTEES

Amounts in NOK million	**2002**	2001
Amount of secured debt	**65**	255
Assets used as security:		
Plant and equipment, etc.	**134**	131
Buildings	**280**	679
Other	**13**	16
Total	**427**	826
Guarantees (off-balance sheet):		
Contingency for discounted bills	**160**	144
Guarantees of debt	**1,315**	905
Tax guarantees	**936**	
Indirect guarantees	**8,722**	5,757
Total	**11,133**	6,806

Guarantees of debt include stand-by letters of credit, letters of credit and other direct guarantees of debt. Hydro could be required to perform in event of the default of the guaranteed entity. Tax guarantees include guarantees to tax authorities regarding the non-taxable treatment on gains on internal sales of assets. The amounts could become taxable if certain assets are sold outside the group. Indirect guarantees include payment and performance guarantees made by parent companies on behalf of their subsidiaries for the purpose of utilizing Hydro s credit standing in terms with suppliers, customers and lenders. There are no material recourse provisions related to these guarantees. The amounts in the table above reflect the maximum potential amount of future payments.

Following the asset exchange between Hydro and Petro-Canada in 1996, Hydro guaranteed that the total recoverable reserves attributable to Petro-Canada s working interest in the Veslefrikk field shall not be less than a certain quantified amount of crude oil. If less, Hydro has an obligation to deliver indemnity volumes to Petro-Canada. During 2002 there was a new evaluation of reserves in accordance with the agreement which resulted in compensation to Petro-Canada. The agreement was renegotiated in 2002 and is open for the possibility of reevaluating the reserves in 2008, 2014 and at the end of the field s lifetime. The guarantee does not apply in cases of force majeure, the failure of the operator to comply with good oil field practices, etc. As of 31 December, 2002, the remaining guaranteed volume was 1.3 million Sm^3 of crude oil, equivalent to approximately NOK 1,760 million.

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23. CONTRACTUAL AND OTHER COMMITMENTS FOR FUTURE INVESTMENTS AND OPERATIONS

As of 31 December, 2002:	Investments		
Amounts in NOK million	**2003**	**Thereafter**	**Total**
Contract commitments for investments in property, plant and equipment:			
Land based	2,568	527	3,095
Oil and gas fields and transport systems	5,639	8,658	14,297
Total	8,207	9,185	17,392
Additional authorized future investments in property, plant and equipment:			
Land based	1,419	976	2,395
Oil and gas fields and transport systems	187	577	764
Total	1,606	1,553	3,159
Contract commitments for other future investments:	163	125	288

Additional authorized future investments include projects formally approved for development by the Board of Directors or management given the authority to approve such investments. General investment budgets are excluded from these amounts.

Hydro has entered into take-or-pay and long-term contracts providing for future payments to secure pipeline and transportation capacity, processing services, raw materials and electricity and steam. In addition, Hydro has entered into long-term sales commitments to deliver goods. This principally relates to obligations to deliver gas from fields on the Norwegian Continental Shelf for a total amount of NOK 142.1 billion.

The non-cancelable future fixed and determinable obligation as of 31 December, 2002 is as follows:

Take-or-pay and Long-term contracts

Amounts in NOK million	Transport and Other	Raw materials	Energy related	Sale commitments
2003	643	3,108	1,321	(10,097)

2004	1,102	2,043	1,197	(8,975)
2005	1,059	1,795	1,178	(7,867)
2006	868	1,329	1,452	(8,381)
2007	809	403	1,497	(8,495)
Thereafter	4,770	1,239	17,992	(110,594)
Total	9,251	9,917	24,637	(154,409)

Terms of certain of these agreements include additional charges covering variable operating expenses in addition to the fixed and determinable component shown above.

In addition, Hydro has contracted to purchase 26.3 million tonnes of alumina over the next 12 years with variable prices referenced to the London Metal Exchange quoted prices.

The total purchases under the take-or-pay agreements and long-term contracts were as follows (in NOK million): 2002 4,511; 2001 2,687 and 2000 2,523.

24. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Effective 1 January, 2001, Hydro adopted SFAS 133 Accounting for Derivative Instruments and Hedging Activities, as amended, which requires that all derivative instruments be reported on the balance sheet at fair value. Changes in the fair values of derivative instruments are recorded to earnings unless specific hedge criteria are met. The cumulative effect of adopting SFAS 133 did not result in a material impact to Hydro s income statement or to Other Comprehensive Income (OCI).

Hydro is exposed to market risks from commodity pricing, currency exchange rates and interest rates. Different market risk exposures are evaluated based on a portfolio view in order to take advantage of offsetting positions and to manage risk on a net exposure basis. Periodically, Hydro uses derivative or nonderivative instruments in order to hedge the company s various net exposures as well as designating derivative and nonderivative instruments as hedges of specific exposures.

Commodity Price Risk Exposure

Hydro s revenues are substantially derived from the sale of commodities such as crude oil, aluminium and fertilizers. Hydro also buys and sells natural gas and electricity. The prices in these commodity markets are volatile and create significant market risk exposures. Hydro uses commodity derivatives, such as commodity futures or forwards, options and swaps, to manage unfavorable price fluctuations and also for a limited amount of speculative trading.

Oil

Hydro utilizes futures, physical and financial swaps and options with international oil and trading companies to mitigate unwanted price exposure for a portion of its crude oil portfolio. The fair value of these instruments at 31 December, 2002 and 2001 were NOK 44 million and

NOK 9 million in assets and NOK 32 million and NOK 13 million in liabilities, respectively. Hydro has purchased average rate put options (Asian options) for a notional volume of 10 million barrels in the first half of

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2003 with an average strike price of US dollar 17 per barrel. These options were not designated as hedging instruments and were recorded at fair value; as an asset of NOK 1 million and NOK 114 million in 2002 and 2001, respectively. Gains and losses on these instruments are recognized in earnings.

Aluminium

Hydro has entered into a number of London Metal Exchange (LME) futures and currency forward contracts as part of a cash flow hedge program of forecasted primary aluminium sales in the period 2003-2007. The intent is to secure an average LME price of approximately NOK 14,000 per tonne of primary aluminium. As of 31 December, 2002, Hydro had sold forward about 480,000 tonnes (490,000 tonnes in 2001) of primary aluminium at an average price of approximately US dollar 1,500 per tonne. In addition Hydro has secured the exchange rate against the US dollar at about NOK 9.3 per US dollar for the same tonnage. Gains and losses on these derivatives are recorded to OCI and are to be reclassified into operating revenues when the corresponding forecasted sale of aluminium is recognized. No amount of ineffectiveness was recognized in 2002 and 2001 since the critical terms of the commodity derivatives and the forecasted aluminium sales are substantially similar. A gain after tax of NOK 37 million is expected to be reclassified from OCI into earnings during the period ending 31 December, 2003. No amount was reclassified from OCI to earnings during 2002. As of 31 December, 2002 the maximum length of time over which the Company is hedging its exposure to the variability in cash flows is five years. The fair value of the LME future contracts at 31 December, 2002 was NOK 380 million. The fair value of these contracts at 31 December, 2001 were recorded as an asset of NOK 254 million and a liability of NOK 36 million. The fair value of the currency forward contracts at 31 December, 2002 and 2001 were an asset of NOK 1,102 million and a liability of NOK 192 million, respectively.

In 2001, Hydro terminated a hedging program that included LME future contracts designated as cash flow hedges of primary aluminium sales for 2001-2003. Hydro also terminated aluminium call options and written put options, which were not designated as hedges. Termination of the options resulted in a before tax loss of NOK 545 million charged to operating income. At 31 December, 2001, the after tax gains on the LME futures of NOK 97 million (USD 13 million) were deferred in OCI. During 2002 a gain after tax of NOK 57 million (USD 7 million) was reclassified from OCI to Operating revenues. As of 31 December, 2002, a deferred gain after tax of NOK 40 million (USD 6 million) remained in OCI and is expected to be reclassified to earnings over the next twelve months.

Hydro has a 10 year commitment with Aluvale to purchase remelt ingot. Hydro utilizes LME futures as a fair value hedge of the firm commitment to buy aluminium for the period until 2006. Gains and losses on these futures contracts are recognized in Operating costs and expenses offsetting the gain and loss recorded for the firm commitment in the same period. The critical terms of the LME futures and the related purchase commitments are essentially the same; as a result no hedge ineffectiveness was reflected in earnings in 2002 and 2001. The fair value of the future contracts designated as fair value hedges was recorded as an asset of NOK 15 million and NOK 22 million in 2002 and 2001, respectively.

Hydro has significant trading activities related to aluminium. The risk related to these trading activities are managed on a portfolio basis and Hydro periodically uses aluminium futures to provide an economic hedge of net exposure. Hydro engages in some speculative trading within strict limits set by management. The fair value of these future contracts at 31 December, 2002 and 2001 were NOK 543 million and NOK 349 million in assets and NOK 214 and NOK 10 million in liabilities, respectively.

Other

Hydro uses forward and future contracts to provide an economic hedge of exposure to commodity price risk related to purchases and sales of natural gas and electricity. These contracts provide an economic hedge for net exposures, but do not qualify for hedge accounting. Contracts related to natural gas were recorded at fair value at 31 December, 2002 and 2001 of NOK 457 million and NOK 585 million in assets and NOK 440 million and NOK 532 million in liabilities, respectively. Gains and losses on these contracts were recorded in earnings. The electricity contracts fair value was recorded at 31 December, 2002 and 2001 as an asset of NOK 1,935 million and NOK 180 million and a liability of NOK 1,123 million and NOK 207, respectively. Hydro also engages in a limited amount of speculative trading.

Foreign Currency Risk Exposure

A substantial part of Hydro s revenue derives from commodities with prices denominated in US dollar. Hydro partly manages this exposure to US dollar by maintaining a large portion of the total debt denominated in US dollar. Hydro also has exposures in many other currencies as a result of its global operations. Hydro utilizes derivative instruments, such as currency forward contracts and currency swaps to manage exposure to currency risk.

Aluminium

Hydro has entered into currency forward contracts to sell US dollar and buy NOK as part of a cash flow hedge of

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forecasted US dollar revenues on the sale of primary aluminium in the period from 2003 2007. The notional amount of the contracts is approximately US dollar 720 million (750 million in 2001) at a rate of NOK 9.3 per US dollar. These contracts are entered into in combination with selling aluminium future contracts, as discussed in the preceding section Commodity Price Risk , in order to lock in the price in NOK of about NOK 14,000 per tonne on future primary aluminium sales. The gains or losses on these derivatives are recorded to OCI and subsequently reclassified into operating revenues to match recognition of the forecasted sales in 2003 2007. The critical terms of the currency forward contracts and the forecasted transactions are substantially similar, so no ineffectiveness has been recorded in earnings in 2001. A gain after tax of NOK 148 million is expected to be reclassified from OCI into earnings during the period ended 31 December, 2003. No amount was reclassified from OCI to earnings during 2002. As of 31 December, 2002 the maximum length of time over which the entity is hedging its exposure to the variability in cash flows is five years. The fair value of the contracts were recorded as an asset of NOK 1,102 million in 2002 and a liability of NOK 192 million in 2001.

Net Investment Hedging

In order to further mitigate its exposure to foreign currency risk, Hydro has designated a portion of its foreign-denominated long-term debt, including certain related balances in currencies arising from foreign currency swaps and forwards, as hedges of net foreign investments in subsidiary companies. The foreign currency effects of these hedges reflected in the cumulative translation section of shareholders equity produced a NOK 1,333 million and NOK 89 million after-tax gain during the years ended 31 December, 2002 and 2001, respectively; offsetting a foreign currency translation loss of NOK 7,027 million and NOK 794 million in shareholders equity for 2002 and 2001 respectively.

Other

Hydro has also entered into a number of forward currency contracts that do not meet the hedge accounting criteria as shown in the table below. In addition the company has entered into currency swaps and other types of financial contracts. The contracts mentioned above are utilized to balance net exposures in certain currencies or to provide liquidity in one currency in exchange for excess liquidity in another. The fair value of these contracts at 31 December, 2002 and 2001 were NOK 691 million and NOK 247 million in assets and NOK 188 million and NOK 63 million in liabilities, respectively. Currency swaps and other contracts represented an asset value of NOK 15 million and NOK 10 million in 2002 and 2001, respectively.

The following forward currency contracts listed below were outstanding as of 31 December, 2002. All amounts represent the fair market value of the contracts in the respective currencies. Forward currency contracts that are designated as hedging instruments in cash flow hedges are not included.

	In currency		In NOK	
Amounts in million	**Buy**	**Sell**	**Buy**	**Sell**
USD	527	(224)	3,530	(1,522)

NOK	5,020	(603)	5,020	(603)
EUR	47	(135)	337	(981)
GBP	55	(45)	613	(502)
SEK		(2,350)		(1,860)
DKK		(1,340)		(1,310)
CAD	194	(470)	790	(2,064)
Other				(1,330)
Total			10,290	(10,172)

Interest Rate Exposures

Hydro s risk management objective for interest rate risk is to minimize exposure to variability of cash flows arising from changes in interest rates. Hydro achieves this objective primarily by maintaining a high ratio of fixed-interest rate debt to total debt. Derivatives, such as interest rate swaps and currency swaps, are periodically used to alter the ratio of fixed-rate to variable-rate debt. No interest rate derivatives are currently designated as hedging instruments.

Hydro has two interest rate swaps with offsetting terms. These swaps represented at fair market value, an asset and a liability of NOK 15 million and NOK 30 million for 2002 and 2001, respectively. Furthermore, Hydro has a sold swaption contract whereby the counterparty has a right to enter into an interest rate swap under which Hydro will receive a fixed interest while paying a variable interest rate. The contract was recorded as an asset of NOK 1 million in 2002 and as a liability of NOK 16 million in 2001.

As of 31 December, 2002, Hydro has entered into a sales leaseback agreement on a production floating ship that stores crude oil. The lease payments contain an inflation adjustment factor that represents an embedded derivative. The fair value of the embedded derivative at 31 December, 2002 was recorded as a liability of NOK 24 million.

Credit Risk

Credit risk arising from the inability of the counterparty to meet the terms of Hydro s derivative financial instrument contracts is generally limited to amounts, if any, by which the counterparty s obligations exceed the obligations of Hydro. It is Hydro s policy to enter into derivative financial instruments with various international banks with established limits for transactions with each

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institution. Therefore, Hydro does not expect to incur material credit losses on its risk management or other derivative financial instruments.

Hydro also has some exposure to credit risk related to derivative commodity instruments. However, this risk is significantly limited because most instruments are settled through commodity exchanges. Hydro limits credit risks relating to other contracts with policies for credit ratings and limits for counterparties.

Concentration of credit risk is not considerated significant since Hydro s customers represents various industries and geographic areas.

The following types of financial and commodity derivatives were recorded at fair value on the balance sheet as of 31 December, 2002 and 2001:

Amounts in NOK million	**2002**	2001
Assets:		
Currency forwards and swaps	**691**	247
Interest rate swap	**15**	30
Swaption contract	**1**	
ptions, crude oil	**1**	114
Swaps and futures, crude oil	**44**	9
Electricity contracts	**1,935**	180
Natural gas contracts	**457**	585
Aluminium futures, swaps and options	**543**	349
Fair value hedging instruments, aluminium	**15**	22
Cash flow hedging instruments, aluminium	**380**	254
Cash flow hedging instruments, currency	**1,102**	
Total	**5,184**	1,790

Amounts in NOK million	**2002**	**2001**
Liabilities:		
Currency forwards and swaps	**188**	63
Interest rate swap	**15**	30
Swaption contract		16
Electricity contracts	**1,123**	207
Natural gas contracts	**440**	532
Embedded derivative	**24**	
Swaps and futures, crude oil	**32**	13
Aluminium futures, swaps and options	**214**	10
Cash flow hedging instruments, aluminium		36
Cash flow hedging instruments, currency		192
Total	**2,036**	1,099

25. EXTERNAL AUDIT REMUNERATION

Deloitte & Touche AS is the principal auditor of Norsk Hydro ASA. Certain portions of audits are performed by Ernst & Young and other firms. The following table shows total audit and non-audit fees for the fiscal year 2002.

Amounts in NOK thousand	Audit fee	Audit related services	Other non-audit services	Tax fee	Total
Deloitte & Touche Norway	17,472	6,986	10,157	485	35,100
Deloitte & Touche Abroad	27,588	9,505	14,419	8,915	60,427
Total Deloitte & Touche	45,060	16,491	24,576	9,400	95,527
Ernst & Young	15,682	405	4,213	842	21,142
Others	3,735	6,812	554	200	11,301
Total fees	64,477	23,708	29,343	10,442	127,970

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26. SUPPLEMENTARY OIL AND GAS INFORMATION (UNAUDITED)

COSTS INCURRED ON OIL AND GAS PROPERTIES

Exploration costs and costs related to property acquisition

	Norway			International			Total		
Amounts in NOK million	**2002**	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Capitalized at beginning of year	**977**	874	1,158	**1,749**	309	254	**2,726**	1,183	1,412
Costs incurred during the year	**662**	928	916	**1,833**	1,090	883	**2,495**	2,018	1,799
Acquisition cost [1)]			9	**35**	1,234		**35**	1,234	9
Expensed	**(649)**	(770)	(934)	**(2,909)**	(630)	(767)	**(3,558)**	(1,400)	(1,701)
Transferred to development	**(78)**	(52)	(275)	**(25)**	(125)	(61)	**(103)**	(177)	(336)
Disposals	**(75)**	(3)		**(9)**	(124)	(8)	**(84)**	(127)	(8)
Foreign currency translation				**(113)**	(5)	8	**(113)**	(5)	8
Capitalized at end of year	**837**	977	874	**561**	1,749	309	**1,398**	2,726	1,183

1) 2001 mainly related to acquisition of exploration rights in Africa and USA. See Note 2.

Costs related to Development, Transportation Systems and Other

	Norway			International			Total		
Amounts in NOK million	**2002**	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Net book value at beginning of year	**56,711**	58,472	62,324	**8,117**	6,360	9,650	**64,828**	64,832	71,974
Cost incurred during the year [1)]	**6,923**	5,591	6,058	**1,299**	2,172	1,868	**8,222**	7,763	7,926
Acquisition cost [2)]	**5,460**		(2,383)			1,125	**5,460**		(1,258)
Transferred from exploration cost	**78**	52	275	**25**	125	61	**103**	177	336
Amortization	**(7,278)**	(7,098)	(6,883)	**(1,275)**	(326)	(711)	**(8,553)**	(7,424)	(7,594)
Disposals [3)]	**(72)**	(306)	(919)	**(2)**	1	(6,370)	**(74)**	(305)	(7,289)
Foreign currency translation				**(1,002)**	(215)	737	**(1,002)**	(215)	737

Net book value at end of year	**61,822**	56,711	58,472	**7,162**	8,117	6,360	**68,984**	64,828	64,832

1) In 2002, NOK 508 million, NOK 254 million and NOK 501 million of development cost related to activities in Angola, Canada and Russia respectively. In 2001, NOK 903 million, NOK 742 million and NOK 441 million of development costs related to activities in Angola, Canada and Russia respectively. In 2000, NOK 966 million and NOK 627 million of development costs related to activities in Canada and Angola respectively. In addition, NOK 100 million and NOK 93 million related to activities in the UK and Russia.

2) In 2002, NOK 5,460 million relates to the acquisition of shares in SDFI. 2000 includes adjustment to the allocation of purchase price for Saga of NOK (1,275) million.

3) 2000 included the disposals of Hydro s activities on the British Continental Shelf.

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RESULTS OF OPERATIONS FOR OIL AND GAS PRODUCING ACTIVITIES

As required by SFAS 69, the revenues and expenses included in the following table reflect only those relating to the oil and gas producing operations of Hydro.

The results of operations should not be equated to net income since no deduction nor allocation is made for interest costs, general corporate overhead costs, and other costs. Income tax expense is a theoretical computation based on the statutory tax rates after giving effect to the effects of uplift and permanent differences only.

	Norway			International			Total		
Amounts in NOK million	**2002**	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Sales to unaffiliated customers	**6,693**	5,486	5,581	**3,520**	1,133	2,468	**10,213**	6,619	8,049
Intercompany transfers	**21,532**	24,915	25,791				**21,532**	24,915	25,791
Total revenues	**28,225**	30,401	31,372	**3,520**	1,133	2,468	**31,745**	31,534	33,840
Operating costs and expenses:									
Production costs	**3,554**	3,494	3,099	**406**	206	305	**3,960**	3,700	3,404
Exploration expenses	**649**	770	934	**2,909**	630	767	**3,558**	1,400	1,701
Depreciation, depletion and amortization	**6,826**	6,738	6,601	**1,315**	360	768	**8,141**	7,098	7,369
Transportation systems[1)]	**1,629**	1,379	1,091	**139**	125	134	**1,768**	1,504	1,225
Total expenses	**12,658**	12,381	11,725	**4,769**	1,321	1,974	**17,427**	13,702	13,699
Results of operations before taxes	**15,567**	18,020	19,647	**(1,249)**	(188)	494	**14,318**	17,832	20,141
Current and deferred income tax expense	**(11,733)**	(13,916)	(15,198)	**374**	(21)	(188)	**(11,359)**	(13,937)	(15,386)
Results of operations	**3,834**	4,104	4,449	**(875)**	(209)	306	**2,959**	3,895	4,755

1) In 2002, Hydro has changed presentation of transportation cost and transportation tariffs to be reported separately. Previous periods are restated to be comparable.

PROVED RESERVES OF OIL AND GAS

Proved reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are expected to be recovered from undrilled production wells on exploration licenses. Reserves are expected to be revised as oil and gas are produced and additional data become available. International reserves under PSA contracts (production sharing agreement) are shown net of

Royalities and Government s share of Profit Oil.

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	Norway			**International**			**Total**		
		Natural gas			**Natural gas**			**Natural gas**	
	Oil mmboe [1]	**billion Sm^3**	**billion cf** [2]	**Oil mmboe** [1]	**billion Sm^3**	**billion cf** [2]	**Oil mmboe** [1]	**billion Sm^3**	**billion cf** [2]
As of 31 December, 1999 [6]	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 31 December, 2000 [6]	820	169.7	6,004	156			976	169.7	6,004
Revisions of previous estimates [3]	87	0.3	11	16			103	0.3	11
Purchase (sale)/exchange of reserves in place [4]	(1)						(1)		
Extensions and new discoveries [5]	33	4.6	162	27			60	4.6	162
Production for the year	(114)	(5.4)	(191)	(6)			(120)	(5.4)	(191)
As of 31 December, 2001 [6] [7]	825	169.2	5,986	193			1,018	169.2	5,986
Revisions of previous estimates [3]	**46**	**(0.2)**	**(7)**	**(19)**			**27**	**(0.2)**	**(7)**
Purchase (sale)/exchange of reserves in place [4]	**109**	**12.1**	**428**				**109**	**12.1**	**428**
Extensions and new discoveries [5]	**20**	**12.7**	**449**	**16**			**36**	**12.7**	**449**
Production for the year	**(117)**	**(6.4)**	**(227)**	**(18)**			**(135)**	**(6.4)**	**(227)**
As of 31 December, 2002 [6] [7]	**883**	**187.4**	**6,629**	**172**			**1,055**	**187.4**	**6,629**
Proved developed reserves:									
As of 31 December, 1999	500	69.1	2,444	74	6.0	211	574	75.1	2,655
As of 31 December, 2000	555	103.0	3,644	33			588	103.0	3,644
As of 31 December, 2001	564	103.7	3,669	62			626	103.7	3,669
As of 31 December, 2002	**559**	**124.8**	**4,416**	**93**			**652**	**124.8**	**4,416**

1) Includes crude oil and NGL/Condensate. All volumes are calculated based on the Norwegian Petroleum Directorate s current conversion factors.

2) cf: cubic feet

3) The revision of previous estimates relates to new information from current year s drilling operations and additional data which is now available. Included is also an PSA effect for the fields in Angola, Libya and Russia.

4) In 2002 the change in reserves was due to acquisition of SDFI assets and 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 UK portfolio. The increase in Norway was due to increased ownership interest in the Grane field and purchase of reserves in the Tune field.

5) In 2002, extensions and new discoveries for oil were related to the snøhvit and Vigdis fields in Norway, the Hibernia and Terra Nova fields in Canada, the Murzuq field in Libya and the Jasmim field in Angola. Extensions and new discoveries for gas were related to the Vigdis, Byggve and Skirne fields in Norway. In 2001, extensions and new discoveries for oil were related to the Kristin, Mikkel and Sigyn fields in Norway, Rosa/Lirio and Jasmim fields in Angola. Extensions and new discoveries for gas were also related to the Kristin, Mikkel and Sigyn fields in Norway. In 2000, extensions and new discoveries for oil were related to the Fram, Glitne and STUJ (a neighboring structure to the Tordis field) field in Norway, and the Dalia field in Angola. Extensions and new discoveries for gas were related to the Fram and STUJ (a neighboring structure to the Tordis field) fields.

6) Reserve estimates in Norway are made before royalties of approximately 1.6, 2.1 and 3.8 million barrels of oil equivalents for 2002, 2001 and 2000, respectively.

7) In 2002, reserve estimates included 172 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. In 2001, reserve estimates included 193 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. The decrease in 2002 is dominated by the PSA effect which represents a reduction of 22 millions boe for the fields in Angola and Russia.

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US GAAP STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS AND CHANGES THEREIN RELATING TO PROVED OIL AND GAS RESERVES

The standardized measure of discounted future net cash flows of Hydro s proved reserves of oil (including natural gas liquids and condensate) and gas is prepared in compliance with SFAS 69.

Future net cash flows are based on numerous assumptions which may or may not be realized. The Management of Hydro cautions against relying on the information presented because of the highly arbitrary nature of assumptions involved and susceptibility of estimates to change as new and more accurate data become available. The individual components of future net cash flows shown below were computed using prices, production costs, development costs, royalty levels, foreign exchange rates, statutory tax rates and estimated proved reserve quantities at the respective year ends.

	Norway			International			Total		
Amounts in NOK million	**2002**	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Future cash inflows	**351,200**	308,600	364,200	**34,800**	31,200	30,900	**386,000**	339,800	395,100
Future production costs	**(81,000)**	(59,700)	(63,300)	**(6,400)**	(9,400)	(7,100)	**(87,400)**	(69,100)	(70,400)
Future development costs	**(27,200)**	(22,800)	(21,400)	**(6,300)**	(7,700)	(6,600)	**(33,500)**	(30,500)	(28,000)
Future income tax expense	**(172,700)**	(160,800)	(206,800)	**(6,800)**	(3,200)	(4,300)	**(179,500)**	(164,000)	(211,100)
Future net cash flows	**70,300**	65,300	72,700	**15,300**	10,900	12,900	**85,600**	76,200	85,600
Less: 10% annual discount for estimated timing of cash flows	**(26,400)**	(27,300)	(26,500)	**(4,900)**	(4,700)	(4,900)	**(31,300)**	(32,000)	(31,400)
Standardized measure of discounted future net cash flows	**43,900**	38,000	46,200	**10,400**	6,200	8,000	**54,300**	44,200	54,200

Major Sources of Changes in the Standardized Measure of Discounted Future Net Cash Flows

Amounts in NOK million	**2002**	2001	2000
Net changes in prices and production costs	**23,700**	(29,900)	43,200
Sales and transfers of oil and gas produced, net of production costs	**(26,200)**	(27,300)	(30,300)
Extensions, unitizations, discoveries and improved recovery, net of related costs	**5,500**	5,700	8,400
Purchase/Exchange of interests in fields	**15,900**		1,500
Sale/Exchange of interests in fields	**(300)**	(200)	(5,800)
Changes in estimated development costs	**(8,300)**	(7,900)	(6,700)
Development costs incurred during the year	**7,600**	7,500	6,400
Net change in income taxes	**(13,400)**	30,200	(19,900)
Accretion of discount	**3,700**	4,700	3,100

Revisions of previous reserve quantity estimates	**1,900**	7,000	6,100
Other		200	
Total change in the standardized measure during the year	**10,100**	(10,000)	6,000

AVERAGE SALES PRICE AND PRODUCTION COST PER UNIT

The following table presents the average sales price (including transfers) and production costs per unit of crude oil and natural gas, net of reductions in respect of royalty payments:

	Norway			International			Total		
Amounts in NOK	**2002**	2001	2000	**2002**	2001	2000	**2002**	2001	2000
Average Sales Price									
crude oil (per barrel)	**194.33**	217.32	248.80	**193.74**	215.03	219.60	**194.24**	217.20	246.40
natural gas (per Sm^3)	**0.95**	1.21	1.00			0.78	**0.95**	1.21	0.98
Average production cost [1)] (per boe)	**22.50**	23.60	22.20	**23.10**	38.00	26.10	**22.60**	24.10	22.50

1) Average production cost no longer include operating cost transportation system. Previous calculations are restated according to this.

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27. SUMMARY OF DIFFERENCES IN ACCOUNTING POLICIES AND RECONCILIATION OF US GAAP TO N GAAP

The financial statements prepared in accordance with accounting principles generally accepted in Norway presented on pages 88-90, differ in certain respects from US GAAP. Currently the differences are immaterial for Hydro. A reconciliation of net income and shareholders equity from US GAAP to Norwegian principles (N GAAP) and a description of these differences follow. The lines with a note reference reflect the variance between the US GAAP balance in that note and the N GAAP balance.

Reconciliation of US GAAP to N GAAP

Net income:

Amounts in NOK million	Notes	**2002**	2001	2000
Operating revenues US GAAP		**162,936**	152,835	156,861
Adjustments for N GAAP:				
Change in unrealized losses (gains) commodity derivative instruments		**9**	134	
Operating revenues N GAAP		**162,945**	152,969	156,861
Operating costs and expenses US GAAP		**143,095**	131,752	128,395
Adjustments for N GAAP:				
Change in unrealized gains (losses) commodity derivative instruments		**(129)**	180	(13)
Amortization goodwill	16	**161**		
Other adjustments				(2)
Operating income before financial and other income N GAAP		**19,818**	21,037	28,481
Equity in net income of non-consolidated investees US GAAP		**33**	566	672
Adjustments for N GAAP:				
Amortization goodwill non-consolidated investees		**(10)**		
Interest income and other financial income		**1,418**	2,847	1,747
Other income, net		**219**	578	3,161
Earnings before interest expense and taxes (EBIT) N GAAP		**21,478**	25,028	34,061
Interest expense and foreign exchange gain (loss)		**517**	(3,609)	(3,905)
Income before taxes and minority interest N GAAP		**21,995**	21,419	30,156
Income tax expense US GAAP		**(13,278)**	(13,750)	(16,178)
Adjustments for N GAAP:	10	**(50)**	17	(10)
Net income N GAAP		**8,667**	7,686	13,968

Minority interest		**15**	177	18
Net income after minority interest N GAAP		**8,682**	7,863	13,986

Shareholders equity:

Amounts in NOK million	Notes	**2002**	2001	2000
Shareholders equity US GAAP		**75,867**	74,793	71,227
Unrealized gains commodity derivative instruments current and long-term (a)		**36**	(106)	(59)
Cash Flow hedge current and long-term (a)		**(1,548)**	(188)	
Unrealized gain on securities (b)	13	**(15)**	(58)	
Accumulated amortization goodwill (c)	16,14	**(154)**		
Deferred tax assets and liabilities current and long-term (d)	10	**414**	96	10
Dividends payable (e)		**(2,709)**	(2,576)	(2,470)
Minority Interest (f)		**1,143**	1,051	1,419
Shareholders equity N GAAP		**73,034**	73,012	70,127

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Explanation of major differences between N GAAP and US GAAP

(a) Derivative commodity contracts: Under N GAAP, unrealized gains and losses for commodity derivative instruments that are not hedge designated, and that are not traded on a liquid, regulated market, are netted for each portfolio and net unrealized gains are not recognized. For US GAAP, unrealized gains and losses are recorded to operating revenue for sales contracts or operating cost for purchase contracts. The instruments are accounted for as assets or liabilities at fair value.

For N GAAP, cash flow hedges with derivative instruments are not recognized on the balance sheet or income statement, until the underlying hedged transactions actually occur. Under US GAAP, such instruments are accounted for as assets or liabilities as appropriate, at their fair value. Gains and losses on the hedging instruments are deferred in Other Comprehensive Income until the underlying transaction is recognized in earnings

(b) Unrealized holding gain (loss) on securities: Under N GAAP, long-term marketable equity and debt securities are carried at the lower of historical cost or market value. Under US GAAP, securities are carried at fair value and unrealized holding gains or losses are included in other comprehensive income, net of tax effects, for available-for-sale securities.

(c) Amortization of goodwill: Goodwill is amortized under N GAAP. Beginning 1 January, 2002, US GAAP does not allow amortization of goodwill, but requires that goodwill must be reviewed at least annually for impairment.

(d) Deferred taxes: Under N GAAP, deferred taxes are recorded based upon the liability method similar to US GAAP. Differences occur primarily because items accounted for differently under US GAAP also have deferred tax effects. Under N GAAP, deferred tax assets and liabilities for each tax entity are netted and classified as a long-term liability or asset. A reconciliation of the current and long-term temporary differences giving rise to the N GAAP deferred tax asset and liability is provided in Note 10.

Classification between current and long-term for US GAAP is determined by the classification of the related asset or liability giving rise to the temporary difference. For each tax entity, deferred tax assets and liabilities are offset within the respective current or long-term groups and presented as a single amount.

(e) Dividends payable: For N GAAP, dividends proposed at the end of the year which will be declared and paid in the following year are recorded as a reduction to equity and as debt.

For US GAAP, equity is reduced when dividends are declared.

(f) Minority Interest: For N GAAP shareholders equity is presented including minority interest. In US GAAP shareholders equity is presented excluding minority interest.

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INCOME STATEMENTS

Amounts in NOK million	Notes	**2002**	2001
Operating revenues		**2,689**	4,496
Raw materials and energy costs		**1,201**	3,100
Change in inventories of own production		**(2)**	(28)
Payroll and related costs	2, 3	**989**	623
Depreciation, depletion and amortization	4	**43**	74
Other		**1,732**	1,674
Total operating costs and expenses		**3,963**	5,443
Operating income		**(1,274)**	(947)
Financial income, net	5	**3,994**	14,478
Other income	5	**3,368**	
Income before taxes		**6,088**	**13,531**
Current tax expense	6	**112**	(174)
Deferred tax benefit	6	**82**	330
Net income		**6,282**	**13,687**
Appropriation of net income and equity transfers:			
Dividend proposed		**(2,709)**	(2,576)
Distributable equity		**(3,573)**	(11,111)
Total appropriation		**(6,282)**	(13,687)

STATEMENTS OF CASH FLOWS

Net income	**6,282**	13,687
Depreciation, depletion and amortization	**43**	74
Loss (gain) on sale of non-current assets	**(3,257)**	38
Other adjustments	**(8,924)**	(5,366)
Net cash provided by (used in) operating activities	**(5,856)**	8,433
Investments in subsidiaries	**(3,386)**	(693)
Sale of subsidiaries	**21,801**	(20)
Net purchases of other investments	**(1,847)**	(225)
Net cash provided by (used in) investing activities	**16,568**	(938)

Dividends paid	**(2,576)**	(2,470)
Other financing activities, net	**(30,383)**	852
Net cash used in financing activities	**(32,959)**	(1,618)
Foreign currency effects on cash flow	**(196)**	(19)
Net increase (decrease) in cash and cash equivalents	**(22,443)**	5,858
Cash and cash equivalents 01.01	**25,240**	19,382
Cash and cash equivalents 31.12	**2,797**	25,240

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

Amounts in NOK million	Notes	31 December, 2002	2001
BALANCE SHEETS			
ASSETS			
Intangible assets		**2**	3
Property, plant and equipment	4	**263**	260
Shares in subsidiaries	7	**34,200**	49,430
Intercompany receivables		**35,502**	29,819
Non-consolidated investees	8	**988**	975
Prepaid pension, investments and other non-current assets	2,9	**6,806**	4,976
Total financial non-current assets		**77,496**	85,200
Inventories	9	**51**	238
Accounts receivable, less allowances of 36 and 54		**83**	168
Intercompany receivables		**29,846**	34,397
Prepaid expenses and other current assets		**3,564**	2,137
Cash and cash equivalents		**2,797**	25,240
Current assets		**36,341**	62,180
Total assets		**114,102**	147,643
LIABILITIES AND SHAREHOLDERS EQUITY			
Paid-in capital:			
Share capital 266,596,650 at NOK 20	11	**5,332**	5,332
Treasury stock 8,636,118 at NOK 20		**(173)**	(179)
Paid-in premium		**15,055**	15,055
Other paid-in capital		**33**	15
Retained earnings:			
Retained earnings		**25,115**	21,541
Treasury stock		**(2,879)**	(2,988)
Shareholders equity		**42,483**	38,776

Deferred tax liabilities	6	**921**	998
Other long-term liabilities		**2,241**	1,944
Long-term liabilities		**3,162**	2,942
Intercompany payables		**1,315**	106
Other long-term interest-bearing debt		**28,457**	36,843
Long-term debt		**29,772**	36,949
Bank loans and other interest-bearing short-term debt	9	**3,677**	3,511
Dividends payable		**2,709**	2,576
Intercompany payables		**27,908**	58,101
Current portion of long-term debt		**1,770**	1,779
Other current liabilities		**2,621**	3,009
Current liabilities		**38,685**	68,976
Total liabilities and shareholders equity		**114,102**	147,643

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NORSK HYDRO ASA notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Norsk Hydro ASA are prepared in accordance with accounting principles generally accepted in Norway (N GAAP).

Hydro s general accounting policies are presented in Note 1 to the consolidated financial statements on pages 91-96. See Note 27 on pages 124 and 125 for an additional clarification of the major differences in accordance with N GAAP compared with US GAAP.

Shares in subsidiaries and non-consolidated investees are in Norsk Hydro ASA s financial statements presented according to the cost method. Group relief received is included in dividends from subsidiaries.

Movements in paid-in capital is described in Note 3 to the consolidated financial statements.

For information about risk management in Norsk Hydro ASA see Note 24 in Notes to the consolidated financial statements and the Risk Management discussion in the Operating and Financial Review and Prospects section of this report. The information given in Note 19 in Notes to the consolidated financial statements on payments on long-term debt also applies to Norsk Hydro ASA.

Norsk Hydro ASA provides financing to most of the subsidiary companies in Norway as well as abroad. All employees working for Norsk Hydro Produksjon AS are employed by Norsk Hydro ASA.

2. EMPLOYEE RETIREMENT PLANS

Norsk Hydro ASA is affiliated with the Hydro Group s Norwegian pension plans that are administered by Norsk Hydro s independent pension trust. The assets managed by Norsk Hydro s independent pension trust had the following investment profile at the end of 2002: Equity securities 26 percent, bonds 36 percent, real estate 24 percent and other 14 percent. The corresponding profile at the end of 2001 was: Equity securities 36 percent, bonds 30 percent, real estate 23 percent and other 11 percent.

Norsk Hydro ASA s employee retirement plans covered 14,538 participants as of 31 December, 2002 and 14,249 participants as of 31 December, 2001.

Net periodic pension cost

Amounts in NOK million	**2002**	**2001**

Defined benefit plans:		
Benefits earned during the year.	**362**	334
Interest cost on prior period benefit obligation	**620**	540
Expected return on plan assets	**(674)**	(707)
Recognized net loss	**61**	45
Amortization of prior service cost	**77**	83
Amortization of net transition asset	**(45)**	(44)
Curtailment loss	**160**	116
Net periodic pension cost	**561**	367
Termination benefits and other	**218**	442
Total net periodic pension cost	**779**	809

Change in projected benefit obligation (PBO)

Amounts in NOK million	**2002**	2001
Projected benefit obligation at beginning of year	**(8,509)**	(6,973)
Benefits earned during the year	**(362)**	(334)
Interest cost on prior period benefit obligation	**(620)**	(540)
Actuarial loss	**(1,800)**	(865)
Plan amendments	**63**	(150)
Benefits paid	**334**	314
Curtailment loss	**(26)**	(10)
Settlements	**44**	49
Special termination benefits	**(170)**	
Projected benefit obligation at end of year	**(11,046)**	(8,509)

Change in pension plan assets

Amounts in NOK million	**2002**	2001
Fair value of plan assets at beginning of year	**8,085**	9,005
Actual return on plan assets	**(614)**	(595)
Company contributions	**500**	
Benefits paid	**(294)**	(276)
Settlements	**(26)**	(49)
Fair value of plan assets at end of year	**7,651**	8,085

Status of pension plans reconciled to balance sheet

Amounts in NOK million	**2002**	2001
Defined benefit plans:		
Funded status of the plans at end of year	**(3,395)**	(424)
Unrecognized net loss	**5,103**	2,076
Unrecognized prior service cost	**735**	1,008
Unrecognized net transition asset	**(4)**	(48)
Net prepaid pension recognized	**2,439**	2,612
Termination benefits and other	**(644)**	(792)
Total net prepaid pension recognized	**1,795**	1,820

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NORSK HYDRO ASA notes to the financial statements

Amounts recognized in the balance sheet consist of:

Prepaid pension	**3,808**	3,441
Accrued pension liabilities	**(2,013)**	(1,621)
Net amount recognized	**1,795**	1,820

Assumptions at end of year

	2002	2001
Discount rate	**7.0%**	7.5%
Expected return on plan assets	**8.0%**	8.5%
Expected salary increase	**4.0%**	3.5%
Expected pension increase	**3.5%**	2.5%

See Note 20 in Notes to the consolidated financial statements for further information.

3. REMUNERATIONS AND OTHER

Remuneration of the members of the corporate assembly and the board of directors was NOK 434,000 and NOK 2,271,000, respectively. The president s salary and other benefits totaled NOK 4,432,000 in 2002 and NOK 3,935,000 in 2001. Remuneration to the president for 2001 includes remuneration to Egil Myklebust in the first four months of 2001 as a Board member.

The president is entitled to retire at 62 years of age with a pension benefit representing 65 percent of his salary. The company s employment contract with the president provides that, in the event that employment terminates, he has the right to salary and the accrual of pension rights for a three year period. The company s obligation can be reduced by salary received or pension rights accrued from other sources. His employment can, at certain conditions continue after retirement as president.

The present Board Chairman retired as president in May 2001. He continued to be employed by the company in accordance with his employment contract from 1991. Total salary and other benefits, exclusive of remuneration as Board Chairman, amounted to NOK 3,676,000 for 2002. In addition he has pension rights in accordance with Hydro s normal pension scheme with a 65 year retirement age and a pension based on 65 percent of basis salary.

On 14 June 2002, the Board approved a new stock option plan for corporate officers and certain key employees, in addition to expanding the existing subsidized share-purchase plan for employees. Refer to note 4 in Notes to the consolidated financial statements for a description of stock based compensation. In addition, there is established a stronger element of performance rewards in Hydro s compensation system: a bonus linked to achieving performance goals in the business plans for various units in Hydro. The bonus is limited to a maximum of one month s salary per year for employees. For approximately 100 managers with substantial responsibility for performance, the bonus is limited to a maximum of two months salary. For top management around 30 persons the bonus is limited to a maximum of three months salary. For the president the board decided in 2002 to increase the upper limit of the bonus to six months salary for 2003 with possible payment in 2004. Performance goals established eliminates effects of price variations of the company s main products and foreign exchange fluctuations. It is the actual improvements of Hydro s activities that will be measured and rewarded. Thorleif Enger, a member of the Corporate Management Board, received in 2002 a bonus in connection with achieved performance targets for Agri in 2001. The bonus amounted to NOK 306,000. No other senior management received a bonus for 2001. The bonus to the President for 2002, to be paid in 2003, amounts to NOK 630,000.

Partners and employees of Hydro s appointed independent auditors, Deloitte & Touche AS, own no shares in Norsk Hydro ASA or any of its subsidiaries. Fees in 2002 to Deloitte & Touche AS for ordinary audit were NOK 4,950,000 for Norsk Hydro ASA and NOK 12,522,000 for the Norwegian subsidiaries. Fees for audit-related services were NOK 2,599,000 for Norsk Hydro ASA and NOK 4,387,000 for the Norwegian subsidiaries. Fees for other services were NOK 1,157,000 for Norsk Hydro ASA and NOK 4,761,000 for the Norwegian subsidiaries. Deloitte Consulting AS, an affiliate company of Deloitte & Touche AS in Norway, has provided services to Hydro in the amount of NOK 4,724,000 of which NOK 800,000 was allocated to Norsk Hydro ASA and the remaining amount for the Norwegian subsidiaries.

For 2002, the estimated adjustment to the tax basis (consolidated RISK) of shares for shareholders in Norsk Hydro ASA is a positive amount of NOK 14.90 per share.

Members of the board of directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for in the company s articles of association and Norwegian law. The company has no significant contracts in which a board member has a material interest.

In 2002, the average number of employees in the Group was 42,615, compared to 36,867 for 2001. The

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corresponding figure for the parent company was 8,309 employees in 2002 versus 9,148 in 2001. A substantial part of the employees in Norsk Hydro ASA are engaged in activities for other Group companies. The costs for these employees are accounted for on a net basis reducing Payroll and related costs.

Amounts in NOK million	**2002**	2001
Payroll and related costs:		
Salaries	4,974	4,888
Social security costs	797	713
Social benefits	201	43
Net periodic pension costs (Note 2)	779	809
Internal invoicing of payroll related costs	(5,762)	(5,830)
Total	989	623

Total loans to the company s employees, members of the corporate assembly and board of directors as of 31 December, 2002 are NOK 983 million. All loans are given in accordance with general market terms. Loans given to members of the Board and their number of shares owned as of 31 December, 2002 are:

	Loans outstanding [1)]	**Number of shares**
Egil Myklebust	2,450	4,244
Borger A. Lenth		144
Gudmund Per Olsen	28	791
Anne Cath. Høeg Rasmussen		1,014
Odd Semstrøm	53	75
Per Wold		858

1) Amounts in NOK thousands. All loans granted prior to July 30, 2002.

Members, observers and deputy members of the corporate assembly owning ordinary shares as of 31 December, 2002 are:

	Number of shares
Erna Flattum Berg	155
Roy Brenden	31
Sjur Bøyum	858
Anne-Margrethe Firing	167
Jan Einar Forsmo	60
Solveig Frøynes	105
Kjell Furseth	234
Geir Hansen	29

Westye Høegh	16,212
Oddvar Karlsen	173
Leena M. Klaveness	101
Kjell Kvinge	145
Sylvi A. Lem	150
Jon-Arne Mo	176
Jarle Molde	120
Geir Nilsen	1
John-Arne Nilsen	109
Nils-Egil Nilsen	29
Roy Rudberg	89
Rune Strande	34
Anne Merete Steensland	2,272
Sven Ullring	26
Morten Ødegard	139
Kjell Aamot	30
Svein Aaser	1,872

Loans to senior management as of 31 December, 2002 and their ownership of shares and options (see Note 4, page 99) are:

	Loans outstanding [1]	**Number of shares**	**Options**
Eivind Reiten		6,987	20,000
Alexandra Bech	269	872	9,000
Thorleif Enger		16,838	14,000
John O. Otterstad	667	8,184	9,000
Jon-Harald Nilsen	227	216	14,000
Tore Torvund	460	3,532	14,000

Outstanding loan particulars: [2]	**Interest**	**Loan repayments**	**Amount**
Alexandra Bech	7.0%	5-15 years	269
John O.Otterstad	7.0%	5-15 years	667
Jon-Harald Nilsen	7.0%	5-15 years	227
Tore Torvund	7.0%	5-15 years	460

1) Amounts in NOK thousands. All loans granted prior to July 30, 2002.

2) Each member of senior management has, in addition, minor interest-free loans for shares and/or PC equipment, in accordance with the company s terms for employees.

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NORSK HYDRO ASA notes to the financial statements

4. PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Machinery, etc	Buildings	Plant under construction	Other	Total
Cost 31.12.2001	306	188	58	19	571
Additions at cost	57	3	20		80
Retirements	(66)	(102)			(168)
Transfers	16	17	(33)		
Accumulated depreciation 31.12.2002	(178)	(42)			(220)
Net book value 31.12.2002	**135**	**64**	**45**	**19**	**263**
Depreciation in 2002	**(38)**	**(3)**			**(41)** [1]

[1] In addition, amortization of intangible assets amounts to NOK 2 million.

5. FINANCIAL INCOME AND EXPENSE, AND OTHER INCOME

Amounts in NOK million	2002	2001
Dividends from subsidiaries	**3,405**	14,934
Dividends from non-consolidated investees	**61**	56
Interest from group companies	**3,856**	4,183
Other interest income	**781**	1,880
Interest paid to group companies	**(1,432)**	(3,584)
Other interest expense	**(2,430)**	(3,161)
Other financial income, net	**(247)**	170
Financial income, net	**3,994**	14,478

Other income for 2002 was NOK 3,368 million, whereof NOK 3,342 million relates to the sale of Norsk Hydro Sverige AS to Norsk Hydro Produksjon AS. There was no Other income in 2001.

6. INCOME TAXES

The tax effect of temporary differences resulting in the deferred tax assets (liabilities) and the change in temporary differences are:

Amounts in NOK million	Temporary differences			
	Tax effected		Change	
	2002	2001	**2002**	2001
Short-term items	**36**	84	**(57)**	(381)
Write-down on shares	**(633)**	(652)	**68**	(17)
Prepaid pension	**(1,066)**	(964)	**(356)**	59
Pension liabilities	**564**	454	**399**	1,037
Other long-term	**178**	80	**239**	14
Deferred tax liabilities	**(921)**	(998)		
Change for year			**293**	712

Change in temporary differences for 2001 includes the effect of the liquidation of a subsidiary in Great Britan.

Reconciliation of nominal statutory tax rate to effective tax rate.

Amounts in NOK million	**2002**	2001
Income (loss) before taxes	**6,088**	13,531
Expected income taxes at statutory tax rate	**1,704**	3,789
Tax free income	**(1,027)**	(42)
Dividend exclusion	**(702)**	(3,583)
Effect of liquidation subsidary		(139)
Non-deductible expenses and other, net	**(169)**	(181)
Income tax expense	**(194)**	(156)
Effective tax rate	**(3.19%)**	(1.15%)

See Note 10 in Notes to the consolidated financial statements for further information

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7. SHARES IN SUBSIDIARIES

Company name:		Percentage of shares owned by Norsk Hydro	Total share capital of the company (1,000 s)		Book value 31.12.2002 (in NOK 1,000 s)
Oil and Energy:	Norsk Hydro Kraft OY	100	EUR	34	269
	Norsk Hydro Technology Ventures AS	100	NOK	6,000	70,150
	Norsk Hydro Electrolysers AS	100	NOK	4,000	4,300
Aluminium:	Hydro Aluminium AS	100	NOK	2,167,001	4,866,019
	Norsk Hydro Magnesiumgesellschaft mbH [1)]	2	EUR	512	179
	Hydro Aluminium Acro [2)]	24.30	BRL	64,179	50,391
Agri:	Hydro Agri Hellas S.A.	100	EUR	264	2,277
	Djupvasskaia AS	100	NOK	1,000	9,205
	Hydro Agri Argentina S.A.	100	USD	33,012	275,199
	Hydro Agri Colombia Ltda.	100	COP	4,842,549	16,749
	Hydro Agri Russland AS	100	NOK	21,200	21,200
	Hydro Agri Uruguay S.A.	100	USD	1,005	7,231
	Hydro Agri Venezuela C.A.	60	VEB	363,000	125
	Hydro Nordic, S.A.	100	GTQ	8,500	24,259
	Hydroship a.s	100	NOK	280,000	280,000
	Hydroship Services AS	100	NOK	1,039	1,039
	Norensacados C.A.	60	VEB	15,000	140
	Norsk Hydro Chile S.A.	100	CLP	944,820	13,071
	Norsk Hydro (Far East) Ltd.	100	HKD	50	60
	Ceylon Oxygen Ltd.	70.85	LKR	90,000	29,575
	Okledyh Management AS	93.20	NOK	139	9,565
	Hydro Wax AS	100	NOK	3,750	3,750
	Hydro Gas and Chemicals AS	100	NOK	15,100	49,416
	Gellyfeed AS	100	NOK	1,500	1,515
	Hydro Agri Norge AS	100	NOK	400,000	1,500,000
	Hydro Agri Rus Ltd.	100	RUB	54,158	21,789
Other activities:	Hydro Pronova AS	100	NOK	59,644	846,634
	Industriforsikring AS	100	NOK	20,000	20,000
	Norsk Bulk AB	100	SEK	102	2,551
	Retroplast AS	100	NOK	50	18,826
	Grenland Industriutvikling AS	100	NOK	51,750	60,950
	Hydro Porsgrunn Eiendomsforvaltning AS	100	NOK	2,500	5,500
Corporate:	Norsk Hydro Plastic Pipe AS	100	NOK	10,000	91,472
	Norsk Hydro Asia Pte. Ltd.	100	SGD	243,145	1,114,364
	Norsk Hydro Brasil Ltda.	100	BRL	46,976	135,544
	Norsk Hydro Danmark AS	100	DKK	1,002,000	4,515,523
	Hydro Aluminium Deutschland GmbH	100	EUR	56,242	1,089,938
	Norsk Hydros Handelsselskap AS	100	NOK	1,000	1,000
	Norsk Hydro Produksjon AS	100	NOK	200,000	18,811,324
	Norsk Hydro Russland AS	100	NOK	19,000	19,000
	Norsk Hydro Americas, Inc.	100	USD	30,000	209,917
Total					34,200,016

The foreign currency designation indicates country of domicile. Percentage of shares owned equals percentage of voting shares owned. A number of the above-mentioned companies also own shares in other companies as specified in their annual reports.

1) The company is owned 98 percent by Hydro Aluminium Deutschland GmbH and 2 percent by Norsk Hydro ASA.

2) The company is owned 68.3 percent by Norsk Hydro Brasil Ltda., 7.4 percent of a subsidiary of Norsk Hydro Produksjon AS and 24.3 percent by Norsk Hydro ASA.

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NORSK HYDRO ASA notes to the financial statements

8. SHARES IN NON-CONSOLIDATED INVESTEES

The most significant investments in non-consolidated investees for Norsk Hydro ASA are (amounts in NOK million):

Name	Percentage owned (equals voting rights)	Country	Book value as of 31 December, 2002	Long-term advances	Total
Compania Industrial de Resinas Sinteticas - CIRES SA	26.2%	Portugal	100		100
Phosyn Plc.	35.0%	Great Britain	79		79
Hydro Agri Trade Maroc	50.0%	Marocco	71		71
Suzhou Huasu Plastics Co. Ltd.	31.8%	China	67	65	132
Qatar Fertilizer Company (S.A.Q.)	25.0%	Qatar	43		43
Scanraff [1)]	21.5%	Sweden		330	330
Other			93	140	233
Total			**453**	**535**	**988**

1) Indirectly owned by Norsk Hydro ASA.

9. SPECIFICATION OF BALANCE SHEET ITEMS

Amounts in NOK million	2002	2001
Prepaid pension, investments and other non-current assets:		
Other investments	**1,054**	397
Prepaid pension	**3,808**	3,441
Other non-current assets	**1,944**	1,138
Total	**6,806**	4,976
Inventories:		
Raw materials	**3**	157
Finished goods	**48**	81
Total	**51**	238
Bank loans and other short-term interest-bearing debt:		
Bank overdraft	**1,522**	1,042
Other interest-bearing debt	**2,155**	2,469
Total	**3,677**	3,511

10. GUARANTEES

Norsk Hydro ASA provides guarantees arising in the ordinary course of business including stand-by letters of credit, letters of credit, performance bonds and various payment or financial guarantees.

Amounts in NOK million	**2002**	2001
Guarantees (off-balance sheet):		
Guarantees of debt	**1,587**	1,577
Indirect guarantees	**7,616**	4,513
Total	**9,203**	6,090

11. NUMBER OF SHARES OUTSTANDING, SHAREHOLDERS, ETC.

The share capital of the company is NOK 5,331,933,000. It consists of 266,596,650 ordinary shares at NOK 20 per share. As of 31 December, 2002 the company had purchased 8,636,118 treasury stocks at a cost of NOK 3.1 billion. For further information on these issues see Note 3 in Notes to the consolidated financial statements.

Shareholders holding one percent or more of the total 257,960,532 shares outstanding as of 31 December, 2002 are according to information in the Norwegian securities registry system (Verdipapirsentralen):

Name	**Number of shares**
Ministry of Trade and Industry	116,832,770
Morgan Guaranty Trust Co. of NY [1)]	16,353,971
Folketrygdfondet	10,625,375
State Street Bank & Trust [2)]	9,920,497
JP Morgan Chase Bank [2)]	9,776,751
JP Morgan Chase Bank [2)]	4,555,000
Euroclear Bank SA	4,385,099
JP Morgan Chase Bank [2)]	4,064,000
JP Morgan Chase Bank [2)]	2,867,859

1) Representing American Depositary Shares.

2) Client accounts and similar.

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Independent auditor s report

To the annual general meeting of Norsk Hydro ASA

INDEPENDENT AUDITORS REPORT FOR N GAAP FINANCIAL STATEMENTS

We have audited the financial statements of Norsk Hydro ASA and its subsidiaries as of 31 December 2002, showing a profit of NOK 6,282 million for the parent company and a profit of NOK 8,667 million for the group. We have also audited the information in the Board of Directors report concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income. Financial statements comprise the balance sheet, the statement of income, the statement of cash flows, the accompanying notes and the group accounts. These financial statements, which are presented in accordance with accounting principles generally accepted in Norway, are the responsibility of the Company s Board of Directors and the Company s President. Our responsibility is to express an opinion on these financial statements and on certain other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards generally accepted in Norway. Auditing standards generally accepted in Norway require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards generally accepted in Norway, an audit also comprises a review of the management of the Company s financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements, as shown on page 88-90 and page 126, are prepared in accordance with the law and regulations and present fairly, in material respects, the financial position of the Company as of 31 December 2002 and the results of its operations and its cash flows for the period ended 31 December 2002, in accordance with accounting principles generally accepted in Norway;

- the Company s management has fulfilled its duty to maintain the Company s accounting process in such a proper and well-arranged manner that the accounting process is in accordance with the law and accounting practices generally accepted in Norway; and

- the information in the Board of Directors report, as shown on page 30-35, concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income is consistent with the financial statements and complies with the law and regulations.

Oslo, Norway, 28 February, 2003

DELOITTE & TOUCHE AS

Ingebret G. Hisdal - State Authorized Public Accountant,

(Norway)

To the annual general meeting of Norsk Hydro ASA

INDEPENDENT AUDITORS REPORT FOR US GAAP FINANCIAL STATEMENTS

We have audited the consolidated balance sheets of Norsk Hydro ASA and subsidiaries as of December 31, 2002 and 2001, and the related consolidated income statements, statements of comprehensive income, and cash flows for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements on pages 86-88 present fairly, in all material respects, the financial position of the Company as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Company changed it s method of accounting for derivatives in 2001 and goodwill and other intangible assets in 2002 to conform to newly adopted accounting principles.

Oslo, Norway, 28 February, 2003

DELOITTE & TOUCHE AS

Ingebret G. Hisdal State Authorized Public Accountant,

(Norway)

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Report for 2001

Hydro strengthened its position in 2001 through the successful implementation of several strategic measures that together equip the company to meet the challenges facing its three core areas: Oil and Energy, Aluminium and Agri.

2001 was, however, a challenging year for Hydro in terms of meeting its targets. This was mainly due to weaker market conditions, particularly for aluminium, but also reflects a somewhat slower rate of improvement than forecast within certain operations. Sharp focus continued, therefore, to be directed to improvements throughout the company during the year. A number of measures were implemented which shall lead to better operations and lower costs in the future, but which resulted in non-recurring costs for 2001.

At the start of the 2001, Hydro was in a good position to improve its results and increase value creation.

During the course of 2001, preparations were made for the purchase of the German aluminium company VAW. An agreement was signed in January 2002, and take-over is expected to take place during March, on approval from the competition authorities. This acquisition will give the company a new and stronger role in the global market for aluminium and aluminium products. Hydro will be one of the world s top three aluminium companies and the largest player in the European market. The board is very satisfied that the acquisition will proceed within a frame-work that provides a firm basis for increased value creation.

The board will direct considerable attention during the coming year to the development of Hydro Aluminium so that planned cost and market synergies are realized, with appropriate consideration for the company s customers and employees.

Hydro Aluminium continues to develop its metal supplier concept. This business model meets customers needs through supplies from a combination of its own plants, market positions and partnerships. During the course of the year, an extension of alumina production capacity was started in Alunorte in Brazil. Hydro also increased its ownership in Alunorte to approximately 32 percent. Extensive modernization and extension of the company s metal plant in Sunndalsøra was started, and a new remelt plant came into production in Spain. A decision was also taken to make a similar investment in a new remelt plant in Texas, USA. Downstream activities were enhanced through the board s decision in September to purchase the French company, Technal. Take-over occurred in January 2002, making Hydro the world leader in aluminium building systems.

Hydro s corporate assembly decided in October to close

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During the course of 2001, preparations were made for the purchase of the German aluminium company VAW. The acquisition will give Hydro a new and stronger role in the world market for aluminium and aluminium products. The company will be one of the world's three leading aluminium producers and the largest player in the European home market.

Picture of Egil Myklebust, chairman	Picture of Borger A. Lenth, vice chairman	Picture of Elisabeth Grieg
Picture of Anne Cathrine Høeg Rasmussen	Picture of Håkan Mogren	Picture of Ingvild Myhre
Picture of Gudmund Per Olsen	Picture of Odd Semstrøm	Picture of Per Wold

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down production of primary magnesium in Porsgrunn as a result of the extremely difficult market situation and unprofitable operations. Hydro will, however, continue to be a leading player in the magnesium sector through its activities in Norway, Germany, Canada and China.

Difficult market conditions are the main reason for the lower results from Light Metals compared to the previous year. The board believes, however, that the purchase of VAW, market positioning and a number of improvement measures, place Hydro s aluminium activities in a position to deliver better results; notwithstanding, the market prospects for the first half of 2002 are weak.

Hydro Oil and Energy made considerable progress during the year in increasing its international activities. The results so far include promising positions in Angola, where Hydro plays a central role in the exploration and production of considerable resources in ultra deep water. Production started in Canada on the large Terra Nova field in January 2002, and Hydro is one of the first foreign companies that has been given the opportunity to take part in national exploration projects in Iran. In July, the board approved the purchase of a number of exploration licenses in the Gulf of Mexico from Conoco. It was also decided that Hydro s interests in oil and gas fields in Libya shall be further developed within the company. Exploration results from these interests have so far been very positive.

All in all, these represent significant steps in the internationalization of our oil and energy operations. This development is highlighted by the fact that in 2001 the company invested more in international exploration than in the Norwegian continental shelf for the first time. This trend is expected to increase in the next few years.

Like the other players on the Norwegian continental shelf, Hydro has had somewhat lower oil production than originally estimated. The Norwegian continental shelf will, however, remain a core area for the company in the years to come. In January 2002, Hydro therefore submitted an offer for certain parts of the State Direct Financial Interest in the Norwegian shelf that the government has offered for sale. These interests are expected to be awarded during the course of April 2002.

Hydro s Agri Turnaround process was concluded with a highly satisfactory result. Both costs and manning levels have been reduced by over 30 percent since 1998, excluding purchased operations during this period. In addition, more than 30 production and market units have been sold or closed down. Throughout this process, Hydro has been a key player in the restructuring of the European fertilizer industry. At the same time, Agri has increased its business volume through interesting investments and partnership agreements in high growth markets outside Europe.

Hydro Agri s business model has resulted in a situation today where Hydro trades around 20 million tonnes of fertilizer on the world market, while its own production is around 11.5 million tonnes. The business model, which focuses on realizing gains throughout the entire plant nutrition value chain, provides considerable opportunity for optimizing value creation.

As a result of its position as the largest player in the global plant nutrition market, Hydro Agri was further strengthened during the year. Today Hydro Agri is one of the most profitable fertilizer companies in the world, and is in a good position for further developing the operation to give lasting and competitive profitability.

A key element in the company s strategy Focus for the future , which was drawn up in 1999, was the disposal of non-strategic assets amounting to at least NOK 10 billion before the end of 2001. This target was reached earlier than expected, and disposals amounting to approximately NOK 16 billion had been carried out by the end of 2001.

The efforts to find a suitable purchaser for the Petrochemicals operation will continue as part of the disposal process. At the same time, Hydro will further develop Petrochemicals within the current organization until an appropriate solution is found. The company will also seek buyers for the Korn-og Foderstofkompagniet and VAW s Flexible Packaging operation.

In 2000 the board decided to introduce rate of return targets based on cash return on gross investment (CROGI). In 2001, CROGI was 9.1 percent, while the equivalent figure for 2000 was 12.3 percent. The decline is mainly due to a considerably weaker market for aluminium products and lower oil prices. In addition, the 2000 result includes significant gains in connection with sales of operations.

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In order to better monitor the development of underlying operations, we have also calculated CROGI on normalized prices for the most important products. In 2000, the board expressed the ambition of CROGI based on normalized prices of 9.5 percent for 2001 and 10 percent for 2002. On the basis of normalized prices, CROGI was 8 percent in 2001. The company is expected to achieve CROGI based on normalized prices of between 8 and 9 percent in 2002. The board is committed to its target of delivering CROGI of 10 percent over a business cycle.

The company s debt/equity ratio, calculated as long-term interest-bearing debt divided by equity was 0.27 at the end of 2001 after adjustments for excess cash and cash equivalents. Once the acquisition of VAW and the possible acquisition of SDFI shares are completed, the ratio is expected to increase to around 0.7. The board has set the target of bringing the debt/equity ratio back down to 0.5 before the end of 2003.

The board s work concentrates on strategic and portfolio issues. The improvement work, that has been carried out since Focus for the future was announced in 1999, has given Hydro a sound basis from which to take part in further industrial development within its three core areas. The board will continue to seek solutions that give increased value creation for the company and its shareholders, including solutions which may involve alterations to the current corporate structure.

The board continued in 2001 its work on strengthening Corporate Governance. New guidelines have been developed for distribution of work and responsibility between the board and the administrative management. The work that has been completed so far has aimed at bringing Hydro s management systems up-to-date in accordance with international practice. The board will follow up this work to ensure that Hydro has effective and transparent management systems.

The company places great importance on contributing to sustainable development. This work is described in more detail on pages 34-41. The company will remain in the top league in terms of consideration for the environment and society, ensuring the safety of our employees and contractors, and creating products and production processes that are sustainable in the long-term. Our ambition is to ensure that growth and acceptable rates of return also contribute to solving environmental challenges and making positive contributions to the societies in which we operate. The board is, therefore, highly satisfied that Hydro is represented for the third year running in the Dow Jones Sustainability Index, and is also included in the new FTSE4Good index on the London Stock Exchange.

2001 FINANCIAL RESULTS

Norsk Hydro s net income after tax in 2001 was NOK 7,892 million, or NOK 30.50 per share, compared with NOK 13,981 million, or NOK 53.40 per share in 2000. Operating income of NOK 21,083 was roughly 26 percent below the record result in 2000. Income before tax and interest expense (EBITDA) fell by 19 percent. The results were affected by weaker markets and restructuring costs. The oil price was considerably lower than 2000, particularly towards the end of the year. In Light Metals, market conditions were difficult with reduced prices and volumes, especially in the second half of the year. Agri delivered good results, continuing to reduce costs while increasing market share.

The results for 2001 include gains from divestments, but on a lower scale than in the previous year. For 2001 these gains represented NOK 520 million after tax (NOK 2.00) per share. For 2000 they amounted to NOK 2,800 million after tax, or NOK 10.70 per share. The most significant amounts in 2001 relate to the sale of Hydro Seafood s UK operation, plus sales of electricity grid in Norway.

Earnings from non-consolidated investees were reduced by NOK 106 million to NOK 566 million, primarily as a result of foreign currency losses on alumina operations in Brazil, of which Hydro s share amounted to NOK 185 million.

Net financial expense was NOK 762 million, a reduction from NOK 2,158 million in 2000. The reduction reflects interest earned on the group s increased cash reserves plus somewhat lower currency losses than in the previous year.

The provision for current and deferred taxes was NOK 13,750 million, equivalent to approximately 64 percent of pretax income. The corresponding figures for 2000 were NOK 16,178 million and 54 percent. The increase in tax percentage is primarily due to the relative share of earnings generated by oil operations on the Norwegian continental shelf, where the marginal tax rate is 78 percent, being somewhat

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higher in 2001. In addition, tax expense for 2000 was largely influenced by gains from divestments.

Cash provided by operations amounted to NOK 26.2 billion, an increase of two percent compared to 2000. Net cash used for investment purposes was NOK 14.7 billion in 2001, compared with NOK 3.6 billion in 2000. Investments totaled approximately NOK 16 billion in both of these years, while cash flow in 2000 was positively impacted by the sale of operations and assets of NOK 12.7 billion.

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

For a more detailed description of the company s operations and their location, you are referred to the section on each core area.

REVIEW OF BUSINESS AREAS

OIL AND ENERGY

EBITDA in NOK million	**2001**	2000
Exploration and Production	**25,768**	28,656
Energy	**1,721**	1,745
Oil marketing	**115**	211
Eliminations		29
Total Hydro Oil and Energy	**27,604**	30,641

EBITDA for Oil and Energy was NOK 27,604 million, 10 percent lower than in 2000. The decline primarily results from average oil prices in Norwegian krone terms that were 12 percent lower than in 2000. The price of crude oil for the year averaged USD 24.2, compared with USD 28 in 2000. Hydro s production of oil and gas in 2001 was 421,000 barrels of oil equivalents per day, an increase from 416,000 barrels of oil equivalents in 2000. Hydro s remaining oil and gas reserves amounted to 2,073 million barrels of oil equivalents in 2001, compared with 2,040 million barrels of oil equivalents in 2000. Hydro s reserve replacement ratio in 2001 was approximately 122 percent. Power production in 2001 was somewhat lower than in 2000, but higher than in a normal year. Relatively high power prices compensated partially for lower volumes. The company s remaining electricity grid assets were sold, generating earnings of NOK 179 million. Lower refinery margins and volumes impacted negatively on results.

LIGHT METALS

EBITDA in NOK million	**2001**	2000
Aluminium Metal Products	**2,414**	3,744
Aluminium Extrusion	**767**	1,307
Other Light Metals	**(672)**	483
Eliminations	**34**	(33)
Total Hydro Light Metals	**2,543**	5,501

EBITDA for the Light Metals area was NOK 2,543 million, a fifty percent reduction compared to 2000. This business area experienced difficult market conditions, especially in the second half of the year. Pressured margins and total market volume reductions affected all parts of the operation. However the impact appeared first, and was most significant, in the extrusion sector and in automotive market supply. Continuing low prices for magnesium in Europe led to Hydro deciding to close down its primary magnesium production facility in Porsgrunn. This resulted in plant write-offs of NOK 261 million and other restructuring costs of NOK 700 million. Hydro also incurred losses on aluminium market options and futures in 2001. Total losses on these contracts amounted to NOK 545 million in 2001. There are currently no equivalent open positions and Hydro s policy has been amended so that such options will not be entered into in the future. Considerable improvement programs were implemented in Light Metals which, together with the synergies expected in connection with the VAW integration, are estimated to deliver a positive contribution to results towards the end of 2002 and in 2003.

AGRI

EBITDA in NOK million	**2001**	2000
Plant Nutrition	**3,774**	2,841
Gas and Chemicals	**628**	712
KFK	**350**	386
Eliminations	**17**	43
Total Hydro Agri	**4,769**	3,982

EBITDA for Agri was NOK 4,769 million, an increase of 20 percent compared to 2000. The increase occurred despite volume decreases as a result of seasonal variations between autumn 2000 and spring 2001, and the very special weather conditions in Europe in the spring of 2001 that led to lower total fertilizer consumption. The Hydro Agri Turnaround improvement program has brought about reduced costs and more efficient production, as the improved results clearly indicate. The workforce has been cut back by 3,750 persons and cost levels reduced by more than 30 percent when compared to the level in 1998, adjusted for acquisitions made during the period.

OTHER ACTIVITIES

PETROCHEMICALS

EBITDA for Petrochemicals resulted in a reduction of 45 percent down to NOK 363 million. Rationailization costs and costs relating to the demolishing and clean-up of one obsolete plant, amounting to NOK 225 million, were charged to the 2001 result. Nonrecurring costs in 2000 were NOK 173 million. Excluding nonrecurring costs, underlying results declined for 2001 primarily as a result of lower S-PVC prices. This was partly offset by higher caustic soda prices.

ECONOMIC CONDITIONS

World wide economic development suffered a downturn in 2001 with lower growth in industrialized countries, especially during the second half of the year. Prospects for the first part of 2002 indicate a continuing weak development in Hydro s most important markets. The OECD is expecting improvement during the second half of the year, though there still remains much uncertainty regarding the extent and timing of a possible upturn. Growth forecasts for 2003 are relatively optimistic for most industrial countries.

The weak development in 2002 will involve continued difficult market conditions for Hydro Aluminium and Petrochemicals during the first half of the year. A possible upswing in the international business environment during the second half of the year may contribute to a more positive development in demand in these markets. For aluminium, the potential re-start of idled production capacity in the USA may soften the market effect of any growth in demand. A weak international economic development will also curtail demand for oil globally and the consumption of natural gas in Europe. Crude oil price developments will depend on both the rate of growth in demand and the production restrictions implemented by OPEC and other oil producers.

An improved balance in the European fertilizer market will support the fairly positive price development for nitrogen fertilizers in this market. For nitrogen products that are mainly used outside Europe, such as urea, prices are expected to reflect a continued overcapacity.

HEALTH, SAFETY AND ENVIRONMENT

Hydro continued its efforts during 2001 to implement systematic improvements in health, safety and environment (HSE). While improvements were made in several areas, they were not sufficient to fulfil Hydro s ambitions. The company is therefore intensifying the HSE improvement program. As an integrated part of this annual report, the company reports comprehensive information regarding the use of raw materials and energy, environmental emissions and waste, its products, and safety and the working environment. In addition, Hydro has prepared further information on environmental issues and conditions, which is published on the internet (www.hydro.com).

In 2001 five persons, three Hydro employees and two contractors, lost their lives in accidents. The accidents underscore the need to prioritize safety in all parts of the operation. Hydro s main safety performance indicator, the TRI-rate (total number of recordable injuries per million hours worked) reflected an improvement of 30 percent from 2000 to 2001, somewhat exceeding the 2001 target. For 2002 Hydro is aiming for a further improvement to the TRI-rate.

The number of lost-time injuries for contractors increased compared to 2000, following continuous improvements over several years. All measures to improve safety involve our own employees as well as contractors.

Sick leave was further reduced in 2001. The organization will in 2002 continue to focus on the conditions that are the cause of work-related illness, so that corrective measures can be more dedicated.

The number of major accidents remains at an unacceptable level, giving cause for concern. A particular focus will in 2002 be directed towards the reporting of near-misses in order to obtain an even better basis for preventing dangerous situations.

Most emissions and discharges from production were within the concession limits applicable. There were, however, some accidental emissions. The company will in 2002 also direct a special focus on accidental emissions.

Hydro is working systematically on life-cycle analyses for the company s products. These analyses examine the environmental impact throughout the entire value chain and

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will help the company to identify the use of resources at production plants, the environmental impact of production and product applications, and to what extent and how the products can be recycled.

Several of Hydro s production processes lead to considerable greenhouse gas emissions. The company is making efforts to reduce greenhouse gas emissions by better and more efficient operation, by adopting new solutions and technology, and by investing in research and development projects seeking further reductions in emissions.

EMPLOYEES

Restructuring, downsizing, projects, acquisitions and cost savings programs have demanded a lot in the form of flexibility and cooperation from Hydro s employees. Efforts to achieve results by organizational development aimed at harnessing the expertise and creativity of the company s employees represents substantial opportunities and continual challenges for the company. We extend our thanks to all employees for their contribution to Hydro s development, and for the excellent cooperation we have enjoyed at a demanding time for the company.

NORSK HYDRO ASA

Norsk Hydro ASA (the parent company) had net income of NOK 13,687 million compared with 5,879 million in 2000. The board proposes that a dividend of NOK 10 per share be paid, totaling NOK 2,576 million. It is proposed that NOK 11,111 million be transferred to retained earnings. Distributable equity as of 31 December 2001 was NOK 21,129 million.

Oslo,

28 February, 2002

Egil Myklebust, chairman	**Borger A. Lenth, vice chairman**	**Elisabeth Grieg**
Anne Cathrine Høeg Rasmussen	**Hakan Mogren**	**Ingvild Myhre**
Gudmund Per Olsen	**Odd Semstrøm**	**Per Wold**
		Eivind Reiten, president and CEO

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Financial review

This discussion should be read in conjunction with the information contained in the Company s consolidated financial statements and the related notes included in this annual report.

NOK million	**2001**	2000	1999
Operating revenues	**152,835**	156,861	111,955
Operating costs and expenses	**(131,752)**	(128,395)	(104,220)
Operating income	**21,083**	28,466	7,735
Non-consolidated investees	**566**	672	339
Interest income and other financial income	**2,847**	1,747	1,504
Other income, net	**578**	3,161	1,350
Earnings before interest expense and taxes (EBIT)	**25,074**	34,046	10,928
Interest expense and foreign exchange gain/(loss)	**(3,609)**	(3,905)	(3,055)
Income before taxes and minority interest	**21,465**	30,141	7,873
Income tax expense	**(13,750)**	(16,178)	(4,337)
Minority interest	**177**	18	(90)
Income before cumulative effect of change in accounting principle	**7,892**	13,981	3,446
Cumulative effect of change in accounting principle			(30)
Net income	**7,892**	13,981	3,416
Earnings per share (NOK)	**30.50**	53.40	13.80

2001 COMPARED TO 2000

Hydro s operating revenues and earnings in 2001 reflect a variety of economic and other external factors of relevance to some or all of its business operations. Following exceptionally strong results in 2000 reflecting a robust worldwide business environment, 2001 was characterized by a significant downturn in many major markets. In particular, lower crude oil prices and weak market conditions in all sectors of the aluminum business impacted the Company s results. Notwithstanding these challenging conditions, Hydro took important strategic steps that have and will continue to boost the Company s position in each of its three main business areas Oil and Energy, Light Metals and Agri. In 2001, Oil and Energy increased production and expanded its portfolio of international exploration and development operations. Agri delivered improved results and made substantial progress in consolidating its leading position within the fertilizer industry. Within its Light Metals business area, Hydro took a major stride towards its strategic goal of growing its aluminum business by entering into an agreement in January, 2002 to acquire the German company VAW.

Operating Results and EBITDA *)

The change in EBITDA for the Group and the most important items affecting the change follow:

EBITDA for 2001	37,757
EBITDA for 2000	46,609
Change in EBITDA	(8,852)
Prices and currency, E & P [1]	(3,090)
Margin	(760)
Volume	(35)
Production and exploration costs, E & P [1]	(119)
Fixed costs	325
Trading and price hedging, Aluminium Metal Products	(1,255)
Restructuring costs	(825)
Non-recurring items [2]	(1,225)
Non-consolidated investees	(104)
Interest income and other financial income	1,104
Other income [3]	(2,583)
Other	(285)
Total change in EBITDA	(8,852)

1) Exploration and Production.

2) Includes one time (positive) effect related to pension costs of NOK 470 million in 2000 and effects of charges for rationalization and improvment programs in 2001 and 2000.

3) Including the effects of divestment of subsidiaries and non-consolidated investees.

*) See below for a description of EBITDA and a reconciliation to income before taxes and minority interest.

Hydro s operating revenues in 2001 decreased approximately 3 percent to NOK 152,835 million from NOK 156,861 million in 2000.

In the Oil and Energy area, operating revenues declined approximately 6 percent to NOK 52,016 million from NOK 55,123 million in the prior year, primarily as a result of lower crude oil prices. However, average production of oil and gas increased by approximately one percent compared to 2000. Oil production outside the Norwegian Continental Shelf increased toward the end of the year as the Girassol field in Angola came on stream.

In the Light Metals area, 2001 operating revenues of NOK 51,083 million were essentially flat compared to NOK 51,130

million in the prior year. The downturn in the business cycle in the second half of 2001 resulted in lower prices and lower margins for both primary aluminum and all fabricated products. Results from aluminium trading activities declined sharply in 2001 reflecting strong alumina trading results in the previous year as well as contract losses and bad debt write-offs in the US market during 2001. Losses on option contracts relating to the Company s price hedging program further dampened results. Light Metals 2001 results also reflect the Company s decision to close production of primary magnesium in Norway resulting in restructuring charges.

Hydro Agri s operating revenues increased in 2001 to NOK 48,190 million compared to NOK 46,966 million in the prior year, an increase of approximately 3 percent. The increase in operating revenues reflects improved fertilizer prices and increased sales outside of Europe offsetting lower sales volumes in Europe. Agri completed its extensive turnaround program achieving a substantially improved competitive position and enhanced profitability. Restructuring in the European nitrogen fertilizer industry has resulted in improved capacity utilization which positively influenced results.

Other income, which consists of pretax gains on divestment of businesses, decreased to NOK 578 million in 2001 compared to NOK 3,161 million in the prior year. The after-tax effects of these gains were in the amounts of NOK 520 million (NOK 2.00 per share) for 2001 and NOK 2,800 million (NOK 10.70 per share) for 2000. See Note 9 of the notes to the consolidated financial statements for a detailed description of these items.

Net financial expenses in 2001 were NOK 762 million compared to NOK 2,158 million in 2000. The decrease reflects the Company s increased cash balances which resulted in increased interest earnings. Currency losses were somewhat lower than the previous year notwithstanding losses of approximately NOK 130 million relating to the devaluation of the Argentine peso at the end of 2001. Net interest bearing debt at the end of 2001 was NOK 21.1 billion, a reduction of NOK 8.6 billion from the end of the previous year.

The provision for current and deferred taxes for 2001 amounted to NOK 13,750 million, representing 64 percent of pretax income. The corresponding figure for 2000 was NOK 16,178 million, equivalent to 54 percent of pretax income. The tax percentage for 2000 was influenced by the gains on the sales of operations included in Other income, which were taxed at a lower rate. Excluding the effects of these gains, the tax percentage would have been approximately 59 percent for 2000. The increase in the effective tax rate for 2001 results from the relatively larger share of earnings from oil and gas activities in Norway, which are taxed at a marginal tax rate of 78 percent.

As a result of amendment to regulations relating to distribution of financial expenses between Norwegian Continental Shelf and land based operations, a higher effective taxation of oil and gas activities in Norway is forecast for 2002 of approximately NOK 400 million, assuming equivalent market conditions as for 2001. The acquisition of VAW will, however, affect the relative distribution of earning between the oil and gas activities and other areas which may reduce to some extent the total effective tax rate for the Group.

EBITDA and reconciliation to income before taxes and minority interest

Hydro s steering model, Value-Based Management, reflects Hydro s focus on cash flow-based indicators, before and after taxes, to measure performance in Hydro s operating segments. 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, net in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values and goodwill in non-consolidated investees. Hydro s definition of EBITDA may differ from that of other companies.

EBITDA should not be construed as an alternative to operating income and income before taxes as an indicator of Hydro s results of 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 being used by Hydro to measure its performance is cash return on gross investment (CROGI). CROGI is defined as gross cash flow after taxes, divided by average gross investment. Gross cash flow is defined as

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NORSK HYDRO ASA - FINANCIAL REVIEW

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 and taxes payable. CROGI in 2001 was 9.1 percent compared with 12.3 percent in 2000. Based on normalized prices, CROGI in 2001 was approximately 8 percent compared to approximately 9 percent in 2000. The normalized prices used are: an oil price of US dollar 18 per barrel, an aluminum price (London Metal Exchange) of US dollar 1,500 per tonne, a CAN 27 fertilizer price of US dollar 113 per tonne and a US dollar Norwegian kroner exchange rate of 8.00.

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

EBITDA NOK million	**2001**	2000	1999
Hydro Oil and Energy	**27,604**	30,641	13,579
Hydro Light Metals	**2,543**	5,501	3,760
Hydro Agri	**4,769**	3,982	1,141
Other	**2,841**	6,485	3,464
Total EBITDA	**37,757**	46,609	21,944
Depreciation	**(12,273)**	(12,538)	(10,494)
Write-down	**(261)**		(444)
Amortization of goodwill of non-consolidated investees	**(149)**	(25)	(79)
Interest expense	**(3,721)**	(4,045)	(3,405)
Capitalized interest expense	**685**	1,029	839
Net foreign exchange loss (gain)	**(416)**	(655)	(304)
Other financial items	**(157)**	(234)	(184)
Income before tax and minority interest	**21,465**	30,141	7,873

Business Segment Information

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

Oil and Energy:	Exploration and Production, Energy, Oil Marketing
Light Metals:	Aluminium Metal Products, Aluminium Extrusion and Other Light Metals
Agri:	Plant Nutrition, Gas and Chemicals and A/S Korn - og Foderstof Kompagniet

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

HYDRO OIL AND ENERGY

NOK million	**2001**	2000	1999
Operating Revenues	**52,016**	55,123	28,355
Operating Income	**19,178**	21,804	6,962
EBITDA	**27,604**	30,641	13,579
Gross Investment	**128,672**	120,668	123,471
CROGI	**13.0%**	14.4%	9.7%
Number of employees	**3,891**	3,912	4,348

Hydro Oil and Energy, which consists of Exploration and Production, Energy and Oil Marketing, had an EBITDA of NOK 27,604 million in 2001. This represented a decrease of NOK 3,037 million or approximately 10 percent compared to 2000.

EXPLORATION AND PRODUCTION

NOK million	**2001**	2000	1999
Operating Revenues	**33,282**	35,494	17,406
Operating Income	**17,813**	20,108	5,840
EBITDA	**25,768**	28,656	11,971
Gross Investment	**118,494**	111,038	113,811
CROGI	**13.1%**	14.5%	9.4%
Number of employees	**2,724**	2,628	2,806

EBITDA for Exploration and Production was 10 percent lower in 2001 than in 2000. The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	25,768
EBITDA for 2000	28,656
Change in EBITDA	(2,888)
Prices and currency	(3,090)
Volume	750

Production costs	(420)
Exploration costs	301
Non-recurring items	160
Other Income [1)]	(387)
Other	(202)
Total change in EBITDA	(2,888)

1) Gain on sale of UK oil and gas assets in 2000.

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Revenues and market conditions

Exploration and Production s operating revenues in 2001 decreased to NOK 33,282 million from NOK 35,494 million in 2000, a decline of approximately 6 percent, primarily due to lower crude oil prices. In 2001, Hydro realized an average crude oil price of US dollar 24.20 per barrel compared to US dollar 28.00 per barrel in 2000. The average realized oil price in Norwegian kroner was NOK 217 per barrel in 2001 which was approximately 12 percent lower than in 2000. In 2001, the Brent Blend crude oil price reached its highest level in February (US dollar 30.60 per barrel). In the fourth quarter of 2001, crude oil prices fell sharply compared to the first nine months of the year. The average crude oil price realized by Hydro during the last three months of 2001 was US dollar 18.90 per barrel, the lowest quarterly average price realized since 1999. When measured in Norwegian kroner, the corresponding amount was NOK 168 per barrel. Price developments for crude oil were driven primarily by global recession and OPEC s production policy in 2001. The growth in global oil demand for 2001 was the weakest since 1985. Additionally, the terrorist attacks in the US on September 11, 2001 increased uncertainty, causing a further reduction in demand for crude oil.

The decline in operating revenues was partly offset by higher gas prices in 2001. Hydro s average realized gas price in 2001 of NOK 1.21 per standard cubic meter was approximately 23 percent higher than the average realized gas price in 2000 of NOK 0.98, reflecting the lag (normally about 6 months) in gas prices which are generally keyed off the price of crude oil.

Exploration and Production sells most of its oil and liquid gas production to Energy. In addition, Energy also markets Exploration and Production s gas production on a commission basis. Total internal sales amounted to NOK 25,434 million in 2001 compared to NOK 26,058 million in 2000, a decrease of approximately 2 percent. Internal sales to Energy represented 76 percent of Exploration and Production s operating revenues in 2001 compared to 73 percent in 2000. Sales of wet and dry gas and transportation tariffs, in addition to some external oil sales, accounted for the remaining 24 percent of Exploration and Production s operating revenues in 2001.

Exploration and Production s total production of oil and gas in 2001 was 421,000[1)] barrels of oil equivalents per day (boed) which was higher than the 416,000 [1)] boed in 2000. Oil and gas production in the fourth quarter of 2001 averaged 451,000 boed, representing an increase over the corresponding period of the prior year primarily due to increased gas off-take. The growth in oil production in 2001 compared with the prior year was mainly attributable to increased production from the Oseberg East, Oseberg South and Norne fields, as well as commencement of production on the new field, Snorre B. In addition, oil production at the Girassol field in Angola started in December, 2001 with average daily production of 56,500 boe. Hydro has a 10 percent interest in the Girassol field. Oil production accounted for 78 percent of the total production in 2001, the same percentage as in 2000. Gas production increased slightly to 14.9 million standard cubic meters per day in 2001 compared to 14.2 million standard cubic meters in 2000.

Ninety-six percent of Hydro s oil and gas production in 2001 was from Norwegian-based activities, with the remainder produced from the international fields in which Hydro has an interest. The portion from fields outside of Norway decreased in 2001 due to the sale of assets on the British Continental Shelf in August of 2000.

Operating costs

Hydro s average production cost, defined as the cost of operating fields and transportation facilities, including CO_2 emission tax, insurance, gas purchased for injection and lease costs for production installations, but excluding transportation tariffs and depreciation, was NOK 26 per boe in 2001, compared to NOK 25 per boe in 2000.

Hydro s total expenditures for exploration of oil and gas and appraisal of discoveries amounted to NOK 2,018 million in 2001 compared to NOK 1,799 million in 2000, an increase of approximately 12 percent. The increase was primarily attributable to higher international exploration activity reflecting Hydro s strategy to expand its international oil and gas portfolio. In 2001, Hydro s exploration expenditures were, for the first time in the Company s history, higher internationally than on the Norwegian Continental Shelf. International exploration expenditures were NOK 1,090 million, representing 54 percent of the Company s total exploration expenditures, with the balance of expenditures of NOK 928 million for Norwegian-based activities. In 2001, the major part of Hydro s international exploration expenditures was allocated to Angola, Canada and the Gulf of Mexico. Of the total exploration expenditures, Hydro expensed NOK 1,400 million in 2001 compared to NOK 1,701 million in 2000. The decline reflects higher write-offs of previously capitalized exploration costs toward the end of 2000 from wells deemed of no commercial value compared to higher capitalization in 2001 resulting from several new commercial discoveries.

Depreciation, including provisions for abandonment and well closure costs, averaged NOK 51 per boe in 2001 compared to NOK 53 per boe in 2000.

Operating income and EBITDA

Exploration and Production s operating income in 2001 was NOK 17,813 million, down NOK 2,295 million, or 11 percent, from NOK 20,108 million in the prior year. Exploration and Production s EBITDA in 2001 was NOK 25,768 million, down NOK 2,888 million, or 10 percent, from NOK 28,656 million in the prior year.

1) All volumes are calculated based on the Norwegian Petroleum Directorate s current conversion factors. The conversion factor for NGL changed in 2001. The conversion factor had been 1 ton = 1.3 standard cubic meters; it is currently 1.9 standard cubic meters. The volumes of prior periods have been restated for comparability. The prior conversion factor would have resulted in a production level of 416,000 boed and 413,000 boed for 2001 and 2000, respectively.

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EBITDA for 2000 was positively influenced by a gain of NOK 387 million relating to the sale of UK oil and gas operations. In addition, EBITDA for both 2000 and 2001 was influenced by nonrecurring pension charges of NOK 366 million and NOK 206 million, respectively.

Outlook

Hydro expects its oil and gas production to increase by 5 6 percent as an annual average during the period 2001-2005. In 2002, Hydro s total estimated production of oil and gas is expected to be approximately 430,000 boed including the effects of production curtailments imposed by the Norwegian government. The Girassol and Terra Nova fields are expected to contribute to the increase in 2002.

Hydro will continue to focus on cost performance and strive to maintain its position as an efficient operator and low cost producer on the Norwegian Continental Shelf. One of Hydro s objectives in 2002 is to maintain its operating cost per barrel of oil and gas production, notwithstanding that some of its major fields, e.g., Oseberg, Gullfaks and Troll B, are currently in the decline phase of production. Exploration continues to be an important part of Hydro s growth strategy. The Company expects total expenditures related to exploration activities to increase from approximately NOK 2.0 billion in 2001 to approximately NOK 2.4 billion in 2002. Approximately 75 percent of the planned exploration expenditures will be allocated to international activities.

The outlook for the global oil market in 2002 remains heavily influenced by OPEC and the world economy. During the fourth quarter of 2001, OPEC agreed to reduce its oil production by 1.5 millions boed with a condition that non-OPEC producers (primarily Russia, Mexico and Norway) jointly curtail production by 500,000 boed. In December 2001, the Norwegian government agreed to cut oil production by 150,000 boed to stabilize oil prices. Accordingly, Hydro s target of production growth for 2002 is expected to be reduced by approximately 15,000 boed for the first six months of 2002. Focusing on the global economy, and its effect on petroleum product demand, the International Energy Agency s demand forecast for 2002 is 76.5 million barrels per day, a 600,000 barrels per day increase over 2001. Consensus forecasts suggest a rebound in the global economy in the second half of 2002 as a result of the global move towards lower interest rates and inventory reductions.

Crude oil prices in 2002 will, to a large extent, depend on how effectively OPEC manages seasonal swings and regulates production to meet the underlying demand for oil, without inventory refilling. Present forward prices indicate that Brent Blend crude oil prices are expected to recover in 2002 from the lower levels experienced in the last two months of 2001. However, oil prices are expected to be impacted by the added uncertainty of the strength of the US and world economies.

ENERGY

NOK million	**2001**	2000	1999
Operating Revenues	**43,074**	44,591	20,365
Operating Income	**1,397**	1,614	944
EBITDA	**1,721**	1,745	1,148
Gross Investment	**6,648**	6,004	6,508

CROGI	**17.3%**	17.5%	12.1%
Number of employees	**438**	375	481

The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	1,721
EBITDA for 2000	1,745
Change in EBITDA	(24)
Margin	(50)
Volume	(20)
Fixed costs	(215)
Other income [1)]	179
Other	82
Total change in EBITDA	(24)

1) Gain on sale of electricity grid assets in 2001.

Revenues and market conditions

Energy s operating revenues in 2001 declined by approximately 3 percent to NOK 43,074 million compared with NOK 44,591 million in 2000. The decrease is primarily attributable to declining crude oil and refined products prices and lower power production. A breakdown of the percentage of 2001 operating revenues represented by each of Energy s business activities is as follows:

Oil Trading and Refining	84%
Gas Sourcing and Marketing	10%
Power Sourcing and Marketing	6%

Internal sales to other business segments within Hydro in 2001 (all such sales being at market transfer prices) amounted to NOK 7,349 million compared to NOK 7,842 million in 2000. Internal sales were mainly to Oil Marketing (NOK 3,565 million), Aluminium Metal Products (NOK 1,878 million) and Plant Nutrition (NOK 1,541 million).

The Oil Trading and Refining unit acts as a principal in marketing the equity oil production of Exploration and Production, purchasing essentially all of Exploration and Production s oil production for resale. As a result, operating revenues from such activity in any given year are largely a function of Exploration and Production s production level and the level of prevailing market prices for crude oil. In addition, Oil Trading and Refining derives revenues from the sale of non-equity crude oil, gas liquids and refined products.

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The Gas Sourcing and Marketing unit sells Exploration and Production s gas production on an agent/fee basis. Consequently, the income and costs effects of Exploration and Production s gas production and sales do not affect Energy s operating results. In addition, Gas Sourcing and Marketing derives operating revenues from gas trading activities. Operating results from gas trading activities in 2001 were positively influenced by a growing and more diversified portfolio of customers. However, overall trading results were somewhat lower than in 2000 due to more limited arbitrage opportunities between the UK and European continental gas markets. European gas markets are expected to become increasingly integrated as a result of the European Union s gas directive. Hydro expects that the liberalization of European gas markets will further limit arbitrage opportunities in the future and result in downward pressure on margins. However, Hydro is positioning itself, through further growth and diversification of its gas portfolio, to pursue the opportunities created by a more flexible and liquid European gas market.

The Power Sourcing and Marketing unit sources Hydro s power requirements, in part from Energy s owned generation facilities, for Hydro industrial facilities. Power Sourcing and Marketing s 2001 operating results were adversely affected by the decline in electricity production in Norway of 1.7 TWh (approximately 15 percent) compared to the prior year s production (i.e., 9.8 TWh in 2001 compared to 11.5 TWh in 2000). The decline in production is primarily attributable to decreased inflow into water reservoirs, reflecting the return to a more historically normal level of precipitation in 2001. Higher prices in 2001 offset the effects of the lower production. In 2001, average spot prices increased significantly to 18.7 øre/kWh compared to 10.3 øre/kWh in 2000. The higher prices reflect a tightened supply/demand balance, attributable to increased power consumption and reduced production.

Operating costs

Refining costs per barrel, comprised of both fixed and variable processing costs, increased from NOK 12.28 in 2000 to NOK 13.02 in 2001 as a result of the reduced throughput caused by a five week refinery outage in one of the processing units at the Scanraff refinery, Hydro s partly-owned refinery located in Sweden.

Power plant operating costs increased to NOK 612 million in 2001, compared to NOK 553 million in 2000, primarily due to increased maintenance on power plant facilities.

Energy s other fixed costs in 2001 increased by NOK 150 million compared to the prior year, primarily as a result of an increase in staffing to prepare for Company based sales of gas and the transfer of responsibility for R&D projects from Corporate staff.

Operating income and EBITDA

Energy s operating income in 2001 of NOK 1,397 million represents a decrease of NOK 217 million (13.4 percent) compared to the prior year. EBITDA for Energy was NOK 1,721 million in 2001 compared to NOK 1,745 million in 2000, a decline of approximately 1 percent. EBITDA for 2001 included a NOK 179 million gain on sale of electricity grid assets. In 2001, Energy sold its remaining Norwegian power grid assets as part of the Company s strategy to divest non-core activities.

Operating income for the Oil Trading and Refining unit was NOK 575 million in 2001 compared to NOK 689 million in the prior year, a decline of approximately 17 percent. Operating income derived by refining operations was NOK 264 million in 2001 compared to NOK 596 million in the prior year, a decline of NOK 332 million (approximately 56 percent). The 2001 figure includes inventory losses of approximately NOK 44 million reflecting the average decrease in crude oil prices of approximately US dollar 4 per barrel in 2001. Average refining margins for 2001 were US dollar 3.76 per barrel, approximately 23 percent lower than in 2000. The Scanraff outage further depressed operating income by approximately NOK 65 million. Other oil trading and refining activities, consisting of crude oil sales, gas liquids trading and shipping, generated operating income in 2001 of NOK 303 million compared to NOK 119 million in 2000. The improvement resulted primarily from high utilization of oil and gas liquids tankers.

Operating income for Energy s Gas Sourcing and Marketing unit decreased to NOK 158 million in 2001 compared to NOK 184 million in 2000, reflecting the more limited arbitrage opportunities between the UK and the European continental gas markets.

For the reasons described above under Revenues and market conditions, operating income derived by Energy s Power Sourcing and Marketing was essentially flat in 2001 at NOK 845 million compared to NOK 842 million in 2000.

Outlook

Refining margins dropped significantly at the end of 2001 to a level of approximately US dollar 1 per barrel. Global demand for refined products remained weak in early 2002 due to the general economic slowdown. This situation has been aggravated by mild weather conditions in the early winter season. Average refining margins are expected to be lower in 2002 compared to 2001 due to lower crude oil price forecasts and the weaker price outlook for the key products, gasoline and diesel.

Water reservoir levels were at a normal level, based on a long-term average, at the end of 2001. Based on the forward market, no major change is expected in spot prices. Energy presently estimates a production level in 2002 somewhat above a historically normal level of 8.5 TWh.

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OIL MARKETING

NOK million	**2001**	2000	1999
Operating Revenues	**3,729**	4,094	2,652
Operating Income	**(32)**	55	169
EBITDA	**115**	211	451
Gross Investment	**3,581**	3,682	3,152
CROGI	**3.2%**	5.5%	13.0%
Number of employees	**240**	233	235

The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	115
EBITDA for 2000	211
Change in EBITDA	(96)
Margin	(105)
Fixed costs	15
Non-consolidated investees	(6)
Total change in EBITDA	(96)

Revenues and market conditions

Oil Marketing s operating revenues decreased to NOK 3,729 million in 2001 from NOK 4,094 million in 2000, a decrease of 9 percent. The primary reason for this decrease was lower refined petroleum product prices, particularly in the second half of 2001. The demand for gasoline in the Swedish retail fuel market remained relatively unchanged in 2001. Diesel consumption increased approximately by 2 percent. However, consumption of heating oil declined by approximately 3 percent due to mild weather.

Based on information obtained from the Swedish Statistics Bureau (SCB), Hydro s total market share in Sweden for gasoline, diesel and heating oil of approximately 13 percent remained virtually unchanged in 2001 compared to the prior year. Hydro s gasoline market share of approximately 12 percent represents a slight reduction over the prior year. Hydro s market share for gasoil increased to approximately 15 percent.

Hydro participates in the retail gasoline and gasoil markets through its 50 percent ownership interest in Hydro Texaco. Hydro Texaco s market share in Norway for gasoline and gasoil improved in 2001 to approximately 20 percent and 16 percent, respectively.

Hydro Texaco s market share in Denmark for both gasoline and gasoil remained unchanged in 2001 at approximately 16 and 20 percent, respectively.

Operating costs

Total operating costs, consisting primarily of product variable costs of refined oil products, decreased in 2001, as a result of lower oil prices. In addition, fixed and other variable costs were approximately 3 percent lower in 2001 than in 2000. Oil Marketing executed an improvement program in 2001 resulting in cost reductions compared to the previous year.

Operating income and EBITDA

Operating income/(loss) for Oil Marketing in 2001 was NOK (32) million compared to NOK 55 million in the prior year. EBITDA of NOK 115 million, including NOK 15 million representing Hydro s share of net income in Hydro Texaco was down NOK 96 million or approximately 45 percent, from the prior year. The drop in refined product prices resulted in inventory losses in 2001 of NOK 113 million based on a first in, first out (FIFO) method of inventory accounting. EBITDA in 2000 included positive inventory adjustments of NOK 112 million. Excluding inventory effects, 2001 operating results improved by NOK 138 million. The improved underlying operating results reflect better margins and reduced fixed costs compared to 2000.

Outlook

The long term economic outlook for the Scandinavian region continues to be stable. However, the recent downturn in Europe s economy is currently having an adverse impact in the Scandinavian economies. In 2002, the demand for motor fuels is expected to be stable in the Scandinavian retail market while the demand for diesel, which is taking market share from gasoline, is expected to grow by approximately 2-3 percent. However, consumption of heating oil is expected to decline by approximately 2 percent annually as a result of competition from complementary energy sources, electricity and natural gas products in which Hydro is actively involved. Hydro s earnings from Oil Marketing activities will continue to be strongly affected by international oil prices and competitive conditions in the Scandinavian and Baltic retail markets.

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HYDRO LIGHT METALS

NOK million	**2001**	2000	1999
Operating Revenues	**51,083**	51,130	39,480
Operating Income	**185**	3,336	2,179
EBITDA	**2,543**	5,501	3,760
Gross Investment	**42,996**	45,169	38,246
CROGI	**4.7%**	10.6%	8.3%
Number of employees	**16,244**	16,794	15,219

Hydro Light Metals consists of the segments Aluminium Metal Products, Aluminium Extrusion and Other Light Metals. Other Light Metals consists of Aluminium Rolled Products, Automotive Structures and Magnesium. In 2001, EBITDA for Hydro Light Metals was NOK 2,543 million representing a decrease of approximately 54 percent compared to 2000.

ALUMINIUM METAL PRODUCTS

NOK million	**2001**	2000	1999
Operating Revenues	**34,442**	33,534	24,540
Operating Income	**1,456**	2,821	1,357
EBITDA	**2,414**	3,744	2,016
Gross Investment	**21,178**	21,977	18,071
CROGI	**9.2%**	14.5%	9.2%
Number of employees	**3,707**	3,611	3,651

The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	2,414
EBITDA for 2000	3,744
Change in EBITDA	(1,330)
Margin	(450)
Volume	185

Fixed costs	(225)
Trading and price hedging	(1,255)
Non-recurring items	285
Other	130
Total change in EBITDA	(1,330)

Revenues and market conditions

Aluminium Metal Products operating revenues increased slightly to NOK 34,442 million in 2001 from NOK 33,534 million in 2000. Operating revenues from the sale of Hydro s production of aluminum cast house products (i.e., aluminum ingot, sheet ingot, wire rod and foundry alloy) increased by 3 percent in 2001 to NOK 16,465 million compared to NOK 15,976 million in the prior year. The increase was due to higher volumes from new remelt capacity which came on stream in late 2000 and early 2001.

Internal sales to other segments within Hydro were slightly lower than in 2000 at NOK 6,252 million. Internal sales were mainly to Aluminium Extrusion. Internal sales are effected at market prices.

Hydro s total virgin primary aluminum production in 2001 was 768,000 tonnes, including its share of production from the part owned company Søral (49.9 percent). Shipments of primary aluminum in the Western world in 2001 of approximately 19.1 million tonnes reflected a decrease of roughly 6 percent compared with the prior year. This represented the largest year-to-year decline since 1981. The downturn was particularly pronounced in the US, where the decline was approximately 10 percent, while shipments declined in Asia and Europe by approximately 7 percent and 2 percent, respectively. Registered inventories increased by about 350,000 tonnes during the year. Inventory levels relative to consumption were 45 - 50 days, which is low compared to historical levels. The total decline in shipments worldwide was approximately 1.2 million tonnes or 2.5 - 3 percent compared to 2000. The decline in the West was only partly offset by strong positive developments in China (11 percent) and the CIS (Commonwealth of Independent States) (12 percent). Reductions in consumer inventories represented approximately 60 percent of the total decline in shipments.

In view of these market developments, the average three-month price for primary aluminum on the London Metal Exchange (LME) decreased by approximately 7 percent to US dollar 1,454 per tonne in 2001 compared to US dollar 1,567 per tonne in 2000. Hydro realized average prices in 2001, in Norwegian kroner, that were marginally higher than in 2000. Slightly lower average prices, in US dollars, were offset by a stronger US dollar-Norwegian kroner exchange rate. The overall premium of cast house products above the LME price was unchanged compared to the prior year.

Operating costs

In 2001, the total operating costs of Hydro s smelters increased by approximately 7 percent compared to the prior year. The biggest component of total operating costs is the cost of raw materials and energy for primary aluminum production, consisting principally of alumina, electricity and carbon anode (consumed in the smelting process). Raw material and energy costs, per tonne of primary aluminum produced, increased by approximately 8 percent in 2001 compared to the prior year. The increase related primarily to increased electricity costs (up 6

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percent) and the costs of carbon anodes (up 24 percent, due to increases in the price of pitch and coke, raw materials for carbon production). The alumina cost per tonne stated in NOK remained largely unchanged in 2001 compared to 2000. Declines in the market price of alumina were offset by a stronger US dollar - Norwegian kroner exchange rate.

Cast house costs in 2001 were essentially unchanged from the prior year. Cast house costs include the cost of energy, other raw materials, alloys, processing costs and overhead.

Fixed costs increased by NOK 225 million (approximately 4 percent) in 2001 compared to the prior year, excluding the effects of a one-time pension charge of NOK 365 million in 2000. The increase in 2001 primarily reflects startup of new remelt capacity and costs relating to bad debt write-offs.

Operating income and EBITDA

Aluminium Metal Products operating income in 2001 was NOK 1,456 million, compared to NOK 2,821 million in the prior year, a decline of 48 percent. EBITDA in 2001 was NOK 2,414 million compared to NOK 3,744 million in the prior year, representing a decline of 36 percent. The decline in operating results was largely attributable to the deterioration in market conditions, particularly in the second half of 2001. In addition, results for aluminum and alumina trading activities declined sharply in 2001. The decrease in 2001 also includes losses on options contracts and a hedging strategy of NOK 545 million.

Operating income from aluminum trading activities decreased by NOK 860 million in 2001 compared to the prior year. A large part of the decrease was attributable to unusually good results in 2000 from alumina trading. In 2000, spot prices for alumina increased dramatically as a result of temporary shortages due to a production accident at a major US producer. As a consequence of Hydro s new investment interest in Alunorte, a Brazilian alumina refiner, Hydro had a large temporary long alumina position, which resulted in a large positive contribution to trading results. In addition, trading results in 2001 were further reduced as a result of contract losses and bad debt write-offs in the US market, as well as a general weakening in margins reflecting the significant economic downturn.

In connection with the Company s price hedging program, Hydro entered into LME futures for a portion of expected sales volume for 2001 to 2003 at a price of approximately US dollar 1,550 per tonne. In addition, Hydro purchased call options to benefit from anticipated higher aluminum price. Production capacity cutbacks in the US, Canada and Brazil established a possibility for a strong aluminum price increase. Hydro also bougth call options with the intention to offset the effects of backwardation (LME spot price higher than the LME three month forward price). To offset the cost of the call options, Hydro sold put options. Towards the end of 2001, Hydro terminated this hedging strategy neutralizing the LME futures and at the same time terminate the options. Total losses relating to option contracts and the hedging strategy for the year were NOK 545 million. Because the LME futures were designated as cash flow hedges, deferred gains relating to the program will be reflected in earnings for 2002 and 2003 of NOK 81 million and NOK 46 million respectively. Hydro s policy has been changed so that similar options will not be used in the future.

EBITDA includes Aluminium Metals Products share of net income from affiliated companies, which in 2001 declined by approximately 17 percent from the prior year to NOK 196 million. The 2001 result includes a loss related to Hydro s interest in Alunorte of NOK 185 million due to the decline in the value of the Brazilian real against the US dollar which is the predominant financing currency for the operations.

Outlook

The economic slowdown beginning in the US has spread to Europe and Asia accompanied by declining consumer and business confidence. The terrorist attacks in the US on September 11 generated a high degree of uncertainty and led to a deeper downturn and delayed recovery. Substantial cutbacks were announced by major aluminum consuming industries including the aerospace, building and transport sectors. As a result, a high degree of uncertainty underlies expectations for 2002. However, shipments can be expected to increase if economic recovery in the second half of 2002 materializes.

By the end of 2001, about 1.5 million tonnes of US production capacity had been idled reflecting serious structural power supply problems in the US Northwest region. This represents approximately 35 percent of US capacity and 8 percent of capacity in the Western world. Currently, no significant portion of this capacity has been restarted. However, the US West Coast power market has normalized to some extent and restarts may take place at aluminium price levels of approximately US dollar 1,500 per tonne. In Brazil, curtailments of 15 to 25 percent of capacity were implemented during the year due to nationwide energy rationing. Two smelters, however, are expected to restart their idled capacity toward the end of the first quarter in 2002, adding approximately 175,000 tonnes of annual capacity.

During the early months of 2002, the LME price, expressed in US dollar, is expected to remain at levels experienced at the end of 2001. The LME price as of year-end 2001 was US dollar 1,355 per tonne. In the first few weeks of 2002, LME prices have been fluctuating between US dollar 1,330 and US dollar 1,430. Prices are expected to improve in the second half of the year. Inventories are expected to increase during 2002 by approximately 300,000 tonnes with increases during the first half of 2002 followed by reductions during the second half of the year.

At the beginning of 2002, Hydro had sales contracts in place for approximately 20 percent of its expected annual primary metal production at an expected price of US dollar 1,360 per tonne. A major part of the presold metal is tied to normal customer pricing and these contracts do not qualify for hedge accounting treatment. As a result, changes in the LME price can result in significant fluctuations in earnings due to marked-to-market adjustments.

In connection with the expansion project at the Sunndal Metal Plant, Hydro expects increased production beginning in 2003. To secure a price for part of the Company s total production for the period 2003 - 2007, approximately 490,000 tonnes have been sold forward at a price of approximately NOK 14,000 per tonne. This hedging program is designated as a cash flow hedge against production. As a result, changes in the fair value of these contracts are included in Other Comprehensive Income. At December 31, 2001, the unrealised gain on this program was NOK 26 million. Gains and losses on these contracts included in Other Comprehensive Income will be included in operating revenues for the periods 2003 - 2007 when the underlying designated production is sold in the market place.

In 2001, Hydro decided to discontinue its participation in the alumina project in Orissa, India (the Utkal project). In January 2002, Hydro agreed to sell its 45 percent interest to the parties involved in developing the project.

ALUMINIUM EXTRUSION

NOK million	**2001**	2000	1999
Operating Revenues	**15,554**	15,881	12,081
Operating Income	**142**	691	649
EBITDA	**767**	1,307	1,071
Gross Investment	**9,253**	9,475	7,099
CROGI	**7.8%**	13.0%	11.9%
Number of employees	**8,839**	9,452	7,871

The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	767
EBITDA for 2000	1,307
Change in EBITDA	(540)
Margin	(310)
Volume	(115)
Fixed costs	110
Other	(225)
Total change in EBITDA	(540)

Revenues and market conditions

Aluminium Extrusion s operating revenues in 2001 decreased slightly to NOK 15,554 million compared to NOK 15,881 million in the previous year. Operating revenues in 2000 reflected the inclusion of Hydro Aluminum Wells for only the ten-month period from its acquisition in March 2000. A breakdown of the percentage of 2001 operating revenues generated by each of Extrusion s business units is as follows:

Extrusion Europe	53%
Extrusion North America	13%
Building Systems	16%
Heat Transfer	15%

Sales of general (i.e., not targeted to any specific industry segment) aluminum extrusions outside Europe and North America accounted for the remaining 3 percent.

For Extrusion Europe, operating results in 2001 reflected a drop off in volumes in the European market of 5 percent. The general extrusion market in Europe, which can be characterized as relatively fragmented, experienced a decline in 2001 of approximately 7 percent. Consumption of extrusions declined sharply beginning in the third quarter of 2001 and remained low through year-end. Hydro s volume of shipments in December 2001 was quite low, although historically volumes in the month of December are low. Notwithstanding the market downturn, new extrusion presses continued to come on stream (e.g., in Germany, Italy and Spain) with few compensating closures, contributing to market over capacity. In view of these market conditions, Extrusion Europe s margins declined throughout the second half of the year.

Extrusion North America s operating results in 2001 reflected the deteriorating economic conditions experienced in the US, which contributed to a 20 percent reduction in total extrusion consumption and in the general extrusion market. This was exacerbated by the terrorist attacks on September 11. The decline was particularly steep in the second half of the year. For the entire year, Extrusion North America s shipments fell by just over 10 percent. Actions undertaken by the industry in the US to reduce capacity eased pressure on prices for much of the year, though increased price competition prevailed toward the end of the year. Given the market conditions, Extrusion North America s margins held up fairly well and there was some gain in market share.

Building Systems finished 2001 on the same level as the previous year with stable margins throughout the year. Certain geographic markets (e.g., France, the UK, Italy and Spain) were stronger than others (e.g., Germany). In November 2001 Hydro signed an agreement to acquire the Technal group based in Toulouse, France, for a price of EUR 73 million (NOK 580 million) and the assumption of NOK 307 million in debt. Following receipt of all regulatory approvals, the acquisition was completed in January 2002. The acquisition makes Hydro the market leader within the building systems market.

Heat Transfer experienced a decline in volumes in the US market of approximately 20 percent in 2001, reflecting, in part, the permanent closure of Hydro s welded tube activities. Volumes in European markets were on a similar level as in 2000.

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Heat Transfer experienced volume increases outside Europe and the US, mainly in China.

Operating costs

Responding to the market conditions (most notably, the declining demand) in 2001, Hydro implemented several measures aimed at reducing production volumes and saving costs. During the year, Extrusion reduced its European and US extrusion press capacity by approximately 10 percent This was accomplished primarily by temporary measures such as adjusting factory shifts and reducing staffing. In addition, local market conditions and cost considerations led to the complete shut down of two presses. Related workforce reductions during 2001 represented approximately 300 man years.

Extrusion s Europe s overall operating costs (excluding metal cost) decreased by 5 percent in 2001 compared to 2000. Extrusion Europe achieved improvements in overall productivity, in terms of two key internal benchmarks: average net kilograms produced per hour and operating costs per kilogram produced. These improvements were achieved notwithstanding the reduced volumes.

In 2000 Extrusion initiated a program to improve the manufacturing productivity of Extrusion North America by transferring best practices from its European extrusion system. That program continued in 2001, although the scale of the program was (and the resultant productivity improvements were) limited because of the difficult market conditions.

Costs within the Heat Transfer business area in 2001 were higher than the prior year, mainly due to continued startup problems relating to new capacity for welded tubes at the Company s Canton, Mississippi operations. Extrusion determined to terminate this activity during the year because of reduced and lost contracts, in part due to certain customers relying on their in-house welded tube capacities. This resulted in write-downs and cost accruals of approximately NOK 77 million. In addition, further write downs relating to the Company s operations in Pucket, Mississippi (i.e., the production of manifolds for automobile air conditioners) of approximately NOK 37 million were recorded as a result of market volume declines.

Operating income and EBITDA

As a result of the very difficult market conditions during much of the year and other developments described above, operating income for Aluminium Extrusion in 2001 of NOK 142 million was down NOK 549 million (or 79 percent) from the prior year. EBITDA for Aluminium Extrusion declined in 2001 by 41 percent compared with the prior year. EBITDA for Extrusion Europe declined approximately 22 percent in 2001 compared to the previous year. EBITDA for Extrusion North America declined approximately 64 percent. For Building Systems, EBITDA declined by NOK 50 million (approximately 24 percent compared to 2000) primarily as a result of loss provisions relating to an investment in Poland. EBITDA for Heat Transfer was approximately 37 percent lower in 2001 than the previous year.

Outlook

Declining volumes and margins are expected to continue well into 2002 for the extrusion industry as a whole. Market assumption for the year are expected to be flat with the potential for a depressed first half year with an upturn during the second half. Activity for Europe is expected to be at the same level as 2001. Margins are expected to remain low during the first half of the year and improve slightly in the second half. Currently there are no signs of improvement in the North American extrusion market. Activities within Building Systems are expected to remain at the same level as 2001 but there is some risk of a slow down during the second half of 2002 due to a reduction of the number of new projects initiated within the commercial building sector.

OTHER LIGHT METALS

NOK million	**2001**	2000	1999
Operating Revenues	**7,603**	8,226	7,716
Operating Income	**(1,446)**	(143)	216
EBITDA	**(672)**	483	717
Gross Investment	**12,645**	13,831	13,159
CROGI	**(5.1%)**	3.6%	5.1%
Number of employees	**3,698**	3,731	3,697

Operating income and EBITDA for Magnesium were negative in 2001 as a result of continued price pressure from Chinese magnesium producers and difficult international market conditions. Sales volumes were off 4 percent compared to 2000 reflecting low demand levels throughout the year in the automotive and aluminum alloying sectors in all major regions. However, Hydro improved its total market share slightly compared to the previous year. Prices stabilized to some extent in the second half of the year but remained weak overall.

Reacting to the intense competition from Chinese producers, Hydro decided to close down its primary magnesium production in Porsgrunn in southeast Norway. Approximately 600 employees will be affected by the decision. Operating results for 2001 include NOK 700 million representing closure costs and costs for workforce reductions. In addition, NOK 261 million of fixed assets were written off during the year. Further costs of roughly NOK 100 million relating to workforce reductions are expected during the first half of 2002.

Hydro s primary metal operations are now centered at its Becancour plant in Canada, with a total annual production capacity of 45,000 tonnes of primary metal; the capacity is expected to be increased to 48,000 tonnes during the year 2002. The plant also has recycling capacity up to 22,000 tonnes per year depending of the production scenario.

In January 2002, Hydro announced the decision to maintain the original foundry as a magnesium remelt plant at the site of the closed primary metal facility in Norway. The operation will utilize certain parts of the plant and equipment, and expertise formerly engaged in the production of primary metal and will employ approximately 60 people.

The trend of increasing demand for magnesium die casting in motor vehicles is expected to continue, and will be the principal driver of growth for the foreseeable future. Based on announced projects and general interest from new potential entrants, the industry is considered likely to be adequately supplied to support anticipated growth. Hydro has completed the construction of a 10,000 tonnes per year facility in Xi an, China to convert locally available pure magnesium to high quality alloy ingot for export to its traditional markets for die casting alloys. This new capacity will help Hydro serve customer needs while at the same time increase the Company s competitive position as a low cost producer. The new foundry is now in start up phase with commercial production expected to begin in early 2002. Hydro expects to produce approximately 6,000 tonnes of high quality alloys and 150 tonnes of anodes in 2002. If successful Hydro would expect to expand upon its magnesium activities in China.

Operating Income and EBITDA for Aluminium Rolled Products declined slightly in 2001 compared to 2000. Production was on the same level as in the prior year while margins declined primarily as a result of poor market conditions.

Operating Income and EBITDA for Automotive Structures was negative in 2001 largely as a result of reduced volumes and margins. In addition, results were influenced by a NOK 60 million charge for nonrecurring cost relating to workforce reductions and rationalization measures.

HYDRO AGRI

NOK million	**2001**	2000	1999
Operating Revenues	**48,190**	46,966	39,658
Operating Income	**2,106**	1,303	(1,671)
EBITDA	**4,769**	3,982	1,141
Gross Investment	**44,887**	47,788	45,605
CROGI	**8.7%**	7.4%	2.0%
Number of employees	**9,865**	11,238	11,479

EBITDA for Hydro Agri, which consists of the sub-segments, Plant Nutrition, Gas and Chemicals and A/S Korn-og Foderstof Kompagniet (KFK), was NOK 4,769 million representing an increase of approximately 20 percent compared to the previous year.

PLANT NUTRITION

NOK million	**2001**	2000	1999
Operating Revenues	**34,392**	33,744	26,799
Operating Income	**1,752**	990	(2,239)
EBITDA	**3,774**	2,841	(119)
Gross Investment	**32,879**	35,161	34,738
CROGI	**9.2%**	7.0%	(0.3)%
Number of employees	**6,584**	8,020	7,802

The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	3,774
EBITDA for 2000	2,841
Change in EBITDA	933
Margin	505
Volume	(410)
Fixed costs	490
Restructuring costs	135
Non-recurring items	360
Other	(147)
Total change in EBITDA	933

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Revenues and market conditions

Plant Nutrition s operating revenues in 2001 of NOK 34,392 million were NOK 648 million higher (approximately 2 percent) than the prior year. A breakdown of the year-to-year amounts and changes in Plant Nutrition s operating revenues for each of its principal business activities is as follows:

	Operating revenues		
NOK million	**2001**	2000	Change
Fertilizer activities			
Europe	**16,246**	17,103	(857)
Outside Europe	**14,801**	13,534	1,267
Ammonia & Shipping	**3,345**	3,108	237

The decrease in operating revenues for European fertilizer activities reflects the net effect of price increases and a decline in volume of 18 percent. European nitrogen fertilizer prices increased by approximately 10 percent in 2001 compared to 2000, reflecting the improved market balance following the industry restructuring and plant closures in 2000, including Hydro s closure of 1,000,000 tonnes of nitrate fertilizer production capacity nd 500,000 tonnes of NPK production capacity. Total fertilizer sales in Europe in 2001 amounted to 10.2 million tonnes, compared to 12.5 million tonnes in the prior year.

Despite the decline in sales volumes, Hydro s overall European market share increased by 1 percent in 2001. The decline in volumes was due to several factors, most notably the wet weather conditions during the Spring 2001 planting season (which led to lower consumption of fertilizer) and the advance sale in 2000 of volumes intended for Spring 2001 application. In Europe, fertilizer is mainly applied during the spring, but the manner in which Agri s sales are spread over the season, July to June, depends on customers price expectations. If price increases are expected through the season, sales are earlier, as happened during the 2000/2001 season. In addition, a removal of the fertilizer tax in Norway effective in 2000 resulted in increased sales in 2000 for the 1999/2000 season.

Outside of Europe, Hydro s fertilizer sales totaled 10.0 million tonnes, compared to 9.6 million tonnes in the prior year. The increase in sales can be attributed to higher volumes in Latin America, including sales from Trevo (acquired by Hydro in July 2000) and in Asia.

The average Middle East urea price remained unchanged in 2001. Increased demand in Asia, combined with a supply reduction primarily from Indonesia (as a result of the inability of two plants to access natural gas as a result of civil unrest), offset downward pressure on prices resulting in lower natural gas prices in the US and capacity additions in Argentina and Venezuela.

Operating costs

Raw material costs per tonne in 2001 for ammonia and fertilizer production increased compared to the prior year, reflecting higher average energy prices. Natural gas is the most important raw material for the production of ammonia and nitrogen fertilizer. In Europe, prices of natural gas are closely linked to developments in the price of crude oil. In 2001 average gas prices in Europe, stated in US dollars, increased by approximately 15 percent compared to 2000 notwithstanding declining crude oil prices due to the normal time lag in fixing prices with suppliers. Prices for phosphate and potassium, which are also used in the production of complex fertilizer, remained basically at the same level as in 2000.

The Hydro Agri Turnaround program was completed at the end of 2001 achieving total manning reductions of approximately 3,750 people (excluding the effects of new companies acquired) and annual cost reductions of approximately NOK 2,900 million compared to the 1998 level (approximately NOK 200 million is cost savings related to Gas and Chemicals. As a result, both cost and manning levels have been reduced by more than 30 percent. Efforts to achieve further improvements are ongoing. Plant Nutrition s operating results in 2001 included approximately NOK 300 million in redundancy and other costs related to the staffing reductions compared to NOK 460 million in the previous year.

Operating income and EBITDA

Plant Nutrition s operating income in 2001 was NOK 1,752 million compared to NOK 990 million in 2000, an increase of approximately 77 percent. EBITDA in 2001 was NOK 3,774 million compared to NOK 2,841 million in the prior year, an increase of approximately 33 percent. EBITDA for 2001 and 2000 included nonrecurring charges of NOK 239 million and NOK 731 million, respectively.

Outlook

Population growth and national wealth development have created and are expected to create sustainable growth in fertilizer consumption for the foreseeable future. The International Fertilizer Association (IFA), has forecast a medium term global nitrogen fertilizer growth rate of approximately 3 percent per annum. The main growth in consumption of nitrogen fertilizers has been and is expected to continue to be in Latin America.

Fertilizer consumption in Western Europe is expected to increase to normal historical levels following the substantial volume losses from the exceptionally wet conditions experienced in the spring of 2001. The set aside rate in the EU is currently at 10 percent and is expected to remain at this level. Global consumption of nitrogen fertilizers is expected to provide a basis for continued productivity gains in Hydro s restructured global sales and distribution network.

The supply/demand balance for urea is expected to improve over the next 2-3 years, as consumption is expected to continue to grow, and few new urea plants are under construction. However, low urea prices and high energy costs, combined with the political unrest in certain areas have led to temporary closures. As this capacity is brought back on stream, a downward pressure on prices may result during 2002. Consumption in China is likely to act as a small buffer, with China importing up to 1.3 million tons in 2002 (its WTO-quota) if international urea prices are low, but exporting significant volumes if prices increase. India is not expected to import significant volumes in 2002, but will likely be forced to increase imports in the following years.

Plant closures by European fertilizer companies during the previous year have reduced nitrate capacity by approximately 3 million tonnes, including approximately 1 million tonnes of Hydro capacity. This represents a reduction of approximately 20 percent of Western European capacity.

These measures contributed to an improved market balance during 2001 (notwithstanding the level of imports into Western Europe) and are expected to have a similar effect in 2002. Prices of nitrate fertilizer are expected to remain firm in 2002. However, Hydro expects pressure on NPK prices due to continuing over-capacity within this product group.

DAP prices fell in 2001 and are expected to be low in 2002. There is a significant over-capacity of DAP globally.

GAS AND CHEMICALS

Gas and Chemicals markets numerous industrial products which mainly have their origin in Hydro s ammonia and fertilizer production. The main products are industrial gases such as carbon dioxide (CO_2), nitrogen, oxygen and argon, and nitrogen-based products. The most important nitrogen-based products are technical ammonium nitrates for civil explosives, Nutriox for the treatment of municipal and industrial waste water, and Reduktan for the removal of nitrogen oxide (NO_x) from the emission gases of power plants, waste incinerators and larger vessels.

NOK million	**2001**	2000	1999
Operating Revenues	**4,649**	4,776	4,718
Operating Income	**362**	313	349
EBITDA	**628**	712	760
Gross Investment	**4,146**	5,147	4,591
CROGI	**11.4%**	12.6%	14.3%
Number of employees	**1,257**	1,144	1,568

The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	628
EBITDA for 2000	712

Change in EBITDA	(84)
Margin	(5)
Volume	(75)
Fixed costs	30
Other	(34)
Total change in EBITDA	(84)

Revenues and market conditions

Gas and Chemicals operating revenues in 2001 were NOK 4,649 million compared to NOK 4,776 million in the prior year, reflecting a decline of NOK 127 million (approximately 3 percent). The decrease in operating revenues is attributable primarily to reductions in volume relating to disposals and internal transfers between Gas and Chemicals and Plant Nutrition. Excluding the effects of transfers and disposals, operating revenue grew by approximately 14 percent in 2001.

Operating revenues derived from all nitrogen chemicals combined were NOK 2,833 million in 2001, representing an increase of approximately 21 percent compared to the preceding year. The increase in operating revenues is attributable primarily to increased sales volumes and improved prices. Sales volumes of nitrogen chemicals increased by approximately 12 percent in 2001 compared to 2000. The volume increase was particularly strong for environmental chemicals.

Operating revenues derived from the sale of technical ammonium nitrates for civil explosives were NOK 769 million in 2001, an increase of approximately 12 percent compared to the prior year. In 2001, global coal production (which accounts for roughly 70 percent of technical ammonium nitrate demand) increased significantly, generating higher demand and improving the market supply-demand balance. In addition, the serious explosion at a competitor s factory in Toulouse, France, together with several plant closures, contributed to Hydro s volume increase.

Operating revenues derived from the sale of environmental process chemicals (i.e., Nutriox for water treatment and Reduktan for removal of NO_x emissions) were NOK 573 million in 2001, an increase of 21 percent over the prior year, reflecting, in part, the effects of the adoption of more stringent environmental regulations to reduce emissions.

Gas and Chemicals industrial gases business is a regional business, focused mainly on Europe. Operating revenues derived from industrial gases, including CO_2, were NOK 1,604 million in 2001, representing an increase of 4 percent compared to the prior year. European sales increased by 3 percent. In Asia, carbon dioxide sales increased by 6 percent. The increase in sales of CO_2 is perceived to be attributable, in part, to the

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increased quality demands of the food industry. Sales volumes of industrial gases increased 2 percent overall in 2001 compared to the prior year.

Operating costs

Ammonia and natural gas are the main raw materials for nitrogen chemicals. Natural gas prices increased sharply in 2001 compared to the previous year. The average ammonia price increased only slightly, although there was a sharp decline in price during 2001 from the exceptionally high level at year-end 2000. Gas and Chemicals sources its ammonia requirements exclusively from Plant Nutrition.

Underlying margins improved overall in 2001. However, price improvements were offset to some extent by variable cost increases. Average margins on the sale of nitrogen chemicals increased approximately 12 percent in 2001, reflecting the positive effects of declining ammonia prices during the year, as well as price increases. Contract prices for this product group tend to be fixed annually and reflect the level of ammonia prices at the time of renewal. Margins realized on CO_2 sales were lower, primarily as a result of the higher cost of purchased gas from a primary internal supplier.

Fixed costs were reduced by 9 percent in 2001 compared to 2000 after excluding the effects of internal transfers of operations. The improvement primarily reflects the effects of the Agri turnaround efforts as well as the ongoing program of continuous cost improvement.

Costs in 2001 include losses and write downs totaling approximately NOK 126 million relating to the disposal of Oleo-chemicals and other non-core business activities.

Operating income and EBITDA

Gas and Chemicals operating income in 2001 was NOK 362 million compared to NOK 313 million in the prior year, an increase of approximately 16 percent. Gas and Chemicals EBITDA in 2001 was NOK 628 million compared to NOK 712 million in the prior year, a decrease of NOK 84 million or approximately 12 percent. Positive underlying operating results in 2001 were negatively influenced by losses on disposal of Oleochemicals and other non-core activities. Excluding the effects of these items, EBITDA was relatively unchanged.

Outlook

Based on the present product portfolio, sales of nitrogen products are expected to continue their present growth rate. Margins are dependent on the cost of ammonia and natural gas. Due to the lag in price development compared to raw material costs, declining prices for ammonia and natural gas result in a positive effect on margins. In 2002, the ammonia price is expected to be considerably lower than the average for 2001 primarily as a result of lower gas prices in the US. Average ammonia prices in 2002 are expected to be close to the long-term normal price level.

A continued high growth rate is expected for environmental process chemicals for water treatment and NO_x abatement. In addition, new developments within the environmental, food and transport application areas are expected to generate the greater part of volume increases in the coming year.

Overall sales volumes of industrial gases are expected to increase due to market growth and new applications. Increased competition in Asia combined with the uncertain political and economic outlook for Sri Lanka makes continued growth in this area more uncertain.

KFK

NOK million	**2001**	2000	1999
Operating Revenues	**11,000**	10,638	9,756
Operating Income/(Loss)	**(26)**	(44)	233
EBITDA	**350**	386	515
Gross Investment	**7,867**	7,499	6,331
CROGI	**4.3%**	5.0%	6.8%
Number of employees	**2,024**	2,074	2,109

The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	350
EBITDA for 2000	386
Change in EBITDA	(36)
Margin	20
Volume	(5)
Fixed costs	30
Other	(81)
Total change in EBITDA	(36)

Revenues and market conditions

Operating revenues for KFK increased slightly to NOK 11,000 million in 2001 from NOK 10,638 million in 2000. Sales volumes of animal feed increased by 9 percent compared to the previous year. Volumes for Biomar, KFK s fish feed operations, were slightly lower in 2001 compared to 2000. Volumes on grain trading decreased approximately 22 percent due to high stock levels.

Operating costs

Raw material costs, representing approximately 80 percent of total operating costs, increased by approximately 4 percent in 2001 compared to 2000 reflecting increased sales volumes.

Results for KFK have reflected negative developments in recent years. As a result, an improvement program was initiated in 2001 in order to reverse this trend and improve results. During 2001, KFK closed 30 sales outlets, two animal feed production plants and a seed production plant as part of this improvement program. Staffing levels in the grain and feed business in Denmark and Sweden were reduced by 185 employees (approximately 11 percent). The underlying fixed cost level was reduced by NOK 80 million in 2001 while related nonrecurring costs of NOK 38 million negatively impacted EBITDA. Annual cost savings related to the improvement program are expected to be approximately NOK 110 million.

Operating income and EBITDA

KFK s operating income/(loss) in 2001 was NOK (26) million compared to NOK (44) million in 2000. EBITDA decreased by approximately 9 percent from NOK 386 million in 2000 to NOK 350 million in 2001. The decline in EBITDA reflects the positive effect of NOK 89 million relating to disposals included in operating results for 2000.

The improvement in underlying operating results in 2001 reflects generally higher margins on KFK s products, lower costs and higher financial income. Margins in the Danish and Swedish markets increased by 13 percent with substantial increases in the second half of the year.

Outlook

The strong competition in the grain and feed stuff business is expected to continue. Accordingly, KFK will continue to focus on improving administrative and operational processes to reduce costs and gain efficiencies. In addition, KFK will shift its focus to higher margin business sectors. As an initial step, KFK acquired all of the outstanding shares in Dansk Primær Landbrug A/S (DPL) in October, 2001. In addition, KFK expanded its fish feed operations with a new production joint venture in Chile, new production facilities in Greece and an upgrade of existing facilities in the UK. An expansion of KFK s fish feed production capacity at the Karmøy plant in Norway is planned for 2002.

As part of Hydro s continued focus on its core business activities, a decision was taken in January 2002 to prepare for divestment of the Company s 62 percent interest in KFK.

PETROCHEMICALS

NOK million	**2001**	2000	1999
Operating Revenues	**5,374**	6,270	5,346
Operating Income/(Loss)	**(101)**	265	113
EBITDA	**363**	662	855
Gross Investment	**8,900**	10,197	9,460
CROGI	**3.8%**	5.9%	7.3%
Number of employees	**1,690**	1,877	1,973

The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	363
EBITDA for 2000	662
Change in EBITDA	(299)
Margin	(540)
Volume	15
Fixed costs	20
Non-recurring items	(50)
Other Income [1]	59
Other [2]	197
Total change in EBITDA	(299)

1) Gain on sale of Singapore Polymer Corporation in 2001.

2) Includes Hydro s share of net income in non-consolidated investee of NOK 48 million.

Revenues and Market Conditions

Petrochemicals operating revenues decreased by approximately 14 percent in 2001 compared to 2000. The reduction is primarily due to lower average product prices, particularly suspension polyvinyl chloride (S-PVC) prices. Hydro s average realized price for S-PVC was approximately 26 percent lower in 2001 than in 2000 as a result of a decline in demand.

Global demand for polyvinyl chloride (PVC) was stable during the year. The total West European consumption of PVC was also stable. While consumption decreased in North America by approximately 4 percent, demand in Asia increased by approximately 7 percent reflecting a substantial increase in demand in China.

Caustic soda prices in 2001 were almost twice the level in 2000. Production of S-PVC declined in 2001 as a result of lower demand in Europe and high energy costs in the US. This negatively affected production of caustic soda. The lower supply of caustic soda, combined with the unchanged demand, resulted in a sharp increase in prices. In addition, higher production at Hydro s Rafnes plant in Norway during 2001 contributed to the positive development.

Noretyl, in which Hydro s share was reduced to 50 percent with effect from January 1, 2001, is now reported as a non-consolidated investee. As a result, earnings from non-consolidated investees were higher and operating income was lower compared to 2000.

Hydro sold its shares in Singapore Polymer Corporation (SPC) in October 2001. Hydro had previously supplied vinyl chloride monomer (VCM) to SPC for its PVC production. However, the PVC plant in Singapore was closed in December 1999. Accordingly, SPC was no longer of strategic importance to Hydro s Petrochemicals operations.

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Operating costs

Total raw material costs for Petrochemicals were at a similar level compared to the previous year.

Total fixed costs (excluding a one time pension adjustment in 2000 and other non-recurring costs) were reduced in 2001 compared to 2000 reflecting reduced staffing and improved work processes. Focus on fixed cost reduction will continue to further enhance the competitiveness of the segment.

Operating income and EBITDA

Petrochemicals operating income/(loss) in 2001 was NOK (101) million compared to NOK 265 million in the prior year. EBITDA was NOK 363 million in 2001 compared to NOK 662 million in the prior year, a decrease of 45 percent. EBITDA for 2001 was negatively affected by non-recurring items in the amount of approximately NOK 225 million relating to the costs of staffing reductions (NOK 150 million) and demolition and cleanup costs for the Porsgrunn, Norway facility (NOK 75 million). This was partly offset by a gain of NOK 59 million on the sale of Singapore Polymer Corporation (SPC). Non-recurring costs in 2000, mainly relating to pensions, were around NOK 173 million.

Excluding non-recurring costs, underlying results declined in 2001 primarily as a result of lower S-PVC prices. This was partly offset by higher caustic soda prices.

Outlook

Global demand for PVC is expected to increase by 2 to 3 percent in 2002 versus 2001. In general, growth in PVC demand tends to follow growth in GDP.

Global PVC margin is projected to improve slightly during the second half of 2002 due to a more balanced demand/supply situation. However, PVC margins in 2002 are expected to be below the historical average because the global capacity additions during 2000 and 2001 will put pressure on prices. Non-integrated vinyl companies will experience lower margins, while integrated companies such as Hydro are expected to improve their margins slightly because of improved chlor-alkali margins. The average price for S-PVC in 2002 is expected to be slightly higher than prices achieved towards the end of 2001. The higher caustic soda prices experienced in 2001 are not expected to be sustainable in 2002. Petrochemicals expects caustic soda prices to return to normal levels.

OTHER ACTIVITIES

Other Activities include Pronova, the industrial casualty insurance company, Industriforsikring, Hydro Business Partner and Hydro Technology and Projects.

EBITDA for Other activities was NOK 499 million, a decline of NOK 1,397 million compared to 2000. At the end of 2000, the Company sold Hydro Seafood resulting in a gain of NOK 1,609 million. Hydro Seafood s British operations were sold in 2001 resulting in a gain of NOK 418 million. The results for 2000 were also positively influenced by Hydro Seafood s operating results up to the time of sale. In 2001, staffing reductions at the Company s Grenland industrial site in Norway resulted in a nonrecurring charge of NOK 300 million. Nonrecurring charges in the previous year relating to pension cost adjustments and cost reduction programs were approximately NOK 400 million. Underlying operating results improved by approximately NOK 40 million excluding the effects of the divestment of Hydro Seafood and the non-recurring charges described above.

EBITDA for Corporate Activities in 2000 included earnings on the divestment of Hydro s ownership stake in Dyno which generated a profit of NOK 954 million. In addition, EBITDA was heavily influenced by a positive one-time effect relating to the change in method of allocating pension costs in the total amount of NOK 2,007 million.

LIQUIDITY AND CAPITAL RESOURCES

NOK million	**2001**	2000	1999
Cash flow provided by (used for):			
Operations	**26,172**	25,626	14,744
Investments	**(14,681)**	(3,630)	(8,366)
Financing	**(5,990)**	(8,129)	(1,233)
Increase in cash and cash equivalents	**5,382**	14,331	5,499
Return on Shareholders equity	**11%**	21%	6%
CROGI	**9.1%**	12.3%	8.4%
Long-term debt/ equity ratio	**0.27**[1)]	0.39[1)]	0.69

1) Adjusted for excess cash and cash equivalents over what is considered a normal level of NOK 10 billion.

Cash flow

Hydro has historically financed its operations primarily through cash generated by operating activities. Cash provided by operating activities in 2001 was NOK 26,172 million an increase of 2 percent above the level in 2000 notwithstanding the exceptionally strong operating results in 2000 and the generally lower prices and margins experienced in 2001. Despite a reduction of approximately 44 percent in the Company s net income in 2001, lower operating capital requirements had a favorable effect on the Company s cash flow to the extent of NOK 5.3 billion. Lower receivables and inventories levels generated cash of approximately NOK 3.6 and 1.9 billion, respectively, in 2001.

Cash used for investing activities in 2001 was NOK 14,681 million compared to NOK 3,630 million in 2000. Total investments in each of 2001 and 2000 were approximately NOK 16 billion. However, cash used for investing activities in 2000 was positively

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influenced by sales of businesses and assets of NOK 12.7 billion. (See Note 2 in Notes to the consolidated financial statements for a detailed description of acquisitions and disposals for 2001 and 2000). See Capital Expenditures below for an analysis of expenditures for property, plant and equipment and long-term investments.

In 2001, NOK 5,990 million was used in financing activities. By comparison NOK 8,129 million was used in 2000. The decrease in 2001 was primarily due to lower bank loan repayments compared to the previous year. Repayments of loans totaled NOK 2,865 million in 2001, and NOK 6,328 million in 2000.

Short and long term borrowings

Short-term bank loans and the current portion of long-term debt decreased to NOK 10,424 million at the end of 2001 from NOK 11,297 million at the end of 2000.

Hydro s long-term interest bearing debt at the end of 2001 was NOK 37,853 million, compared to NOK 40,174 million at the end of 2000. During 2001, Hydro repurchased its long-term debentures in the aggregate principal amount of NOK 664 million. In addition, the Company repaid long term loans of NOK 2,201 million.

Long-term debt is denominated principally in US dollars. Weighted average interest rates range from 5.5 percent to 8.3 percent. The maturity of the Company s outstanding long-term debt varies, with approximately 18 percent falling due within the next five years and the remainder thereafter. (See Note 19 in Notes to the consolidated financial statements for more comprehensive information on the composition of long-term debt.) Substantially all unsecured debt agreements and indentures contain provisions restricting the pledging of assets to secure future borrowings without granting equivalent status to existing lenders. Certain of such agreements allow for early redemption at the outstanding principal amounts or specified premiums above such amounts, plus accrued and unpaid interest.

Net interest bearing debt (short- and long-term interest bearing debt, including the current portion of long-term debt, less cash and cash equivalents) at the end of 2001 was NOK 21.1 billion, compared to NOK 29.7 billion at the end of 2000. In 2001, net cash generated by the Company s operations of approximately NOK 26.2 billion was more than adequate to fund its investing and financing activities of approximately NOK 18.3 billion. The residual cash balance of approximately NOK 7.9 billion was utilized to reduce the Company s net interest bearing debt.

In January 2002, Hydro entered into an agreement to purchase all of the outstanding shares of the German group VAW Aluminium AG, a leading aluminum company in Europe. The total consideration to be paid in the transaction is estimated to be EUR 2,645 million (NOK 21.2 billion), including net interest bearing debt of EUR 757 million (NOK 6.1 billion). The acquisition is subject to approval by competition authorities in some countries and by the European Union. Additionally, Hydro completed its purchase of the French building systems group, Technal, in January 2002 for a price of EUR 73 million (NOK 580 million) and the assumption of NOK 307 million in debt. Hydro also expects to acquire a modest interest in the Norwegian State s Direct Financial Interest (SDFI). Hydro anticipates that its cash holdings as of 31 December, 2001 of approximately NOK 27 billion and credit facilities described below will be sufficient to finance these investments.

In addition, Hydro anticipates that cash from operations and short-term credit facilities will be sufficient to meet its planned capital expenditures and operational requirements in 2002. Hydro s capital expenditures for 2002, excluding the acquisition cost of VAW and potential purchase of SDFI assets are estimated to be approximately NOK 19 billion.

As of 31 December 2001, Hydro had committed and unused short-term credit facilities totaling approximately NOK 3,140 million. The Company also has agreements for long-term stand-by credit facilities totaling US dollar 2,000 million. There were no borrowings under these agreements as of 31 December, 2001. There are no substantial restrictions on the use of borrowed funds under Hydro s material credit and debt facilities.

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

Contractual obligations In NOK million	Payments Due by Period				
	Total	Less than 1 year	1-3 years	4-5 years	There-after
Long-term debt	39,645	1,932	3,424	1,572	32,717
Capital lease obligations	174	34	78	44	18
Operating lease obligations	6,924	1,374	2,517	1,699	1,334
Unconditional purchase obligations	38,170	3,396	4,944	4,174	25,656
Total contractual cash obligations	84,913	6,736	10,963	7,489	59,725

In addition, Hydro s other commercial commitments include guarantees and contractual commitments for future investments. Guarantees including letters of credit, stand-by letters of credit and performance bonds as of 31 December, 2001 amounted to NOK 6.8 billion. Contractual commitments for investments in property, plant and equipment, and other future investments as of 31 December, 2001 amounted to NOK 15.9 billion.

The Company s long-term debt/equity ratio was 0.27 at the end of 2001 after adjusting for cash above what is considered a normal level. It is expected that the long-term debt/equity ratio will be approximately 0.70 after the acquisition of VAW and the potential purchase of SDFI assets. Hydro anticipates that cash from operations and the proceeds from planned divestments of approximately NOK 10 billion will improve the ratio to 0.5 by the end of 2003.

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Hydro continues to maintain its sound credit ratings following its planned acquisitions described above. Both of the Company s rating agencies, Moody s Investors Services and Standard & Poor s affirmed that the company has the financial capacity to make these acquisitions within its current rating. Moody s has, in addition, changed the Company s rating outlook to negative.

Minority interest and Shareholders equity

Minority interest decreased by approximately 26 percent to NOK 1,051 million in 2001. Shareholders equity was NOK 74,793 million at the end of 2001, an increase of 5 percent compared to 2000.

Capital Expenditures

Investments relating to new and existing fields and transportation systems in 2001 were NOK 9,618 million. Grane, Tune, Snorre Phase 2, and Terra Nova were the four most important development projects for Exploration and Production in 2001. The largest investments for Aluminium Metal Products in 2001 included the expansion activities relating to the alumina refinery and ownership interest in Alunorte in Brazil, the construction activities related to the remelt plant in Azuqueca, Spain and the modernization and expansion activities relating to the Company s aluminum smelter in Sunndal. Investments for Aluminium Extrusion related primarily to the acquisition of Aldural in Argentina and rationalizing existing business activities including a new press in Italy.

In 2000, Hydro invested NOK 8,322 million in new and existing fields and transportation systems. Snorre 2, Oseberg South, Terra Nova and Åsgard were the four most important development projects in 2000. The largest investments for Aluminium Metal Products in 2000 was the construction of a new remelt plant in Kentucky and the acquisition of an ownership interest in Alunorte in Brazil. Investments for Aluminium Extrusion related primarily to the acquisition of Wells Aluminum Corporation, the establishment of Hydro Aluminium Wuxi and the addition of four new extrusion presses in France, Spain and Italy. Magnesium investments in 2000 related to a new facility in China for conversion of local magnesium to high quality alloy ingots. A significant part of the 2000 investment for Plant Nutrition related to the acquisition of Trevo in Brazil.

Investments relating to exploration and production activities in 1999 were NOK 7,051 million excluding the effects of the Saga acquisition. Terra Nova, Snorre 2, Åsgard and Oseberg South were the most important development projects in 1999. For Aluminum Metal Products, the upgrade of the Årdal Carbon plant and the increase in cast house capacity in the Årdal Metal plant, were the largest investment projects in 1999. Capital expenditures for Aluminum Extrusion included significant upgrading of manufacturing facilities at six plants as well as increasing ownership of Building Systems operations in Austria, the Czech Republic and Hungary and acquiring a new company in Switzerland. A new welded tube plant was also opened in the US in 1999. Investments in Plant Nutrition for 1999 concentrated on maintenance of existing plants and upgrading of the ammonia plants in Le Havre, France and Porsgrunn in Norway.

Investments [1)]

Amounts in NOK million	**2001**	**%**	2000	%	1999	%
Exploration and Production	**9,618**	**59**	8,322	50	7,051[2]	57
Energy	**366**	**2**	123	1	93	1
Oil Marketing	**106**	**1**	63		88	1
Eliminations			29			
Hydro Oil and Energy	**10,090**	**62**	8,537	52	7,232	59
Aluminium Metal Products	**1,900**	**12**	2,561	15	983	8
Aluminium Extrusion	**710**	**4**	1,962	12	558	5
Other Light Metals	**917**	**6**	552	3	590	5
Hydro Light Metals	**3,527**	**22**	5,075	31	2,131	18
Plant Nutrition	**657**	**4**	1,093	7	1,267	10
Gas and Chemicals	**140**	**1**	240	1	259	2
A/S Korn- og Foderstof Kompagniet	**684**	**4**	548	3	476	4
Hydro Agri	**1,481**	**9**	1,881	11	2,002	16
Petrochemicals	**347**	**2**	540	3	555	4
Other Activities [3]	**341**	**2**	474	3	431	4
Segments	**15,786**	**97**	16,507	100	12,351	100
Corporate	**542**	**3**	83		(26)	
Eliminations			(25)			
Total	**16,328**	**100**	16,565	100	12,325	100

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

2) Excluding effects of Saga acquisition of approximately NOK 40,700 million.

3) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance, Hydro Business Partner and Technology and Projects.

Material commitments for capital expenditures

Contract commitments for investments in property, plant and equipment relating to land-based activities and oil and gas field activities and transport systems at the end of 2001 were NOK 3,943 million and NOK 10,339 million respectively. Additional authorized future investments representing projects formally approved by the Board of Directors or management were NOK 3,150 million relating to land-based activities and NOK 2,564 million relating to oil and gas field activities and transport systems. Hydro expects that cash flow from operations and normal financing activities will be adequate to fund these expenditures.

RESEARCH AND DEVELOPMENT

Hydro engages in research and development (R&D) in order to maintain its competitive position and to develop new products and processes. Hydro spent approximately NOK 796 million, NOK 898 million, and NOK 1,043 million during 2001, 2000, and 1999 respectively, on such activities. As part of its R&D activities, Hydro continues to focus on ecological issues including life cycle analyses and energy efficiency studies relating to products produced by the Company.

Hydro maintains major research centers in Porsgrunn and Bergen in Norway, with a combined staff of approximately 455 as well as smaller research groups in several other locations. In February 2001, Hydro divided the Porsgrunn facility into four units, of which three are dedicated to support the Company s main business areas. The Bergen facility is dedicated to the Group s oil and gas activities. Research centers for Hydro Aluminium are located at Karmøy, Årdal, Raufoss and Sunndal in Norway, and in Tønder, Denmark and in Michigan, US.

The following highlights major contributors to total R&D costs incurred in 2001.

Hydro Oil and Energy incurred R&D costs in 2001 totaling approximately NOK 149 million, mainly by Exploration and Production. The amount incurred was primarily aimed at exploration technology, virtual reality, increased oil recovery, multiphase transportation, well technology, deep water technology, subsea solutions and health, safety and environment with the purpose of reducing field development and operating costs. Hydrogen as a future energy carrier as well as reduction of emissions of carbon dioxide is included in Hydro s R&D programs.

Hydro Light Metals incurred a total of NOK 372 million in R&D costs in 2001. Aluminium Metal Products incurred NOK 109 million relating to work on core technologies, new products and processes. NOK 90 million was incurred by Aluminium Extrusion focusing on metallurgy and die technology. Other Light Metals incurred NOK 173 million in 2001. Automotive Structures incurred NOK 129 million of this total. Activities were primarily focused on improvements of material and production processes, as well as development of new products in order to be an attractive partner to the automotive industry. Magnesium incurred NOK 22 million aimed at increasing productivity and product quality. Activities at the Porsgrunn facility relating to magnesium have been reduced following the decision to terminate the production of primary magnesium in Porsgrunn. The Hydro Light Metals research center in Porsgrunn works closely with magnesium market development personnel in Detroit, Bottrop, Brussels and Tokyo to promote and develop applications for magnesium, particularly in the automotive industry. Aluminium Rolled Products incurred NOK 22 million in research and development costs in 2001.

R&D costs for the Agri business area were NOK 142 million in 2001 including NOK 130 million for Plant Nutrition and NOK 12 million relating to Gas and Chemicals. R&D activities relating to Plant Nutrition included process and technology development aimed at optimization and cost reduction as well as product R&D targeting new, innovative products and strategies for customers in selected markets. Activities relating to Gas and Chemicals have been focused on application and product development including projects relating to environmental issues.

Petrochemicals incurred NOK 36 million in research and development costs in 2001. The main research and development areas are process improvements in VCM and PVC technology, aiming at higher productivity and lower costs and PVC formulation developments with a view to minimizing the environmental impact of the PVC life cycle. More radical research and development includes new technology for the production of multimodifier particles for PVC as well as an alternative process for large scale magnetization of natural gas by converting gas to olefins via methanol.

RISK MANAGEMENT

The following discussion about Hydro s risk management activities and the estimated amounts generated from the sensitivity analyses are forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those projected due to actual developments in the global markets. The methods used by Hydro to analyze risks discussed below should not be considered projections of future events or losses. Hydro also faces risks that are either non-financial or non-quantifiable. Such risks are not represented in the following analyses.

Hydro maintains risk management control systems to monitor the market risk arising from:

- Commodity price risks, arising mainly from fluctuations in the prices of crude oil, aluminium, natural gas, electricity, and fertilizers;
- Foreign currency risk, due to the fluctuations of the Norwegian kroner against other currencies, primarily the US dollar; and
- Interest rate risk

NORSK HYDRO ASA - FINANCIAL REVIEW

Total company

Hydro s policy is to manage its total risk based on a portfolio view in order to take advantage of offsetting positions and to manage risk on a net exposure basis. Hydro s Corporate Risk Management Board establishes guidelines for managing risks related to commodity prices, currencies and interest rates. Within these guidelines the operating units enter into derivative financial and commodity instruments aimed at reducing Hydro s total cash flow risk. Hydro s trading and use of various derivative commodity instruments is subject to the continuous oversight and control by line management and is periodically reviewed by the Corporate Risk Management Board and Corporate Management. Policies are set to govern the limit for exposure to derivatives in terms of amount, duration, and quantities as well as providing stop-loss.

The derivative financial and commodity instruments that Hydro uses to manage its primary market risks are as follows:

futures:	crude oil, aluminium, electricity
forwards:	crude oil, aluminium, electricity, natural gas, foreign currency
options:	crude oil, aluminium, electricity, foreign currency
swaps:	crude oil, aluminium, NGLs, foreign currency, interest rate

Hydro considers all significant derivative financial and commodity instruments to be held for purposes of managing commodity price, foreign exchange and interest rate exposures. For accounting purposes, unless otherwise disclosed below, derivative financial and commodity instruments are marked-to-market with the resulting gain or loss reflected in income since most of such instruments do not meet the criteria for hedge accounting. This can result in volatility in earnings as the associated gain or loss on the related transactions may be reported in earnings in different periods.

Commodity price risk

A substantial portion of Hydro s revenues are derived from the sale of commodities such as crude oil aluminium and fertilizers. Hydro also purchases and sells natural gas and electricity. The prices of these commodities can be volatile, creating significant market risk exposures. Hydro uses commodity derivatives, such as commodity futures and forwards, options and swaps, to manage unfavorable price fluctuations and to participate in limited speculative trading within strict limits defined by management. The following highlights Hydro s main commodity price risks.

Oil. Hydro produces and sells crude oil and refined petroleum products. Hydro utilizes futures, physical and financial swaps and options with international oil and trading companies. These instruments are used to mitigate unwanted price exposure for a portion of its crude oil portfolio production and certain inventories of oil or petroleum products at its partly owned refinery in Sweden. As of 31 December, 2001, these instruments were recorded at fair value as an asset of NOK 9 million and a liability of NOK 13 million. Hydro has purchased average rate put options (Asian options) for crude oil for the period 1 July, 2001 to 31 December, 2002 for the purpose of protecting against the risk of low oil prices. The notional volume of the contracts is 45 million barrels of oil with an average strike price of US dollar 15.5 per barrel for the entire 18 month period. In addition, Hydro has purchased average rate put options (Asian options) to sell 10 million barrels of oil in the first half of 2003 for an average strike price of US dollar 17 per barrel. The options described in this paragraph have been recorded as an asset at fair value of NOK 114 million, with gains and losses recorded in earnings.

Natural gas. Hydro is a producer, consumer, buyer and seller of natural gas. Through 31 December, 2001, the production from the Norwegian Continental Shelf was sold through the Gas Negotiating Committee (GNC). As of 1 January, 2002 the GNC was dismantled, resulting in each stakeholder on the Norwegian Continental Shelf being individually responsible for natural gas commercial activities. The consumption of natural gas is mainly sourced through long-term contracts with major producers and distributors. Hydro is mainly involved in physical over-the-counter forward contracts traded bilaterally in the UK and on the European continent where there exists a liquid market for such contracts. The main purpose of this activity is to secure natural gas for Hydro s own production and deliveries to Hydro s customers, to reduce the risk in the natural gas portfolio against unfavorable fluctuations in price, and to participate in limited speculative trading within strict limits defined by management. Hydro s natural gas contracts, recorded on the balance sheet as of 31 December, 2001 as assets of NOK 585 million and liabilities of NOK 532 million, were split almost equally between short-term and long-term contracts. Activities qualifying as energy trading contracts under EITF 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities and contracts qualifying as derivatives under Statement of Financial Accounting Standards (SFAS) No. 133 Accounting for Derivative Instruments and Hedging Activities (SFAS 133) are marked-to-market with the related adjustments reflected in operating income.

Electricity. Hydro is a producer, consumer, buyer and seller of electricity. In Norway, Hydro s consumption of electricity exceeds its production. In Europe, only small scale production exists and consumption is considerably higher. This deficit is principally covered through long-term purchase contracts with other producers and suppliers. Hydro s demand and supply balance can also be affected by other factors, such as seasonal variations in the level of its production, which is influenced by precipitation and reservoir levels. Hydro utilizes derivative instruments, such as futures, forwards and options, and physical contracts that are traded either bilaterally or over electricity exchanges such as the Nordic power exchange, Nord Pool. The main purpose of this activity is to secure electricity in the market for Hydro s own consumption and delivery commitments, to reduce the risk in the electricity portfolio against unfavorable fluctuations in price, and to participate in limited speculative trading within strict limits defined by management. As of 31 December, 2001 approximately half of Hydro s electricity contracts recorded on the balance sheet matured within one year, while the other half were more long-term. They were recorded as assets of NOK 180 million and liabilities of NOK 207 million. Activities qualifying as energy trading contracts under EITF 98-10, and contracts qualifying as derivatives under SFAS 133 are marked-to-market with the related adjustments reflected in operating income.

Aluminium. Hydro is a leading producer of primary aluminium and fabricated aluminium products. Hydro also has considerable activities related to physical aluminium and raw material trading aimed at extending Hydro s role as a reliable and long-term supplier of raw materials and aluminium products. The objective of this trading is to optimize logistical costs and strengthen market positions by providing customers with flexibility in pricing and sourcing. In addition, Hydro also has considerable activities relating to remelting and long-term commercial agreements to secure sourcing of casthouse products.

To secure margins on physical contracts and achieve an average London Metal Exchange (LME) price on smelter production, Hydro enters into corresponding future contracts with the LME. The majority of these contracts have a maturity within one year. Hydro manages these hedging activities on a portfolio basis, often taking LME positions based upon net exposures. Accordingly, it is difficult to meet certain hedge accounting criteria. Therefore, aluminium price volatility can result in significant fluctuations in the marked-to-market adjustments for LME positions recorded to operating income. However, the long-term effect of price changes of future physical metal purchases and sales is expected to largely offset the marked-to-market adjustments for the LME future contracts.

In addition, Hydro engages in speculative trading within strict limits as defined by management. Volatility from market adjustments on speculative positions will not have offsetting effects from other transactions.

As a result of the expansion project at the Sunndal metal plant, Hydro s exposure to commodity prices and foreign currency exchange rates has increased. Accordingly, Hydro has entered into short positions using LME future contracts and US dollar forward contracts to secure an average aluminium price of approximately NOK 14,000 per tonne of forecasted sales of primary metal production per year for the period 2003 to 2007. As of 31 December, 2001 Hydro had sold forward approximately 490,000 tonnes of primary aluminium at an average LME price of about US dollar 1,500 per tonne. Simultaneously, Hydro secured the US dollar-NOK exchange rate at about NOK 9.3 for the same tonnage in the same period. This hedging strategy meets certain hedging criteria in accordance with SFAS 133, and has therefore been designated as a cash flow hedge. As of 31 December, 2001 the effective hedge portion after tax, amounting to a deferred gain of NOK 18 million, was recorded to Other Comprehensive Income. The fair value of the LME future contracts was recorded as an asset of NOK 254 million and a liability of NOK 36 million. The fair value of the currency forward contracts was recorded as a liability of NOK 192 million.

In addition, in 2001 Hydro entered into short positions using LME future contracts, designating such contracts as cash flow hedges under SFAS 133 against the risk of lower aluminium prices for forecasted sales of primary metal production for the period 2001 to 2003. In connection with this cash flow hedge, Hydro bought call options on aluminium to benefit from anticipated higher aluminium prices. Production capacity cutbacks in 2001 in the US, Canada and Brazil established a possibility for a strong aluminium price increase. In addition Hydro bought call options with the intent to offset the effects of backwardation (i.e., LME spot price is higher than the LME three-month forward price). The premium on these call options was financed by simultaneously selling put options on aluminium. A significant drop in aluminium prices in the latter half of 2001 resulted in losses on these options. Consequently, in the beginning of October 2001, the options were terminated, and the

LME futures were neutralized and dedesignated as hedges. These options did not qualify for hedge accounting and were marked-to-market. These options, combined with the hedging strategy, generated a total pre-tax loss of NOK 545 million that was recognized in 2001. Deferred gains after tax recorded to Other Comprehensive Income relating to the LME futures as of 31 December, 2001 amounted to NOK 117 million. Hydro expects to reclassify an after tax gain of NOK 65 million and NOK 52 million from Other Comprehensive Income to operating revenues in 2002 and 2003, respectively. Hydro s risk management policy has been changed so that similar options will not be used.

Hydro also has a 10 year commitment with Aluvale to purchase a fixed tonnage of remelt ingot per year. At the end of 2001, Hydro had entered into short positions using LME futures to hedge against the fluctuations in the fair value of the purchase commitment due to changes in the LME price of aluminium over the period of 2002 2006. The fair value of the futures contracts designated as fair value hedges was recorded as an asset of NOK 22 million as of 31 December, 2001.

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Foreign currency exchange rate risk

Prices of many of Hydro s most important products, mainly crude oil, aluminium, natural gas and magnesium, are either denominated in US dollars or are influenced by local currency rates against the US dollar. The cost of raw materials, including natural gas, NGLs and alumina, are affected by the US dollar price of crude oil, and fluctuations in the US dollar against local currencies. Hydro s primary foreign currency risk is tied to local currency fluctuations against the US dollar. To reduce the long-term effects of fluctuations in US dollar exchange rates, Hydro incurs most of its debt in US dollars (approximately 68 percent of Hydro s long-term debt is US dollar denominated). The remaining long-term debt is denominated in Norwegian kroner, Euro, Swedish kroner, and British pounds. Hydro s pre-tax operating income would most likely increase when the US dollar appreciates against European currencies, whereas financial expense, including interest expense and net foreign currency losses, is likely to be negatively affected. In addition, the effects of translation of local currency financial statements of subsidiaries outside of Norway into Norwegian kroner can influence comparative results of operations.

Hydro primarily employs foreign currency swaps and forward currency contracts to modify the currency exposures for Hydro s long-term debt portfolio. Foreign currency swaps allow Hydro to raise long term borrowings in one currency and swap them into another with lower funding costs rather than borrowing directly in the second currency. Forward currency contracts are entered into to safeguard cash flows for forecasted future transactions or to cover short-term liquidity needs in one currency by excess liquidity available in another currency. Entering into short-term forward currency contracts is used for funding costs as an alternative to drawing a short-term loan in one currency and investing short-term in another.

In order to further mitigate its exposure to foreign currency risk, Hydro has designated a portion of its foreign denominated long-term debt, including certain related balances in currencies arising from foreign currency swaps and forwards, as hedges of net foreign investments in subsidiary companies. The foreign exchange gains and losses on this debt are recorded as a separate component of shareholders equity.

Interest rate risk

Hydro is exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and fund its business operations. Management s strategy is to have debt with long average life and stable interest payments. Hydro maintains 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 periodically uses derivative financial instruments such as foreign currency and interest rate swaps to minimize its exposure to interest rate risks.

As of 31 December, 2001, Hydro had two interest rate swaps with offsetting terms. These swaps represented an asset and liability of NOK 30 million, respectively. Furthermore, Hydro has a sold swaption contract whereby the counterparty has a right to enter into an interest rate swap under which Hydro will receive interest at a fixed rate while paying interest at a variable rate. The contract was recorded as a liability of NOK 16 million.

Credit risk

Credit risk arising from the inability of the counterparty to meet the terms of Hydro s derivative financial instrument contracts is generally limited to amounts, if any, by which the counterparty s obligations exceed the obligations of Hydro. It is Hydro s policy to enter into derivative financial instruments with various international banks with established limits for transactions with each institution. Therefore, Hydro does not expect to incur material credit losses on its risk management or other derivative financial instruments.

Hydro also has some exposure to credit risk related to derivative commodity instruments. However, this risk is significantly limited because most instruments are settled through commodity exchanges. Hydro limits credit risks relating to other contracts not traded on exchanges with internal policies for credit ratings and limits for counterparties.

Concentration of credit risk is not considered significant since Hydro s customers represents various industries and geographic areas.

Sensitivity analysis

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

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The sensitivity analysis depicted in the tables below reflects the hypothetical loss in fair values assuming a 10 percent change in rates or prices and no changes in the portfolio of instruments as of 31 December, 2001 and 31 December, 2000, respectively. Hydro s management cautions against relying on the information presented. This is due to the arbitrary nature of assumptions involved, the inability of such a simple analysis to model reality, continuous changes to Hydro s portfolio and the exclusion of certain of Hydro s positions necessary to reflect the net market risk of the Group. Accordingly, the information does not represent management s expectations about probable future losses. The most significant limitations on the figures provided are as follows:

The tables only include the effects of the derivative instruments discussed above and of certain financial instruments (see Footnote 2 below). It does not include all related physical positions, contracts, and anticipated transactions that many of the derivatives instruments are meant to secure. A rate or price change of 10 percent will often result in a corresponding effect to the fair value of the physical or underlying position such that the resulting gains and losses would offset.

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

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

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

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

As depicted in the tables below, in 2001 Hydro s exposure to foreign currency risk decreased compared to the prior year, with a corresponding decrease in the hypothetical losses in the fair value of these financial instruments. The reasons for the change include the following:

During 2001, Hydro repurchased its long-term debentures in the aggregate principal amount of NOK 664 million. In addition, the Company repaid long term loans of NOK 2,201 million. Consequently, Hydro s long-term debt position was reduced compared with the previous year.

Hydro s level of cash and cash equivalents increased by approximately NOK 5,400 million.

During the course of 2001, the Norwegian kroner devalued against the US dollar as compared to the prior year.

	As of 31 December, 2001 Hypothetical loss from +/- 10% change in:					
NOK million (unaudited)	Fair value as of **31 December, 2001** [1)]	Interest rates	Foreign currency exchange rates	Commodity prices	Volatility	Other

Derivative instruments related to:						
Commodities	**559**		**162**	**825**	**22**	
Other [2]	**(51)**	**55**	**1,015**		**18**	
Financial instruments [3]	**(16,555)**	**1,994**	**2,925**			**93**

	As of 31 December, 2000 Hypothetical loss from +/- 10% change in:					
NOK million (unaudited)	Fair value as of 31 December, 2000 [1]	Interest rates	Foreign currency exchange rates	Commodity prices	Volatility	Other
Derivative instruments related to:						
Commodities	139		23	426		
Other [2]	(116)	17	1,122			
Financial instruments [3]	(29,611)	2,041	3,847			91

1) The change in fair value due to price changes is calculated based upon pricing formulas for certain derivatives, the Black-Scholes model for options and the net present value of cash flows for certain financial instruments or derivatives. Discount rates used vary as appropriate for the individual instruments.

2) Other mainly includes forward currency contracts, currency swaps and swaptions.

3) Financial instruments include cash and cash equivalents, investments in marketable securities, bank loans and other interest bearing short-term debt and long-term debt. A substantial portion of the hypothetical loss in fair value for changes in interest rates relates to Hydro s long-term fixed rate debt. As Hydro expects to hold this debt until maturity, changes in the fair value of debt would not be expected to affect earnings.

The tables above also reflect that Hydro s exposure to commodity price risks increased in 2001 as compared to the prior year. This is attributable to Hydro s positions in certain aluminium and electricity contracts, combined with changes in market prices. These effects resulted in an increase in the hypothetical losses in the fair value of Hydro s derivative commodity instruments. The remaining activities for 2001 have not materially impacted the other hypothetical losses in the fair value for the year ended 31 December, 2001.

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NORSK HYDRO ASA AND SUBSIDARIES - US GAAP

CONSOLIDATED INCOME STATEMENTS

Year ended 31 December, Amounts in million (except per share amounts)	Notes	**2001 (NOK)**	**2001 (EURO)*)**	2000 (NOK)	1999 (NOK)
Operating revenues	5	**152,835**	**19,184**	156,861	111,955
Raw materials and energy costs		**94,537**	**11,866**	94,082	70,707
Payroll and related costs	7,20	**17,237**	**2,164**	14,852	14,051
Depreciation, depletion and amortization	5,16	**12,273**	**1,541**	12,538	10,494
Other		**6,744**	**846**	6,788	8,336
Restructuring costs	6	**961**	**121**	135	632
Operating costs and expenses	7	**131,752**	**16,538**	128,395	104,220
Operating income before financial items and other income	5	**21,083**	**2,646**	28,466	7,735
Equity in net income of non-consolidated investees	5,14	**566**	**71**	672	339
Interest income and other financial income	8,24	**2,847**	**357**	1,747	1,504
Other income, net	5,9	**578**	**73**	3,161	1,350
Earnings before interest expense and taxes (EBIT)		**25,074**	**3,147**	34,046	10,928
Interest expense and foreign exchange gain (loss)	8,24	**(3,609)**	**(453)**	(3,905)	(3,055)
Income before taxes and minority interest		**21,465**	**2,694**	30,141	7,873
Income tax expense	10	**(13,750)**	**(1,725)**	(16,178)	(4,337)
Minority interest		**177**	**22**	18	(90)
Income before cumulative effect of change in accounting principle		**7,892**	**991**	13,981	3,446
Cumulative effect of change in accounting principle					(30)
Net income	26	**7,892**	**991**	13,981	3,416
Earnings per share before change in accounting principle	3	**30.50**	**3.83**	53.40	13.90
Earnings per share	3	**30.50**	**3.83**	53.40	13.80

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME **)

Net income		**7,892**	**991**	13,981	3,416
Net unrealized gain (loss on securities available-for-sale	3	**41**	**5**	(3)	2
Minimum pension liability adjustment	3	**(397)**	**(50)**	(95)	(8)
Net investment hegde	3	**89**	**11**	(412)	36
Cash flow hedges	3	**136**	**17**		
Net foreign currency translation adjustments	3	**(794)**	**(99)**	1,010	(559)

Total other comprehensive income (loss), net of tax	3	**(925)**	**(116)**	500	(529)
Comprehensive income, net of tax		**6,967**	**875**	14,481	2,887

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2001, which was 7.9667.

**) Changes in shareholders equity include net income together with other changes not related to investments by and distribution to shareholders. (See Note 3)

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

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NORSK HYDRO ASA AND SUBSIDARIES - US GAAP

CONSOLIDATED BALANCE SHEETS

31 December, Amounts in million	Notes	**2001 (NOK)**	**2001 (EURO)*)**	2000 (NOK)
ASSETS				
Cash and cash equivalents		**27,148**	**3,408**	21,766
Other liquid assets	11	**2,421**	**304**	2,491
Accounts receivable, less allowances of 1,138 and 970		**23,372**	**2,934**	27,555
Inventories	12	**15,794**	**1,982**	18,738
Prepaid expenses and other current assets		**9,482**	**1,190**	9,563
Current deferred tax assets	10	**2,106**	**265**	1,682
Current assets	5	**80,323**	**10,083**	81,795
Non-consolidated investees	14	**9,687**	**1,216**	7,211
Property, plant and equipment, less accumulated depreciation, depletion and amortization	16	**95,277**	**11,959**	95,025
Prepaid pension, investments and other non-current assets	13, 15, 20	**11,636**	**1,461**	10,983
Deferred tax assets	10	**999**	**125**	1,340
Non-current assets	5	**117,599**	**14,761**	114,559
Total assets	5	**197,922**	**24,844**	196,354
LIABILITIES AND SHAREHOLDERS EQUITY				
Bank loans and other interest-bearing short-term debt	17	**8,458**	**1,062**	9,088
Current portion of long-term debt	19	**1,966**	**247**	2,209
Other current liabilities	18	**32,245**	**4,047**	33,171
Current deferred tax liabilities	10	**324**	**41**	258
Current liabilities		**42,993**	**5,397**	44,726
Long-term debt	19	**37,853**	**4,752**	40,174
Accrued pension liabilities	20	**4,215**	**529**	2,735
Other long-term liabilities	21	**5,912**	**742**	4,686
Deferred tax liabilities	10	**31,105**	**3,904**	31,387
Long-term liabilities		**79,085**	**9,927**	78,982
Minority shareholders interest in consolidated subsidiaries		**1,051**	**132**	1,419
Share capital	3	**5,332**	**669**	5,332
Additional paid-in capital	3	**15,070**	**1,892**	15,059
Retained earnings	3	**57,070**	**7,164**	51,647
-Treasury stock	3	**(3,167)**	**(398)**	(2,224)
Accumulated other comprehensive income	3	**488**	**61**	1,413

Shareholders equity	3, 26	**74,793**	**9,388**	71,227
Total liabilities and shareholders equity		**197,922**	**24,844**	196,354

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2001, which was 7.9667.

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

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NORSK HYDRO ASA AND SUBSIDARIES - US GAAP AND N GAAP[1)]

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December, Amounts in million	Notes	**2001 (NOK)**	**2001 (EURO)*)**	2000 (NOK)	1999 (NOK)
Operating activities:					
Net income		**7,892**	**991**	13,981	3,416
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, depletion and amortization	5	**12,273**	**1,541**	12,538	10,494
Restructuring costs	6	**961**	**121**	135	632
Equity in net income of non-consolidated investees	5, 14	**(566)**	**(71)**	(672)	(339)
Dividends received from non-consolidated investees	14	**472**	**59**	398	550
Cumulative effect of accounting changes	1				30
Deferred taxes	10	**(313)**	**(39)**	2,467	784
Gain on sale of non-current assets		**(937)**	**(118)**	(3,162)	(1,282)
Loss on foreign currency transactions	8	**416**	**52**	655	304
Net sales (purchases) of trading securities		**(112)**	**(14)**	(115)	374
Other		**773**	**97**	377	28
Working capital changes that provided (used) cash:					
Receivables		**3,627**	**455**	(3,149)	(2,823)
Inventories		**1,854**	**233**	(2,461)	(948)
Prepaid expenses and other current assets		**(355)**	**(45)**	(616)	(3,374)
Other current liabilities		**187**	**23**	5,250	6,898
Net cash provided by operating activities		**26,172**	**3,285**	25,626	14,744
Investing activities:					
Purchases of property, plant and equipment		**(14,348)**	**(1,801)**	(11,943)	(13,029)
Acquisition of Saga Petroleum ASA	2				719
Purchases of other long-term investments		**(1,663)**	**(209)**	(4,348)	(907)
Net sales (purchases) of short-term investments		**42**	**5**	(15)	32
Proceeds from sales of property, plant and equipment		**629**	**79**	1,334	1,956
Proceeds from sales of other long-term investments		**659**	**83**	11,342	2,863
Net cash used in investing activities		**(14,681)**	**(1,843)**	(3,630)	(8,366)
Financing activities:					
Loan proceeds		**408**	**51**	993	21,707
Principal repayments		**(2,865)**	**(360)**	(6,328)	(19,626)
Ordinary shares purchased	3	**(1,155)**	**(145)**	(763)	(1,599)
Ordinary shares issued		**92**	**12**	63	3
Dividends paid	3	**(2,470)**	**(310)**	(2,094)	(1,718)
Net cash used in financing activities		**(5,990)**	**(752)**	(8,129)	(1,233)
Foreign currency effects on cash flows		**(119)**	**(15)**	464	354
Net increase in cash and cash equivalents		**5,382**	**676**	14,331	5,499

Cash and cash equivalents at beginning of year		**21,766**	**2,732**	7,435	1,936
Cash and cash equivalents at end of year		**27,148**	**3,408**	21,766	7,435
Cash disbursements were made for:					
Interest (net of amount capitalized)		**357**	**45**	1,460	887
Income taxes		**14,006**	**1,758**	8,027	1,868

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2001, which was 7.9667.

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

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

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NORSK HYDRO ASA AND SUBSIDARIES - US GAAP

CONSOLIDATED INCOME STATEMENTS

Year ended 31 December,

Amounts in NOK million	Notes	**2001**	2000	1999
Operating revenues	5	**152,969**	156,861	111,955
Raw materials and energy costs		**93,990**	95,146	70,666
Change in inventories of own production		**547**	(1,064)	41
Payroll and related costs	7, 20	**17,237**	14,852	14,051
Depreciation, depletion and amortization	5, 16	**12,273**	12,538	10,494
Other		**6,924**	6,773	8,317
Restructuring costs	6	**961**	135	632
Operating costs and expenses	7	**131,932**	128,380	104,201
Operating income	5	**21,037**	28,481	7,754
Equity in net income of non-consolidated investees	5, 14	**566**	672	339
Interest income and other financial income	8, 24	**2,847**	1,747	1,504
Other income, net	5, 9	**578**	3,161	1,350
Earnings before interest expense and taxes (EBIT)		**25,028**	34,061	10,947
Interest expense and foreign exchange gain (loss)	8, 24	**(3,609)**	(3,905)	(3,055)
Income before taxes and minority interest		**21,419**	30,156	7,892
Income tax expense	10	**(13,733)**	(16,188)	(4,343)
Net income		**7,686**	13,968	3,549
Minority interest		**177**	18	(90)
Net income after minority interest	26	**7,863**	13,986	3,459

Oslo 28 February, 2002

Egil Myklebust, chairman	**Borger A Lenth, vice chairman**	**Elisabeth Grieg**
Anne Cathrine Høeg Rasmussen	**Hakan Mogren**	**Ingvild Myhre**
Gudmund Per Olsen	**Odd Semstrøm**	**Per Wold**

Eivind Reiten, President and CEO

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 26 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

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NORSK HYDRO ASA AND SUBSIDARIES - US GAAP

CONSOLIDATED BALANCE SHEETS

31 December, Amounts in NOK million	Notes	**2001**	2000
ASSETS			
Deferred tax assets	10	**1,892**	1,562
Other intangible assets	15	**2,051**	2,171
Intangible assets		**3,943**	3,733
Property, plant and equipment	16	**95,277**	95,025
Non-consolidated investees	14	**9,687**	7,211
Prepaid pension, investments and other non-current assets	13, 15, 20	**9,166**	8,812
Financial non-current assets		**18,853**	16,023
Inventories	12	**15,794**	18,738
Accounts receivable, less allowances of 1,138 and 970		**23,372**	27,555
Prepaid expenses and other current assets		**9,321**	9,504
Other liquid assets	11	**2,421**	2,491
Cash and cash equivalents		**27,148**	21,766
Current assets		**78,056**	80,054
Total assets	5	**196,129**	194,835
LIABILITIES AND SHAREHOLDERS EQUITY			
Share capital	3	**5,332**	5,332
- Treasury stock		**(179)**	(132)
Premium paid-in capital		**15,055**	15,055
Other paid-in capital		**15**	4
Total paid-in capital		**20,223**	20,259
Retained earnings incl. treasury stock	3	**54,726**	50,541
- Treasury stock		**(2,988)**	(2,092)
Total retained earnings		**51,738**	48,449
Minority shareholders interest in consolidated subsidiaries		**1,051**	1,419
Shareholders equity	3, 26	**73,012**	70,127
Accrued pension liabilities	20	**4,215**	2,735
Deferred tax liabilities	10	**30,120**	30,175

Other long-term liabilities	21	**5,684**	4,686
Long-term liabilities		**40,019**	37,596
Long-term debt	19	**37,853**	40,174
Bank loans and other interest-bearing short-term debt	17	**8,458**	9,088
Current portion of long-term debt	19	**1,966**	2,209
Dividends payable		**2,576**	2,470
Other current liabilities	18	**32,245**	33,171
Current liabilities		**45,245**	46,938
Total liabilities and shareholders equity		**196,129**	194,835

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 26 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

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NORSK HYDRO ASA SUBISDIARIES

Notes to the consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries (Hydro) prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) are included on pages 66 to 68. The consolidated financial statements prepared in accordance with accounting principles generally accepted in Norway (N GAAP) are located on pages 68 to 70. Financial statement preparation requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

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

Note 26 provides a reconciliation and explanation of the differences between net income and shareholders equity for US GAAP and N GAAP.

Consolidation

The consolidated financial statements include Norsk Hydro ASA and subsidiary companies owned directly or indirectly more than 50 percent. All significant intercompany transactions and balances have been eliminated.

Investments in companies (non-consolidated investees) in which Hydro has a substantial ownership interest of 20 to 50 percent of voting shares and exercises significant influence are accounted for using the equity method. Participation in joint ventures are accounted for using the equity method, except for participation in joint ventures in the upstream oil- and gas business, which are accounted for using the pro rata method.

Business Combinations

Terms and conditions underlying the most previous acquisitions have resulted in purchase accounting treatment (vs. pooling). See note 2 for a description of significant acquisitions and disposals during the past three years. Purchase accounting involves recording assets and liabilities of the acquired company at their fair value at the time of acquisition. Any excess of purchase price over fair value is recorded as goodwill. When the ownership interest in a subsidiary is less than 100 percent, the recorded amount of assets and liabilities acquired reflect only Hydro s relative share of excess values.

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

Foreign Currency Translation

The financial statements of foreign operations which are not an integral part of the parent company s operations are translated using exchange rate at year end for the balance sheet, and average exchange rates for the income statement. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in Other comprehensive income. None of the Company s existing significant foreign operations are considered to be an integral part of the parent company for foreign currency translation purposes.

Foreign Currency Transactions

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

Revenue Recognition

Revenue from sales of products, including products sold in international commodity markets, is recognized when ownership passes to the customer. Generally, this is when products are delivered. Certain contracts specify price determination in a later period. In these cases, the revenue is recognized in the period prices are determinable. Rebates and incentive allowances are deferred and recognized in income upon the realization or at the closing of the rebate period.

Revenues from the production of oil and gas are recognized on the basis of the company s net working interest, regardless of whether the production is sold (entitlement method).

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

Cash and Cash Equivalents

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

Other Liquid Assets

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

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NORSK HYDRO ASA SUBISDIARIES

Notes to the consolidated financial statements

Inventories

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

Investments

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

For N GAAP, investments are valued at the lower of historical cost or market value. [Note 26].

Property, Plant and Equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation, depletion and amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If necessary, a write-down (impairment) to fair value is recorded based upon the criteria in Statement of Financial Accounting Standards (SFAS) No. 121.

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

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

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

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

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

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

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

Producing oil and gas properties are depreciated as proved developed reserves are produced using the unit-of-production method calculated by individual field. Depreciation and depletion expense includes provisions for future abandonment and removal costs for offshore facilities.

Intangible Assets

Intangible assets and deferred charges with a defined and measurable relationship to future revenues, such as software and patents, are capitalized. When a business is acquired, fair value of significant contracts, customer relationships, technology and other rights that can be valued, either separately or as a group, and which is controlled by Hydro, are valued and capitalized. When a business is acquired, purchase price in excess of the identified fair value of assets and liabilities is accounted for as goodwill. Goodwill and other intangible assets are amortized on a straight line basis over the lesser of their benefit period or 10 years. For intangible assets resulting from acquitions after 1 July 2001, see FAS 142 discribed on page 74 applies.

Oil and Gas Royalty

Oil and gas revenue is recorded net of royalties payable.

Shipping costs

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

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NORSK HYDRO ASA SUBISDIARIES

Notes to the consolidated financial statements

Research and Development

Research and development costs are expensed as incurred.

Other Income (Expense), net

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

Income Taxes

Deferred income tax expense is calculated using the liability method in accordance with SFAS No. 109. Under this method, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis which are considered temporary in nature. Deferred income tax expense represents the change in deferred tax asset and liability balances during the year except for deferred tax related to items charged directly to equity. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective.

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

For N GAAP, Hydro follows the NRS (The Norwegian Accounting Standards Board) standard which, like SFAS No. 109, is based on the liability method. [Note 26].

Derivative Instruments

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

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

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

Swaption contracts are marked to their market value at each balance sheet date with the resulting unrealized gain or loss reflected in interest expense and foreign exchange gain(loss).

Derivative Commodity Instruments Instruments that do not qualify for hedge accounting under SFAS 133 (Accounting for Derivative Instruments and Hedging Activities) are marked-to-market with their fair market value recorded in the balance sheet as either assets or liabilities. Adjustments for changes in the fair market value of the instruments are reflected in the current period s revenues and/or operating costs.

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

Contracts that qualify as energy trading activities under EITF 98-10 Accounting for Contracts Involved in Energy Trading and Risk Management Activities are accounted for under the mark-to-market method. Unrealized gains and losses are recognized in current period earnings. Energy contracts are valued based on quoted market prices. For some contracts in less liquid markets, valuation is based on internally developed models which estimate the forward price curve. Since illiquidity is primarily a result of distance from market hubs, the models are ultimately connected to quoted market prices adjusted for transportation costs and other reserves.

For N GAAP, cash flow hedges with derivative instruments are not recognized on the balance sheet or income statement under N GAAP, until the underlying hedged transactions actually occur. Unrealized gains and losses for commodity derivative instruments that are not exchange traded are netted for each portfolio and net unrealized gains are not recognized. [Note 26].

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

Stock-based Compensation

Hydro accounts for stock based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25 and

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NORSK HYDRO ASA SUBISDIARIES

Notes to the consolidated financial statements

provides disclosures required under SFAS 123. For fixed awards, compensation expense is recorded in the income statement based on any excess of market price of the Company s shares over the exercise price of options granted to employees as of the date of the grant if both the number of shares to be granted and the exercise price are known. For variable awards compensation cost is measured at the end of each period as the amount by which the market price of the Company s shares exceeds the price of the options. For variable awards where vesting depends on achieving a specified improvement in Hydro s share price, compensation cost is measured when it is probable the performance criteria will be met. Compensation is charged to expense over the periods the employee performs the related services.

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

Employee Retirement Plans

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

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

Accounting Changes

Effective 1 January, 2001, Hydro adopted the Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), as amended by SFAF 138. See further discussion in Note 24.

For N GAAP there is no change in accounting principles related to SFAS 133. As result of a change in the Norwegian Accounting Act, quoted commodity instruments are marked to their market value as from 2001. Changes in fair market value is recorded in income. There were no implementation effects from this change

In 1999, Hydro implemented SOP (Statement of Position) 98-5 from the AICPA (American Institute of Certified Public Accountants) requiring all startup costs to be expensed as incurred. Previously capitalized costs were expensed in 1999.

For N GAAP, the effect of this is recorded to equity.

Reclassifications

Certain amounts in previously issued consolidated financial statements were reclassified to conform with the 2001 presentation.

In 2000, Hydro changed the presentation of revenues for certain trading activities. Revenues and related cost for these activities were previously presented net reflecting only the related margins in revenues. These activities are now presented on a gross basis. This change resulted in an increase of Operating revenues and Raw materials of NOK 12.7 billion in 2000 and NOK 9.5 billion in 1999 compared to former presentations. The change has no impact on results or equity.

New Pronouncements

Business Combinations, Goodwill and Intangible Assets

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement No. 141 (SFAS 141), Business Combinations and Statement No. 142 (SFAS 142), Goodwill and Other Intangible Assets .

SFAS 141 requires the use of the purchase method to account for business combinations, eliminating the pooling of interest method. The Statement also provides guidance on the initial recognition and measurement of goodwill and intangible assets. The provisions of SFAS 141 are effective for business combinations initiated after June 30, 2001.

SFAS 142 requires the discontinuation of goodwill amortization, reallocation of all existing goodwill among the Company s reporting units based on specified criteria. In addition, the standard requires an initial impairment test of the value of the goodwill in each reporting unit by applying a fair value based test.

SFAS 142 is effective beginning on January 1, 2002 and any impairment at this initial adoption date shall be recognized as a change in accounting principle. Subsequently, goodwill must be tested for impairment at least on an annual basis. SFAS 142 continues the requirement to amortize intangible assets over their estimated useful life. However, if the useful life is determined to be indefinite, no amortization is recorded and the value of the intangible asset is assessed for impairment similar to goodwill. The useful life of intangible assets recognized prior to the adoption of SFAS 142 must be reassessed. At the end of 2001 total net goodwill and intangible assets was NOK 1,265 million and NOK 786 million, respectively. Amortization of goodwill and intangible assets in 2001 was NOK 138 million and NOK 162 million, respectively. Hydro does not expect the adoption of SFAS 142 to materially impact the Group s results of operations and financial position related to any of the Group s previous business combinations.

For N GAAP will the previous regulation regarding accounting for business combinations, intangible assets and goodwill be continued. The implementation of SFAS 141 and 142 will result in differences between US GAAP and N GAAP.

Asset Retirement Obligations In June 2001, FASB issued SFAS 143, Accounting for Asset Retirement Obligations . This Statement requires significant changes in the accounting treatment for asset retirement obligations such as decommissioning

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NORSK HYDRO ASA SUBISDIARIES

Notes to the consolidated financial statements

of oil and gas production platforms, facilities and pipelines. Specifically, it requires that the fair value of a liability for an asset retirement obligation be recorded in the period it is incurred. Related asset retirement costs are to be capitalized as part of the carrying value of the long-lived asset. Furthermore, the liability is to be accreted for the change in its present value each reporting period, and the associated asset retirement costs are to be depreciated over the useful life of the related long-lived asset. Hydro will adopt this Statement on January 1, 2003 and has not yet determined the impact of this Statement on the Group s future results of operations and financial position.

The change is not expected to represent differences in measurement of transactions compared to N GAAP.

Impairment or Disposal of Long-Lived Assets In October 2001, FASB issued SFAS 144, Accounting for Impairment or Disposal of Long-Lived Assets . This Statement supersedes SFAS 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of . SFAS 144 applies to all long-lived assets, including discontinued operations, thus, it amends APB 30, Reporting Results of Operations Reporting the Effects of Disposal of a Segment of a Business . SFAS 144 sets forth one accounting model that is based on the framework established in SFAS 121 for long-lived assets to be disposed of by sale. It requires that these types of assets be measured at the lower of book value or fair value less cost to sell. In addition, it expands the scope for the presentation of discontinued operations to include all components of an entity with operations that are distinguishable and will be eliminated in a disposal transaction. Hydro will adopt SFAS 144 on January 1, 2002. The impact of this Statement on the Group s future results of operations and financial position will not be significant.

The change is not expected to represent differences in measurement of transactions compared to N GAAP.

2. BUSINESS COMBINATIONS AND DISPOSITIONS

Subsequent to and during the three years ended 31 December, 2001, Hydro entered into the following significant business combinations and dispositions.

2002 Acquisitions In January, 2002, Hydro entered into an agreement to purchase all the outstanding shares of the German group VAW aluminium AG, a leading aluminium company in Europe. VAW has operations in more than 20 countries. The major part of these activities are located in the EU in addition to important operations located in North America and the Pacific region.

The consideration for all outstanding shares amounts to EUR 1,888 million (NOK 15 billion). In addition, interest bearing debt of EUR 757 million (NOK 6 billion) and pension commitments of approximately EUR 450 million (NOK 3.6 billion) is assumed. The acquisition is being financed by Hydro s cash holdings and credit facilities. The acquisition is subject to approval by competition authorities in some countries and by the European Union. Hydro anticipates that such approvals will be forthcoming and the final terms of the acquisition, and payment for the VAW shares, can be completed in the first quarter of 2002. Alcan, the Canadian aluminium company, has asserted that it has a pre-emptive right, triggered by a change of control of VAW, for VAW s 50% interest in the Alu-Norf rolling mill located in Germany. Alcan has initiated legal proceedings against VAW in Germany. VAW disputes that such a pre-emptive right exists, and Hydro supports this position. VAW will be included in Hydro s accounts from completion of the acquisition.

Assets acquired and liabilities assumed in the VAW acquisition will be accounted for at fair value. Pro forma information is based on preliminary estimates for fair value of assets and liabilities in VAW. The preliminary allocation of purchase price does not indicate major intangible assets. Excess values are for the most part allocated to tangible fixed assets. The preliminary allocation does not indicate goodwill in the transaction.

Amounts in NOK million

Preliminary allocation of purchase price	
External cash and cash equivalents	191
Other current assets	12,684
Property, plant and equipment	21,510
Other non-current assets	3,753
Short-term liabilities	(7,855)
Long-term liabilities	(14,717)
Minority interests	(327)
Estimated fair value of net assets of VAW	15,239

Purchase price allocation may be changed after takeover of the business.

In November, an agreement was signed to purchase the French building systems group Technal for a price of EUR 73 million (NOK 580 million) and the assumption of approximately NOK 307 million in debt. The acquisition was completed 25 January, 2002.

2001 Dispositions Hydro concluded the sale of Hydro Seafood s activities based in UK, Hydro Seafood GSP Ltd. The sale resulted in a pretax gain of NOK 418 million. Hydro sold the remainder of its electric power grid in Norway, resulting in a pretax gain of NOK 179 million.

2000 Acquisitions Hydro acquired 100 percent of the shares in Wells Aluminium Corporation, an aluminium extruder in the United States of America. The purchase price was NOK 1,352 million, including debt assumed of NOK 870 million.

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In July 2000, Hydro entered into an agreement to acquire 58 percent of Adubos Trevo, a Brazilian fertilizer company. As of 31 December 2000, 20.3 percent of the total shares and 51 percent of the voting shares were transferred to Hydro. The purchase price for the total acquisition was NOK 374 million including assumed debt. Transfer of the remaining shares were finalized during the first six months of 2001.

2000 Dispositions During 2000, Hydro sold subsidiaries and ownership interests for a total consideration of NOK 10.3 billion. The dispositions resulted in a total pretax gain of NOK 3,161 million. In April, Hydro entered into an agreement with a Dutch company, Nutreco Holding N.V., to sell its salmon production and sales activities operating as Hydro Seafood AS. Approximately 80 percent of the total operations was transferred to Nutreco in November. The activities based in the United Kingdom were excluded as a result of objection from the UK competition authorities.

Hydro s activities on the British Continental Shelf were sold to Conoco (UK). These activities were acquired as a part of Hydro s acquisition of Saga Petroleum ASA (Saga) in 1999. In addition, Hydro disposed of its shares in Dyno ASA and Autoplastics AB (now Sapa Autoplastics AB).

1999 Acquisitions Hydro and Den norske stats oljeselskap a.s (now Statoil ASA) jointly acquired all the outstanding ordinary shares of Saga, an independent oil and gas exploration and production company. The consideration paid by Hydro consisted of a cash payment and one ordinary share for every three shares of Saga. The aggregate value of the payment per Saga share was NOK 135. All of Saga s outstanding ordinary shares were acquired, representing a total value of NOK 20.2 billion.

As part of the agreement, certain of Saga s oil and gas production licenses having a market value of NOK 8.4 billion were transferred to Statoil in exchange for all of Statoil s shares in Saga and a cash payment of NOK 4,361 million. The transfer to Statoil was made with effect from 1 July, 1999.

Hydro s acquisition cost was NOK 16.3 billion. The purchase was executed by the issuance of 37.5 million ordinary shares and a cash payment of NOK 4,629 million. Saga was included in Hydro s consolidated financial statements beginning 1 July, 1999 and the assets and liabilities acquired were recorded at their fair value. The fair value allocated to Saga s oil and gas production licenses and certain pipelines was NOK 11.6 billion after adjustments recorded in 2000.

1999 Dispositions Hydro disposed of the following significant subsidiaries or ownership interests for aggregate proceeds of NOK 2.4 billion, resulting in a pre-tax gain of NOK 1,408 million:

Company	**Location**	**Business**
Mabo activities	Norway	Petrochemicals
Hydro Coatings	United Kingdom	Petrochemicals
Pronova Biopolymer a.s activities	Norway	Alginates

Hydro and Gränges AB (now Sapa AB) merged their respective autoplastics activities and formed Gränges Autoplastics AB (now Autoplastics AB). The transaction was accounted for as a non-monetary exchange, in which Hydro exchanged shares in subsidiaries for a 40 percent ownership in the new company. The transaction was recorded at fair value and resulted in a pretax loss of NOK 58 million.

Pro Forma Information (Unaudited)

The following unaudited pro forma information has been prepared assuming VAW was acquired as of the beginning of 2001.

Amounts in NOK million	31 December, 2001
Assets	222,427

Amounts in NOK million	Year 2001
Operating revenues	180,567
Operating income	22,732
EBITDA	40,628
Net income	8,225
Earnings per share in NOK	31.80

This pro forma information has been prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the transaction occurred on the date described above. The pro forma information is based on Hydro s results for 2001 and preliminary results for VAW for 2001, presented in accordance with US GAAP. Some accounting principles differ from Hydro s normal application. For example, VAW uses the LIFO (last-in-first-out) method for inventory valuation. In general, uncertainty related to pro forma information is higher than for historic accounts.

Pro forma adjustments are made for fair value adjustments for assets and liabilities, depreciation and amortization of these adjustments, finance cost of the acquisition price, and deferred tax related to the above mentioned adjustments. Significant sales and receivables between the companies are eliminated.

The effect of the remaining acquisitions and dispositions for 2001 and 2000 is not significant.

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3. CONSOLIDATED SHAREHOLDERS EQUITY

Amounts in NOK million except number of shares in thousands	Ordinary Shares issued Norsk Hydro ASA		Additional paid-in capital	Total paid-in capital	Retained earnings	Treasury Stock Norsk Hydro ASA		Accumulated other comprehensive income	Total shareholders equity[1)]
	Number	Amount				Number	Amount		
Balance 31 December, 1998	229,073	4,581	4,203	8,784	38,065			1,442	48,291
Net income 1999					3,416				3,416
Dividend declared and paid (NOK 7.50 per share)					(1,718)				(1,718)
Common shares issued in Saga acquisition	37,524	751	10,852	11,603					11,603
Net unrealized gain on securities								2	2
Minimum pension liability								(8)	(8)
Hedge of net investment								36	36
Purchase of treasury stock						(5,000)	(1,599)		(1,599)
Treasury stock reissued to employees					(2)	109	35		33
Foreign currency translation								(559)	(559)
Balance 31 December, 1999	266,597	5,332	15,055	20,387	39,761	(4,891)	(1,564)	913	59,497
Net income 2000					13,981				13,981
Dividend declared and paid (NOK 8.00 per share)					(2,094)				(2,094)
Net unrealized loss on securities								(3)	(3)
Minimum pension liability								(95)	(95)
Hedge of net investment								(412)	(412)
Purchase of treasury stock						(2,041)	(763)		(763)
Treasury stock reissued to employees			4	4	(1)	322	103		106

Foreign currency translation								1,010	1,010
Balance 31 December, 2000	266,597	5,332	15,059	20,391	51,647	(6,610)	(2,224)	1,413	71,227
Net income 2001					**7,892**				**7,892**
Dividend declared and paid (NOK 9.50 per share)					**(2,470)**				**(2,470)**
Net unrealized gain on securities								**41**	**41**
Minimum pension liability								**(397)**	**(397)**
Hedge of net investment								**89**	**89**
Cash flow hedges								**136**	**136**
Purchase of treasury stock						**(2,959)**	**(1,155)**		**(1,155)**
Treasury stock reissued to employees			**16**	**16**		**351**	**122**		**138**
Treasury stock reissued for acquisition of shares in Hydro Asia Pacific			**(5)**	**(5)**		**256**	**90**		**85**
Foreign currency translation					**1**			**(794)**	**(793)**
Balance 31 December, 2001	**266,597**	**5,332**	**15,070**	**20,402**	**57,070**	**(8,962)**	**(3,167)**	**488**	**74,793**

1) See note 26 for a reconciliation to N GAAP equity.

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Components of Accumulated Other Comprehensive Income and Related Tax Effects

	31 December, 2001			31 December, 2000			31 December, 1999		
Amounts in NOK million	Pretax	Tax	Net	Pretax	Tax	Net	Pretax	Tax	Net
Unrealized gain on securities	**58**	**(17)**	**41**				5		5
Less: Reclassification adjustment				(3)		(3)	(3)		(3)
Net unrealized gain (loss) on securities	**58**	**(17)**	**41**	(3)		(3)	2		2
Net investment hedge	**124**	**(35)**	**89**	(574)	162	(412)	50	(14)	36
Net cash flow hedge	**188**	**(52)**	**136**						
Minimum pension liability adjustment	**(553)**	**156**	**(397)**	(132)	37	(95)	(11)	3	(8)
Foreign currency translation	**(671)**		**(671)**	1,328		1,328	(576)		(576)
Loss (gain) on companies sold	**(123)**		**(123)**	(318)		(318)	17		17
Net foreign currency translation	**(794)**		**(794)**	1,010		1,010	(559)		(559)
Total accumulated other comprehensive income	**(977)**	**52**	**(925)**	301	199	500	(518)	(11)	(529)

Norsk Hydro ASA had authorized and issued 266,596,650 ordinary shares having a par value of NOK 20 per share for the years ended 31 December, 2001, 2000, and 1999. As of 31 December, 2001, 8,962,478 shares were treasury stock resulting in 257,634,172 outstanding ordinary shares (for 2000 259,986,070 outstanding ordinary shares). For N GAAP, the amount for the treasury stock of NOK 3,167 million was comprised of NOK 179 million for share capital and NOK 2,988 million for retained earnings. In 2001, Hydro acquired 2,958,554 of the company s own shares for a market price of NOK 1,155 million. The share repurchase was authorized at the Annual General Meeting. The shares may be used as consideration in connection with commercial transactions or share schemes for the employees and representatives of the Corporate Assembly and the Board of Directors. In July and August 2001, Hydro sold 350,997 shares of its treasury stock to employees for a price of NOK 138 million. In December 2001, Hydro used 255,659 treasury shares with a fair value of NOK 85 million as consideration to Seletar Investments Pte. Ltd. in exchange for Seletar s 35 percent shareholding in Hydro Asia Pacific Pte. Ltd. The weighted average number of outstanding shares for the year ended 31 December, 2001 was 258,434,202. As of 31 December, 2001, the Kingdom of Norway s ownership interest in Norsk Hydro ASA was 45.3 percent adjusted for treasury stock. The share capital and paid-in premium in Norsk Hydro ASA s balance sheet are not available for dividend purposes.

4. STOCK-BASED COMPENSATION

Hydro has three stock-based compensation plans, a plan initiated in 1999 (the 1999 Plan), the Executive Share Option Plan 2001 established in 2001 and a subsidized share purchase plan for permanent employees.

The 1999 Plan is a fixed award that authorized the award of options to corporate officers and to certain key employees to be exercised in the period from 1 January, 2001 to 31 December, 2002. The employee must retain 50 percent of the shares acquired under the plan for at least one year after the exercise date. The options expire if the employee voluntarily leaves the company before exercising the options and are generally non-transferable.

The Executive Share Option Plan 2001 is a variable award that relates to options granted to approximately 30 persons in Hydro s top management including the president and CEO, persons in the corporate management board and others. During 2001, 92,000 options were granted. The options vesting schedule is based on shareholder return, as defined in the Plan calculated over a three-year performance period beginning in May 2001. If shareholder return is less than 12% none of the options vest. If the shareholder return achieved is between 12% and 20% the corresponding percentage of options that vest increases linearly between 20% and 100%. The options are exercisable for two years following the three-year performance period. All the shares authorized for both plans have been granted.

During 1999, 165,000 options were granted under the 1999 Plan at an exercise price of NOK 367.50. There were no options exercised or cancelled during 1999. During 2000 there were no options granted, exercised or canceled. Activity for 2001 is as follows:

Options outstanding	**Number of shares**	**Strike price (in NOK)**	**Fair value per share (in NOK)**
1 January, 2001	165,000	367.50	42
Granted	92,000	390.40	82
Exercised	3,500	367.50	
31 December, 2001	**253,500**	**375.80**	
Options exercisable:			
31 December 1999			
31 December 2000			
31 December, 2001	**161,500**	**367.50**	

The grant date fair value of the options granted in 1999 and 2001 was NOK 42 and NOK 82 per option respectively which approximated the market price on the grant date. There was no

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compensation expense recognized during 1999, 2000 or 2001 related to these awards.

As of 31 December, 2001, 161,500 options related to the 1999 Plan with an exercise price of NOK 367.50 were outstanding and exercisable with a remaining contractual life of 1 year. In addition, 92,000 options related to the Executive Share Option Plan 2001 with an exercise price of NOK 390.40 were outstanding with a remaining contractual life of 4.3 years, none of which were exercisable.

In March 2001 Hydro expanded the existing subsidized share-purchase plan for employees in Norway. Under this plan Hydro s employees in Norway receive a NOK 1,500 share-purchase rebate to purchase shares of Norsk Hydro, which corresponds to a 20% discount from the market price. If shareholder return, as defined by the plan, meets or exceeds 12% in the period from 1 June to 31 May (the measurement period), employees receive an additional rebate of NOK 4,500 for a total of NOK 6,000, which corresponds to a 50 percent discount from the market price. The performance criteria was met for the 2000-2001 measurement period. In June 2001, 347,474 shares were awarded to employees at a per share price of NOK 196.90. Compensation expense recognized in 2001 related to this award was approximately NOK 68 million.

At 31 December 2001, it was not considered probable that the 12 percent performance target would be met for the 2001-2002 measurement period, consequently the expected rebate for this award will be NOK 1,500 or 20 percent. Compensation expense recognized in 2001 related to this award amounted to approximately NOK 14 million.

Pro Forma Information (Unaudited)

Statement of Financial Accounting Standards (SFAS) No. 123 requires disclosure of certain pro forma information based on the estimated fair value of the options granted if the intrinsic value method is used to measure compensation expense (See Note 1). Under the fair value method defined by SFAS No. 123, compensation expense is measured by using estimated fair value of the options at the date of the grant. For the pro forma disclosure, the estimated fair value is amortized from the date of the grant until the options become exercisable. The following unaudited pro forma information is presented as if the fair value method of accounting for stock-based compensation had been used.

In NOK millions, except for earnings per share

(unaudited)	**2001**	2000	1999
Pro forma net income	**7,890**	13,974	3,416
Pro forma earnings per share	**30.50**	53.40	13.80

Hydro uses valuation model based on the Black-Scholes option-pricing model. The weighted average assumptions used in the model for the 1999 plan are: expected life of 2 years, expected volatility of 31 percent, and a risk-free interest of 5.9 percent and a dividend yield of about 2.5

percent.

The weighted average assumptions used in model for the 2001 plan are: expected life of 3 years, expected volatility of 29 percent, and a risk-free interest of 6.7 percent and a dividend yield of about 2.5 percent. The model also includes an assumption regarding the probability of meeting the performance criteria.

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5. OPERATING AND GEOGRAPHIC SEGMENT INFORMATION

Operating segments are components of a business that are evaluated regularly by dedicated senior management utilizing financial and operational information prepared specifically for the segment for the purpose of assessing performance and allocating resources. Generally, financial information is required to be disclosed on the same basis that is used internally enabling investors to see the company through the eyes of management.

Hydro s operating segments are managed separately and each operating segment represents a strategic business area that offers different products and serves different markets. Hydro s operating segments are the three business areas Hydro Oil and Energy, Hydro Light Metals and Hydro Agri. The business areas are divided into sub-segments representing different parts of the value chain.

Hydro Oil and Energy consists of Exploration and Production, Energy and Oil Marketing. Exploration and Production is responsible for Hydro s oil and gas exploration, field development, and operation of production and transportation facilities. Energy produces and sells electricity generated at hydro-electric power stations in Norway, primarily for use in Hydro s own production facilities. Energy also handles trading of crude oil, natural gas liquids (NGL) and refined oil products as well as trading activities in the Norwegian, Swedish and UK markets. Oil Marketing markets and distributes gasoline and other oil products.

Hydro Light Metals consists of Aluminium Metal Products, Aluminium Extrusion and Other Light Metals. Aluminium Metal Products activities include the production of primary aluminium, remelting of metal, and the international trading of alumina, aluminium and aluminium products. Aluminium Extrusion is involved in the manufacture and sale of extruded aluminium products. Other Light Metals consist of Aluminium Rolled Products, Automotive Structures and Magnesium.

Hydro Agri consists of Plant Nutrition, Gas and Chemicals and A/S Korn og Foderstof Kompagniet. Plant Nutrition s main activities are the production and sale of ammonia and fertilizer products, including nitrate fertilizer, complex fertilizer and urea. Most of the production takes place in Europe while trading is done worldwide. Gas and Chemicals markets numerous products which mainly have their origin in Hydro s ammonia and fertilizer production. A/S Korn og Foderstof Kompagniet is primarily engaged in the production and sale of animal and fish feed, as well as the trading of grain, feedstuffs, fertilizers and other agricultural related products. Petrochemicals is a producer of the plastic raw material polyvinyl chloride (PVC) in Scandinavia and in the UK.

Operating Segment Information

Hydro s steering model referred to as value-based management, reflects management s focus on cash flow-based performance indicators, before and after taxes. EBITDA [1)] (defined as income/loss before tax, interest expense, depreciation, amortization, write-downs and certain other financial items) is an approximation of cash flow from operations before taxes. EBITDA is considered an important measure of performance for the company s operational areas and operating segments. EBITDA, in addition to operating income includes financial income, results from non-consolidated investee companies as well as gains and losses on sales of activities classified as Other Income, net in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values and goodwill in non-consolidated investee companies.

Hydro also uses cash return on gross investment (CROGI) as a measure of annual rate of return on assets employed. CROGI is defined as gross cash flow after taxes, divided by average gross investment [2], while gross cash flow is defined as EBITDA less total tax expense, gross investment is defined as total assets plus accumulated depreciation, amortization and write-downs, minus short-term interest-free debt [3]. Hydro manages long-term funding and taxes on a group basis. Therefore, segment debt is defined as short-term interest free liabilities excluding corporate income taxes payable and short-term deferred tax liabilities.

Certain segment information such as EBITDA and Gross Investment are non-gaap measures. Therefore there is no directly corresponding figure in the financial statements.

Intersegment sales and transfers reflect arms length prices as if sold or transferred to third parties. Results of activities considered incidental to Hydro s main operations as well as unallocated revenues, expenses, liabilities and assets are reported separately under the caption Corporate . These amounts principally include interest income and expenses, realized and unrealized foreign exchange gains and losses and the net effect of pension schemes. The accounting policies of the operating segments reflect those described in the summary of significant accounting policies. See Note 1.

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

2) Deferred tax assets are not included in gross investment.

3) Deferred tax liabilities and taxes payable are not deducted from gross investment.

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	External revenues			Internal revenues			Total operating revenues [1]		
Amounts in NOK million	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Exploration and Production	**7,848**	9,436	6,996	**25,434**	26,058	10,410	**33,282**	35,494	17,406
Energy [1]	**35,725**	36,749	16,128	**7,349**	7,842	4,237	**43,074**	44,591	20,365
Oil Marketing	**3,725**	4,088	2,648	**4**	6	4	**3,729**	4,094	2,652
Eliminations				**(28,069)**	(29,056)	(12,068)	**(28,069)**	(29,056)	(12,068)
Hydro Oil and Energy	**47,298**	50,273	25,772	**4,718**	4,850	2,583	**52,016**	55,123	28,355
Aluminium Metal Products [1]	**28,190**	27,157	19,331	**6,252**	6,377	5,209	**34,442**	33,534	24,540
Aluminium Extrusion	**15,384**	15,763	11,974	**170**	118	107	**15,554**	15,881	12,081
Other Light Metals	**7,368**	7,887	7,442	**235**	339	274	**7,603**	8,226	7,716
Eliminations				**(6,516)**	(6,511)	(4,857)	**(6,516)**	(6,511)	(4,857)
Hydro Light Metals	**50,942**	50,807	38,747	**141**	323	733	**51,083**	51,130	39,480
Plant Nutrition	**32,295**	31,187	24,776	**2,097**	2,557	2,023	**34,392**	33,744	26,799
Gas and Chemicals	**4,513**	4,569	4,521	**136**	207	197	**4,649**	4,776	4,718
A/S Korn -og Foderstof Kompagniet	**10,967**	10,412	9,558	**33**	226	198	**11,000**	10,638	9,756
Eliminations				**(1,851)**	(2,192)	(1,615)	**(1,851)**	(2,192)	(1,615)
Hydro Agri	**47,775**	46,168	38,855	**415**	798	803	**48,190**	46,966	39,658
Petrochemicals	**5,321**	6,211	5,221	**53**	59	125	**5,374**	6,270	5,346
Other Activities [2]	**1,426**	3,288	3,194	**4,561**	4,553	4,254	**5,987**	7,841	7,448
Segments	**152,762**	156,747	111,789	**9,888**	10,583	8,498	**162,650**	167,330	120,287
Corporate	**73**	114	166	**448**	285	192	**521**	399	358
Eliminations				**(10,336)**	(10,868)	(8,690)	**(10,336)**	(10,868)	(8,690)
Total	**152,835**	156,861	111,955				**152,835**	156,861	111,955

	Depreciation, depletion and amortization			Other operating expenses			Operating income (loss) before fin. and other income		
Amounts in NOK million	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Exploration and Production	**7,791**	8,046	6,072	**7,678**	7,340	5,494	**17,813**	20,108	5,840
Energy [1]	**119**	127	214	**41,558**	42,850	19,207	**1,397**	1,614	944
Oil Marketing	**110**	113	140	**3,651**	3,926	2,343	**(32)**	55	169
Eliminations		2		**(28,069)**	(29,085)	(12,077)		27	9

Hydro Oil and Energy	**8,020**	8,288	6,426	**24,818**	25,031	14,967	**19,178**	21,804	6,962
Aluminium Metal Products [1]	**582**	622	537	**32,404**	30,091	22,646	**1,456**	2,821	1,357
Aluminium Extrusion	**686**	537	391	**14,726**	14,653	11,041	**142**	691	649
Other Light Metals	**482**	486	576	**8,567**	7,883	6,924	**(1,446)**	(143)	216
Eliminations				**(6,549)**	(6,478)	(4,814)	**33**	(33)	(43)
Hydro Light Metals	**1,750**	1,645	1,504	**49,148**	46,149	35,797	**185**	3,336	2,179
Plant Nutrition	**1,275**	1,286	1,246	**31,365**	31,468	27,792	**1,752**	990	(2,239)
Gas and Chemicals	**295**	354	396	**3,992**	4,109	3,973	**362**	313	349
A/S Korn -og Foderstof Kompagniet	**266**	257	211	**10,760**	10,425	9,312	**(26)**	(44)	233
Eliminations				**(1,869)**	(2,236)	(1,601)	**18**	44	(14)
Hydro Agri	**1,836**	1,897	1,853	**44,248**	43,766	39,476	**2,106**	1,303	(1,671)
Petrochemicals	**353**	395	383	**5,122**	5,610	4,850	**(101)**	265	113
Other Activities [2]	**292**	293	307	**5,913**	7,568	6,867	**(218)**	(20)	274
Segments	**12,251**	12,518	10,473	**129,249**	128,124	101,957	**21,150**	26,688	7,857
Corporate [3]	**22**	25	26	**571**	(1,414)	461	**(72)**	1,788	(129)
Eliminations		(5)	(5)	**(10,341)**	(10,853)	(8,692)	**5**	(10)	7
Total	**12,273**	12,538	10,494	**119,479**	115,857	93,726	**21,083**	28,466	7,735

1) Presentation of income from certain trading activities has been changed from net presentation of margin to gross presentation as operating revenues and raw materials. This includes metal trading within Aluminium Metal Products and trading of petroleum products within Energy. Prior periods have been reclassified to to be presented on a consistent basis.

2) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance, Technology and Projects and Hydro Business Partner.

3) Corporate s operating income (loss) includes a net periodic pension credit of NOK 421 million, NOK 2,263 million and NOK 470 million in 2001, 2000 and 1999, respectively. In 2000, Hydro changed the way it allocates pension costs to its Norwegian operations. Previously costs were determined based on the number of years of service resulting in a concentration of the total costs towards the end of the service period. The change resulted in non-recurring charges to the segments with a corresponding credit of NOK 2,007 million reflected in Corporate, which is included in Corporate s net periodic pension credit. Part of these costs have been charged to external parties resulting in a positive effect to the Company of NOK 470 million.

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	Equity in net income non-consolidated investees			Other income, net			EBITDA		
Amounts in NOK million	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Exploration and Production	**35**	21	(13)		387		**25,768**	28,656	11,971
Energy	**17**	(6)	(9)	**179**			**1,721**	1,745	1,148
Oil Marketing	**15**	21	117				**115**	211	451
Eliminations	**(2)**							29	9
Hydro Oil and Energy	**65**	36	95	**179**	387		**27,604**	30,641	13,579
Aluminium Metal Products	**196**	237	62				**2,414**	3,744	2,016
Aluminium Extrusion	**(61)**	10	12	**(25)**	50		**767**	1,307	1,071
Other Light Metals	**(17)**	16	(89)		72	(58)	**(672)**	483	717
Eliminations							**34**	(33)	(44)
Hydro Light Metals	**118**	263	(15)	**(25)**	122	(58)	**2,543**	5,501	3,760
Plant Nutrition	**326**	316	210				**3,774**	2,841	(119)
Gas and Chemicals	**4**	33	5	**(53)**			**628**	712	760
A/S Korn -og Foderstof Kompagniet	**2**				89		**350**	386	515
Eliminations							**17**	43	(15)
Hydro Agri	**332**	349	215	**(53)**	89		**4,769**	3,982	1,141
Petrochemicals	**48**	1	(26)	**59**		383	**363**	662	855
Other Activities [1]	**1**	19	19	**418**	1,609	1,025	**499**	1,896	2,170
Segments	**564**	668	288	**578**	2,207	1,350	**35,778**	42,682	21,505
Corporate [2]	**2**	4	51		954		**1,976**	3,919	426
Eliminations							**3**	8	13
Total	**566**	672	339	**578**	3,161	1,350	**37,757**	46,609	21,944

	Gross Cash Flow after Tax			Gross Investment			CROGI		
Amounts in NOK million	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Exploration and Production	**15,010**	16,309	8,428	**118,494**	111,038	113,811	**13.1%**	14.5%	9.4%
Energy	**1,093**	1,096	770	**6,648**	6,004	6,508	**17.3%**	17.5%	12.1%
Oil Marketing	**115**	188	394	**3,581**	3,682	3,152	**3.2%**	5.5%	13.0%
Eliminations		20	7	**(51)**	(56)				

Hydro Oil and Energy	**16,218**	17,613	9,599	**128,672**	120,668	123,471	**13.0%**	14.4%	9.7%
Aluminium Metal Products	**1,975**	2,895	1,603	**21,178**	21,977	18,071	**9.2%**	14.5%	9.2%
Aluminium Extrusion	**727**	1,079	871	**9,253**	9,475	7,099	**7.8%**	13.0%	11.9%
Other Light Metals	**(672)**	483	662	**12,645**	13,831	13,159	**(5.1)%**	3.6%	5.1%
Eliminations	**23**	(32)	(31)	**(80)**	(114)	(83)			
Hydro Light Metals	**2,053**	4,425	3,105	**42,996**	45,169	38,246	**4.7%**	10.6%	8.3%
Plant Nutrition	**3,139**	2,456	(119)	**32,879**	35,161	34,738	**9.2%**	7.0%	(0.3)%
Gas and Chemicals	**530**	615	653	**4,146**	5,147	4,591	**11.4%**	12.6%	14.3%
A/S Korn -og Foderstof Kompagniet	**327**	347	424	**7,867**	7,499	6,331	**4.3%**	5.0%	6.8%
Eliminations	**13**	31	(16)	**(5)**	(19)	(55)			
Hydro Agri	**4,009**	3,449	942	**44,887**	47,788	45,605	**8.7%**	7.4%	2.0%
Petrochemicals	**363**	582	706	**8,900**	10,197	9,460	**3.8%**	5.9%	7.3%
Other Activities [1)]	**442**	1,431	1,630	**5,798**	6,506	9,065	**7.2%**	18.4%	18.5%
Segments	**23,085**	27,500	15,982	**231,253**	230,328	225,847	**10.0%**	12.1%	8.0%
Corporate [2)]	**1,394**	2,760	329	**80,506**	92,723	58,578	**1.6%**	3.6%	0.7%
Eliminations	**(473)**	171	1,296	**(45,224)**	(62,844)	(49,156)			
Total	**24,006**	30,431	17,607	**266,535**	260,207	235,269	**9.1%**	12.3%	8.4%

1) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance, Technology and Projects and Hydro Business Partner.

2) Corporate s EBITDA includes a net periodic pension credit of NOK 421 million, NOK 2,263 million and NOK 470 million in 2001, 2000 and 1999, respectively. In 2000, Hydro changed the way it allocates pension costs to its Norwegian operations. Previously costs were determined based on the number of years of service resulting in a concentration of the total costs towards the end of the service period. The change resulted in non-recurring charges to the segments with a corresponding credit of NOK 2,007 million reflected in Corporate, which is included in Corporate s net periodic pension credit. Part of these costs have been charged to external parties resulting in a positive effect to the Company of NOK 470 million.

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Amounts in NOK million	Current assets 3)		Non-current assets		Assets 3)	
	2001	2000	**2001**	2000	**2001**	2000
Exploration and Production	**8,546**	9,888	**70,760**	68,861	**79,306**	78,749
Energy	**5,048**	5,061	**3,937**	3,606	**8,985**	8,667
Oil Marketing	**1,751**	1,913	**1,506**	1,582	**3,257**	3,495
Eliminations	**(2,220)**	(2,586)	**(53)**	(58)	**(2,273)**	(2,644)
Hydro Oil and Energy	**13,125**	14,276	**76,150**	73,991	**89,275**	88,267
Aluminium Metal Products	**9,178**	10,542	**9,018**	7,423	**18,196**	17,965
Aluminium Extrusion	**4,708**	5,340	**4,478**	4,682	**9,186**	10,022
Other Light Metals	**3,637**	3,516	**5,285**	5,117	**8,922**	8,633
Eliminations	**(1,142)**	(1,315)			**(1,142)**	(1,315)
Hydro Light Metals	**16,381**	18,083	**18,781**	17,222	**35,162**	35,305
Plant Nutrition	**13,124**	14,917	**10,420**	11,525	**23,544**	26,442
Gas and Chemicals	**1,516**	2,128	**1,576**	2,033	**3,092**	4,161
A/S Korn- og Foderstof Kompagniet	**4,254**	4,501	**2,331**	1,951	**6,585**	6,452
Eliminations	**(187)**	(1,011)	**(2)**	(2)	**(189)**	(1,013)
Hydro Agri	**18,707**	20,535	**14,325**	15,507	**33,032**	36,042
Petrochemicals	**1,554**	2,318	**3,554**	3,424	**5,108**	5,742
Other Activities 1)	**4,224**	4,620	**1,186**	1,241	**5,410**	5,861
Segments	**53,991**	59,832	**113,996**	111,385	**167,987**	171,217
Corporate	**32,542**	59,342	**50,820**	36,209	**83,362**	95,551
Eliminations	**(6,210)**	(37,379)	**(47,217)**	(33,035)	**(53,427)**	(70,414)
Total	**80,323**	81,795	**117,599**	114,559	**197,922**	196,354

Amounts in NOK million	Non-consolidated investees, investments and advances		Segment debt 4)		Investments 5)	
	2001	2000	**2001**	2000	**2001**	2000
Exploration and Production	**625**	91	**5,508**	5,779	**9,618**	8,322
Energy	**578**	429	**4,230**	4,549	**366**	123
Oil Marketing	**867**	882	**893**	1,061	**106**	63
Eliminations	**25**		**(2,219)**	(2,585)		29

Hydro Oil and Energy	**2,095**	1,402	**8,412**	8,804	**10,090**	8,537
Aluminium Metal Products	**2,603**	1,702	**4,516**	4,311	**1,900**	2,561
Aluminium Extrusion	**57**	99	**2,906**	3,138	**710**	1,962
Other Light Metals	**628**	697	**1,886**	1,465	**917**	552
Eliminations			**(1,085)**	(1,234)		
Hydro Light Metals	**3,288**	2,498	**8,223**	7,680	**3,527**	5,075
Plant Nutrition	**2,419**	2,241	**5,424**	6,309	**657**	1,093
Gas and Chemicals	**100**	153	**696**	910	**140**	240
A/S Korn- og Foderstof Kompagniet	**129**	2	**1,028**	1,199	**684**	548
Eliminations	**(2)**	(2)	**(186)**	(999)		
Hydro Agri	**2,646**	2,394	**6,962**	7,419	**1,481**	1,881
Petrochemicals	**1,168**	576	**950**	1,123	**347**	540
Other Activities [1)]	**1**	4	**1,417**	1,243	**341**	474
Segments	**9,198**	6,874	**25,964**	26,269	**15,786**	16,507
Corporate	**489**	337	**2,567**	2,778	**542**	83
Eliminations			**(3,983)**	(3,537)		(25)
Total	**9,687**	7,211	**24,548**	25,510	**16,328**	16,565

3) Current assets and assets excludes internal cash accounts and accounts receivable related to group relief.

4) Segment debt is defined as short-term interest free liabilities excluding corporate income taxes payable and short-term deferred tax liabilities.

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

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Amounts in NOK million	Assets		Long-lived assets		Investments	
	2001	2000	**2001**	2000	**2001**	2000
Europe:						
Norway	**115,838**	113,375	**80,871**	79,931	**8,630**	8,080
EU:						
Great Britain	**6,563**	6,754	**1,826**	2,114	**200**	464
Germany	**3,028**	3,121	**1,260**	1,258	**141**	63
France	**6,221**	9,260	**1,531**	1,595	**272**	122
Sweden	**7,394**	7,364	**1,949**	1,985	**477**	256
Denmark	**8,516**	8,391	**3,428**	3,054	**1,000**	651
Italy	**3,153**	3,125	**749**	790	**50**	120
Spain	**920**	732	**300**	160	**197**	89
The Netherlands	**6,396**	6,612	**1,126**	2,093	**439**	1,113
Other	**4,567**	4,671	**551**	588	**110**	111
Total EU	**46,758**	50,030	**12,720**	13,637	**2,886**	2,989
Other Europe	**848**	885	**210**	258	**28**	37
Total Europe	**163,444**	164,290	**93,801**	93,826	**11,544**	11,106
Outside Europe:						
USA	**7,681**	8,137	**2,102**	2,179	**312**	1,678
Asia	**5,012**	4,386	**2,891**	2,266	**805**	456
Other Americas	**6,584**	5,785	**4,286**	2,742	**770**	1,334
Africa	**6,126**	4,164	**4,176**	2,484	**1,874**	881
Canada	**8,908**	9,454	**7,149**	7,446	**987**	1,078
Australia and New Zealand	**167**	138	**144**	105	**36**	32
Total outside Europe	**34,478**	32,064	**20,748**	17,222	**4,784**	5,459
Total	**197,922**	196,354	**114,549**	111,048	**16,328**	16,565

Amounts in NOK million	Operating revenues		
	2001	2000	1999
Europe:			
Norway	**12,595**	14,238	10,745
EU:			
Great Britain	**20,787**	19,311	12,063
Germany	**18,942**	18,503	11,572
France	**12,155**	16,538	11,104

Sweden	**11,425**	13,494	10,024
Denmark	**7,262**	7,256	6,729
Italy	**6,801**	6,562	5,624
Spain	**3,757**	3,751	2,693
The Netherlands	**3,291**	3,163	2,533
Other	**9,088**	8,139	6,015
Total EU	**93,508**	96,717	68,357
Switzerland	**6,063**	5,550	3,792
Other Europe	**5,529**	5,434	4,056
Total Europe	**117,695**	121,939	86,950
Outside Europe:			
USA	**16,584**	16,849	11,721
Asia	**6,479**	7,377	5,854
Other Americas	**6,035**	5,099	3,330
Africa	**4,156**	3,811	2,204
Canada	**1,419**	1,231	1,520
Australia and New Zealand	**467**	555	376
Total outside Europe	**35,140**	34,922	25,005
Total	**152,835**	156,861	111,955

The identification of assets, long-lived assets and investments is based upon location of operation. Included in long-lived assets are investments in non-consolidated investees; property, plant and equipment (net of accumulated depreciation) and non-current financial assets.

Operating revenues are identified by customer location. Presentation of income from certain trading activities in 2000 was changed from net presentation of margin to gross presentation as operating revenues and raw materials. This includes metal trading within Aluminium Metal Products and trading in petroleum products within Energy. Prior periods have been reclassified to be presented on a consistent basis.

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6. RESTRUCTURING COSTS

In October of 2001 Hydro decided to discontinue production of primary magnesium in Norway. Hydro will close down the Pors-grunn production facilities, dismantle the buildings, and carry out the necessary clean up of the area. Production is expected to end during the first quarter of 2002. Dismantling and clean-up work are expected to begin immediately after production ends and to be completed during 2003. Restructuring costs of NOK 961 million were recorded in 2001. Of this amount, NOK 261 million was charged as an impairment loss on the plant facilities. The remaining NOK 700 million of restructuring costs included termination costs for customer and supplier agreements, work-force reduction costs, and dismantling and clean-up costs. Of this NOK 419 million in included in other short-term debt, the remaining amount is included in Long-term liabilities. Additional cost of approximately NOK 100 million are expected in first quarter 2002 associated with voluntary employee termination.

On 17 December, 1999, Hydro announced a restructuring program in the Plant Nutrition segment. The program involved reductions in Hydro s fertilizer activities in Europe by eliminating one million tonnes of nitrate fertilizer capacity. The reduction of production capacity was to be accomplished by the closure of three and dismantlement of two plant facilities in Europe. The plant facilities were shut down in the second half of year 2000. As part of the closure of the plant facilities, restructuring costs of NOK 632 million and NOK 135 million respectively were recorded in 1999 and 2000. The restructuring costs of NOK 767 million included an impairment loss of NOK 444 million. The restructuring costs also included an accrual of NOK 323 million for costs to discontinue the activities described above, including demanning. The major part of the activities are completed. The remaining accrual for costs to discontinue activities as of 31 December, 2001 amounted to NOK 25 million and is included in other short term debt. Cash outlay in 2001 was NOK 88 million.

7. OPERATING COSTS AND EXPENSES

Operating costs include research and development, operating lease expense and payroll and related costs as follows:

Amounts in NOK million	**2001**	2000	1999
Research and development expense	**796**	898	1,043
Operating lease expense: 1)			
Drilling rigs, ships, office space	**1,488**	1,636	1,133
Office space leased from Hydro s independent pension trust	**212**	200	156
Total	**1,700**	1,836	1,289
Payroll and related costs:			
Salaries	**13,306**	12,023	11,314
Social security costs	**1,927**	1,609	1,600
Social benefits	**503**	486	517
Net periodic pension cost (Note 20)	**1,501**	734	620
Total	**17,237**	14,852	14,051

Estimating earnings relating to research and development costs incurred is considered impracticable for the years ended 31 December 2001, 2000, 1999. See also financial review page 61.

1) Total minimum future rentals of NOK 6,924 million are due under non-cancelable operating leases as follows (in NOK million): 2002 - 1,374; 2003 - 1,316; 2004 - 1,201; 2005 - 948; 2006 - 751; and thereafter - 1,334.

8. FINANCIAL INCOME AND EXPENSE

Amounts in NOK million	**2001**	2000	1999
Interest income	**2,762**	1,803	1,022
Net gain (loss) on securities	**(113)**	(168)	379
Dividends received	**198**	112	103
Interest income and other financial income	**2,847**	1,747	1,504
Interest expense	**(3,721)**	(4,045)	(3,405)
Capitalized interest	**685**	1,029	839
Net foreign exchange loss	**(416)**	(655)	(304)
Other, net	**(157)**	(234)	(185)
Interest expense and foreign exchange gain (loss)	**(3,609)**	(3,905)	(3,055)
Net financial expense	**(762)**	(2,158)	(1,551)

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9. OTHER INCOME AND EXPENSE

In 2001, other income and expense of NOK 578 million consists of: Gain on sale of Hydro Seafood UK of NOK 418 million, gain on sale of transmission grid assets of NOK 179 million, gain on sale of Singapore Polymer Corporation of NOK 59 million, loss on sale of Oleochemicals of NOK 53 million and charges of NOK 25 million relating to the sale of Fundo a.s. in 2000.

Other income of NOK 3,161 million in 2000 consisted of gains on the disposal of the following operations: NOK 1,609 million for Hydro Seafood, NOK 954 million for shares in Dyno, NOK 387 million for Saga Petroleum UK, NOK 89 million for KFK s pet-food business BS Pet Products AS, NOK 72 million for shares in Sapa Autoplastics AB, and NOK 50 million for Fundo a.s.

10. INCOME TAXES

Amounts in NOK million	**2001**	2000	1999
Income before taxes and minority interest:			
Norway	**18,763**	26,341	8,276
Other countries	**2,702**	3,800	(403)
Total	**21,465**	30,141	7,873
Current taxes:			
Norway	**13,631**	12,892	2,909
Other countries	**432**	819	644
Current income tax expense	**14,063**	13,711	3,553
Deferred taxes:			
Norway	**(576)**	2,131	1,458
Other countries	**263**	336	(674)
Deferred tax expense	**(313)**	2,467	784
Total income tax expense	**13,750**	16,178	4,337

Components of deferred income tax expense

Amounts in NOK million	**2001**	2000	1999
Deferred tax expense, excluding items below	**(230)**	2,567	671
Benefits of tax loss carryforwards	**2**	(58)	142

Tax expense (benefit) allocated to other comprehensive income	**52**	199	(11)
Effect of tax law changes	**78**	38	43
Net change in valuation allowance	**(215)**	(279)	(61)
Deferred tax expense US GAAP	**(313)**	2,467	784
Adjustments to N GAAP:			
Tax effects of differences between US GAAP and N GAAP (Note 26)	***(17)***	*10*	*6*
Deferred tax expense N GAAP	***(330)***	*2,477*	*790*

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2001**	2000	1999
Expected income taxes at statutory tax rate [1)]	**6,010**	8,439	2,205
Petroleum surtax [2)]	**8,915**	8,665	2,904
Uplift benefit [2)]	**(800)**	(720)	(829)
Hydro-electric power surtax [3)]	**190**	155	171
Tax law changes	**78**	38	43
Losses and other deductions with no tax benefit	**549**	417	776
Non-deductible expenses and amortization of goodwill	**101**	178	186
Foreign tax rate differences	**62**	117	(41)
Tax free income	**(395)**	(481)	(384)
Dividend exclusion	**(22)**	(22)	(10)
Losses and other benefits not previously recognized	**(637)**	(962)	(853)
Other, net	**(301)**	354	169
Income tax expense US GAAP	**13,750**	16,178	4,337
Effective tax rate US GAAP	**64.1%**	53.7%	55.1%
Tax effect of differences between US GAAP and N GAAP (Note 26)	***(17)***	*10*	*6*
Income tax expense N GAAP	***13,733***	*16,188*	*4,343*
Income before taxes N GAAP	***21,419***	*30,156*	*7,892*
Effective tax rate N GAAP	***64.1%***	*53.7%*	*55.0%*

1) Norwegian nominal statutory tax rate is 28 percent.

2) Income from oil and gas activities on the Norwegian Continental Shelf is taxed according to the Petroleum Tax Law. This stipulates a surtax of 50 percent after deducting uplift, a special deduction for surtax, in addition to normal corporate taxation of 28 percent.

3) A surtax of 27 percent is applied to taxable income, with certain adjustments, for Norwegian hydro-electric power plants. The surtax comes in addition to the normal corporate taxation. Tax depreciation, including that from the upward revision of basis under the new law, is deductible for both corporate tax and surtax purposes.

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The tax effects of temporary differences and tax loss carryforwards giving rise to deferred tax assets and liabilities were as follows as of 31 December, 2001 and 2000.

	US GAAP Deferred Tax			
Amounts in NOK million	Assets **2001**	Liabilities **2001**	Assets 2000	Liabilities 2000
Short-term:				
Marketable securities	**18**	**(25)**	11	
Inventory valuation	**104**	**(291)**	115	(768)
Accrued expenses	**1,452**	**(453)**	1,289	(223)
Unrealized exchange (gains) losses	**35**	**(61)**	54	(35)
Uplift benefit	**817**		823	
Other	**1**	**(14)**		(21)
Long-term:				
Marketable securities	**45**	**(54)**		
Unrealized exchange (gains) losses	**58**	**(2)**	119	(4)
Depreciation	**1,590**	**(25,075)**	2,007	(24,852)
Capitalized interest		**(3,619)**		(4,003)
Exploration drilling costs		**(2,802)**		(2,816)
Other non-current assets	**1,235**	**(530)**	1,046	(547)
Accrued expenses	**1,391**	**(642)**	1,160	(574)
Pensions	**887**	**(1,317)**	550	(1,293)
Deferred (gains) losses on sales	**238**	**(1,570)**	321	(1,368)
Uplift benefit	**1,528**		1,679	
Other	**163**	**(1,391)**	378	(1,441)
Total tax loss carryforwards	**2,265**		2,494	
Subtotal	**11,827**	**(37,846)**	12,046	(37,945)
Total valuation allowance	**(2,305)**		(2,724)	
Gross deferred tax assets and liabilities	**9,522**	**(37,846)**	9,322	(37,945)
Adjustments for N GAAP: (Note 26)				
Short and long-term:				
Unrealized gains		96		10
Gross deferred tax assets and liabilities, N GAAP	***9,522***	***(37,750)***	*9,322*	*(37,935)*
Net - N GAAP	***1,892***	***(30,120)***	*1,562*	*(30,175)*

Deferred income taxes have not been provided for on undistributed earnings of foreign subsidiaries, amounting to NOK 9,759 million, since those earnings are considered to be indefinitely invested. No deferred income taxes have been recognized on undistributed earnings of Norwegian subsidiary which can be remitted tax-free as dividends.

At the end of 2001, Hydro had tax loss carryforwards of NOK 6,944 million, primarily in Germany, Canada, Italy, France, Jamaica, Brazil and Trinidad. Carry forward amounts expire as follows:

Amounts in NOK million	
2002	300
2003	200
2004	370
2005	190
2006	277
After 2006	1,277
Without expiration	4,330
Total tax loss carryforwards	6,944

11. OTHER LIQUID ASSETS

Amounts in NOK million	**2001**	2000
Bank time deposits	**10**	33
Marketable equity securities	**869**	907
Debt securities and other	**1,542**	1,551
Total other liquid assets	**2,421**	2,491

The net change in unrealized gains on securities for the years ended 31 December 2001, 2000 and 1999 was a net loss of NOK 22 million, a net loss of NOK 358 million and a net gain of NOK 36 million, respectively. Total cost of marketable equity securities and debt securities and other was NOK 2,484 million and NOK 2,501 million as of 31 December, 2001 and 2000, respectively.

12. INVENTORIES

Amounts in NOK million	**2001**	2000
Finished goods	**10,023**	11,525
Work in progress	**773**	1,288
Raw materials	**4,998**	5,925
Total inventories	**15,794**	18,738

13. AVAILABLE-FOR-SALE SECURITIES

As of 31 December, 2001 and 2000, available-for-sale securities at cost amounted to NOK 4 million and NOK 0 million, respectively. Unrealized holding gain as of 31 December, 2001 was NOK 58 million.

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14. NON CONSOLIDATED INVESTEES

Amounts in NOK million	**Hydro Texaco**	**Scanraff**	**Alunorte**	**Søral**	**Meridian**	**Qafco**	**Farmland**	**Noretyl**	**Other**	**Total**
Balance 01.01.2000	907	344		362	629	841	345		3,538	6,966
Investments (sale), net		(11)	709						(1,006)	(308)
Change in long-term advances, net									(57)	(57)
Transfers (to) from other investments									(4)	(4)
Hydro s share of net income (loss)	20		53	188	64	152	3		217	697
Amortization and write-down			(21)		(44)				40	(25)
Dividends received by Hydro	(71)			(47)		(51)			(229)	(398)
Foreign currency translation and other	13	(1)	48		48	91	37		104	340
Balance 31.12.2000	869	332	789	503	697	1,033	385		2,603	7,211
Changes in 2001:										
Investments (sale), net			**300**		**(13)**	**96**			**417**	**800**
Change in long-term advances, net		**(19)**							**197**	**178**
Transfers (to) from other investments								**462**	**986**	**1,448**
Hydro s share of net income (loss)	**14**		**31**	**197**	**26**	**167**	**(14)**	**50**	**244**	**715**
Amortization and write-down			**(28)**		**(42)**				**(79)**	**(149)**
Dividends received by Hydro	**(1)**			**(100)**	**(15)**	**(45)**			**(311)**	**(472)**
Foreign currency translation and other	**(28)**	**(16)**	**78**		**(25)**	**15**	**7**		**(75)**	**(44)**
Balance 31.12.2001	**854**	**297**	**1,170**	**600**	**628**	**1,266**	**378**	**512**	**3,982**	**9,687**

Specification of Non-consolidated Investees

	Percentage owned by Hydro	Investments in and advances	Hydro s current receivable (payable), net

Amounts in NOK million, except ownership	2001	to investees		with investees	
		2001	2000	**2001**	2000
Hydro Texaco	**50.0%**	**854**	869	**(45)**	(120)
Scanraff	**21.5%**	**297**	332	**(8)**	(5)
Alunorte	**32.3%**	**1,170**	789	**(55)**	(65)
Søral	**49.9%**	**600**	503	**(121)**	(132)
Meridian	**49.0%**	**628**	697	**(57)**	10
Qafco	**25.0%**	**1,266**	1,033	**42**	(55)
Farmland Hydro	**50.0%**	**378**	385		
Noretyl	**50.0%**	**512**		**(64)**	
Others		**3,982**	2,603	**346**	246
Total		**9,687**	7,211	**38**	(121)

A description of significant investees business, majority owners and the nature of related party transactions with Hydro including amounts if material follow:

Hydro Texaco a.s operates 916 gasoline stations and 162 diesel stations in Norway, Denmark and the Baltics. Hydro and ChevronTexaco Corp. each own 50 percent in the joint venture. Hydro sells and purchases oil related products with the joint venture at market prices. Sales from Hydro Texaco to Hydro amounted to NOK 558 million, NOK 900 million and NOK 660 million in 2001, 2000 and 1999, respectively. Sales from Hydro to Hydro Texaco amounted to NOK 1,194 million, NOK 969 million and NOK 628 million in 2001, 2000 and 1999, respectively.

Skandinaviska Raffinaderiet AB (Scanraff) and Skandinaviska Kracker AB (Scancracker) operate the Scanraff refinery and adjacent cracking facilities in Sweden. Hydro paid processing fees to Scanraff for refining of its oil of NOK 224 million, NOK 232 million and NOK 225 million in 2001, 2000 and 1999, respectively. The other partner is an unaffiliated company.

Alumina do Norte do Brasil S.A. (Alunorte) is an alumina refinery located in Brazil. Hydro s owner share is at present 32.3 percent, an increase from 26.7 percent in 2000. Hydro purchased alumina from Alunorte amounting to NOK 734 million and NOK 703 million in 2001 and 2000, respectively.

Sør-Norge Aluminium AS (Søral) is a Norwegian primary aluminium manufacturer. Søral sells 50 percent of its production to each major owner at current market prices. The other 50 percent owner of Søral is an unaffiliated company. Sale of aluminium from Søral to Hydro amounted to NOK 1,018 million, NOK 1,026 million and NOK 811 million in 2001, 2000 and 1999, respectively. Sales from Hydro to Søral amounted to NOK 350 million, NOK 405 million and NOK 266 million in 2001, 2000 and 1999, respectively.

Meridian Technologies Inc. (Meridian) is a Canadian company owned 51 percent by Teksid S.p.A. (a subsidary of the Fiat group) and 49 percent by Hydro. In 2001, Meridian divested its aluminium die casting division. As a result Meridian now provides only magnesium die-casting products to the automobile industry. Meridian purchases alloyed magnesium from Hydro. Operating revenues in 2001 from sales to Meridian were not material to the Other Light Metals segment as a whole.

Qatar Fertiliser Company S.A.Q. (Qafco) owns and operates a fertilizer complex for which Hydro provides marketing support and technical assistance. The remaining 75 percent of Qafco is owned by the State of Qatar. In 2001, the Board of Qafco approved an expansion. Qafco also signed a new marketing agreement with Hydro which will further strengthen Hydro s position in markets outside Europe. Hydro purchased urea from Qafco amounting to NOK 876 million, NOK 1,030 million, NOK 670 million in 2001, 2000 and 1999, respectively.

Hydro s ownership interest in Farmland Hydro LP entitles the company to act as the worldwide agent for sales of its phosphate fertilizers. The other partner is an unaffiliated company. Sales from Hydro to Farmland Hydro amounted to NOK 451 million, NOK 383 million and NOK 293 million in 2001, 2000 and 1999, respectively.

In 2000 Hydro and Borealis, owners of Noretyl ANS (51-49 percent ownership, respectively), entered into an agreement establishing Noretyl AS as a joint venture (50-50 percent). As of January 1, 2001, Noretyl AS has been reported as a non-consolidated investee. Hydro paid processing fees to Noretyl for refining NGL of NOK 250 million in 2001.

Non-consolidated investees 100 percent basis

The following table sets forth summarized unaudited financial information of Hydro s non-consolidated investees on a 100 percent combined basis. Hydro s share of these investments, which is also specified below, is accounted for using the equity method.

Income Statement Data

Amounts in NOK million (unaudited)	**2001**	2000	1999
Operating revenues	**36,772**	41,080	35,729
Operating income	**6,507**	5,714	2,567
Income before taxes and minority interest	**3,475**	3,065	1,779
Net income	**2,771**	2,435	1,083
Hydro s share of net income	**714**	697	418

Balance Sheet Data

Amounts in NOK million (unaudited)	**2001**	2000	1999
Current assets	**17,205**	16,408	16,841
Non-current assets	**40,066**	30,610	29,275

Assets	**57,271**	47,018	46,116
Current liabilities	**11,589**	12,246	13,560
Non-current liabilities	**15,321**	14,150	12,740
Minority interest	**27**	30	422
Shareholders equity	**30,334**	20,592	19,394
Liabilities and shareholders equity	**57,271**	47,018	46,116
Hydro s investments and advances	**9,687**	7,211	6,966

15. PREPAID PENSION, INVESTMENTS AND NON-CURRENT ASSETS

Amounts in NOK million	**2001**	2000
Goodwill [1] for consolidated subsidiaries, less accumulated amortization	**1,265**	1,363
Intangible assets [2], less accumulated amortization	**786**	808
Total intangible assets	**2,051**	2,171
Prepaid pension (Note 20)	**4,599**	4,488
Available-for-sale securities at fair value	**62**	
Other investments at cost	**1,868**	1,967
Non-current assets	**3,056**	2,357
Total prepaid pension, investments and non-current assets	**9,585**	8,812
Total - US GAAP	**11,636**	10,983
Total prepaid pension, investments and non-current assets	***9,585***	*8,812*
Adjustments [3] (Note 26)	***(419)***	
Total prepaid pension, investments and non-current assets - N GAAP	***9,166***	*8,812*

1) Original cost for 2001 was NOK 2,268 million and for 2000 NOK 2,274 million. Amortization of goodwill amounted to NOK 138 million and NOK 173 million for 2001 and 2000 respectively.

2) Original cost for 2001 was NOK 2,140 million and for 2000 NOK 2,167 million. Amortization of intangible assets amounted to NOK 162 million and NOK 159 million for 2001 and 2000 respectively.

3) The difference consists of fair value adjustment for cash flow hedge instruments, unrealized gain on available for sale securities, and unrealized gain on freestanding derivatives.

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16. PROPERTY, PLANT AND EQUIPMENT

	Land-based Activities						
Amounts in NOK million	**Land**	**Machinery and Equipment**	**Buildings**	**Plant under construction**	**Other**	**E&P [1)]**	**Total**
Cost:							
Cost 31.12.2000	1,091	56,948	16,748	1,668	772	107,469	184,696
Additions at cost	20	2,049	402	2,773		9,568	14,812
Retirements	(175)	(5,265)	(999)	(131)		(1,063)	(7,633)
Transfers	6	966	149	(1,121)			
Foreign currency translation	(30)	(815)	(221)	(40)		(277)	(1,383)
Balance 31.12.2001	**912**	**53,883**	**16,079**	**3,149**	**772**	**115,697**	**190,492**
Depreciation:							
Balance 31.12.2000		(38,955)	(9,066)		(222)	(41,428)	(89,671)
Depreciation, depletion and amortization [2)]		(3,525)	(618)		(41)	(7,423)	(11,607)
Retirements		4,186	523			651	5,360
Foreign currency translation and transfers		546	101			56	703
Balance 31.12.2001		**(37,748)**	**(9,060)**		**(263)**	**(48,144)**	**(95,215)**
Net Book Value:							
Balance 31.12.2000	1,091	17,993	7,682	1,668	550	66,041	95,025 [3)]
Balance 31.12.2001	**912**	**16,135**	**7,019**	**3,149**	**509**	**67,553**	**95,277** [3)]

1) Includes land-based activities for Exploration and Production (E&P).

2) Impairment losses for 2001, 2000 and 1999 were NOK 396 million, NOK 141 million and NOK 295 million, respectively. In 2001 and in 1999 additional impairment losses of NOK 261 million and NOK 444 million was recorded as restructuring cost. The fair value of the impaired asset was generally estimated by discounting the expected future cash flows of the individual assets. During the three years ended 31 December 2001, impairment was generally indicated as the result of current period cash flow losses, combined with a history of losses, or a significant change in the manner in which the asset is to be used.

3) Includes NOK 176 million and NOK 287 million related to capital leases for 2001 and 2000 respectively.

17. BANK LOANS AND OTHER INTEREST BEARING SHORT-TERM DEBT

Amounts in NOK million	Weighted Average Interest Rates 2001	Weighted Average Interest Rates 2000	2001	2000
Bank loans and overdraft facilities	**6.5 %**	7.4 %	**3,428**	4,550
Commercial paper	**3.8 %**	5.3 %	**8**	
Other	**4.2 %**	6.1 %	**5,022**	4,538
Total bank loans and other interest-bearing short-term debt			**8,458**	9,088

As of 31 December, 2001, Norsk Hydro ASA had committed and unused short-term credit facilities with various banks totaling approximately NOK 3,140 million. The interest rate for withdrawals under these facilities is based on the interbank interest rate for the relevant currency plus a margin depending on the currency.

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18. OTHER CURRENT LIABILITIES

Amounts in NOK million	2001	2000
Accounts payable	**12,190**	13,019
Income taxes payable	**7,697**	7,661
Payroll and value added taxes	**2,622**	3,004
Accrued liabilities	**8,578**	8,088
Other liabilities	**1,158**	1,399
Total other current liabilities	**32,245**	33,171

19. LONG-TERM DEBT

Substantially all unsecured debenture bonds and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bondholders and lenders. Certain of the debenture bond agreements contain provisions allowing Hydro to call the debt prior to its final redemption date at par or at certain specified premiums.

Long-term debt payable in various currencies

			Balance in NOK	
Amounts in NOK million	Weighted Average Interest Rates	Denominated Amount 2001	2001	2000
Unsecured debenture bonds:				
USD	7.4 %	**2,939**	**26,462**	27,894
NOK	8.3 %	**3,830**	**3,830**	4,646
GBP	7.5 %	**325**	**4,243**	4,289
EURO	6.3 %	**400**	**3,192**	3,299
Total			**37,727**	40,128
Unsecured bank loans:				
USD	5.7 %	**21**	**193**	322
SEK	5.5 %	**1,000**	**860**	955
DKK	7.0 %	**60**	**64**	2
Other			**222**	239
Total			**1,339**	1,518

Capital lease obligations			**174**	203
Mortgage loans			**171**	107
Other long-term debt			**408**	427
Outstanding debt			**39,819**	42,383
Less: Current portion			**(1,966)**	(2,209)
Total long-term debt			**37,853**	40,174

As of 31 December, 2001 the fair value of long-term debt, including the current portion, was NOK 42,297 million and the carrying value was NOK 39,819 million.

Foreign currency swaps are not reflected in the table above. (See Note 24).

Payments on long-term debt fall due as follows

Amounts in NOK million	**Debentures**	**Bank-loans**	**Capital lease and other**	**Total**
2002	1,650	212	104	1,966
2003	1,906	134	135	2,175
2004	1,158	54	116	1,328
2005	500	475	76	1,051
2006	500	17	48	565
Thereafter	32,013	447	274	32,734
Total	37,727 [1)]	1,339 [2)]	753	39,819

1) Of which Norsk Hydro ASA is responsible for NOK 37,569 million.

2) Of which Norsk Hydro ASA is responsible for NOK 1,054 million.

Norsk Hydro ASA has entered into long-term committed standby credit facility agreements with several international banks for a total amount of USD 2,000 million. Of this amount, USD 1,875 million expires at various dates through 2007, and the remainder in 2008. There are no borrowings under these facilities as of 31 December, 2001. Average commitment fee on these facilities is 0.12 percent.

20. EMPLOYEE RETIREMENT PLANS

Pension Benefits

Norsk Hydro ASA and many of its subsidiaries have defined benefit retirement plans which cover substantially all of their employees. Plan benefits are generally based on years of service and final salary levels. Some subsidiaries have defined contribution or multiemployer plans.

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Net periodic pension cost

Amounts in NOK million	**2001**	2000	1999
Defined benefit plans:			
Benefits earned during the year, net of participants contributions	**543**	528	434
Interest cost on prior period benefit obligation	**1,087**	1,004	765
Expected return on plan assets	**(1,373)**	(1,412)	(1,132)
Recognized net gain	**(11)**	(69)	(11)
Amortization of prior service cost	**151**	258	141
Amortization of net transition asset	**(57)**	(57)	(56)
Curtailment loss	**117**	19	13
Settlement loss (gain)	**1**	(48)	(2)
Net periodic pension cost	**458**	223	152
Defined contribution plans	**57**	51	52
Multiemployer plans	**8**	14	31
Termination benefits and other	**978**	446	385
Total net periodic pension cost	**1,501**	734	620
Change in the additional minimum pension liability included within other comprehensive income	**553**	132	11

Change in projected benefit obligation (PBO)

Amounts in NOK million	**2001**	2000
Projected benefit obligation at beginning of year	**(15,660)**	(12,528)
Benefits earned during the year	**(560)**	(543)
Interest cost on prior period benefit obligation	**(1,087)**	(1,004)
Actuarial loss	**(1,058)**	(451)
Plan amendments	**(178)**	(1,735)
Benefits paid	**728**	730
Curtailment gain (loss)	**(10)**	34
Settlements	**58**	91
Special termination benefits		(57)
Business combinations		(80)
Divestments	**57**	
Foreign currency translation	**90**	(117)
Projected benefit obligation at end of year	**(17,620)**	(15,660)

Change in pension plan assets

Amounts in NOK million	**2001**	2000
Fair value of plan assets at beginning of year	**18,372**	18,117
Actual return on plan assets	**(755)**	691
Company contributions	**69**	59
Plan participants contributions	**17**	15
Benefits paid	**(640)**	(653)
Settlements	**(50)**	(79)
Business combinations		89
Divestments	**(61)**	
Foreign currency translation	**(76)**	133
Fair value of plan assets at end of year	**16,876**	18,372

Status of pension plans reconciled to balance sheet

Amounts in NOK million	**2001**	2000
Defined benefit plans:		
Funded status of the plans at end of year	**(744)**	2,712
Unrecognized net loss (gain)	**1,903**	(1,287)
Unrecognized prior service cost	**1,708**	1,797
Unrecognized net transition asset	**(64)**	(131)
Net prepaid pension recognized	**2,803**	3,091
Termination benefits and other	**(1,388)**	(913)
Total net prepaid pension recognized	**1,415**	2,178
Amounts recognized in the balance sheet consist of:		
Prepaid pension	**4,599**	4,488
Accrued pension liabilities	**(4,215)**	(2,735)
Intangible asset	**251**	198
Accumulated other comprehensive income	**780**	227
Net amount recognized	**1,415**	2,178

Weighted-average assumptions at end of year:

	2001	2000
Discount rate	**7.0%**	7.1%
Expected return on plan assets	**8.0%**	8.0%
Rate of compensation increase	**3.0%**	3.1%

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Plans in which the accumulated benefit obligation exceeds plan assets:

Amounts in NOK million	**2001**	2000
Projected benefit obligation	**4,800**	2,408
Accumulated benefit obligation (ABO)	**3,847**	1,770
Plan assets	**1,281**	17

In 2001, Hydro s Norwegian activities incurred termination benefit costs of NOK 654 million and a curtailment loss of NOK 116 million. These charges include costs in connection with the process to improve competitiveness for the Grenland operations, and curtailment loss resulting from the decision to terminate primary production of magnesium.

Effective 1 January, 2000, certain Norwegian plans amended their plan benefit formulas as to provide for indexation of pension benefits. The resulting prior service cost of NOK 1,654 million is being amortized on a straight line basis over the employees average remaining service period.

Other Retirement Benefits

Hydro has unfunded retiree medical and life insurance plans for certain of its employees outside Norway. The net periodic post retirement cost was NOK 46 million in 2001. In 2000 the net periodic post retirement income was NOK 11 million, as a result of a curtailment gain related to employees in Great Britain, while the cost for 1999 was NOK 22 million. The post retirement liability was NOK 266 million and NOK 242 million as of 31 December, 2001 and 2000, respectively.

21. CONTINGENCIES AND OTHER LONG-TERM LIABILITIES

Hydro is subject to changing environmental laws and regulations that in the future may require the company to modernize technology to meet more stringent emissions standards or to take actions for contaminated areas. As of 31 December, 2001 and 2000, Hydro had accrued NOK million 268 and NOK 263 million, respectively, for corrective environmental measures. The corresponding expense was NOK 58 million in 2001 compared to NOK 46 million and NOK 10 million in 2000 and 1999, respectively. Hydro s share of the estimated total future cost of decommissioning and abandonment relating to off-shore installations is NOK 3,805 million. As of 31 December, 2001, Hydro had accrued NOK 2,110 million for decommissioning and abandonment costs using the unit-of-production method. The accrual was NOK 1,965 million as of 31 December, 2000.

Decommissioning and abandonment expense were NOK 365 million, NOK 450 million and NOK 542 million in 2001, 2000 and 1999, respectively. Hydro s future expenses for these corrective environmental measures are affected by a number of uncertainties including, but not limited to, the method and extent of corrective action. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Hydro s major production facilities and product storage terminals. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

In 2001, the European Union competition authorities issued a Statement of Objections to Hydro and all other gas producers on the Norwegian Continental Shelf. The authorities claimed that the sale of gas through the Gas Negotiation Committee (GNC) contravenes EU legislation related to competition. The sale of Norwegian gas through the GNC, primarily under long-term contracts, to the European continent has been conducted in accordance with the Norwegian governmental authorities regulations. The system is now abolished by the Norwegian Government. The EU s competition authorities have threatened to impose fines for past conduct, and in addition, warned that the EU want to see potential restrictive effects residing in contracts concluded with third parties under the previous sale system now eliminated. Hydro, together with all the other companies affected, is vigorously opposing the claimes of the EU authorities.

Hydro is involved in or threatened with various other legal, tax and environmental matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Amounts in NOK million	**2001**	2000
Other long-term liabilities:		
Insurance premiums and loss reserves	**846**	732
Accruals abandonment costs offshore	**1,127**	1,064
Accruals decommissioning costs offshore	**983**	901
Postretirement benefits other than pension	**266**	242
Derivatives	**621**	
Other	**2,069**	1,747
Total US GAAP	**5,912**	4,686
Adjustment to N GAAP		
Cash Flow hedge (Note 26)	***(228)***	
Total N GAAP	***5,684***	*4,686*

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22. SECURED DEBT AND GUARANTEES

Amounts in NOK million	**2001**	2000
Amount of secured debt	**255**	138
Assets used as security:		
Plant and equipment, etc.	**131**	203
Buildings	**679**	292
Other	**16**	16
Total	**826**	511
Guarantees (off-balance sheet):		
Contingency for discounted bills	**144**	78
Guarantees of debt	**905**	713
Indirect guarantees	**5,757**	6,083
Total	**6,806**	6,874

Hydro provides guarantees arising in the ordinary course of business including stand-by letters of credit, letters of credit, performance bonds and various payment or financial guarantees.

Following the asset exchange between Hydro and Petro-Canada in 1996, Hydro guaranteed that the total recoverable reserves attributable to Petro-Canada s working interest in the Veslefrikk field shall not be less than a certain quantified amount of crude oil. If less, Hydro has an obligation to deliver indemnity volumes to Petro-Canada. The guarantee does not apply in cases of force majeure, the failure of the operator to comply with good oil field practices, etc. Petro-Canada has made a claim emphasizing that the field reserves must be evaluated in accordance with the agreement. As of 31 December, 2001, the remaining guaranteed volume was 1.5 million Sm^3 of crude oil, equivalent to approximately NOK 1,594 million.

23. CONTRACTUAL AND OTHER COMMITMENTS FOR FUTURE INVESTMENTS AND OPERATIONS

As of 31 December, 2001:	**Investments**		
Amounts in NOK million	**2002**	**Thereafter**	**Total**
Contract commitments for investments in property, plant and equipment:			
Land based	2,468	1,475	3,943
Oil and gas fields and transport systems	3,844	6,495	10,339

Total	6,312	7,970	14,282
Additional authorized future investments in property, plant and equipment:			
Land based	984	2,166	3,150
Oil and gas fields and transport systems	1,065	1,499	2,564
Total	2.049	3.665	5.714
Contract commitments for other future investments:	1,327[1)]	296	1,623

1) The amount does not include the acquisition of VAW Aluminium AG

Additional authorized future investments include projects formally approved for development by the Board of Directors or management given the authority to approve such investments. General investment budgets are excluded from these amounts.

Hydro has entered into take-or-pay and long-term contracts providing for future payments to secure pipeline and transportation capacity, processing services, raw materials and electricity and steam. In addition, Hydro has entered into long-term sales commitments to deliver goods. This principally relates to obligations to deliver gas from fields on the Norwe-gian Continental Shelf for a total amount of NOK 165.4 billion.

The non-cancelable future fixed and determinable obligation as of 31 December, 2001 is as follows:

Take-or-pay and Long-term contracts

Amounts in NOK million	Transport and Other	Raw materials	Energy related	Sale commitments
2002	332	1,850	1,214	(9,526)
2003	292	1,205	1,173	(10,080)
2004	289	887	1,098	(9,370)
2005	288	713	1,085	(8,878)
2006	292	713	1,083	(9,199)
Thereafter	3,110	2,499	20,047	(128,615)
Total	4,603	7,867	25,700	(175,668)

Terms of certain of these agreements include additional charges covering variable operating expenses in addition to the fixed and determinable component shown above.

In addition, Hydro has contracted to purchase 28,0 million tonnes of alumina over the next 12 years with variable prices referenced to the London Metal Exchange quoted prices.

The total purchases under the take-or-pay agreements and long-term contracts were as follows (in NOK million): 2001 2,687; 2000 2,523 and 1999 2,932.

24. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Effective 1 January, 2001, Hydro adopted SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, as amended, which requires that all derivative instruments be reported on the balance sheet at fair value. Changes in the fair values of derivative instruments are recorded to earnings unless specific hedge criteria are met. The cumulative effect of adopting SFAS 133 did not result in a material impact to Hydro s income statement or to Other Comprehensive Income (OCI).

Hydro is exposed to market risks from commodity pricing, currency exchange rates and interest rates. Different market risk exposures are evaluated based on a portfolio view in order to take advantage of offsetting positions and to manage risk on a net exposure basis. Periodically, Hydro uses derivative or nonderivative instruments in order to hedge the company s various net exposures as well as designating derivative and non derivative instruments as hedges of specific exposures.

Commodity Price Risk Exposure

Hydro s revenues are substantially derived from the sale of commodities such as crude oil, aluminium and fertilizers. Hydro also buys and sells natural gas and electricity. The prices in these commodity markets are volatile and create significant market risk exposures. Hydro uses commodity derivatives, such as commodity futures or forwards, options and swaps, to manage unfavorable price fluctuations and also for a limited amount of speculative trading.

Oil

Hydro utilizes futures, physical and financial swaps and options with international oil and trading companies to mitigate unwanted price exposure for a portion of its crude oil portfolio. As of 31 December, 2001 these instruments were recorded at fair value as an asset of NOK 9 million and a liability of NOK 13 million. Hydro has purchased average rate put options (Asian options) for crude oil for the period 1 July, 2001 to 31 December, 2002 for the purpose of protecting against the risk of low oil prices. The notional volume of the contracts is 45 million barrels of oil with an average strike price of US dollar 15.5 per barrel for the entire 18 month period. Hydro has also purchased average rate put options (Asian options) for a notional volume of 10 million barrels in the first half of 2003 with an average strike price of US dollar 17 per barrel. These options were not designated as hedging instruments and were recorded as an asset of NOK 114 million fair value with gains and losses recorded in earnings.

Aluminium

Hydro has entered into a number of London Metal Exchange (LME) futures and currency forward contracts as part of a cash flow hedge program of forecasted primary aluminium sales in the period 2003-2007. The intent is to secure an average LME price of approximately NOK 14,000 per tonne of primary aluminium. As of 31 December, 2001, Hydro had sold forward about 490,000 tonnes of primary aluminium at an average price of approximately US dollar 1,500 per tonne. In addition Hydro has secured the exchange rate against the US dollar at about NOK 9.3 per US dollar for the same tonnage. Gains and losses on these derivatives are recorded to OCI and are to be reclassified into operating revenues when the corresponding forecasted sale of aluminium is recognized. No amount of ineffectiveness was recognized since the critical terms of the commodity derivatives and the forecasted aluminium sales are substantially similar. No reclassification is expected from OCI to earnings in the next twelve months. As of 31 December, 2001 the maximum length of time over which the Company is hedging its exposure to the variability in cash flows is six years. The fair value of the LME future contracts was recorded as an asset of NOK 254 million and a liability of NOK 36 million, while the fair value of the currency forward contracts is recorded as a liability of NOK 192 million.

In 2001, Hydro entered into LME futures contracts and designated them as cash flow hedges of forecasted primary aluminium sales in 2001-2003. In connection with this cash flow hedge the Company bought call options on aluminium to benefit from anticipated higher aluminium price. In addition the Company bought call options on aluminium for the purpose of offsetting the effects of backwardation (spot price is higher than the three-month forward price). In order to finance the premium on the call options, Hydro simultaneously sold put options on aluminium. A significant decline in the aluminium price in the third quarter resulted in losses on these options. Consequently Hydro terminated the options and neutralized and dedesignated the LME futures as hedges. This resulted in a loss before tax of NOK 545 million for 2001. The gains, after tax, deferred in OCI at the time of termination of NOK 117 million will remain in OCI until the forecasted sales of primary aluminium are recognized. A gain after tax of NOK 65 million is expected to be reclassified from OCI into earnings during the period ending 31 December, 2002. In 2003 a corresponding gain, after tax, of NOK 52 million will be reclassified from OCI into earnings. Hydro s risk management policy has been changed and similar options will no longer be used.

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Hydro has a 10 year commitment with Aluvale to purchase remelt ingot. Hydro utilizes LME futures as a fair value hedge of the firm commitment to buy aluminium for the period until 2006. Gains and losses on these futures contracts are recognized in costs of goods sold offsetting the gain and loss recorded for the firm commitment in the same period. The critical terms of the LME futures and the related purchase commitments are essentially the same; as a result, no hedge ineffectiveness was reflected in earnings in 2001. The fair value of the future contracts designated as fair value hedges was recorded as an asset of NOK 22 million.

Hydro has significant trading activities related to aluminium. The risk related to these trading activities are managed on a portfolio basis and Hydro periodically uses aluminium futures to provide an economic hedge of net exposure. Hydro engages in some speculative trading within strict limits set by management. The fair value of these future contracts was recorded as assets and liabilities of NOK 187 million and NOK 10 million respectively.

Other

Hydro uses forward and future contracts to provide an economic hedge of exposures commodity price risk related to purchases and sales of natural gas and electricity. These contracts provide an economic hedge for net exposures, but do not qualify for hedge accounting. Contracts related to natural gas were recorded as assets of NOK 585 million and liabilities of NOK 532 million and gains and losses were recorded in earnings. The electricity contracts fair value was recorded as an asset of NOK 180 million and a liability of NOK 207 million. Hydro also engages in a limited amount of speculative trading.

Foreign Currency Risk Exposure

A substantial part of Hydro s revenue derives from commodities with prices denominated in US dollar. Hydro partly manages this exposure to US dollar by maintaining a large portion of the total debt denominated in US dollar. Hydro also has exposures in many other currencies as a result of its global operations. Hydro utilizes derivative instruments, such as currency forward contracts and currency swaps to manage exposure to currency risk.

Aluminium

Hydro has entered into currency forward contracts to sell US dollar and buy NOK as part of a cash flow hedge of forecasted US dollar revenues on the sale of primary aluminium in the period from 2003 - 2007. The notional amount of the contracts is approximately US dollar 750 million at a rate of NOK 9.3 per US dollar. These contracts are entered into in combination with selling aluminium future contracts, as discussed in the preceding section Commodity Price Risk , in order to lock in the price in NOK of about NOK 14,000 per tonne on future primary aluminium sales. The gains or losses on these derivatives are recorded to OCI and subsequently reclassified into operating revenues to match recognition of the forecasted sales in 2003 - 2007. The critical terms of the currency forward contracts and the forecasted transactions are substantially similar, so no ineffectiveness has been recorded in earnings in 2001. No reclassification is expected from OCI to earnings in the next twelve months. As of 31 December, 2001 the maximum length of time over which the entity is hedging its exposure to the variability in cash flows is six years. The fair value of the contracts were recorded as a liability of NOK 192 million.

Net Investment Hedging

In order to further mitigate its exposure to foreign currency risk, Hydro has designated a portion of its foreign-denominated long-term debt, including certain related balances in currencies arising from foreign currency swaps and forwards, as hedges of net foreign investments in subsidiary companies. The foreign currency effects of these hedges reflected in the cumulative translation section of shareholders equity produced a NOK 89 million after-tax gain during the year ended 31 December, 2001, offsetting a foreign currency translation loss of NOK 794 million in shareholders equity.

Other

Hydro has also entered into a number of forward currency contracts that do not meet the hedge accounting criteria as shown in the table below. In addition the company has entered into currency swaps and other types of financial contracts. The contracts mentioned above are utilized to balance net exposures in certain currencies or to provide liquidity in one currency in exchange for excess liquidity in another. The fair value of these contracts was recorded as assets and liabilities of NOK 247 million and NOK 63 million, respectively, of which the currency swaps and other contracts represent an asset value of NOK 10 million.

The following forward currency contracts listed below were outstanding as of 31 December, 2001. All amounts represent the fair market value of the contracts in the respective currencies. Forward currency contracts that are designated as hedging instruments in cash flow hedges are not included.

	In currency		**In NOK**	
Amounts in million	**Buy**	**Sell**	**Buy**	**Sell**
USD	412	(22)	3,820	(201)
NOK	3,110		3,110	
EUR	64	(70)	513	(559)
GBP	34		449	
SEK	55	(575)	47	(495)
DKK		(1,168)		(1,259)
CAD		(590)		(3,361)
Other			25	(1,915)
Total			7,964	(7,790)

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Interest Rate Exposures

Hydro s risk management objective for interest rate risk is to minimize exposure to variability of cash flows arising from changes in interest rates. Hydro achieves this objective primarily by maintaining a high ratio of fixed-interest rate debt to total debt. Derivatives, such as interest rate swaps and currency swaps, are periodically used to alter the ratio of fixed-rate to variable-rate debt. No interest rate derivatives are currently designated as hedging instruments.

As of 31 December, 2001, Hydro had two interest rate swaps with offsetting terms. These swaps represented at fair market value, an asset and a liability of NOK 30 million, respectively. Furthermore, Hydro has a sold swaption contract whereby the counterparty has a right to enter into an interest rate swap under which Hydro will receive a fixed interest while paying a variable interest rate. The contract was recorded as a liability of NOK 16 million.

Credit Risk

Credit risk arising from the inability of the counterparty to meet the terms of Hydro s derivative financial instrument contracts is generally limited to amounts, if any, by which the counterparty s obligations exceed the obligations of Hydro. It is Hydro s policy to enter into derivative financial instruments with various international banks with established limits for transactions with each institution. Therefore, Hydro does not expect to incur material credit losses on its risk management or other derivative financial instruments.

Hydro also has some exposure to credit risk related to derivative commodity instruments. However, this risk is significantly limited because most instruments are settled through commodity exchanges. Hydro limits credit risks relating to other contracts with policies for credit ratings and limits for counterpar-ties.

25. SUPPLEMENTARY OIL AND GAS INFORMATION (Unaudited)

Costs Incurred on Oil and Gas Proper ties

Exploration costs and costs related to property acquisition

	Norway	International	Total

Amounts in NOK million	**2001**	2000	1999 [1)]	**2001**	2000	1999	**2001**	2000	1999
Capitalized at beginning of year	**874**	1,158	856	**309**	254	174	**1,183**	1,412	1,030
Costs incurred during the year	**928**	916	796	**1,090**	883	702	**2,018**	1,799	1,498
Acquisition cost [2)]		9	362	**1,234**			**1,234**	9	362
Expensed	**(770)**	(934)	(671)	**(630)**	(767)	(531)	**(1,400)**	(1,701)	(1,202)
Transferred to development	**(52)**	(275)	(185)	**(125)**	(61)	(50)	**(177)**	(336)	(235)
Disposals	**(3)**			**(124)**	(8)	(41)	**(127)**	(8)	(41)
Foreign currency translation				**(5)**	8		**(5)**	8	
Capitalized at end of year	**977**	874	1,158	**1,749**	309	254	**2,726**	1,183	1,412

1) 1999 figures include Saga.

2) 2001 mainly related to Africa and USA. 1999 represents exploration costs acquired from Saga. See Note 2.

Concentration of credit risk is not considerated significant since Hydro´s customers represents various industries and geographic areas.

The following types of financial and commodity derivatives were recorded at fair value on the balance sheet as of 31 December, 2001:

Amounts in NOK million	**2001**
Assets:	
Currency forwards and swaps	**247**
Interest rate swap	**30**
Put options, crude oil	**114**
Swaps and futures, crude oil	**9**
Electricity contracts	**180**
Natural gas contracts	**585**
Aluminium futures, swaps and options	**349**
Fair value hedging instruments, aluminium	**22**
Cash flow hedging instruments, aluminium	**254**
Total	**1,790**

Amounts in NOK million	**2001**
Liabilities:	
Currency forwards and swaps	**63**
Interest rate swap	**30**
Swaption contract	**16**
Electricity contracts	**207**
Natural gas contracts	**532**
Swaps and futures, crude oil	**13**
Aluminium futures, swaps and options	**10**
Cash flow hedging instruments, aluminium	**36**
Cash flow hedging instruments, currency	**192**

Total	**1,099**

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Costs related to Development, Transportation Systems and Other

	Norway			International			Total		
Amounts in NOK million	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Net book value at beginning of year	**58,472**	62,324	28,688	**6,360**	9,650	2,451	**64,832**	71,974	31,139
Cost incurred during the year [1]	**5,591**	6,058	6,765	**2,172**	1,868	1,668	**7,763**	7,926	8,433
Acquisition cost [2]		(2,383)	32,360		1,125	5,803		(1,258)	38,163
Transferred from exploration cost	**52**	275	185	**125**	61	50	**177**	336	235
Amortization	**(7,098)**	(6,883)	(4,938)	**(326)**	(711)	(594)	**(7,424)**	(7,594)	(5,532)
Disposals [3]	**(306)**	(919)	(736)	**1**	(6,370)	(146)	**(305)**	(7,289)	(882)
Foreign currency translation				**(215)**	737	418	**(215)**	737	418
Net book value at end of year	**56,711**	58,472	62,324	**8,117**	6,360	9,650	**64,828**	64,832	71,974

1) In 2001, NOK 903 million, NOK 742 million and NOK 441 million of development costs related to activities in Angola, Canada and Russia respectively. In 2000, NOK 966 million and NOK 627 million of development costs related to activities in Canada and Angola respectively. In addition, NOK 100 million and NOK 93 million related to activities in the UK and Russia. In 1999, NOK 924 million, NOK 624 million and NOK 44 million related to activities in Canada, Angola and Russia, respectively.

2) 2000 includes adjustment to the allocation of purchase price for Saga of NOK (1,275) million. 1999 included the acquisition of Saga s fields and transportation systems in Norway and in the UK and Ireland.

3) 2000 included the disposals of Hydro s activities on the British Continental Shelf. In 1999, the disposals related to Saga s Varg ship and fields in Indonesia.

Results of Operations for Oil and Gas Producing Activities

As required by SFAS 69, the revenues and expenses included in the following table reflect only those relating to the oil and gas producing operations of Hydro. In addition to these operations, Exploration and Production in Note 5 reflects revenues and expenses relating to petroleum transportation operations.

The results of operations should not be equated to net income since no deduction nor allocation is made for interest costs, general corporate overhead costs, and other costs. Income tax expense is a theoretical computation based on the statutory tax rates after giving effect to the effects of uplift and permanent differences only.

Amounts in NOK million	Norway			International			Total		
	2001	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Sales to unaffiliated customers	**5,486**	5,581	4,687	**1,133**	2,468	1,085	**6,619**	8,049	5,772
Intercompany transfers	**24,915**	25,791	10,320				**24,915**	25,791	10,320
Total revenues	**30,401**	31,372	15,007	**1,133**	2,468	1,085	**31,534**	33,840	16,092
Operating costs and expenses:									
Production costs	**3,798**	3,402	2,696	**207**	307	171	**4,005**	3,709	2,867
Exploration expenses	**770**	934	670	**630**	767	531	**1,400**	1,701	1,201
Depreciation, depletion and amortization	**7,344**	7,186	5,327	**360**	768	673	**7,704**	7,954	6,000
Total expenses	**11,912**	11,522	8,693	**1,197**	1,842	1,375	**13,109**	13,364	10,068
Results of operations before taxes	**18,489**	19,850	6,314	**(64)**	626	(290)	**18,425**	20,476	6,024
Current and deferred income tax expense	**(14,281)**	(15,356)	(4,576)	**(59)**	(228)	93	**(14,340)**	(15,584)	(4,483)
Results of operations	**4,208**	4,494	1,738	**(123)**	398	(197)	**4,085**	4,892	1,541

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Proved Reserves of Oil and Gas

Proved reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are expected to be recovered from undrilled production wells on exploration licenses. Reserves are expected to be revised as oil and gas are produced and additional data become available. International reserves under PSA contracts (production sharing agreement) are shown net of Royalities and Government s share of Profit Oil.

Proved Developed and Undeveloped Reserves of Oil and Gas

	Norway			International			Total		
		Natural gas			Natural gas			Natural gas	
	Oil mmboe 1)	billion Sm^3	billion cf 2)	Oil mmboe 1)	billion Sm^3	billion cf 2)	Oil mmboe 1)	billion Sm^3	billion cf 2)
As of 31 December, 1998 6)	546	121.9	4.312	92			638	121.9	4,312
Revisions of previous estimates 3)	22	1.0	37	1			23	1.0	37
Purchase (sale)/exchange of reserves in place 4)	229	42.7	1,511	56	6.3	222	285	49.0	1,733
Extensions and new discoveries 5)	131	5.8	207	10			141	5.8	207
Production for the year	(91)	(3.9)	(139)	(6)	(0.3)	(11)	(97)	(4.2)	(150)
As of 31 December, 1999 6)	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)
	32	1.4	48	52			84	1.4	48

Extensions and new discoveries [5]									
Production for the year	(110)	(4.7)	(167)	(9)	(0.4)	(15)	(119)	(5.1)	(182)
As of 31 December, 2000 [6] [7]	820	169.7	6,004	156			976	169.7	6,004
Revisions of previous estimates [3]	**87**	**0.3**	**11**	**16**			**103**	**0.3**	**11**
Purchase (sale)/exchange of reserves in place [4]	**(1)**						**(1)**		
Extensions and new discoveries [5]	**33**	**4.6**	**162**	**27**			**60**	**4.6**	**162**
Production for the year	**(114)**	**(5.4)**	**(191)**	**(6)**			**(120)**	**(5.4)**	**(191)**
As of 31 December, 2001 [6] [7]	**825**	**169.2**	**5,986**	**193**			**1,018**	**169.2**	**5,986**
Proved developed reserves:									
As of 31 December, 1998	358	57.0	2,015	17			375	57.0	2,015
As of 31 December, 1999	500	69.1	2,444	74	6.0	211	574	75.1	2,655
As of 31 December, 2000	555	103.0	3,644	33			588	103.0	3,644
As of 31 December, 2001	**564**	**103.7**	**3,669**	**62**			**626**	**103.7**	**3,669**

1) Includes crude oil and NGL/Condensate. All volumes are calculated based on the Norwegian Petroleum Directorate s current conversion factors. The conversion factor for NGL changed in 2001. The conversion factor had been 1 ton = 8,177 boe or 1.3 Sm^3 ; it is currently 11,951 boe or 1.9 Sm^3.

2) cf: cubic feet

3) The revision of previous estimates relates to new information from current year s drilling operations and additional data which is now available.

4) In 2001 the decrease was due to the sale of Glitne in Norway. In 2000, the decrease in oil reserves outside Norway was due to the sale of the UK portfolio. The increase in Norway was due to increased ownership interest in the Grane field and purchase of reserves in the Tune field. In 1999, the increase in reserves was due to the inclusion and increase in ownership interest from the Saga acquisition.

5) In 2001, extensions and new discoveries for oil were related to the Kristin, Mikkel and Sigyn fields in Norway, Rosa/Lirio and Jasmin in Angola. Extensions and new discoveries for gas were also related to the Kristin, Mikkel and Sigyn field in Norway. In 2000, extensions and new discoveries for oil were related to the Fram, Glitne and STUJ fields (a neighboring structure to the Tordis field), and the Dalia field in Angola. Extensions and new discoveries for gas were related to the Fram and STUJ fields (a neighboring structure to the Tordis field). In 1999, extensions and new discoveries for oil were related to the Grane and Borg fields. Extensions and new discoveries for gas were related to the Kvitebjørn and Tune fields. The Kharyaga field in Russia comprised the international extensions and new discoveries for oil.

6) Reserve estimates in Norway are made before royalties of approximately 2.1, 3.8 and 8.8 million barrels of oil equivalents for 2001, 2000 and 1999, respectively.

7) In 2001, reserve estimates included 193 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. In 2000, reserve estimates included 156 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. The decrease in gas reserves outside Norway was due to the sale of the UK portfolio. The increase in Norway was due to the purchase of reserves in the Tune field.

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US GAAP Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

The standardized measure of discounted future net cash flows of Hydro s proved reserves of oil (including natural gas liquids and condensate) and gas is prepared in compliance with SFAS 69.

Future net cash flows are based on numerous assumptions which may or may not be realized. The Management of Hydro cautions against relying on the information presented because of the highly arbitrary nature of assumptions involved and susceptibility of estimates to change as new and more accurate data become available. The individual components of future net cash flows shown below were computed using prices, production costs, development costs, royalty levels, foreign exchange rates, statutory tax rates and estimated proved reserve quantities at the respective year ends.

Standardized Measure of Discounted Future Net Cash Flows

	Norway			International			Total		
Amounts in NOK million	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Future cash inflows	**308,600**	364,200	274,800	**31,200**	30,900	32,300	**339,800**	395,100	307,100
Future production costs	**(58,100)**	(58,100)	(48,800)	**(9,400)**	(7,100)	(8,100)	**(67,500)**	(65,200)	(56,900)
Future development costs	**(22,800)**	(21,400)	(21,200)	**(7,700)**	(6,600)	(4,800)	**(30,500)**	(28,000)	(26,000)
Future income tax expense	**(162,100)**	(210,800)	(140,200)	**(3,200)**	(4,300)	(5,300)	**(165,300)**	(215,100)	(145,500)
Future net cash flows	**65,600**	73,900	64,600	**10,900**	12,900	14,100	**76,500**	86,800	78,700
Less: 10% annual discount for estimated timing of cash flows	**(27,800)**	(27,900)	(25,400)	**(4,700)**	(4,900)	(5,100)	**(32,500)**	(32,800)	(30,500)
Standardized measure of discounted future net cash flows	**37,800**	46,000	39,200	**6,200**	8,000	9,000	**44,000**	54,000	48,200

Major Sources of Changes in the Standardized Measure of Discounted Future Net Cash Flows

Amounts in NOK million	**2001**	2000	1999

Net changes in prices and production costs	**(29,900)**	43,000	45,600
Sales and transfers of oil and gas produced, net of production costs	**(27,300)**	(30,300)	(13,300)
Extensions, unitizations, discoveries and improved recovery, net of related costs	**5,700**	8,400	13,100
Purchase/Exchange of interests in fields		1,500	38,400
Sale/Exchange of interests in fields	**(200)**	(5,800)	
Changes in estimated development costs	**(7,900)**	(6,700)	(11,900)
Development costs incurred during the year	**7,500**	6,400	6,000
Net change in income taxes	**30,200**	(19,900)	(48,200)
Accretion of discount	**4,700**	3,100	800
Revisions of previous reserve quantity estimates	**7,000**	6,100	6,000
Other	**200**		(100)
Total change in the standardized measure during the year	**(10,000)**	5,800	36,400

Average Sales Price and Production Cost per Unit

The following table presents the average sales price (including transfers) and production costs per unit of crude oil and natural gas, net of reductions in respect of royalty payments:

	Norway			International			Total		
Amounts in NOK	**2001**	2000	1999	**2001**	2000	1999	**2001**	2000	1999
Average Sales Price									
crude oil (per barrel)	**217.32**	248.80	143.90	**215.03**	219.60	157.70	**217.20**	246.40	144.70
natural gas (per Sm^3)	**1.21**	1.00	0.58		0.78	0.55	**1.21**	0.98	0.58
Average production cost (per boe)	**25.60**	24.50	22.60	**38.00**	25.90	19.00	**26.10**	24.60	22.40

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26. SUMMARY OF DIFFERENCES IN ACCOUNTING POLICIES AND RECONCILIATION OF US GAAP TO N GAAP

The financial statements prepared in accordance with accounting principles generally accepted in Norway presented on pages 68-70, differ in certain respects from US GAAP. Currently the differences are immaterial for Norsk Hydro. A reconciliation of net income and shareholders equity from US GAAP to Norwegian principles (N GAAP) and a description of these differences follow. The lines with a note reference reflect the variance between the US GAAP balance in that note and the N GAAP balance.

Reconciliation of US GAAP to N GAAP

Net income: Amounts in NOK million	Notes	**2001**	2000	1999
Operating revenues US GAAP		**152,835**	156,861	111,955
Adjustments for N GAAP:				
Unrealized losses (gains) commodity derivative instruments		**134**		
Operating revenues N GAAP		**152,969**	156,861	111,955
Operating costs and expenses US GAAP		**131,752**	128,395	104,220
Adjustments for N GAAP:				
Unrealized gains (losses) commodity derivative instruments		**180**	(13)	(19)
Other adjustments			(2)	
Operating income before financial and other income N GAAP		**21,037**	28,481	7,754
Equity in net income of non-consolidated investees		**566**	672	339
Interest income and other financial income		**2,847**	1,747	1,504
Other income, net		**578**	3,161	1,350
Earnings before interest expense and taxes (EBIT)		**25,028**	34,061	10,947
Interest expense and foreign exchange gain (loss)		**(3,609)**	(3,905)	(3,055)
Income before taxes and minority interest N GAAP		**21,419**	30,156	7,892
Current income tax expense		**(14,063)**	(13,711)	(3,553)
Deferred income tax expense US GAAP		**313**	(2,467)	(784)
Adjusted to N GAAP deferred tax	10	**17**	(10)	(6)
Net income N GAAP		**7,686**	13,968	3,549
Minority interest		**177**	18	(90)
Net income after minority interest N GAAP		**7,863**	13,986	3,459

Shareholders equity: Amounts in NOK million	Notes	2001	2000	1999
Shareholders equity for US GAAP		**74,793**	71,227	59,497
Unrealized gains commodity derivative instruments current and long-term (a)		**(106)**	(59)	(79)
Cash Flow hedge current and long-term (a)		**(188)**		
Unrealized gain on securities (b)	13	**(58)**		(4)
Deferred tax assets and liabilities current and long-term (c)	10	**96**	10	24
Dividends payable (d)		**(2,576)**	(2,470)	(2,094)
Minority Interest (e)		**1,051**	1,419	1,323
Shareholders equity for N GAAP		**73,012**	70,127	58,667

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NORSK HYDRO ASA AND SUBSIDIARIES

Notes to the consolidated financial statements

Explanation of major differences between N GAAP and US GAAP

(a) Derivative commodity contracts: Under N GAAP, *unrealized gains and losses for commodity derivative instruments that are not hedge designated, and that are not exchange traded, are netted for each portfolio and net unrealized gains are not recognized.* For US GAAP, unrealized gains and losses are recorded to operating revenue for sales contracts or operating cost for purchase purchase contracts. The instruments are accounted for as assets or liabilities at fair value.

For N GAAP, cash flow hedges with derivative instruments are not recognized on the balance sheet or income statement, until the underlying hedged transactions actually occur. Under US GAAP, such instruments are accounted for as assets or liabilities as appropriate, at their fair value. Gains and losses on the hedging instruments are deferred in Other Comprehensive Income until the underlying transaction is recognized in earnings

(b) Unrealized holding gain (loss) on securities: *Under N GAAP, Hydro s long-term marketable equity and debt securities are carried at the lower of historical cost or market value.* Under US GAAP, securities are carried at fair value (market) and unrealized holding gains or losses are included in Other comprehensive income, net of tax effects, for available-for-sale securities.

(c) Deferred taxes: Under N GAAP, deferred taxes are recorded based upon the liability method similar to US GAAP. Differences occur primarily because items accounted for differently under US GAAP also have deferred tax effects. *Under N GAAP, deferred tax assets and liabilities for each tax entity are netted and classified as a long-term liability or asset. A reconciliation of the current and long-term temporary differences giving rise to the N GAAP deferred tax asset and liability is provided in Note 10.*

Classification between current and long-term for US GAAP is determined by the classification of the related asset or liability giving rise to the temporary difference. For each tax entity, deferred tax assets and liabilities are offset within the respective current or long-term groups and presented as a single amount.

(d) Dividends payable: *For N GAAP, dividends proposed at the end of the year which will be declared and paid in the following year are recorded as a reduction to equity and as debt.* For US GAAP, equity is reduced when dividends are declared.

(e) Minority Interest: *For N GAAP shareholders equity is presented including minority interest.* In US GAAP shareholders equity is presented excluding minority interest.

(f) Cumulative effect of change in accounting principle: In 1999 Hydro changed its accounting principles regarding start-up costs. *For N GAAP this is recorded to equity.* In US GAAP this is recorded in the income statement.

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NORSK HYDRO ASA - N GAAP

Amounts in NOK million	Notes	2001	2000
INCOME STATEMENTS			
Operating revenues		**4,496**	8,377
Raw materials and energy costs		**3,100**	5,390
Change in inventories of own production		**(28)**	23
Payroll and related costs	2, 3	**623**	592
Depreciation, depletion and amortization	4	**74**	34
Other		**1,674**	2,448
Total operating costs and expenses		**5,443**	8,487
Operating income		**(947)**	(110)
Financial income, net	5	**14,478**	4,785
Other income	5		2,193
Income before taxes		**13,531**	6,868
Current tax expense	6	**(174)**	(1,184)
Deferred tax benefit	6	**330**	195
Net income		**13,687**	5,879
Appropriation of net income and equity transfers:			
Dividend proposed		**(2,576)**	(2,470)
Distributable equity		**(11,111)**	(3,409)
Total appropriation		**(13,687)**	(5,879)
STATEMENTS OF CASH FLOWS			
Net income		**13,687**	5,879
Depreciation, depletion and amortization		**74**	34
Deferred taxes		**(330)**	(195)
Loss (gain) on sale of non-current assets		**38**	(2,203)
Other adjustments		**(5,036)**	1,158
Net cash provided by operating activities		**8,433**	4,673
Investments in subsidiaries		**(693)**	(195)
Sale of subsidiaries		**(20)**	2,420
Net sales (purchases) of other investments		**(225)**	123
Net cash provided by (used in) investing activities		**(938)**	2,348
Dividends paid		**(2,470)**	(2,094)
Other financing activities, net		**852**	11,558
Net cash provided by (used in) financing activities		**(1,618)**	9,464

Foreign currency effects on cash flow		**(19)**	396
Net increase in cash and cash equivalents		**5,858**	16,881
Cash and cash equivalents 01.01		**19,382**	2,501
Cash and cash equivalents 31.12		**25,240**	19,382

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

		31 December,	
Amounts in NOK million	Notes	**2001**	2000
BALANCE SHEETS			
ASSETS			
Intangible assets		**3**	32
Property, plant and equipment	4	**260**	223
Shares in subsidiaries	7	**49,430**	48,689
Intercompany receivables		**29,819**	25,227
Non-consolidated investees	8	**975**	777
Prepaid pension, investments and other non-current assets	2, 9	**4,976**	4,914
Total financial non-current assets		**85,200**	79,607
Inventories	9	**238**	216
Accounts receivable, less allowances of 54 and 41		**168**	508
Intercompany receivables		**34,397**	35,980
Prepaid expenses and other current assets		**2,137**	4,294
Cash and cash equivalents		**25,240**	19,382
Current assets		**62,180**	60,380
Total assets		**147,643**	140,242
LIABILITIES AND SHAREHOLDERS EQUITY			
Paid-in capital:			
Share capital 266,596,650 at NOK 20	11	5,332	5,332
Treasury stock 8,962,478 at NOK 20		**(179)**	(132)
Paid-in premium		**15,055**	15,055
Other paid-in capital		**15**	4
Retained earnings:			
Retained earnings		**21,541**	10,430
Treasury stock		**(2,988)**	(2,092)
Shareholders equity		**38,776**	28,597
Deferred tax liabilities	6	**998**	1,331
Other long-term liabilities		**1,944**	700
Long-term liabilities		**2,942**	2,031
Intercompany payables		**106**	142

Other long-term interest-bearing debt		**36,843**	39,065
Long-term debt		**36,949**	39,207
Bank loans and other interest-bearing short-term debt	9	**3,511**	5,067
Dividends payable		**2,576**	2,470
Intercompany payables		**58,101**	56,771
Current portion of long-term debt		**1,779**	1,978
Other current liabilities		**3,009**	4,121
Current liabilities		**68,976**	70,407
Total liabilities and shareholders equity		**147,643**	140,242

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NORSK HYDRO ASA

Notes to the consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Norsk Hydro ASA are prepared in accordance with accounting principles generally accepted in Norway (N GAAP).

Hydro s general accounting policies are presented in Note 1 to the consolidated financial statements on pages 71-76. See Note 26 on pages 101 and 102 for an additional clarification of the major differences in accordance with N GAAP compared with US GAAP.

Shares in subsidiaries and non-consolidated investees are in Norsk Hydro ASA s financial statements presented according to the cost method. Group relief received is included in dividends from subsidiaries.

Movements in paid-in capital is described in Note 3 to the consolidated financial statements.

For information about risk management in Norsk Hydro ASA see Note 24 in Notes to the consolidated financial statements and the Risk Management discussion in the Operating and Financial Review and Prospects section of this report. The information given in Note 19 in Notes to the consolidated financial statements on payments on long-term debt also applies to Norsk Hydro ASA.

Norsk Hydro ASA provides financing to most of the subsidiary companies in Norway as well as abroad. All employees working for Norsk Hydro Produksjon AS are employed by Norsk Hydro ASA.

The principles for charging payroll costs to subsidiaries are changed in 2001. The charge for these costs is accounted for on a net basis, reducing Payroll and related cost. The information for 2000 is reclassified to be comparable. As a result, Operating revenues and Payroll and related cost for 2000 is reduced with NOK 5,006 million.

2. EMPLOYEE RETIREMENT PLANS

Net periodic pension cost

Amounts in NOK million	**2001**	2000
Defined benefit plans:		
Benefits earned during the year	**334**	269
Interest cost on prior period benefit obligation	**540**	477

Actual return on plan assets	**(707)**	(276)
Net amortization and deferral	**84**	(402)
Curtailment loss	**116**	
Net periodic pension cost	**367**	68
Termination benefits and other	**442**	42
Total net periodic pension cost	**809**	110

Assumptions at end of year

	2001	2000
Discount rate	**7.5 %**	7.5 %
Expected return on plan assets	**8.5 %**	8.5 %
Rate of salary increase	**3.5 %**	3.5 %
Rate of pension increase	**2.5 %**	2.5 %

See Note 20 in Notes to the consolidated financial statements for further information.

Status of pension plans reconciled to balance sheet

	Plan assets exceed ABO		ABO exceeds plan assets	
Amounts in NOK million	**2001**	2000	**2001**	2000
Defined benefit plans:				
Projected benefit obligation (PBO)	**(6,199)**	(5,544)	**(2,310)**	(1,429)
Plan assets at fair value	**8,085**	9,005		
Plan assets in excess of (less than) PBO	**1,886**	3,461	**(2,310)**	(1,429)
Unrecognized prior service cost and other	**1,555**	83	**1,481**	842
Prepaid pension (accrued pension liabilities)	**3,441**	3,544	**(829)**	(587)
Termination benefits and other			**(792)**	(264)
Total prepaid pension (accrued pension liabilities) on balance sheet	**3,441**	3,544	**(1,621)**	(851)

3. REMUNERATIONS AND OTHER

Remuneration of the members of the corporate assembly and the board of directors was NOK 353,500 and NOK 2,158,000, respectively. The president s salary and other benefits inclusive of remuneration as member of the board totaled NOK 3,935,000 in 2001 and NOK 4,093,000 in 2000. The president is entitled to retire at 62 years of age with a pension benefit representing 65 percent of his salary. The company s employment contract with the president provides that, in the event that employment terminates, he has the right to salary and the accrual of pension rights for a three year period. The company s obligation is reduced by salary received or pension rights accrued from other sources. In

May 2001, Egil Myklebust retired as president but continued to be employed by the Company and accordingly forfeited the right to receive severance pay. In May 2001, Eivind Reiten assumed the position as president, but not as a member of the Board of Directors. Remuneration to president includes remuneration to Egil Myklebust as member of the Board for 2000 and the first four months of 2001.

In March 2001, the Board approved a new stock option plan for corporate officers and certain key employees, in addition to expanding the existing subsidized share-purchase plan for employees. Refer to note 4 in Notes to the consolidated financial statements for a description of stock based compensation. In addition, it is established a stronger element of performance rewards in Hydro s compensation system: a bonus linked to achieving performance goals in the business plans for various units in Hydro. The bonus is limited to a maximum of one month s salary per year for employees. For approximately 200 managers with substantial responsibility for performance, the bonus is limited to a maximum of two months salary. For top management around 30 persons the bonus is limited to a maximum of three months salary. Performance goals established eliminates effects of price variations of the company s main products and foreign exchange fluctuations. It is the actual improvements of Hydro s activities that will be measured and rewarded.

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NORSK HYDRO ASA

Notes to the financial statements

Partners and employees of Hydro s appointed independent auditors, Deloitte & Touche AS, own no shares in Norsk Hydro ASA or any of its subsidiaries. Fees in 2001 to Deloitte & Touche AS for ordinary audit were NOK 3,370,000 for Norsk Hydro ASA and NOK 12,178,000 for Norwegian subsidiaries. Fees for audit-related services were NOK 1,311,000 for Norsk Hydro ASA and NOK 864,000 for the Norwegian subsidiaries. Fees for other services were NOK 625,000 for Norsk Hydro ASA and NOK 4,884,000 for the Norwegian subsidiaries. Deloitte Consulting AS, an affiliate company of Deloitte & Touche AS in Norway, has provided services to Hydro in the amount of NOK 16,272,000 of which NOK 189,000 was allocated to Norsk Hydro ASA and the remaining amount for the subsidiaries.

For 2001, the estimated adjustment to the tax basis (consolidated RISK) of shares for shareholders in Norsk Hydro ASA is a positive amount of NOK 16.90 per share.

Members of the board of directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for in the company s articles of association and Norwegian law. The company has no significant contracts in which a board member has a material interest.

In 2001, the average number of employees in the Group was 36,867, compared to 37,575 for 2000. The corresponding figure for the parent company was 9,148 employees in 2001 versus 9,181 in 2000. A substantial part of the employees in Norsk Hydro ASA are engaged in activities for other Group companies. The costs for these employees are accounted for on a net basis reducing Payroll and related costs.

Amounts in NOK million	**2001**	2000
Payroll and related costs:		
Salaries	**4,888**	4,820
Social security costs	**713**	589
Social benefits	**43**	79
Net periodic pension cost (Note 2)	**809**	110
Internal invoicing of payroll related costs	**(5,830)**	(5,006)
Total	**623**	592

Total loans to the company s employees, members of the corporate assembly and board of directors as of 31 December, 2001 are NOK 895 million. All loans are given in accordance with general market terms. Loans given to members of the Board and their number of shares owned as of 31 December, 2001 are:

	Loans outstanding [1)]	**Number of shares**

Egil Myklebust	4,624	3,715
Borger A. Lenth		144
Gudmund Per Olsen	51	762
Anne Cath. Høeg Rasmussen		1,014
Odd Semstrøm	20	46
Per Wold		829

Members, observers and deputy members of the corporate assembly owning ordinary shares as of 31 December, 2001 are:

	Number of shares
Erna Flattum Berg	253
Åse Bjøntegård	300
Roy Brenden	92
Sjur Bøyum	829
Jan Einar Forsmo	60
Solveig Frøynes	76
Kjell Furseth	205
Westye Høegh	10,212
Oddvar Karlsen	155
Leena Marjatta Klaveness	82
Kari Kveseth	50
Kjell Kvinge	116
A. Sylvi Lem	152
Peter Lorange	413
Jon-Arne Mo	147
Jarle Molde	110
Geir Nilsen	1
John-Arne Nilsen	124
Nils-Egel Nilsen	7
Roy Rudberg	60
Rune Strande	91
Sven Ullring	26
Morten Ødegård	110
Ingar Aas-Haug	36
Svein Aaser	1,872

Loans to senior management as of 31 December, 2001 and their ownership of shares and options (see Note 4, page 78) are:

	Loans outstanding [1)]	**Number of shares**	**Options**
Eivind Reiten		4,758	13,500
Alexandra Bech [2)]		593	2,000
Thorleif Enger	755	15,809	14,000
Leiv L. Nergaard	365	12,679	14,000
John O. Ottestad [3)]		8,155	5,000
Jon-Harald Nilsen	267	187	10,000
Tore Torvund	457	474	14,000

Outstanding loan particulars: [4]	Interest	Loans Repayment	Amount [1]
Thorleif Enger	7.0%	7-15 years	755
Leiv L. Nergaard	6.5-7.0%	15 years	365
Jon-Harald Nilsen	7.0%	5-15 years	267
Tore Torvund	7.0%	5-15 years	457

1) Amounts in NOK thousands

2) Executive Vice President as of 15 January, 2002

3) Executive Vice President as of 1 March, 2002

4) Each member of senior management has, in addition, interest-free loans for shares and/or PC equipment, in accordance with the company´s terms for employees.

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NORSK HYDRO ASA

Notes to the financial statements

4. PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Machinery, etc	Buildings	Plant under construction	Other	Total
Cost 31.12.2000	264	234	13	7	518
Additions at cost	61		50	12	123
Retirements	(24)	(46)			(70)
Transfers	5		(5)		
Accumulated depreciation 31.12.2001	(188)	(123)			(311)
Net book value 31.12.2001	118	65	58	19	260
Depreciation in 2001	(43)	(3)			(46)[1)]

1) Amortization of intangibles amounts to NOK 28 million.

5. FINANCIAL INCOME AND EXPENSE, AND OTHER INCOME

Amounts in NOK million	**2001**	2000
Dividends from subsidiaries	**14,934**	4,018
Dividends from non-consolidated investees	**56**	60
Interest from group companies	**4,183**	3,979
Other interest income	**1,880**	868
Interest paid to group companies	**(3,584)**	(2,600)
Other interest expense	**(3,161)**	(3,117)
Other financial income, net	**170**	1,577
Financial income, net	**14,478**	4,785

In 2000 Hydro sold its subsidiary Hydro Seafood AS. The sale resulted in a pre-tax gain of NOK 2,193 million, included in Other income . There was no other income in 2001.

6. INCOME TAXES

The tax effect of temporary differences resulting in the deferred tax assets (liabilities) and the change in temporary differences are:

	Temporary differences			
	Tax effected		Change	
Amounts in NOK million	**2001**	2000	**2001**	2000
Short-term items	**84**	60	**(381)**	167
Write-down on shares	**(652)**	(647)	**(17)**	(3)
Prepaid pension	**(964)**	(992)	**59**	(13)
Pension liabilities	**454**	238	**1,037**	256
Other long-term	**80**	10	**14**	289
Deferred tax liabilities	**(998)**	(1,331)		
Change for year			**712**	696

Change in temporary differences for 2001 includes the effect of the liquidation of a subsidiary in Great Britan.

Reconciliation of nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2001**	2000
Income (loss) before taxes	**13,531**	6,868
Expected income taxes at statutory tax rate	**3,789**	1,923
Tax free income	**(42)**	(47)
Non-deductible expenses	**5**	5
Dividend exclusion	**(3,583)**	(845)
Affect of liquidation subsidary	**(139)**	
Other, net	**(194)**	(55)
Hydro-electric power surtax	**8**	8
Income tax expense	**(156)**	989
Effective tax rate	**(1.15%)**	14.40%

See Note 10 in Notes to the consolidated financial statements for further information

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NORSK HYDRO ASA

Notes to the financial statements

7. SHARES IN SUBSIDIARIES

Company name:		Percentage of shares owned by Norsk Hydro	Total share capital of the company (1,000 s)		Book value 31.12.2001 (in NOK 1,000 s)
Oil and Energy:	Saga Holding AS	100	NOK	12,035	16,246,324
	Norsk Hydro Kraft OY	100	FIM	200	269
	AS Svælgfos	100	NOK	800	800
	Norsk Hydro E&P Americas AS	100	NOK	20,000	511,600
	Norsk Hydro Technology Ventures AS	100	NOK	150	150
	Norsk Hydro Electrolysers AS	100	NOK	4,000	4,300
Light Metals:	Hydro Aluminium AS	100	NOK	2,167,001	4,866,019
	Norsk Hydro Magnesiumgesellschaft GmbH [1)]	2	EUR	511	179
Agri:	Algea AS	100	NOK	1,000	16,679
	Hydro Agri Hellas S.A.	100	GRD	90,000	2,277
	AS Djupvasskaia	100	NOK	1,000	8,800
	Hydro Agri Argentina S.A.	100	ARS	33,012	275,199
	Hydro Agri Colombia Ltda.	100	COP	4,304,128	16,749
	Hydro Agri Russland AS	100	NOK	3,200	21,200
	Hydro Agri Uruguay S.A.	100	UYU	18	7,231
	Hydro Agri Venezuela C.A.	60	VEB	363,000	125
	Hydro Nordic, S.A.	70	GTQ	8,500	14,110
	Hydroship a.s	100	NOK	280,000	280,000
	Hydroship Services AS	100	NOK	1,039	1,039
	Norensacados C.A.	100	VEB	15,000	140
	Norsk Hydro Chile S.A.	100	CLP	878,668	13,071
	Norsk Hydro (Far East) Ltd.	100	HKD	50	60
	Ceylon Oxygen Ltd.	70.85	LKR	90,000	29,575
	Okledyh Management AS	93.2	NOK	139	9,565
	Hydro Wax AS	100	NOK	3,750	3,750
	Hydro Gas and Chemicals AS	100	NOK	15,050	49,416
Other activities:	Hydro Pronova AS	100	NOK	59,644	846,634
	Industrial Insurance Ltd.	100	NOK	10,000	10,000
	Industriforsikring AS	100	NOK	20,000	20,000
	Norsk Bulk AB	100	SEK	102	2,551
	Retroplast AS	100	NOK	50	18,826
	Grenland Industriutvikling AS	100	NOK	1,750	10,950
	Hydro Porsgrunn Eiendomsforvaltning AS	100	NOK	2,500	5,500
Corporate:	Norsk Hydro Plastic Pipe AS	100	NOK	10,000	156,472
	Norsk Hydro Asia Pte. Ltd.	100	SGD	218,145	1,005,787
	Norsk Hydro Brasil Ltda.	100	BRL	33,268	123,893
	Norsk Hydro Danmark AS	100	DKK	1,002,000	4,515,523
	Norsk Hydro Deutschland GmbH	100	EUR	56,242	736,299
	Norsk Hydros Handelsselskap AS	100	NOK	1,000	1,000
	Norsk Hydro Produksjon AS	100	NOK	200,000	18,811,324
	Norsk Hydro Russland AS	100	NOK	19,000	19,000
	Norsk Hydro Sverige AB	100	SEK	585,000	557,692
	Norsk Hydro Americas, Inc.	100	USD	30,000	209,917

Total	49,429,995

The foreign currency designation indicates country of domicile.

Percentage of shares owned equals percentage of voting shares owned.

A number of the above-mentioned companies also own shares in other companies as specified in their annual reports.

1) The company is owned 98 percent by Norsk Hydro Deutschland GmbH and 2 percent by Norsk Hydro ASA.

The following figures which relate to Norsk Hydro ASA s concession to own an energy distribution network are required by regulation § 4-4 to the law on energy (in NOK million)

	2001	2000
Operating revenues		2
Operating costs		2
Operating income (loss)		
Fixed asset base		4
Return on capital		11.6

The energy distribution network in Norsk Hydro ASA was sold with effect from 1 February, 2001 and figures in the accounts for the year include only activities of the month of January.

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NORSK HYDRO ASA

Notes to the financial statements

8. SHARES IN NON-CONSOLIDATED INVESTEES

The most significant investments in non-consolidated investees for Norsk Hydro ASA are (amounts in NOK million):

Name	Percentage owned (equals voting rights)	Country	Book value as of 31 December, 2001	Long-term advances	Total
Compania Industrial de Resinas Sinteticas - CIRES SA	26.2%	Portugal	100		100
Phosyn Plc.	35.0%	Great Britain	79		79
Hydro Agri Trade Maroc	50.0%	Marocco	71		71
Suzhou Huasu Plastics Co. Ltd.	31.8%	China	67	81	148
Qatar Fertilizer Company (S.A.Q.)	25.0%	Qatar	43		43
Scanraff [1)]	21.5%	Sweden		203	203
Other			122	209	331
Total			482	493	975

[1)] Indirectly owned by Norsk Hydro ASA.

9. SPECIFICATION OF BALANCE SHEET ITEMS

Amounts in NOK million	**2001**	2000
Prepaid pension, investments and other non-current assets:		
Other investments	**397**	445
Prepaid pension	**3,441**	3,544
Other non-current assets	**1,138**	925
Total	**4,976**	4,914
Inventories:		
Raw materials	**157**	125
Finished goods	**81**	91
Total	**238**	216
Bank loans and other short-term interest-bearing debt:		
Bank overdraft	**1,042**	907
Other interest-bearing debt	**2,469**	4,160

Total	**3,511**	5,067

10. GUARANTEES

Norsk Hydro ASA provides guarantees arising in the ordinary course of business including stand-by letters of credit, letters of credit, performance bonds and various payment or financial guarantees.

Amounts in NOK million	**2001**	2000
Guarantees (off-balance sheet):		
Guarantees of debt	**1,577**	1,545
Indirect guarantees	**4,513**	3,201
Total	**6,090**	4,746

11. NUMBER OF SHARES OUTSTANDING, SHAREHOLDERS, ETC.

The share capital of the company is NOK 5,331,933,000. It consists of 266,596,650 ordinary shares at NOK 20 per share. As of 31 December, 2001 the company had purchased 8,962,478 treasury stocks at a cost of NOK 3.2 billion. For further information on these issues see Note 3 in Notes to the consolidated financial statements.

Shareholders holding one percent or more of the total 257,634,172 shares outstanding as of 31 December, 2001 are according to information in the Norwegian securities registry system (Verdipapirsentralen):

Name	**Number of shares**
Ministry of Trade and Industry	116,832,770
Morgan Guaranty Trust Co. of NY [1)]	16,693,951
State Street Bank & Trust [2)]	11,789,827
JP Morgan Chase Bank [2)]	10,652,552
Folketrygdfondet	9,135,200
JP Morgan Chase Bank [2)]	5,360,000
JP Morgan Chase Bank [2)]	3,600,000
Vital forsikring ASA	3,511,511
Sicovam [2)]	3,367,081
Gjensidige NOR Sparebank	2,760,786

1) Representing American Depositary Shares.

2) Client accounts and similar.

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INDEPENDENT AUDITOR S REPORT CORPORATE ASSEMBLY

To the annual general meeting of Norsk Hydro ASA

INDEPENDENT AUDITORS REPORT FOR N GAAP FINANCIAL STATEMENTS

We have audited the financial statements of Norsk Hydro ASA and its subsidiaries as of 31 December 2001, showing a profit of NOK 13,687 million for the parent company and a profit of NOK 7,686 million for the group. We have also audited the information in the Board of Directors report concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income. Financial statements comprise the balance sheet, the statement of income, the statement of cash flows, the accompanying notes and the group accounts. These financial statements, which are presented in accordance with accounting principles generally accepted in Norway, are the responsibility of the Company s Board of Directors and the Company s President. Our responsibility is to express an opinion on these financial statements and on certain other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards generally accepted in Norway. Auditing standards generally accepted in Norway require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards generally accepted in Norway, an audit also comprises a review of the management of the Company s financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements, as shown on page 68-70 and page 103, are prepared in accordance with the law and regulations and present fairly, in material respects, the financial position of the Company as of 31 December 2001 and the results of its operations and its cash flows for the period, in accordance with accounting principles generally accepted in Norway;

- the Company s management has fulfilled its duty to maintain the Company s accounting process in such a proper and well-arranged manner that the accounting process is in accordance with the law and accounting practices generally accepted in Norway; and

- the information in the Board of Directors report, as shown on page 26-32, concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income is consistent with the financial statements and complies with the law and regulations.

Oslo, Norway, 28 February, 2002

DELOITTE & TOUCHE AS

Ingebret G. Hisdal - State Authorized Public Accountant, (Norway)

To the annual general meeting of Norsk Hydro ASA

INDEPENDENT AUDITORS REPORT FOR US GAAP FINANCIAL STATEMENTS

We have audited the consolidated balance sheets of Norsk Hydro ASA and subsidiaries as of December 31, 2001 and 2000, and the related consolidated income statements, statements of comprehensive income, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements on pages 66-68 present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Oslo, Norway, 28 February, 2002

DELOITTE & TOUCHE AS

Ingebret G. Hisdal - State Authorized Public Accountant, (Norway)

STATEMENT OF THE CORPORATE ASSEMBLY TO THE ANNUAL GENERAL MEETING OF NORSK HYDRO ASA

The board of directors proposal for the financial statements for the financial year 2001 and the Auditors report have been submitted to the corporate assembly. The corporate assembly recommends that the directors proposal regarding the financial statements for 2001 for the parent company, Norsk Hydro ASA, and for Norsk Hydro ASA and its subsidiaries be approved by the annual general meeting, and that the net income for 2001 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, Norway, 28 February, 2002

Sven Ullring

CORPORATE ASSEMBLY

The following were members of Norsk Hydro s corporate assembly at the end of 2001:

Sven Ullring

(chairman)

Svein Steen Thomassen

(vice chairman)

Åse Bjøntegård

Kjell Furseth

Aase Gudding Gresvig

Westye Høegh

Kari Kveseth

Kjell Kvinge

Frøydis Langmark

Jørgen Lindegaard

Peter Lorange

Gisèle Marchand

Jon-Arne Mo

Jarle Molde

Geir Nilsen

John-Arne Nilsen

Rune Strande

Sigurd Støren

Siri Teigum

Kjell Aamot

Svein Aaser

Observers:

Ingar Aas-Haug

Oddvar Karlsen

Nils-Egel Nilsen

Deputy members:

Ellen Holager Andenæs

Erna Flattum Berg

Roy Brenden

Sjur Bøyum

Jan Einar Forsmo

Solveig Frøynes

Geir Hansen

Leena Marjatta Klaveness

Idar Kreutzer

Hans E. Krokan

Sylvi A. Lem

Roy Rudberg

Morten Ødegård

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Report of the board of directors

Changes and record results

Report of the board of directors 2000

[PICTURE OF THE BOARD MEMBERS]

1 Einar Kloster, chairman

2 Borger A. Lenth, vice chairman

3 Anne Cathrine Høeg Rasmussen

4 Gudmund Per Olsen

5 Tom Wachtmeister

6 Benedicte Berg Schilbred

7 Egil Myklebust

8 Odd Semstrøm

9 Per Wold

Norsk Hydro entered the new millennium with a new corporate strategy, Focus for the future , which involved the company concentrating on activities in its three core areas Oil and Energy, Light Metals and Agri. Other businesses were to be sold, cultivated jointly with other partners, or wound up. It was the board s view that such a strategy would enable Hydro to position itself most favorably in order to meet the requirements for enhanced value creation in today s tough competitive environment.

In 2000 this strategy was pursued with great tenacity in all parts of the organization. Twelve months later, Hydro stands forth as an integrated energy and industrial company in which the three core areas each contribute fully to value creation, innovation and the development of competencies.

In the course of 2000, Oil and Energy completed the organizational and commercial integration of Saga Petroleum. The process demonstrated that Saga had valuable resources to bring to Hydro, in the form of competence as well as assets. In line with the strategy for this business area, production will grow on the Norwegian continental shelf and in selected core areas outside Norway: Angola, Canada, Iran and Russia. The interests previously held by Saga in the British sector were sold during the course of the year. The board has not finally determined the strategy for the company s assets in Libya.

Hydro is favorably positioned as a considerable gas producer for the continental market while its European agricultural operations are major consumers of gas, at a time when new business opportunities are opening up in a liberalized European electricity and gas market.

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Norsk Hydro s annual report 2000

Hydro is already present at every stage of the energy chain; from producer to end-user, in the gas as well as the electricity markets. The board will continue to look into ways the company can exploit the new opportunities created by the deregulated market.

Towards the end of 2000, the Norwegian government submitted a proposal to the Storting that Hydro and other oil companies be permitted to enter into negotiations for the purchase of some of the Norwegian state s assets in the oil and gas fields on the Norwegian shelf. Such a purchase will represent an important step towards the company achieving a satisfactory production volume.

The Light Metals business area has consolidated its position as an integrated metal supplier. Hydro s metal supplier concept has played a vital role in this development. The concept is based on the needs of customers and seeks to meet them in the best way possible by supplying products from Hydro s own metal plants and remelt facilities, along with establishing partnership agreements and carrying out market operations. The metal supplier concept has given Hydro a firm market position with an interesting growth potential.

During the year the company has made progress at every stage of the light metals value chain. The competitive sourcing of aluminium oxide was secured as a result of the decision to increase production capacity and ownership in the Alunorte refinery in Brazil. This investment, together with Hydro s strong standing in the metal market, provided the platform for the plans to expand and modernize the Sunndal metal plant. The extension of Europe s largest, and most modern aluminium smelter confirms Hydro s center stage position in the international metal market. Remelt activities were boosted by the construction and purchase of new plants in both Europe and the USA.

Downstream light metal activities enhanced the basis for continued profitable growth in 2000. The purchase of the North American extrusion company Wells Aluminum Corporation represents a vital element in realizing this strategy. Considerable investments in Norway, Sweden and Germany relating to the production of aluminium components for the automotive industry will consolidate Hydro s leading position as a supplier to a demanding market in constant growth. The board envisages major opportunities for continued growth and development in the Light Metals area, with a view to consolidating Hydro s role as an innovative supplier to all sectors of the market for light metals and light metal products.

The Agri business area continued to implement its turnaround process. At the turn of the year the turnaround was considerably ahead of the targets set when the process was launched, and the business area today is well on the way to recapturing a lucrative market position. Agri will continue the turnaround process in order to complete the necessary reorganization of its own operations as well as to make a contribution to the ongoing restructuring of the European fertilizer industry.

At the same time, Hydro will expand in areas where there are opportunities for competitive value creation, primarily outside Europe. Norsk Hydro therefore purchased a majority stake in the Brazilian fertilizer company Adubos Trevo in summer 2000 and decided in the fall to participate in the expansion of the Qafco fertilizer company in Qatar. The board s resolution to continue concentrating on Agri has given

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Report of the board of directors

very satisfactory results. The business is well placed to enhance its position as the leading supplier of plant nutrition to farmers around the world.

In connection with the strategy process that culminated in Focus for the future , it was decided that Petrochemicals would not be a core business for the company. A process was therefore initiated to find another solution for Petrochemicals, preferably outside Hydro. Unfavorable market conditions for petrochemical products have made it difficult to achieve a satisfactory price for the business. The board has thus decided not to pursue this matter for the time being. The strategic decision remains, however, unchanged.

In line with the decision to concentrate on the three core business areas Oil and Energy, Light Metals and Agri, Hydro Seafood and our ownership interest in Dyno ASA were sold. In total, divestments for roughly NOK 13 billion were completed in 2000.

The divestment program, for which a target was set of completing divestments worth at least NOK 10 billion by the end of 2001, is therefore well ahead of schedule. This gave a solid boost to the company s financial position, reinforcing its ability to fully concentrate on its three core business areas.

In order to ensure that our strategy is monitored as cost-efficiently as possible, we are continuing to employ the Value Based Management business model. The model has provided Hydro with a superior tool for setting ambitious goals for itself and for the individual business units. The model also provides a considerably better opportunity for measuring and assessing, on a continuous basis, the results deriving from the company s own efforts. The evaluation process enables monitoring and follow-up in areas especially in need of management and board attention.

The company has singled out a number of support functions and combined them in one unit, Hydro Business Partner, and set up a purchasing network across the business areas. These measures will lead to a better deployment of the company s total resources and result in lasting cost reductions.

In 2000 the board was actively engaged in issues of Corporate Governance. The intention has been to clarify the roles of the board and management respectively, in order to enable the board to focus on the company s overall strategy and business planning, as well as on its supervisory role. Management has been granted greater responsibilities within the framework of the strategy and business plans adopted by the board, through increased appropriation limits as well as other measures. These changes will better position the company to implement swifter and more flexible decision processes within the scope of the long-term parameters set by the board. One of the board s most important areas of responsibility is to ensure that the company s top management meets international standards. Greater demand with respect to competitive compensation and career development means that the board will have to take greater responsibility for ensuring that the company as a whole continues to develop as an attractive and challenging employer. The implementation of incentive schemes will provide a stimulus for the achievement of the company s goals, as well as contribute to a better understanding of the shareholders requirement for a satisfactory rate of return.

It is the view of the board that implementation of the strategy adopted, together with the remaining measures initiated or realized in 2000, forms a solid basis for value creation for the company s shareholders. The aim of the board is to continue this work with an even greater emphasis on performance management, the ability to change and the achievement of financial results which satisfy the company s owners. The board is consequently pressing ahead with the Focus for the future strategy.

In July the board resolved to introduce a performance target based on Cash Return on Gross Investment CROGI. For 2000 the company s CROGI was 12.3 percent, compared with 8.4 percent for 1999. Even though a major portion of the improvement can be attributed to favorable foreign currency exchange rates and better market conditions for Hydro s products, especially for oil and plant nutrition, the company s own measures and underlying performance have made a considerable contribution to the result.

In order to neutralize the effects of fluctuations in the prices of important products, the company also calculates a normalized CROGI on the basis of a set of mid-cycle prices for Hydro s key products. The normalized prices, which are described in greater detail on pages 44 and 45, are equivalent to the expected long-term price level for the main products. Using this method, CROGI in 2000 was roughly nine percent. This is in line with the board s declared targets of 9.5 percent for 2001 and 10 percent for 2002.

Meanwhile, the target of an average annual rate of return to shareholders of 15 to 20 percent (defined as change in share price plus dividend paid per share), is maintained. The rate of return for 2000 was 13.4 percent.

The ratio between long-term debt and equity, adjusted for any liquidity in excess of a normal level, was 0.39 at the end of 2000. This exceeds the target of 0.5, and must be described as very satisfactory. The solid equity capital ratio gives Hydro the financial means to carry through the company s strategy by continuing to position itself in the three core areas in accordance with the strategic opportunities for further growth and value creation.

In 2000 Hydro posted the best result in the company s history. The result provides a solid platform for further development. In spite of the positive achievements made so far, the board will continue to scrutinize the company s operations with the aim of achieving further cost reductions and greater synergies.

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The company shall remain in the forefront when it comes to running and developing its activities in a sustainable way. This means that Hydro will return satisfactory financial results at the same time as it takes into careful consideration the natural environment, develops its organization and employees, avoids damage and accidents, and clearly demonstrates social responsibility regardless of geographical location or business activity. It also means that Hydro firmly believes that continued growth and renewal are tied to our ability to tackle environmental challenges, both in the form of new knowledge, innovative technology and new ways of working in partnership with other interests.

2000 FINANCIAL RESULTS

Norsk Hydro s net income in 2000 was NOK 13,981 million, or NOK 53.40 per share. The corresponding figures in 1999 were NOK 3,416 million and NOK 13.80 per share. Operating income in 2000 was nearly four times as high as in 1999, while income before tax and interest expense (EBITDA) more than doubled. Earnings in 2000 were favorably influenced by a significantly higher oil price and oil production. Extensive restructuring measures in Hydro Agri resulted in lower costs while market conditions improved throughout the year. Greater margins and volumes in Light Metals and Energy impacted positively.

The results for both 2000 and 1999 included gains on the divestment of operations. In 2000 these gains amounted to NOK 2,800 million after tax (NOK 10.70 per share) compared with NOK 1,040 million after tax (NOK 4.20 per share) the previous year. The major items in 2000 were the divestment of Hydro Seafood and the sale of the company s shares in Dyno ASA.

Earnings for non-consolidated investees in 2000 increased by NOK 333 million to NOK 672 million. The improvement is attributed to better earnings for companies in both the Light Metals and Agri areas.

Net financial expense in 2000 amounted to NOK 2,158 million compared with NOK 1,551 million in 1999. The increase is due to the combination of a higher USD exchange rate, creating greater foreign currency losses and interest costs, as well as losses on securities.

The provision for current and deferred taxes in 2000 was NOK 16,178 million, equivalent to 54 percent of pre-tax income. The corresponding figures for 1999 were NOK 4,337 million and 55 percent. The tax rates for 2000 and 1999 were influenced by the divestment of operations as described in Other items . Without these gains, the tax rates would have been approximately 59 percent for 2000 and 62 percent for 1999. The reduction in the tax rate is attributable to the fact that a lower share of earnings was generated by the oil operations in 2000 compared to 1999, despite the favorable market conditions in this area. It was in particular the improvement in Agri that led to the relative contribution of the oil business to earnings declining somewhat in relation to 1999.

Cash provided by operations amounted to NOK 25.6 billion, compared with NOK 14.7 billion in 1999. Hydro s total investments in 2000 totaled NOK 16.6 billion. Roughly 50 percent of this was within Exploration and Production.

In the fourth quarter of 2000 Norsk Hydro changed the way it allocates pension costs to its Norwegian operations. The change resulted in non-recurring charges of NOK 451 million for Oil and Energy, NOK 460 million for Light Metals, NOK 269 million for Agri, NOK 103 million for Petrochemicals and NOK 71 million for the remaining operations. These non-recurring charges to the segments have a corresponding positive effect under Corporate Activities, while NOK 470 million was charged to companies outside Hydro.

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

For a more detailed description of the company s operations and their location, you are referred to the section on each core area.

REVIEW OF BUSINESS AREAS

OIL AND ENERGY

EBITDA in NOK million	2000	1999
Exploration and Production	28,656	11,971
Energy	1,745	1,148
Oil Marketing	211	451
Eliminations	29	9
Total Hydro Oil and Energy	30,641	13,579

EBITDA for Oil and Energy in 2000 was NOK 30,641 million, more than double the figure for 1999. The improvement mainly reflects significantly higher oil and gas prices, together with a 21 percent increase in oil and gas production resulting primarily from the acquisition of Saga Petroleum. The average price of crude oil in 2000 was USD 28 per barrel, compared with USD 18.5 per barrel in 1999. Expressed in Norwegian kroner, the average crude oil price rose from NOK 144.7 per barrel in 1999 to NOK 246.4 per barrel in 2000. Hydro s production of oil and gas in 2000 was 413,000 barrels of oil equivalents per day compared with 340,000 barrels of oil equivalents per day in 1999. Hydro s remaining oil and gas reserves amounted to 2,040 million barrels of oil equivalents at the end of 2000 compared with 2,085 million barrels the year before. High refining margins, better gas trading results in Europe and high electricity production also contributed to the improved results.

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Report of the board of directors

LIGHT METALS

EBITDA in NOK million	**2000**	**1999**
Aluminium Metal Products	3,744	2,016
Aluminium Extrusion	1,307	1,071
Other Light Metals	483	717
Eliminations	(33)	(44)
Total Hydro Light Metals	5,501	3,760

EBITDA for Hydro Light Metals increased by 46 percent, mainly due to better aluminium prices in Norwegian krone terms, higher commercial volumes, as well as a very satisfactory result returned by the aluminium and alumina trading operations. The aluminium price on the London Metal Exchange (LME) climbed by USD 180 per tonne in the course of the year to an average of USD 1,567 per tonne in 2000. The average realized price for Hydro for the year was approximately USD 1,530 per tonne compared with USD 1,380 per tonne in 1999. As far as downstream operations in Light Metals are concerned, higher volumes and greater extrusion productivity impacted positively on the result, although the company s automotive component business, which is in a development phase, still performed more weakly. The price of magnesium fell considerably as a result of increased exports from China and the margin was significantly lower despite increased demand.

AGRI

EBITDA in NOK million	**2000**	**1999**
Plant Nutrition	2,841	(119)
Gas and Chemicals	712	760
KFK	386	515
Eliminations	43	(15)
Total Hydro Agri	3,982	1,141

EBITDA for Hydro Agri more than trebled from 1999. The improvement in EBITDA for 2000 is due to cost improvement measures, reductions in one-time effects and improved margins. The price increases more than compensated for the increase in variable costs despite significantly greater energy costs as a result of high oil and gas prices. Despite an improvement, margins are still lower than the historical average for the business cycle. Since the beginning of 1999 the work force has been reduced by 2,500 persons, excluding the effect of the acquisitions of Adubos Trevo in Brasil and Kynoch in South Africa. The margin for nitrogen chemicals was reduced substantially throughout the year due to the steep rise in ammonia and gas prices. The squeezed margins were partially offset by a considerable reduction in fixed costs.

OTHER ACTIVITIES

PETROCHEMICALS

EBITDA for the Petrochemicals segment is down from NOK 855 million in 1999 to NOK 662 million in 2000. This is due to the fact that the figures for 1999 included gains from the sale of operations plus the fact that the 2000 figures include one-time only costs. The underlying trend for the operation reveals an improvement of approximately NOK 360 million which is due primarily to an increased S-PVC price.

ECONOMIC CONDITIONS

At the turn of the year the international situation was somewhat uncertain as a result of the development of the US economy. A sharp fall in the US growth rate can also have consequences for developments in Europe and elsewhere in the world.

A fall in oil prices from their top level in 2000 has been met with production reductions in the OPEC countries. Nevertheless, prices are expected to remain lower in 2001 than in 2000. High energy prices have led to aluminium capacity closures in the USA. The closures have resulted in the aluminium price maintaining its level from the second half of 2000, despite the weak demand trend anticipated in 2001. The price of nitrogen fertilizer in Europe is relatively high, though margins are below their historical average due to high energy costs.

HEALTH, ENVIRONMENT AND SAFETY

Hydro strives to maintain a sound working environment free from incidents and accidents. The company gives priority to eco-efficiency in terms of increasing value creation while reducing environmental impact. As an integral part of this annual report, with in-depth information on the www.hydro.com website, the company provides a detailed account of this issue as it relates to raw materials and energy, emissions and waste, products, safety and the working environment.

By means of systematic work over many years, emissions per unit produced at our plants have been reduced. Certain accidental emissions occurring in 2000 did have a limited impact on the environment, though no major pollution was reported. Hydro works systematically to reduce the environmental impact of products, whether related to the additives used in vinyl production, nutrients which run off following fertilization or greenhouse gas emissions. The use of light metals in cars and increased recycling of light metals reduces the environmental impact.

Hydro is a major producer and consumer of energy, which leads to greenhouse gas emissions. In addition to Hydro s focus on energy efficient operations, the company is engaged in development projects aimed at reducing greenhouse gas emissions. As a result of increased production, the total emissions increased in 2000. Eco-efficiency was still improved, as both revenues and production increased more than total emissions.

Although safety is an area given high priority in Hydro, five persons, three Hydro employees and two contractors, lost their lives in accidents during 2000. This is unacceptable. These incidents emphasize that safety has to be given the highest priority throughout our organization. The board will consequently continue its sharp focus on the safety efforts of the company. Hydro intends to remain a forerunner in the area of safety offshore as well as in our land-based activities.

The total recordable injury rate, which is the sum of lost-time injuries, restricted work assignments and medical treatments per million hours worked, was 14 in 2000, as in 1999. The number of lost-time injuries per million hours worked was 4.6, while the corresponding figure for 1999 and 1998 was 4. Our safety targets were not met, and systematic measures have been implemented in order to improve safety.

Absence due to illness was 3.9 percent, compared to 3.8 per cent the previous year. Efforts to improve safety performance and the working environment, including the chemical, physical and psychosocial aspects, are being made.

EMPLOYEES

The extensive restructuring in the Agri area, the implementation of new organizational models in combination with growth in Oil and Energy, as well as expansion in Light Metals, have posed major challenges for the employees of the company. The same goes for the efforts required to realize the ambitious goals for cost reductions and result improvements for all of Hydro s operations. The board wishes to express its appreciation for the high level of professionalism and dedication shown by our employees in meeting the demands placed on them by the rigorous competitiveness of the business world.

In the fall of 2000, Hydro s President and CEO Egil Myklebust informed the board that he would step down from his current position in the course of 2001, after ten years in the top position in the company. The board appointed Executive Vice-President Eivind Reiten as President and CEO with effect from May 2001. The board would like to thank Egil Myklebust for the contribution he has made to the company for almost thirty years.

Age Korsvold and Rolf Arnesen stepped down from the corporate assembly during the year. Arnesen was replaced by Ann Høgmann.

NORSK HYDRO ASA

Norsk Hydro ASA (the parent company) had income before tax of NOK 6,868 million in 2000 compared with NOK 2,531 million in 1999. Net income in 2000 was NOK 5,879 million compared with NOK 2,420 million in 1999. The board proposes that a dividend of NOK 9.50 per share be paid, totaling NOK 2,470 million. It is proposed that NOK 3,409 million be transferred to Retained earnings. Distributable equity as of 31 December 2000 was NOK 8,203 million.

Oslo, 21 March, 2001

Einar Kloster

Borger A. Lenth

Benedicte Berg Schilbred

Anne Cathrine Høeg Rasmussen

Egil Myklebust

Gudmund Olsen

Odd Semstrøm

Tom Wachtmeister

Per Wold

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Norsk Hydro ASA - Financial Review

Financial Review

This discussion should be read in conjunction with the information contained in the Company s consolidated financial statements and the related notes included in this annual report.

2000 COMPARED WITH 1999

Hydro s net income in 2000 increased 309 percent to NOK 13,981 million (NOK 53.40 per share) from NOK 3,416 million (NOK 13.80 per share) in 1999. The substantial improvement was due to a combination of better market conditions and positive effects resulting from Hydro s implementation of its strategy, announced in the autumn of 1999, to focus on three core areas: Oil and Energy, Light Metals and Agri. Hydro s acquisition of Saga Petroleum in July 1999 increased its oil production considerably. This, together with the steep rise in oil and gas prices during 2000, contributed to the significantly improved result over the prior year, despite the high rate of taxation (approximately 65 percent) on earnings derived from Hydro s oil and gas activities. Hydro Agri s extensive restructuring resulted in lower costs in 2000. At the same time, market conditions improved during the course of the year. Increased margins and volumes in Hydro Light Metals and Energy also contributed to the overall improvement.

NOK million	2000	1999	1998
Operating revenues	156,861	111,955	105,784
Operating costs and expenses	(128,395)	(104,220)	(99,954)
Operating income	28,466	7,735	5,830
Non-consolidated investees	672	339	410
Interest income and other financial income	1,747	1,504	1,820
Other income, net	3,161	1,350	
Earnings before interest expense and taxes (EBIT)	34,046	10,928	8,060
Interest expense and foreign exchange gain/(loss)	(3,905)	(3,055)	(2,229)
Income before taxes and minority interest	30,141	7,873	5,831
Income tax expense	(16,178)	(4,337)	(1,979)
Minority interest	18	(90)	(98)
Income before cumulative effect of change in accounting principle	13,981	3,446	3,754
Cumulative effect of change in accounting principle		(30)	
Net income	13,981	3,416	3,754
Earnings per share (NOK)	53.40	13.80	16.40

Net income for both 2000 and 1999 include after-tax gains from the divestment of operations amounting to NOK 2,800 million (NOK 10.70 per share) for 2000 and NOK 1,040 million (NOK 4.20 per share) for 1999. Divestments in 2000 included Hydro Seafood AS and Dyno ASA

EBITDA and reconciliation to income before taxes and minority interest

The transition to a new steering model, Value-Based Management, has moved Hydro s focus to cash flow-based indicators, before and after taxes, to measure performance in Hydro s operational areas and operating segments. EBITDA, which Hydro defines as income (loss) before tax, interest expense, depreciation, amortization, write-downs and certain other financial items, is an approximation of cash flow from operations before tax. EBITDA includes results from non-consolidated investees and gains and losses on sales of activities classified as Other income, net in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of goodwill in non-consolidated investees. Hydro s definition of EBITDA may differ from that of other companies.

EBITDA should not be construed as an alternative to operating income and income before taxes as an indicator of Hydro s results of 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 being used by Hydro to measure its performance is cash return on gross investment (CROGI). CROGI is defined as gross cash flow after taxes, divided by average gross investment. Gross Cash Flow is defined as EBITDA less estimated taxes. Gross Investment is defined as total assets (exclusive of deferred tax assets) plus accumulated depreciation, amortization and write-downs, less all short-term interest-free liabilities except deferred taxes and taxes payable.

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CROGI in 2000 was 12.3 percent compared with 8.4 percent in 1999. Based on normalized prices, CROGI in 2000 was approximately 9 percent. The target for 2001 is 9.5 percent and for 2002, 10 percent. The normalized prices used are: an oil price of US dollar (USD) 18 per barrel, an aluminium price (London Metal Exchange) of USD 1,500 per tonne, a CAN 27 fertilizer price of DEM 200 per tonne and a US dollar Norwegian kroner exchange rate of 8.00.

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

EBITDA NOK million	**2000**	**1999**	**1998**
Hydro Oil and Energy	30,641	13,579	7,036
Hydro Light Metals	5,501	3,760	4,060
Hydro Agri	3,982	1,141	2,370
Other	6,485	3,464	2,151
Total EBITDA	46,609	21,944	15,617
Depreciation	(12,538)	(10,494)	(7,508)
Write-down		(444)	
Amortization of goodwill of non-consolidated investees	(25)	(79)	(49)
Interest expense	(3,016)	(2,566)	(1,738)
Net foreign exchange loss (gain)	(655)	(304)	(361)
Other financial items	(234)	(184)	(130)
Income before tax and minority interest	30,141	7,873	5,831

EBITDA information by segment in each of the core business areas, as well as an explanation of the financial performance of each segment, is included in the presentation of the operating results of the business areas.

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	46,609
EBITDA for 1999	21,944
Change in EBITDA	24,665
Prices and currency, E & P [1)]	15,500

Margin	3,155
Volume	3,765
Production and exploration costs, E & P [1)]	(1,210)
Fixed costs	315
Restructuring costs	55
Non-recurring items [2)]	790
Non-consolidated investees	280
Interest income and other income [3)]	2,065
Other	(50)
Total change in EBITDA	24,665

1) Exploration and Production.

2) Including positive one time effect related to pension costs of NOK 470 million.

3) Including gain on divestment of subsidiaries and non-consolidated investees.

Operating Results

Operating revenues increased by approximately 40 percent in 2000 to NOK 157 billion. The increase was principally due to higher prices and volumes in certain of Hydro s business segments and the effects of the high US dollar Norwegian kroner exchange rate.

EBITDA for 2000 was NOK 46,609 million, representing an improvement of NOK 24,665 million compared to 1999.

In the fourth quarter of 2000 Hydro changed the way it allocates pension costs to its Norwegian operations. Costs are now charged based on pension benefits accruing evenly over employees service periods. Previously, costs were determined based on the number of years of service, resulting in a concentration

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of the total cost toward the end of employees service periods. The change in the allocation of pension costs resulted in nonrecurring charges to the segments with a corresponding credit reflected in Corporate Activities of NOK 1,824 million. Part of these pension costs has been charged to external parties resulting in a positive effect to the Company s fourth quarter operating income and EBITDA of NOK 470 million. This change will result in slightly higher overall costs for the individual segments over the next several years but will not have any significant effect on the Group s consolidated results. The change described above effects only the allocation of pension costs to business segments and does not effect the total pension costs for the Group. Pension costs are calculated and accounted for (on a Group level) in accordance with SFAS 87 (see Note 20 in Notes to the consolidated financial statements).

Earnings from non-consolidated investees of NOK 672 million in 2000 represent an increase of NOK 333 million compared to the prior year. The improvement is attributable to better earnings of businesses within both Hydro Light Metals and Hydro Agri.

Other income for both 2000 and 1999 consisted of gains on the divestment of operations. See Note 9 in Notes to the consolidated financial statements for a description of the items included.

Financial items

Net financial expenses in 2000 was NOK 2,158 million compared to NOK 1,551 million in the previous year. Net financial expenses in 2000 were affected by a charge for net currency losses of NOK 655 million mainly as a result of the higher US dollar Norwegian kroner exchange rate. In 1999 net financial expenses were affected by a charge of NOK 377 million in connection with losses on Saga crude oil options.

Capitalized interest on plant under construction amounted to NOK 1,029 million in 2000 versus NOK 839 million in the previous year.

Net interest bearing debt at the end of 2000 was NOK 29.7 billion, a reduction of NOK 13.4 billion from the end of the previous year.

Taxes

The provision for current and deferred taxes for 2000 amounted to NOK 16,178 million, representing 54 percent of pre-tax income. The corresponding figure for 1999 was NOK 4,337 million, equivalent to 55 percent of pre-tax income. The tax percentages for 2000 and 1999 were influenced by the gains on the sales of operations included in Other income, net which were taxed at a lower rate. Excluding the effects of these gains, the tax percentage would have been approximately 59 percent for 2000 and 62 percent for 1999. The reduction in taxes as a percentage of income before tax was due to the somewhat lower portion of Hydro s total income represented by oil and gas activities in 2000 compared to the prior year, despite the positive market conditions, attributable primarily to Hydro Agri s improved operating results.

HYDRO OIL AND ENERGY

NOK million	2000	1999	1998
Operating Revenues	55,123	28,355	19,311
EBITDA	30,641	13,579	7,036
Gross Investment	120,668	123,471	74,116
CROGI	14.4%	9.7%	7.3%
Number of employees	3,912	4,348	3,757

Hydro Oil and Energy, which consists of Exploration and Production, Energy and Oil Marketing, had an EBITDA of NOK 30,641 million in 2000. This was an increase of NOK 17,062 million or 126 percent compared to 1999.

EXPLORATION AND PRODUCTION

NOK million	2000	1999	1998
Operating Revenues	35,494	17,406	10,637
EBITDA	28,656	11,971	6,094
Gross Investment	111,038	113,811	65,000
CROGI	14.5%	9.4%	7.3%
Number of employees	2,628	2,806	2,300

EBITDA for Exploration and Production was nearly two and a half times higher in 2000 than in 1999. The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	28,656
EBITDA for 1999	11,971
Change in EBITDA	16,685
Prices and currency	15,500
Volume	2,290
Production costs	(710)
Exploration costs	(500)
Non-recurring items [1)]	(365)
Other income [2)]	387
Other	83
Total change in EBITDA	16,685

1) One time charge of pension cost.
2) Gain on sale of UK oil assets.

Revenues and market conditions

Exploration and Production s operating revenues increased in 2000 to NOK 35,494 million from NOK 17,406 million in 1999 (an increase of 104 percent). The increase was due primarily to higher crude oil prices and production volume growth, as well as higher gas prices. In 2000, Hydro realized an average crude oil price of USD 28.00 per barrel compared to USD 18.50 per barrel in 1999. The average realized oil price in Norwegian kroner was NOK 246 per barrel in 2000 compared to NOK 145 per barrel in 1999. Hydro s average realized gas prices in 2000 of NOK 0.98 per standard cubic meter were approximately 69 percent higher than the average realized gas prices in 1999 of NOK 0.58.

Exploration and Production sells most of its oil and liquid gas production to Energy. In addition, Energy also markets dry gas for Exploration and Production on a commission basis. Total internal sales amounted to NOK 26,058 million in 2000 compared to NOK 10,410 million in 1999, an increase of 150 percent. Internal sales to Energy represented 73 percent of Exploration and Production s operating revenues in 2000 compared to 59 percent in 1999. The increase resulted from the inclusion of Saga s production output in internal sales in 2000. Sales of dry gas and transportation tariffs, in addition to some external oil sales, accounted for the remaining 27 percent of Exploration and Production s operating revenues in 2000.

Hydro s total production of oil and gas in 2000 rose to 413,000 barrels of oil equivalents per day (boed) compared to 340,000 boed in 1999. The increase in production reflected the higher or new ownership interests in several fields following the acquisition of Saga Petroleum in July 1999, as well as the commencement of production in 2000 at Oseberg South, Åsgard B and Sygna. Oil production accounted for 78 percent of the total production in 2000, the same percentage as in 1999. Gas production rose to 14.2 million standard cubic meters per day in 2000 compared to 11.7 million standard cubic meters in 1999.

Ninety two percent of Hydro s oil and gas production in 2000 related to Norwegian-based activities, with the remainder produced from fields located outside of Norway. The sale of assets on the British Continental Shelf in August 2000 reduced production outside of Norway in the second half of 2000. Production from fields in Canada, Russia and Libya increased in 2000 compared to 1999.

Global oil production increased to approximately 76.7 million barrels per day in 2000 from an average of 74 million barrels per day in 1999, an increase of 3.5 percent. OPEC production increased by 1.4 million barrels per day (4.8 percent) in 2000, while production outside of OPEC increased by approximately 1.2 million barrels per day (2.7 percent).

In 2000, the Brent Blend crude oil price increased from USD 24 per barrel at the beginning of the year to almost record high levels of USD 38 per barrel in September. The higher price reflected the low levels of global crude oil and refined products inventories throughout the year combined with increasing demand in almost all regions of the world. Despite OPEC increasing its production quota four times in 2000, temporarily bringing down prices, the price rise continued, reaching a peak in September. From that point until the end of November, the price remained in the vicinity of USD 30 per barrel. During December, the price fell dramatically toward USD 21 per barrel. The sharp drop in price reflected replenished crude oil and refined products inventories together with a more uncertain demand outlook. At year end 2000, the Brent blend crude oil price was approximately USD 23 per barrel after having stabilized following discussions among OPEC countries relating to production cuts.

Natural gas accounts for approximately 22 percent of total energy consumption in Europe. Continued growth is expected for the next 10 years mainly due to increased use of gas for

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power generation. Norwegian natural gas deliveries account for approximately 10 percent of total gas consumed in Europe. From 1999 to 2000 natural gas exports from the Norwegian Continental Shelf grew by 6.9 percent to 48.9 billion standard cubic meters. Hydro s share of the exports was 9.4 percent.

Operating costs

Hydro s average production cost (defined as the cost of operating fields and transportation facilities including CO_2 emission tax, insurance, gas purchased for injection and lease costs for production installations, but excluding transportation tariffs and depreciation) was NOK 25 per boe in 2000 compared with NOK 22 per boe in 1999.

Hydro s total expenditures for exploration of oil and gas and appraisal of discoveries amounted to NOK 1,799 million in 2000 compared to NOK 1,498 million in 1999, an increase of 20 percent. The increase relates primarily to the acquisition of Saga Petroleum. Of the total exploration expenditures, Hydro expensed NOK 1,701 million in 2000 compared to NOK 1,202 million in 1999. This increase is attributable to higher cost related non-commercial exploration wells in 2000 and the expensing of previously capitalized costs of wells on the Norwegian Continental Shelf.

Hydro acquired a number of attractive licenses both internationally and on the Norwegian Continental Shelf during 2000. Exploration wells are planned over the next few years. The overall results from Hydro s exploration program in 2000 were disappointing, in part because of delays in the drilling program. Exploration activities outside of Norway represented 49 percent of total exploration expenditures.

Depreciation, including provisions for abandonment and well closure costs, averaged NOK 53 per boe in 2000 compared to NOK 49 per boe in 1999. The increase reflects the greater production in 2000 from fields with higher depreciation costs per boe, and increased depreciation related to excess value over book value of assets acquired from Saga in 1999, which represented NOK 11 per boe in 2000.

Outlook

Hydro expects its oil and gas production to increase by 5 percent in 2001 based on the anticipated increase in production from Åsgard B and Oseberg South and the commencement of production at several new fields and satellite developments. Hydro will continue to focus on cost performance and strive to maintain its position as an efficient operator and low cost producer on the Norwegian Continental Shelf. One of Hydro s objectives in 2001 is for its oil and gas production to reflect no increase in the cost per barrel, notwithstanding that major fields are currently in the decline phase of production. Hydro expects depreciation per boe to decrease slightly in 2001 due to the decreased depreciation charge to be taken in 2001 relating to the excess value over book value of assets acquired from Saga.

Exploration continues to be an important part of Hydro s growth strategy. The Company expects total expenditures related to exploration activities to increase from approximately NOK 1.8 billion in 2000 to approximately NOK 2.1 billion in 2001. Approximately half of the planned exploration expenditures will be allocated to Norwegian-based exploration activities with the remainder dedicated to key international activities.

Global oil demand in 2001 is expected to rise by 2 percent to 77 million barrels per day, with most of the growth in demand expected in non-Organization for Economic Cooperation and Development (OECD) countries. Production outside OPEC is expected to increase by about 0.7 million barrels per day, somewhat less than the 1.2 million barrels per day increase in 2000. In the OECD area, production is expected to remain at the same level as in 2000. Oil exports from Russia are expected to continue to increase.

Crude oil prices in 2001 will, to a large extent, depend on how effectively OPEC manages seasonal swings and regulates production to meet the underlying demand for oil, without inventory refilling. The oil price is expected to be impacted by the added uncertainty of the strength of the US economy.

In January 2001, Hydro purchased put options to hedge a portion of future oil production, on an after tax basis, against the risk of declining oil prices. The put options entitle Hydro to sell 45 million barrels of oil for the period covering the second half of 2001 to year end 2002 for an average strike price of USD 16 per barrel.

In September 2000, the Norwegian Gas Negotiating Committee (GNC) entered into a gas sales agreement with the owners of the Grane field. Under the terms of this Agreement, gas will be injected into the Grane field beginning in October 2003 to improve the oil recovery potential of the field. The GNC also entered into short-term contracts for deliveries to the UK during the winter period of 2000/2001. In addition, the GNC entered into short-term contracts with the Ekofisk Group for 2000/2001. Norwegian gas producers will have annual delivery commitments of approximately 70 billion standard cubic meters by 2005 compared with 48.9 billion standard cubic meters delivered in calendar 2000. Hydro s expected share of this volume will be approximately 11.1 percent.

The European gas market is undergoing rapid liberalization. This may ultimately lead to the dismantling of the GNC. Liberalization will present both challenges and opportunities for Hydro. As a large producer and consumer of gas and power in Europe, Hydro believes it will benefit from these developments.

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ENERGY

NOK million	2000	1999	1998
Operating Revenues	44,591	20,365	5,002
EBITDA	1,745	1,148	777
Gross Investment	6,004	6,508	6,221
CROGI	17.5%	12.1%	8.0%
Number of employees	375	481	487

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	1,745
EBITDA for 1999	1,148
Change in EBITDA	597
Margin	305
Volume	450
Fixed costs	(115)
Non-recurring items [1)]	(85)
Interest income and other	42
Total change in EBITDA	597

1) One time charge of pension cost.

Revenues and market conditions

Energy s operating revenues increased in 2000 to NOK 44,591 million from NOK 20,365 million in 1999, an increase of 119 percent. The increase in operating revenues in 2000 was primarily due to higher crude oil and refined products prices, as well as higher gas volumes sold.

Internal sales in 2000 amounted to NOK 7,842 million, compared to NOK 4,237 million in 1999, an increase of 85 percent. These sales were mainly to Oil Marketing (NOK 3,185 million), Aluminium Metal Products (NOK 1,346 million) and Plant Nutrition (NOK 1,380 million).

Oil trading and refining activities accounted for 86 percent of operating revenues in 2000; sales of electricity, 7 percent; and sales from Energy s European gas trading activity, 7 percent.

Oil trading and refining EBITDA increased by 110 percent in 2000 compared to 1999. The improvement was mainly due to higher margins obtained at Hydro s partly-owned refinery in Sweden, which favorably affected EBITDA by NOK 264 million compared to 1999. The significantly higher refinery margins were a result of higher spot prices for gasoline and heating oil, primarily driven by the low level of global product stocks at the start of 2000. EBITDA from other oil trading and shipping activities increased by NOK 94 million compared to 1999. Shipping activities transferred from Exploration and Production at the beginning of the year contributed NOK 64 million to this increase.

Gross margins on electricity sales increased in 2000 by NOK 133 million over the prior year as a result of increased electricity production. Due to a very wet year in Norway, inflow into reservoirs in 2000 was above historical average allowing for higher net sales of electricity in the spot market. Average spot prices fell from 11.2 øre/kWh in 1999 to 10.3 øre/kWh in 2000.

Energy s growing European gas marketing activities showed significantly improved results in 2000 compared to the prior year. Margins increased by NOK 223 million compared to 1999. The improvement was mainly due to increased activity and favorable positioning between the UK and Continental Gas markets.

Energy s total traded electricity volume increased to 38.3 TWh in 2000 from 29.7 TWh in 1999. Electricity production from Hydro operated plants totaled 11.5 TWh in 2000, an increase of 11 percent compared to 1999.

Operating costs

Refining costs per barrel, comprised of both fixed and variable processing costs, were at the same level as the previous year.

Power plant operating costs and other operating costs remained virtually unchanged from 1999. In 2000, Energy sold part of its national electric power grid assets, which favorably affected EBITDA by NOK 25 million.

Operating costs relating to the marketing of gas sourced from Norwegian fields amounted to NOK 88 million in 2000. These activities were transferred to Energy from Exploration and Production on 1 January 2000 as part of Hydro s internal restructuring process.

Outlook

The higher refining margins experienced at the end of 2000 are not expected to be sustainable in 2001. Energy expects more historically normal market conditions for gasoline and heating oil in 2001. To meet future EU product specifications, consisting primarily of more restrictive sulfur emissions, Energy plans to make additional investments at the Scanraff refinery in Sweden, which should maintain Energy s competitiveness in this business area but will have a negative impact on the per barrel refinery cost. In addition, Energy will take part in 50 percent of a SEK 400 million investment for recovery of propylene at the Scanraff refinery. Start up of the recovery process is expected in the middle of 2002.

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Water reservoir levels were above normal, based on an eleven year average, at the end of 2000. Based on the forward market, no major change is expected in spot prices. Energy estimates a production level in 2001 above a historically normal level of 8.5 TWh. Divestment of non-strategic assets will continue into 2001, with further sales of electric power grid assets planned.

OIL MARKETING

With effect from 1 January, 2000, Oil Marketing consists of Hydro s oil marketing activities in Sweden. Through its interest in the 50 percent owned Hydro Texaco, the segment also participates in retail marketing activities in Norway, Denmark and the Baltic countries.

NOK million	2000	1999	1998
Operating Revenues	4,094	2,652	2,249
EBITDA	211	451	156
Gross Investment	3,682	3,152	2,905
CROGI	5.5%	13.0%	5.8%
Number of employees	233	235	212

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	211
EBITDA for 1999	451
Change in EBITDA	(240)
Margin	(160)
Volume	(5)
Fixed costs	5
Non-consolidated investees	(96)
Other	16
Total change in EBITDA	(240)

Revenues and market conditions

Oil Marketing s operating revenues increased in 2000 to NOK 4,094 million from NOK 2,652 million in 1999, an increase of 54 percent. The improvement resulted primarily from significantly higher prices of refined products and a strong USD. In 2000, the average international market quotes for gasoline and gasoil increased by 62 and 70 percent, respectively, compared to 1999. Selling prices of refined products increased correspondingly, but at a slower rate.

The demand for gasoline in the Swedish retail fuel market declined by 1.5 percent in 2000 compared to 1999. Diesel con-sumption declined by 0.7 percent in the same period. Consumption of heating oil declined by 14 percent in 2000 due to mild weather. Based on information obtained from the Swedish Statistics Bureau (SCB) Hydro improved its market share in the Swedish market somewhat in 2000 compared to 1999.

Oil Marketing s share of net income in non-consolidated investees, consisting principally of Hydro Texaco, decreased by 82 percent. The reduced income was primarily caused by lower margins due to time lags between increased retail prices and international product prices, as well as losses on sale of service stations in the Baltic region.

Operating costs

Total operating costs, consisting mainly of product variable costs of refined oil products, increased by 63 percent in 2000 compared to 1999, primarily due to increased oil prices. Fixed and other variable costs were at the same level as the previous year.

Oil Marketing s EBITDA decreased by 53 percent compared to 1999. The decrease was mainly caused by lower sales margins due to lags in the increase of retail selling prices compared to the increased cost of refined products and the write-down of product inventories due to oil price reductions toward the end of December 2000.

Outlook

In the Scandinavian retail market, demand for motor fuels is expected to be stable. Consumption of heating oil is expected to decline as a result of competition from complementary energy sources, electricity and natural gas - a process in which Hydro is actively involved. Hydro s earnings from oil marketing activities will continue to be strongly affected by international oil price development and competitive conditions in the Scandinavian and Baltic retail markets.

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HYDRO LIGHT METALS

NOK million	2000	1999	1998
Operating Revenues	51,130	39,480	39,198
EBITDA	5,501	3,760	4,060
Gross Investment	45,169	38,246	36,851
CROGI	10.6%	8.3%	9.2%
Number of employees	16,794	15,219	15,889

Hydro Light Metals consists of the segments Aluminium Metal Products, Aluminium Extrusion and Other Light Metals. Other Light Metals consists of Aluminium Rolled Products, Automotive Structures and Magnesium. In 2000, EBITDA for Hydro Light Metals was NOK 5,501 million representing an increase of 46 percent compared to 1999.

ALUMINIUM METAL PRODUCTS

NOK million	2000	1999	1998
Operating Revenues	33,534	24,540	25,106
EBITDA	3,744	2,016	2,465
Gross Investment	21,977	18,071	16,701
CROGI	14.5%	9.2%	11.8%
Number of employees	3,611	3,651	3,823

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	3,744
EBITDA for 1999	2,016
Change in EBITDA	1,728
Margin	2,050
Volume	55
Fixed costs	(270)

Trading	580
Price hedging	(480)
Non-recurring items [1)]	(365)
Non-consolidated investees	175
Other	(17)
Total change in EBITDA	1,728

1) One time charge of pension costs.

Revenues and market conditions

Aluminium Metal Products operating revenues increased by 37 percent to NOK 33,534 million in 2000 from NOK 24,540 million in 1999. Internal sales to other segments within Hydro increased by 22 percent to NOK 6,377 million in 2000 from NOK 5,209 million in 1999. Internal sales were mainly to Aluminium Extrusion.

Operating revenues from the sale of Hydro s production of aluminium cast house products increased by 30 percent in 2000 compared with the prior year. The increase was due to increased prices and volumes. The average three-month price for primary aluminium on the London Metal Exchange (LME) increased by 13 percent to US dollar 1,567 per tonne in 2000 from USD 1,387 per tonne in 1999. Due to increased metal prices and effects of product premiums, as well as forward sales and a strong US dollar Norwegian kroner exchange rate, Hydro realized average prices in 2000 in Norwegian kroner that were 28 percent higher than in 1999.

EBITDA included losses of NOK 250 million associated with Aluminium Metal Products price hedging program in 2000, compared to gains of NOK 229 million in 1999. (Please refer to the Risk Management section for a further explanation of the price hedging program.)

Aluminium Metal Products share of net income from affiliated companies was nearly three times higher in 2000 compared with the prior year. The increase resulted from increased margins realized by Sør-Norge Aluminium A/S (Søral), a 49.9 percent owned investment, and the acquisition of Alunorte, the largest producer of alumina in Brazil. Hydro acquired 26.7 percent interest in Alunorte in 2000. During 2000, the Board of

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Directors of Alunorte approved an expansion of the existing refinery. Hydro s overall interest in Alunorte will increase to 34 percent upon completion of the expansion which is expected in 2003.

Operating revenues from other activities (trading and marketing of aluminium and related raw materials) in 2000 increased by 43 percent compared to 1999. The increase was mainly attributable to increased prices and volumes. EBITDA for aluminum trading activities increased by NOK 580 million from the previous year. A large part of the increase was attributable to unusually good earnings from alumina trading tied to high activity levels and high prices. During 2000, a significant part of the Western world s alumina capacity was temporarily out of the market due to rebuilding after a production accident in 1999 at a major US producer. The resulting supply shortage temporarily drove prices to unusually high levels. The alumina supply/ demand balance has subsequently improved with a return to historical normal price levels.

Shipments of primary aluminium in the Western world increased by approximately 3.5 percent during 2000 compared with 1999. Registered inventories were reduced by about 460,000 tonnes during the year, bringing stock level relative to consumption to a very low level. During the first half of 2000, the volume shipped was particularly strong while the second half was negatively influenced by a significant decline in US shipments. The market situation in Europe was favorable throughout the year. The Japanese market for primary aluminium showed improvement in 2000 compared to the prior year.

Operating costs

Total operating costs in NOK per tonne of primary aluminium including raw materials and fixed costs increased by 12 percent in 2000 compared to 1999. Raw material cost per tonne produced increased in 2000 by 21 percent compared to the prior year, mainly due to higher alumina prices. Fixed costs increased by 7 percent compared with the previous year. EBITDA for 2000 included a one time pension charge of NOK 365 million.

Alumina and electricity are the most important components for the production of primary aluminium. In 2000, Hydro covered approximately 67 percent of the alumina requirements for its wholly-owned primary metal production from the Alpart refinery in Jamaica (in which Hydro has a 35 percent interest) and from the Alunorte refinery in Brazil. The balance was covered by long-term contracts. Therefore, the alumina cost was not significantly affected by the extraordinary high alumina spot prices experienced during the year. The alumina cost stated in NOK increased by 30 percent per tonne as a result of increases in the LME price, freight costs and a strong US dollar - Norwegian kroner exchange rate. Alumina contract prices are linked to LME aluminium metal price developments. Electricity prices per tonne were slightly higher in 2000 compared to 1999.

Outlook

No growth in industry shipments is expected in 2001 compared to 2000. The US is currently experiencing a slowdown in economic growth with declining consumer and business confidence. This situation may affect developments in other regions. Aluminium shipments in the US dropped by roughly 7 percent during the second half of 2000 compared to the second half of 1999, a trend that is likely to continue possibly until the second half of 2001. US production curtailments are expected to offset the effect of reduced shipments.

By the beginning of February 2001 more than one million tonnes of US production capacity had been idled or was in the process of being idled, reflecting serious structural power supply problems in the US Northwest region. This represents approximately 25 percent of US capacity and 5 percent of capacity in the Western world. It is expected that some of the temporary shutdowns may become permanent.

Hydro s tolling partner in the US, Goldendale Aluminium Company, decided to reduce production in 2001 from 160,000 tonnes to around 40,000 tonnes due to these high power prices. Hydro will supply current customers with metal from its new remelt plant in Henderson, Kentucky, which began production in November 2000, and from other metal sources.

Europe and Asia are expected to show further growth in shipments in 2001, but lower than in 2000. European premiums are expected to be under pressure, but remain at favorable levels in 2001.

During 2001, the LME price, expressed in USD, is expected to remain at or above levels experienced at the end of 2000. Price levels will be greatly influenced by US shipments and production levels. Some reduction in stocks is expected in 2001.

At the beginning of 2001, Hydro had sales contracts in place for approximately 24 percent of its expected annual primary metal production at an expected price of USD 1,540 per tonne. A major part of the presold metal is tied to normal customer pricing and certain of these contracts do not qualify for hedge accounting treatment. As a result, changes in the LME price can result in significant fluctuations in earnings due to marked to market adjustments. The remaining contracts are subject to a price hedging program where gains and losses on these contracts are deferred until the hedged items are delivered and realized in earnings.

In connection with the planned expansion project at the

Sunndal Metal Plant, Hydro launched a separate price hedging program in the fourth quarter of 2000 to secure the price of part of the primary metal production from the new plant for the period 2003-2007. At the end of 2000, approximately 90,000 tonnes had been sold forward at a price of just over USD 1,550 per tonne. In addition, Hydro has secured the US dollar exchange rate for the same tonnage at the level of about NOK 9.20 per USD. The hedged gains and losses will impact earnings upon delivery under the contracts during 2003-2007. The intent of the price hedging program is to ensure a stable cash flow and a good rate of return on the expansion.

During 2000 further industry consolidation took place with the conclusion of deals announced in 1999, including Alcoa s acquisition of Reynolds Metals and Alcan s acquisition of Algroup. The consolidation is expected to require further cost reductions as competition becomes more intense.

ALUMINIUM EXTRUSION

NOK million	2000	1999	1998
Operating Revenues	15,881	12,081	12,088
EBITDA	1,307	1,071	934
Gross Investment	9,475	7,099	7,526
CROGI	13.0%	11.9%	10.7%
Number of employees	9,452	7,871	7,806

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	1,307
EBITDA for 1999	1,071
Change in EBITDA	236
Margin	(65)
Volume	785
Fixed costs	(540)
Other	56
Total change in EBITDA	236

Revenues and market conditions

Aluminium Extrusion s operating revenues reflected growth in all business areas in 2000. The most significant factors contributing to that growth were the acquisitions of the US-based Wells Aluminum in February 2000 and a majority interest in Hydro Aluminum Wuxi Co., Ltd., based in China, in July 2000. In addition, operating revenues were influenced by the increased price of metal and the strong US dollar.

In 2000, Extrusion Europe accounted for 51 percent of operating revenues. Extrusion North America, established in 2000 following the acquisition of Wells Aluminum, contributed 12 percent. Heat Transfer, which supplies tubing and components to the automotive market and Building Systems, each contributed 16 percent. Sales of general aluminium extrusions outside Europe and North America and Light Metal Wheels accounted for the remaining 5 percent.

Sold volumes of general extruded profiles increased by 26 percent in 2000. Global shipments of heat transfer products remained broadly unchanged, while shipments within the Building Systems business area increased by 12 percent.

Economic growth in Europe and the US contributed to increased extrusion consumption in 2000, particularly during the first half of the year. In Europe, the increase in extrusion consumption in 2000 was 5.5 percent compared with the prior year, while US consumption increased 1 percent. During the second half of 2000 growth in extrusion consumption slowed on both continents.

Growth in demand for extrusions in Europe continued to benefit from continued growth in transportation and construction sectors and positive trends in the main industrial sectors. In the US, growth was derived mainly from the general industrial sectors while growth from residential building was lower. A sharp reduction in demand from the truck and trailer business reflected an oversupply in the end market. The largest application areas within the automotive heat transfer tubing market continue to be radiators, condensers and liquid lines. The European market increased mainly due to more extensive use of automotive air conditioning systems.

EBITDA for Aluminium Extrusion improved in 2000 by 22 percent compared with the prior year, mainly due to the favorable market conditions during the first half of the year and the acquisition of Wells. The favorable market conditions for Extrusion Europe and Building Systems led to increased volumes shipped and income realized. The strong US dollar compared to European currencies and price quotations on the London Metal Exchange put pressure on margins during the second half of the year.

As part of the continuing strategy to focus on core business activities, Hydro divested the Norwegian company, Fundo AS, during 2000. Fundo represented Hydro s light metal wheels business.

Operating costs

High production volumes increased capacity utilization at Hydro s European extrusion plants. Productivity in manufacturing processes was improved in line with the segment s continuous

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improvement program. Capacity was also added through four new extrusion presses in France, Spain and Italy, with two of the new presses to be operative in 2001. In the US, capacity utilization decreased during the second half of 2000 due mainly to lower volumes shipped to the truck industry. Aluminium Extrusion has initiated a program to improve the manufacturing productivity of the Extrusion North America business area by transferring best practices from its European extrusion system. EBITDA for Wells Aluminum in 2000 was lower than expected due to lower shipments in the US during the second half of 2000.

Costs within the Heat Transfer business area in 2000 were higher than the prior year, mainly due to startup costs relating to new US capacity for welded tubes. In addition, normal price pressure from the automotive industry, combined with higher costs for metal, resulted in further pressure on margins.

Aluminium Extrusion s fixed costs increased due to its acquisition activity in 2000. However, operating extrusion costs in Europe per tonne decreased in 2000 by 2 percent compared to 1999.

Outlook

There is a clear risk that the present softening of market conditions in Europe and the US will continue into 2001. However, Hydro expects that 2001 will still be a relatively good year for Aluminium Extrusion. In Europe, slower growth in automotive applications is expected to be offset by more positive growth rates in construction and within the engineering industries. In the US, demand for extrusions is expected to be slightly lower in 2001 than in 2000. Building Systems main markets are expected to grow in 2001 other than in Spain, where a contraction is expected to follow a prolonged expansion period.

The market penetration effect on sales of Hydro s heat transfer tubing is expected to continue in Europe. New products with higher added value are expected to extend the use of extruded products to areas outside traditional markets.

OTHER LIGHT METALS

NOK million	2000	1999	1998
Operating Revenues	8,226	7,716	7,869
EBITDA	483	717	636
Gross Investment	13,831	13,159	12,661
CROGI	3.6%	5.1%	4.8%
Number of employees	3,731	3,697	4,260

EBITDA in 2000 for Other Light Metals included a one time pension charge for employees in Norway of NOK 89 million. The major part of this was charged to Magnesium.

Magnesium had a considerably lower EBITDA in 2000 than in the previous year. Production and sales volumes achieved in 2000 were higher, while margins realized were markedly lower, mainly due to lower market prices. Demand for magnesium remains strong. However, increased exports from China have been the primary contributor to the price pressure experienced in the market.

In 1992, an antidumping duty of 21 percent was imposed on US imports of pure magnesium produced at Hydro s plant in Canada. The US Department of Commerce (DOC) requires three consecutive annual reviews with zero dumping margin before it will consider revocation of the duty. Despite having met the three-year requirement, the DOC decided in 1999 not to revoke the duty based on its determination that Hydro had not shipped sufficient commercial quantities during the previous three 12 month periods. Hydro will continue to pursue revocation via the annual review process. Hydro participated in a five year automatic review (Sunset Review) conducted by the DOC and the International Trade Commission (ITC), which in July 2000 ruled against revocation. A countervailing duty applicable to Hydro s imports of pure and alloyed magnesium from Canada to the US, originally at 7.61 percent, has been gradually reduced to 1.38 percent, and is expected to decline in future years. A separate Sunset Review ruled against revocation of this duty.

The trend of increasing demand for magnesium diecasting in motor vehicles is expected to continue, and will be the principal driver of growth for the foreseeable future. Based on announced projects and general interest from new potential entrants, the industry is considered likely to be adequately supplied to support anticipated growth. Hydro has decided to build a 10,000 tonnes per year facility in China to convert locally available pure magnesium to high quality alloy ingot for export to its traditional markets for diecasting alloys. This new capacity will serve customer needs which are expected to exceed the combined capacity of Hydro s operations in Norway and Canada. Shipments from the new facility are expected to begin in the second quarter of 2001.

The start up of Noranda s new 63,000 tonnes primary magnesium facility in Canada is expected to maintain the prevailing price pressure through 2001.

EBITDA for Aluminium Rolled Products was lower in 2000 than in the previous year. The decrease was due to one time effects and increased gas prices. Production and shipments were higher in 2000 than in 1999.

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EBITDA for Automotive Structures demonstrated a marked improvement in 2000 compared with the previous year. The improvement was primarily due to the gain from the sale of Hydro s 40 percent interest in Autoplastics AB in the second half of 2000. EBITDA in 1999 included a loss of NOK 58 million related to the transfer of Hydro s plastic bumper systems activities to Sapa Autoplastics AB. Excluding these effects and other one time effects, EBITDA was on the same level as in 1999. A dedicated effort is being made to raise operating margins to a more desirable level by means of productivity improvement measures.

HYDRO AGRI

NOK million	2000	1999	1998
Operating Revenues	46,966	39,658	41,316
EBITDA	3,982	1,141	2,370
Gross Investment	47,788	45,605	46,804
CROGI	7.4%	2.0%	4.9%
Number of employees	11,238	11,479	12,072

EBITDA for Hydro Agri, which consists of the segments, Plant Nutrition, Gas and Chemicals and A/S Korn- og Foderstof Kompagniet (KFK), was NOK 3,982 million in 2000 representing an increase of NOK 2,841 million from the prior year.

PLANT NUTRITION

NOK million	2000	1999	1998
Operating Revenues	33,744	26,799	27,997
EBITDA	2,841	(119)	1,258
Gross Investment	35,161	34,738	36,118
CROGI	7.0%	(0.3)%	3.7%
Number of employees	8,020	7,802	8,364

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	2,841
EBITDA for 1999	(119)

Change in EBITDA	2,960

Margin	1,215
Volume	185
Fixed costs	1,105
Restructuring costs	55
Non-recurring items [1)]	175
Non-consolidated investees	105
Interest income and other	120
Total change in EBITDA	2,960

1) Including one time charge related to pension costs in 2000 of NOK 239 million.

Revenues and market conditions

Operating revenues increased by 26 percent in 2000 compared to 1999, primarily due to increased volumes outside of Europe generated by Kynoch, a company formed by the South African company, AECI, in which Hydro purchased a controlling interest in December 1999 and by Adubos Trevo S.A. in Brazil (Trevo), in which Hydro agreed to acquired a 58 percent interest in July 2000. Higher fertilizer prices in Europe also contributed to the increased revenues.

The international market for urea was more volatile in 2000, but generally with higher prices than in 1999. The average Middle East urea price increased by 39 percent from 1999 to 2000. The price increase was attributable to increased demand for urea, together with higher energy prices which led to increased production costs for some producers. Due to the higher energy costs, some suppliers reduced production as a temporary measure.

European nitrogen fertilizer prices increased by 33 percent in 2000 compared to 1999. The increase was mainly due to higher prices of urea, as well as increased energy costs for producers. A stronger US dollar also made it more expensive to import products.

The average diammonium phosphate (DAP) price (US Gulf) dropped by 13 percent in 2000 compared with the previous year. Capacity closures in the US have not been sufficient to compensate for increased production capacity in India, Pakistan and Australia. Increased capacity combined with low consumption globally resulted in continued low prices.

Sales of Hydro produced fertilizers in Western Europe amounted to 10.6 million tonnes, unchanged from 1999.

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Total fertilizer sales, including sales of third party products, amounted to 11.9 million tonnes, an increase of 4 percent compared to 1999.

For the 2000 calendar year, total fertilizer deliveries to the most important markets in Western Europe were slightly higher than in 1999. Fertilizer deliveries in Western Europe during the first half of the 2000/2001 fertilizer season (July through December 2000) increased slightly from the corresponding period of the previous year.

According to the European Fertilizer Manufacturers Association, West European nitrogen fertilizer consumption increased by approximately 0.6 percent from 98/99 to 99/00. Phosphate consumption declined by about 3.4 percent and potash consumption declined by 4.6 percent.

On the global scene, population growth and national wealth development have created and are expected to continue to create a sustainable growth in fertilizer consumption in the foreseeable future. IFA, the International Fertilizer Association, forecasts a global nitrogen fertilizer consumption growth rate of 2.2 percent per annum until 2004. The main growth in consumption of nitrogen fertilizers has been in Asia and Latin America. The growth is expected to be higher for nitrogen than for phosphate fertilizers.

The ammonia price (North West Europe) increased by an average of 50 percent from 1999 to 2000, mainly as a result of production cost increases due to the higher energy costs.

Operating costs

Raw material costs increased in 2000 compared to 1999. Natural gas is the most important raw material for the production of ammonia and nitrogen fertilizer. In 2000 average gas prices in Europe, stated in US dollars, increased by 60 percent compared to 1999. The gas price is closely linked to the crude oil price in Europe, which remained at historically high levels throughout the year. Phosphate and potassium are also used in the production of complex fertilizer. Prices for phosphate and potassium chloride remained basically at the same level as in 1999, while the price for potassium sulphate was 10 percent lower.

The Hydro Agri improvement program launched in 1999 is ahead of plan. The original target was fixed cost reductions of approximately NOK 1,000 million (compared to 1998) to be achieved by the end of 2001. The target was subsequently revised upward to approximately NOK 1,350 million in fixed costs and NOK 400 million in variable costs. The fixed cost reductions target was exceeded in 2000 with savings of NOK 1,570 million compared to the cost level in 1998. The variable costs savings relative to market indices reached approximately NOK 500 million in 2000.

A significant part of the cost savings related to reductions in staffing levels, which amounted to 1,400 persons in the fertilizer business during 2000 compared to 1,000 - 1,100 in 1999. The reductions were achieved through closures of production facilities, as well as reorganization and rationalization of sales, marketing and business support activities. Plant Nutrition s operating results in 2000 included approximately NOK 460 million in redundancy and other costs related to the staffing reductions.

In December 1999 Hydro announced its plan to permanently close down approximately 1 million tonnes of nitrate capacity in Europe. This decision was based on Hydro s estimation of an over- capacity of 2.5-3.0 million tonnes in the European nitrate industry combined with a view of limited growth potential in the European nitrate market for the foreseeable future. The closures were implemented in 2000. The plants in Immingham in Great Britain and Landskrona in Sweden were closed in July and December 2000, respectively. Total restructuring costs related to these closures amounted to NOK 135 million in 2000. This was in addition to the provision of NOK 632 million taken in 1999. The costs in 2000 were mainly related to the reduction in personnel.

Hydro ceased production of nitrates at the Montoir plant in France in June 2000. In addition, Hydro discontinued production of complex fertilizer (NPK) at three plants in France, with a total production capacity of 500,000 tonnes, in the second half of 2000. This action was based on Hydro s estimation of the over-capacity of NPK in Europe, a significant part of which is in France.

Hydro also ceased potassium sulphate and hydrochloric acid production at Oberhausen in Germany at the end of 2000.

Operating income for 2000 included a reversal of accruals taken in 1999 totaling NOK 140 million. This related to estimated losses on long-term contracts for the purchase of ammonia from Tringen (Trinidad). The accruals were reversed due to the increase in the ammonia price.

Capital expenditures within Plant Nutrition have been kept at a minimum, reflecting the financial position of Hydro Agri. Total capital expenditures in 2000 amounted to NOK 1,093 million, which is low from a historical perspective. A significant part of the capital expenditures related to the investment in Trevo. Hydro anticipates that a greater percentage of capital expenditures in the foreseeable future will be made in emerging markets.

The financial situation of the farming industry in Central Europe has been difficult for several years. As a consequence, Hydro has reduced activity in this region and closed down several offices.

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Outlook

No major change in fertilizer consumption is expected in Western Europe. The set aside rate in the EU is currently at 10 percent and is expected to remain at this level. On the other hand, global consumption of nitrogen fertilizers is expected to grow at a rate of 2.2 percent per annum until 2004, allowing continued productivity gains in Hydro s restructured global sales and distribution network. Because energy and raw materials are not priced at normal market rates in parts of the former Soviet Union, anti dumping measures have been put in place in Western Europe to ensure fair competition.

The oversupply situation in the urea market is expected to continue in the short-term as new, non- Hydro capacity will come on-stream during 2001. However, high energy prices in the US could lead to plant closures, which may offset to some extent the new capacity and result in a potential increase in the urea price. The two largest urea-consuming countries, China and India, are expected to continue to subsidize their domestic industry and major import demand is not likely from these countries. The possible future entrance of China into the World Trade Organization (WTO) may lead to a faster phasing out of existing old fertilizer plants in that country.

In late 1999 and in 2000 several European companies announced intended plant closures as a result of poor performance and low capacity utilization within the nitrate fertilizer industry. These closures will reduce capacity by approximately 3 million tonnes, including approximately 1 million tonnes of Hydro capacity. This implies a reduction of approximately 20 percent of Western European capacity. A major part of the reductions was implemented in 2000. Hydro expects that these measures will contribute to further improved market balance in 2001 and 2002. Prices of nitrate fertilizer are expected to remain at a higher level than in 2000.

The DAP prices fell in 2000 and are expected to be low in 2001. There is a significant over-capacity of DAP globally.

High crude oil prices will result in continued high energy costs at Hydro s fertilizer plants, but price increases achieved in 2000 more than compensated for the negative effect. The improved market balance achieved through plant closures should help contribute to a continuation of this situation.

In July 2000, Hydro entered in to an agreement to acquire 58 percent of the shares in Adubos Trevo, which has a fertilizer production capacity of 1.7 million tons. Hydro expects that its interest in Trevo will enable it to achieve economies of scale in its fertilizer activities in Latin America.

The improvement programs will be completed in 2001 with an additional work force reduction of 400-500 employees expected in 2001. The total program will result in a 25-30 percent reduction in staffing compared to the year-end 1998 level. The completion of the improvement programs will result in an additional reduction in fixed costs in 2001 compared to 2000.

GAS AND CHEMICALS

Gas and Chemicals markets numerous products which mainly have their origin in Hydro s ammonia and fertilizer production.

NOK million	**2000**	**1999**	**1998**
Operating Revenues	4,776	4,718	4,716
EBITDA	712	760	622
Gross Investment	5,147	4,591	4,509
CROGI	12.6%	14.3%	13.8%
Number of employees	1,144	1,568	1,623

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	712
EBITDA for 1999	760
Change in EBITDA	(48)
Margin	(165)
Volume	(10)
Fixed costs	160
Other [1)]	(33)
Total change in EBITDA	(48)

1) Including a one time charge related to pension costs in 2000 of NOK 30 million.

EBITDA decreased by 6 percent to a level of NOK 712 million including non-recurring items of NOK 22 million. Margins decreased by NOK 165 million offset by fixed cost improvements of an approximately equal amount. Non-recurring items related primarily to the sale of Hydro s 50 percent interest in Hydrogas-Messer, an industrial gas joint venture in Sweden, and a change in pension cost allocations. EBITDA decreased 4 percent excluding these items.

Revenues and market conditions

Operating revenues increased by 1 percent in 2000 compared to the previous year. Operating revenues increased by 4 percent in 2000 excluding the effects of the closure of nitrogen production in the United Kingdom, the divestment of Hydelko and its grain refiner production in Norway, and the transfer of part of the urea business to Plant Nutrition.

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In 2000, operating revenues derived from nitrogen products increased by approximately 8 percent compared to the preceding year, primarily as a result of higher prices. Margins gradually decreased throughout the year due to the continuous increase in the cost of ammonia. Average margins were down 14 percent compared to 1999.

Hydro decided to discontinue production of potassium sulfate and hydrochloric acid in Oberhausen, Germany at the end of 2000. Remaining production together with related activities were sold at the end of the year. Exiting this business implies a reduction in annual operating revenues of NOK 240 million.

Operating revenues of industrial gases increased by 5 percent in 2000. European sales remained close to the 1999 level while carbon dioxide sales in Asia increased by 59 percent.

Oleochemicals operating revenues increased by 18 percent in 2000 compared to the previous year due to higher prices and volumes.

Operating costs

Raw material costs increased from 1999 to 2000. Ammonia and natural gas, the main raw materials for nitrogen chemicals, experienced a 50 percent price increase compared to 1999 and the price of ammonia ended the year at its highest level since January 1997. The price of urea for technical applications increased by 23 percent compared to 1999. Both urea and ammonia are primarily sourced from other Hydro units.

Hydrogas raw material costs increased in 2000 due to the strong increase in energy prices. In terms of the year-to-year change in EBITDA, the increased raw material costs in 2000 had minimal effect since Hydro incurred additional costs in 1999 related to alternate raw material sourcing from Hydro s Sluiskil plant during the renovation of the Hydro s ammonia plant in Porsgrunn.

Logistical costs were negatively influenced by higher fuel prices as well as a less competitive overseas freight market. Fixed costs were reduced by 11 percent in 2000 compared to 1999. This improvement is attributable to divestment of non-core activities and the Hydro Agri improvement program, which has streamlined operations and reduced staffing in all units. The staff reductions were completed in 2000 except for the announced sale of Oleochemicals which is scheduled to occur in 2001. Total non-recurring items in 2000 of NOK 78 million consisted of the write-down of goodwill and assets related to carbon dioxide production in India, the sale of Hydrogas-Messer and a change in pension cost allocations. Operating costs for 1999 included NOK 66 million related to write downs of a rare earth production facility in Norway and a hydrochloric acid recycling plant in Germany.

Outlook

Based on the present product portfolio, sales of nitrogen products are expected to continue their present growth rate. Margins are dependent on the cost of ammonia and natural gas and are expected to improve due to the lag in price development compared to raw material costs.

A continued high growth rate is expected for environmental process chemicals for water treatment and NO_x abatement.

Sales volumes of industrial gases are expected to increase, due to market growth, new applications and continued growth in Asia.

KFK

NOK million	**2000**	**1999**	**1998**
Operating Revenues	10,638	9,756	10,143
EBITDA	386	515	486
Gross Investment	7,499	6,331	6,218
CROGI	5.0%	6.8%	5.7%
Number of employees	2,074	2,109	2,092

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	386
EBITDA for 1999	515
Change in EBITDA	(129)
Margin	(260)
Volume	110
Fixed costs	(60)
Other	81
Total change in EBITDA	(129)

Revenues and market conditions

Operating revenues relating to grain and feed stuff activities increased by 12 percent in 2000 compared to 1999 as a result of acquisitions and increased sales from existing operations. Margins on feed compounds in the Danish and Swedish markets declined in 2000 compared with the prior year as a result of the continuing oversupply situation.

Operating revenues from fish feed activities increased by 15 percent compared to 1999. This was due to higher volumes resulting from additional capacity that came on-stream in 2000, as well as market growth. Margins in 2000 were reduced compared to the prior year due to increased competition.

Operating costs

Raw material costs, representing approximately 70 percent of total operating costs, increased in 2000 compared to 1999. Energy costs increased in 2000 compared to 1999 as result of continued high oil prices. The escalating Bovine Spongiform Encephalopathy (BSE) crisis in Europe increased the price of raw materials for feed compounds. An overall increase in operating costs resulted from the acquisition of four grain and feed stuff companies, one of which was acquired in late 1999. This increase was partly offset by the divestment of a line of pet food activity.

Outlook

The strong competition in the grain and feed stuff business is expected to continue. To improve its competitive position, KFK has decided to rationalize its sales and distribution network in Denmark by closing approximately 30 outlets. Two animal feed production plants and a seed production plant will also be closed. The planned rationalization will contribute to the overall restructuring of the feed and grain business sector in Denmark. Costs will also be reduced in the Swedish operations. In total, these efforts will reduce staffing levels by approximately 225 employees (approximately 10 percent) and result in annual savings of approximately NOK 140 million. 2001 is expected to bring higher volumes in the fish feed activities resulting from market growth and new capacity under development in Greece. KFK is also evaluating a joint venture for fish feed production in Chile.

PETROCHEMICALS

NOK million	2000	1999	**1998**
Operating Revenues	6,270	5,346	**6,028**
EBITDA	662	855	**681**
Gross Investment	10,197	9,460	**9,774**
CROGI	5.9%	7.3%	**6.4%**
Number of employees	1,877	1,973	**2,965**

The change in EBITDA and the most important items affecting the change follows:

EBITDA for 2000	662
EBITDA for 1999	855
Change in EBITDA	(193)
Margin	395
Volume	(80)

Fixed costs	100
Non-recurring items [1)]	(175)
Other Income [2)]	(383)
Other	(50)
Total change in EBITDA	(193)

1) Including a one time charge related to pension costs in 2000 of NOK 103 million.

2) Gain on sale of MABO and Hydro Coatings in 1999.

Revenues and Market Conditions

Petrochemicals operating revenues in 2000 were approximately 17 percent higher than in 1999 due to higher average product prices. EBITDA was approximately 23 percent lower than in 1999. In 1999, EBITDA included gains on the sale of Mabo and Hydro Coatings in the amounts of NOK 149 and 234 million, respectively. The underlying increase in EBITDA was approximately 40 percent, mainly due to higher average product prices. This was partly offset by higher feed stock costs in the ethylene plant. A major maintenance shutdown in the ethylene, chlorine and VCM (vinyl chloride monomer) plants at Rafnes negatively affected EBITDA by approximately NOK 195 million. This was mainly attributable to the loss of revenue from the production stop, as well as the somewhat higher maintenance cost.

Global demand for PVC (polyvinyl chloride) was approximately 5 percent above demand in 1999 and approximately 8 percent above demand in 1998. The total West European consumption of PVC increased by 2 percent in 2000 versus 1999. Consumption increased in North America and Asia by 6 and 7 percent, respectively. Sales of PVC from the US to

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Asia were low due to weak margins, as well as higher domestic demand and relatively higher margins in the US market. Hydro did not generate any sales of VCM to Asia because of increased demand for VCM in Hydro s own production of PVC.

Hydro s average realized delivered price for S-PVC (suspension polyvinyl chloride) was 45 percent higher in 2000 than in 1999. However, the realized price for S-PVC decreased somewhat at the end of 2000, and the average price for the second half versus the first half of 2000 was 8 percent lower. The price increase in the first half of the year was mainly due to increased raw material prices (oil) in combination with higher demand in Europe for PVC, while the price decrease in the second half was due to a weakening of the global market and reduced demand in the US and Asia.

Hydro closed down its S-PVC plant in Singapore in December 1999 for economic reasons. The closed plant had a capacity of 25,000 tonnes. This reduction was offset by capacity increases at the European production plants resulting from process improvements and optimization of the product mix produced at the different plants.

Caustic soda prices were 3 percent lower in 2000 compared with 1999 due to a less favorable demand/supply situation, particularly in the first half of the year. On average, realized FOB prices for caustic soda were NOK 1,248 per tonne in 2000, compared with NOK 1,294 per tonne in 1999.

Operating costs

Total raw material costs for Petrochemicals were approximately 24 percent higher than in 1999. This was mainly due to increased prices for natural gas liquids (NGL).

Total fixed costs (excluding pension costs and other non-recurring costs) were reduced compared to 1999. This was mainly attributable to reduced staffing and continuously high focus on fixed costs in the organization.

Outlook

Global demand for PVC is expected to increase by 3 percent in 2001 versus 2000. In general, growth in PVC demand tends to follow growth in GDP.

Global PVC margin is projected to improve slightly due to a more balanced demand/supply situation. However, PVC margin is expected to be below the historical average in the coming two years because of the global capacity build up during 1999 and 2000. The margin will also be influenced by higher ethylene and chlorine costs. Nonintegrated vinyl companies will experience lower margins, while integrated companies such as Hydro are expected to improve their margins slightly because of improved chlor-alkali margins. Caustic soda prices are projected to increase during 2001 due to tightness in the market. The average price for PVC in 2001 is expected to be slightly below prices achieved toward the end of 2000.

In 2000 Hydro and Borealis, as owners of Noretyl ANS (51-49 percent ownership, respectively), entered into an agreement establishing Noretyl AS as a joint venture (50-50 percent). From 2001 Noretyl AS will be reported as a non-consolidated investee.

In early 1997, Hydro entered into an agreement with one French and two local partners to build a petrochemical plant in Qatar. The plant is nearing completion and will be commissioned during the second quarter of 2001. Hydro has a 29.7 percent interest in the project.

After discussions with potential purchasers and partners, Hydro has concluded that it is currently not appropriate to reduce its ownership interest in the Petrochemicals operations. The activity will continue to be operated in such a way to secure its industrial potential until a solution is found that provides sufficient value for Hydro and its shareholders.

OTHER ACTIVITIES

Other Activities include Seafood, Pronova, Industrial Insurance, and Technology and Projects.

EBITDA for Other Activities was substantially influenced by gains from the sale of operations. The divestment of the Hydro Seafood operation in the fourth quarter of 2000 generated a pre-tax gain of NOK 1,609 million. EBITDA for 1999 included a pre-tax gain of NOK 1,025 million on the sale of Pronova Biopolymer.

The sale of Hydro Seafood to Nutreco Holding includes Seafood s operations situated outside of the UK. The sale of Hydro Seafood s British subsidiary, Golden Sea Produce Ltd. (GSP), was not sanctioned by the British competition authorities. In accordance with the agreement with Nutreco, GSP will be sold to a third party in such a way that Hydro will receive the initial price agreed with Nutreco. The result relating to this part of the overall disposal will be recorded when the sale has been concluded. The expected pretax gain is NOK 340 million.

EBITDA for Corporate Activities in 2000 includes earnings on the divestment of Hydro s ownership stake in Dyno which generated a profit of NOK 954 million. In addition, EBITDA was heavily influenced by a positive one-time effect relating to the change in method of allocating pension costs in the total amount of NOK 1,824 million. Earnings were also influenced by higher costs relating to the Company s new shared services unit, Hydro Business Partner, including costs in connection with rationalization (approximately NOK 70 million for staffing reductions) and the relocation of certain services.

LIQUIDITY AND CAPITAL RESOURCES

NOK million	2000	1999	1998
Cash flow provided by (used for):			
Operations	25,626	14,744	8,500
Investments	(3,630)	(8,366)	(11,612)
Financing	(8,129)	(1,233)	2,317
Increase (decrease) in cash and cash equivalents	14,331	5,499	(502)
Return on:			
Shareholders equity	21%	6%	8%
CROGI	12.3%	8.4%	7.7%
Long-term debt/equity ratio	0.39 [1)]	0.69	0.49

1) Adjusted for excess cash and cash equivalents over a normal level of NOK 10 billion.

Cash flow

Cash provided by operations in 2000 of NOK 25,626 million was 74 percent above the level in 1999 and nearly three times higher than the 1998 level, due mainly to improved earnings. Cash and cash equivalents for 2000 and 1999 increased accordingly while increases in net working capital requirements in 1998 somewhat reduced cash and cash equivalents.

Cash used for investing activities decreased by 57 percent from 1999, due mainly to higher proceeds from sales of investments in 2000 than in 1999. Investments in property, plant and equipment amounted to NOK 11,943 million in 2000, which was 8 percent lower than in 1999 and 3 percent lower than in 1998. Purchase of other long-term investments, which includes the purchase of subsidiaries and other ownership interests, was NOK 4,348 million in 2000 compared to NOK 907 million in 1999. See Investments below for an analysis of expenditures for property, plant and equipment and Long-term investments.

In 2000, NOK 8,129 million was used in financing activities. By comparison NOK 1,233 million was used in 1999 and NOK 2,317 million was provided in 1998. Repayments of loans totaled NOK 6,328 million in 2000, while short-term and long-term proceeds were NOK 993 million.

Short and long term borrowings

Short-term bank loans and the current portion of long-term debt increased to NOK 11,297 million at the end of 2000 from NOK 8,268 million at the end of 1999.

Hydro s long-term interest bearing debt at the end of 2000 was NOK 40,174 million, compared to NOK 42,228 million at the end of 1999. During 2000, Hydro increased its EURO bonds by 100 million and redeemed debentures in the aggregate principal amount of USD 400 million. In May 2000, the Company completed an exchange of NOK 1 billion in long-term debt and substantially all of three series of debentures, in the aggregate principal amount of USD 700 million, representing debt assumed in the Saga acquisition, for debt securities of comparable terms issued by Norsk Hydro ASA.

Long-term debt is denominated principally in Norwegian kroner and US dollars. Weighted average interest rates range from 5.5 percent to 8.4 percent. Payments terms on long-term debt varies with approximately 22 percent falling due within the next five years and the remainder thereafter. See note 19 in Notes to the consolidated financial statements for more comprehensive information on the composition of long-term debt.

Net interest bearing debt (short- and long-term interest bearing debt, including the current portion of long-term debt, less cash and cash equivalents) at the end of 2000 was NOK 29.7 billion, compared to NOK 43.1 billion at the end of 1999. The decrease in net interest bearing debt resulted from the substantial increase in net cash provided by operating activities. Substantially all unsecured debt agreements contain provisions restricting the pledging of assets to secure future borrowings without granting equivalent status to existing lenders. Certain agreements allow early redemption at par value or specified premiums.

As of 31 December 2000, Hydro had committed and unused short-term credit facilities totaling approximately NOK 3,550 million. The Company also has agreements for long-term standby credit facilities totaling USD 2,000 million. There were no borrowings under these agreements as of 31 December, 2000.

There are no substantial restrictions on the use of borrowed funds under Hydro s material credit or debt facilities.

Hydro anticipates that cash from operations, the proceeds from the issue of debentures and notes and credit facilities currently in place will be sufficient to meet all planned capital expenditures and financial commitments in 2001.

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Minority interest and Shareholders equity

Minority interest increased by 7 percent to NOK 1,419 million in 2000.

Shareholders equity was NOK 71,227 million at the end of 2000, an increase of 19.7 percent compared to 1999 reflecting the strong operating results for the year.

Use of financial instruments

Hydro is exposed to foreign currency risk, primarily the US dollar, and interest rate risk. Prices of many of the Company s most important products and raw materials are heavily influenced by the US dollar exchange rate either directly or indirectly. The launch of the Euro may lead to a shift of this exposure over time.

Hydro uses foreign currency forwards, options and swaps as well as interest rate swaps to manage currency and interest rate risks. Hydro considers all significant financial derivatives to be held for this purpose. The Company s use of financial derivatives is monitored and controlled on a centralized basis.

Hydro denominates a substantial portion of its long-term debt either directly, or through currency swaps, in US dollars in order to hedge both market risk and financial risk. Part of the Company s foreign denominated debt, together with related currency balances arising from foreign currency swaps and forwards, are designated hedges of net investments in foreign subsidiaries.

Hydro s policy is to maintain a high proportion of long-term, fixed rate debt. Using currency and interest rate swaps allows the Company to reduce the cost of its loan portfolio by expanding the number of potential lenders and the range of terms and conditions available.

Hydro also uses foreign currency forwards to mitigate the effects of currency imbalances in short term cash flows.

Investments

In 2000, Hydro invested NOK 8,322 million in new and existing fields and transportation systems. Snorre 2, Oseberg South, Terra Nova and Åsgard were the four most important development projects in 2000. The largest investments for Aluminium Metal Products in 2000 was the construction of a new remelt plant in Kentucky and the acquisition of an ownership interest in Alunorte in Brazil. Investments for Aluminium

Extrusion related primarily to the acquisition of Wells Aluminum Corporation, the establishment of Hydro Aluminium Wuxi and the addition of four new extrusion presses in France, Spain and Italy. Magnesium investments in 2000 related to a new facility in China for conversion of local magnesium to high quality alloy ingots. A significant part of the 2000 investment for Plant Nutrition related to the acquisition of Trevo.

Investments [1)]

Amounts in NOK million	**2000**	**%**	**1999**	**%**	**1998**	**%**
Exploration and Production	8,322	50	7,051[2)]	57	6,415	47
Energy	123	1	93	1	209	2
Oil Marketing	63		88	1	143	1
Eliminations	29					
Hydro Oil and Energy	8,537	52	7,232	59	6,767	50
Aluminium Metal Products	2,561	15	983	8	953	7
Aluminium Extrusion	1,962	12	558	5	641	5
Other Light Metals	552	3	590	5	1,159	8
Eliminations						
Hydro Light Metals	5,075	31	2,131	18	2,753	20
Plant Nutrition	1,093	7	1,267	10	2,132	16
Gas and Chemicals	240	1	259	2	491	4
A/S Korn og Foderstof Kompagniet	548	3	476	4	253	2
Eliminations						
Hydro Agri	1,881	11	2,002	16	2,876	21
Petrochemicals	540	3	555	4	526	4
Other Activities [3)]	317	2	288	2	228	2
Segments	16,350	99	12,208	99	13,150	97
Corporate	240	1	117	1	413	3
Eliminations	(25)					
Total	16,565	100	12,325	100	13,563	100

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

2) Excluding effects of Saga acquisition of approximately NOK 40,700 million.

3) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance, and Technology and Projects.

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Investments relating to exploration and production activities in 1999 were NOK 7,051 million excluding the effects of the Saga acquisition. Terra Nova, Snorre 2, Åsgard and Oseberg South were the most important development projects in 1999. For Aluminum Metal Products, the upgrade of the Årdal Carbon plant and the increase in cast house capacity in the Årdal Metal plant, were the largest investment projects in 1999. Capital expenditures for Aluminum Extrusion included significant upgrading of manufacturing facilities at six plants as well as increasing ownership of Building Systems operations in Austria, the Czech Republic and Hungary and acquiring a new company in Switzerland. A new welded tube plant was also opened in the US in 1999. Investments in Plant Nutrition for 1999 concentrated on maintenance of existing plants and upgrading of the ammonia plants in Le Havre and Porsgrunn.

In 1998, Hydro invested NOK 6,415 million in field development. Terra Nova, Åsgard and Visund were the three most important development projects. The largest investment project for Aluminium Metal Products in 1998 was the upgrading and expansion of the carbon plant in Årdal. Magnesium s investments in 1998 included an increase in ownership percentage from 27 percent to 49 percent in the Canadian company, Meridian Technologies. Investments in Plant Nutrition in 1998 related primarily to maintenance of existing plants and upgrading of the ammonia plant in Porsgrunn.

Material commitments for capital expenditures

Contract commitments for investments in property, plant and equipment relating to land-based activities and oil and gas field activities and transport systems at the end of 2000 were NOK 785 million and NOK 11,984 million respectively. Additional authorized future investments representing projects formally approved by the Board of Directors or management were NOK 1,507 million relating to land-based activities and NOK 1,872 million relating to oil and gas field activities and transport systems. Hydro expects that cash flow from operations and normal financing activities will be adequate to fund these expenditures.

RESEARCH AND DEVELOPMENT

The Group spent a total of approximately NOK 898 million, NOK 1,043 million and NOK 1,044 million during 2000, 1999 and 1998 respectively, on research and development activities.

The Group engages in research and development, both to maintain its competitive position and to develop new products and processes. The Group has reinforced its efforts to utilize its ecological knowledge as a competitive advantage. Several segments have carried out life cycle analyses for their products and are working with customers on possibilities for reuse, recycling, waste reduction, and lower energy consumption both in production and over the life of the product. Hydro maintains major research centers in Porsgrunn and Bergen in Norway, with a combined staff of approximately 542 as well as smaller research groups in several other locations. In February 2001, Hydro divided the Porsgrunn facility into four units, of which three are dedicated to support the Company s main business areas. The Bergen facility is dedicated to the Group s oil and gas activities. Research centers for Hydro Aluminium are located at Karmøy, Årdal, Raufoss and Sunndal in Norway, and in Tønder, Denmark and Michigan, US.

The following highlights major contributors to total research and development costs incurred in 2000.

Hydro Oil and Energy incurred research and developments costs in 2000 totaling approximately NOK 136 million, mainly by Exploration and Production. The amount incurred was primarily aimed at exploration technology, virtual reality, increased oil recovery, multiphase transportation, well technology, deep water technology, subsea solutions and health, safety and environment with the purpose of reducing field development and operating costs. Hydrogen as a future energy carrier as well as reduction of emissions of carbon dioxide is included in Hydro s research and development programs.

Hydro Light Metals incurred a total of NOK 331 million in research and development costs in 2000. Aluminium Metal Products incurred NOK 112 million relating to work on core technologies, new products and processes. NOK 93 million was incurred by Aluminium Extrusion focusing on metallurgy and die technology. Other Light Metals incurred NOK 126 million in 2000 to Hydro Light Metals. Automotive Structures incurred NOK 29 million of this total. Activities were primarily focused on improvements of material and production processes, as well as development of new products in order to be an attractive partner to the automotive industry. Magnesium incurred NOK 61 million aimed towards increasing productivity and product quality. The Hydro Light Metals research centre in Porsgrunn works

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closely with magnesium market development personnel in Detroit, Bottrup, Brussels and Tokyo, Japan, to promote and develop applications for magnesium, particularly in the automotive industry. Aluminium Rolled Products incurred NOK 36 million in research and development costs in 2000.

Research and development costs for the Hydro Agri area were NOK 147 million in 2000. Plant Nutrition incurred NOK 134 million and Gas and Chemicals incurred NOK 13 million of the total. These costs related to projects focused on improvements of products and production processes, including solving environmental issues.

Petrochemicals incurred NOK 52 million in research and development costs in 2000. The main research and development areas are process improvements in VCM and PVC technology, aiming at higher productivity and lower costs and PVC formulation developments with a view to minimizing the environmental impact of the PVC life cycle. More radical research and development includes new technology for the production of multi-modifier particles for PVC as well as an alternative process for large scale monetisation of natural gas by converting gas to olefins via methanol.

RISK MANAGEMENT

Hydro s primary market risks are commodity price risks arising mainly from fluctuations in the prices of crude oil, aluminium, natural gas, electricity, and fertilizers. In addition, Hydro is also exposed to foreign currency exchange rate risk due to the fluctuations of the Norwegian kroner against other currencies, primarily the US dollar, and interest rate risk.

Total company

A substantial part of Hydro s products are commodities. Commodities are subject to significant fluctuations in supply and demand which strongly affect prices and profitability.

Prices of many of Hydro s most important products, mainly crude oil, aluminium, natural gas and magnesium, are either determined in US dollars or are influenced by local currency rates against the US dollar. The cost of raw materials, including natural gas, NGLs, and alumina, are affected by the US dollar price of crude oil, and fluctuations in the US dollar against local currencies.

Hydro s policy is to manage its total risk based on a portfolio view. A corporate risk management board was formed in 2000 to establish a total company framework for risk management. Within this framework the operating units enter into derivative financial and commodity instruments aimed to reduce Hydro s total cash flow risk. The reduction in cash flow risk is intended to improve Hydro s ability to pursue a more aggressive growth strategy.

The derivative financial and commodity instruments that Hydro uses to manage its primary market risks are as follows:

futures: crude oil, aluminium, electricity

forwards: crude oil, aluminium, electricity, natural gas, foreign currency

options: crude oil, aluminium, electricity, foreign currency

swaps: crude oil, aluminium, NGLs, foreign currency, interest rate

Hydro considers all significant derivative financial and commodity instruments to be held for purposes of managing foreign currency exchange rate, interest rate, and commodity price exposures. Instruments held for speculative or trading purposes are considered immaterial. For accounting purposes, unless otherwise disclosed below, derivative financial and commodity instruments are marked-to-market with the resulting gain or loss reflected in income since most of such instruments do not meet the criteria for hedge accounting. This can result in volatility in earnings as the associated gain or loss on the related transactions may be reported in earnings in different periods. Hydro s use of various derivative commodity instruments is subject to the continuous oversight and control of the corporate risk management board and is periodically reviewed by corporate management. Policies are set to govern the limit for exposure to derivatives in terms of amount, duration, and quantities as well as providing stop-loss.

Commodity price risk

The following highlights Hydro s main commodity price risks.

Aluminium. Hydro is a leading producer of primary aluminium and aluminium fabricated products. Hydro also has considerable activities related to physical aluminium and raw material trading aimed at extending Hydro s role as a reliable and long-term supplier of raw materials and aluminium products. The objective of this trading is to optimize logistical costs and strengthen market positions by providing customers with flexibility in pricing and sourcing. In addition, Hydro also has considerable activity related to remelting and long-term commercial agreements to secure sourcing of casthouse products. As a producer, Hydro manages a portion of its aluminium price risk through the use of derivative instruments to reduce its exposure to changes in the aluminium price. To secure margins on physical contracts and achieve an average London Metal Exchange (LME) price on smelter production, Hydro enters into corresponding back-to-back futures and options contracts with the LME in order to eliminate the profit and loss effects due to changes in the aluminium price. Hydro manages its total trading activities on a portfolio basis, often taking LME positions based upon net exposures. Accordingly, it is difficult to meet certain hedge accounting criteria. Therefore, aluminium price volatility can result in significant fluctuations in the marked-to-market adjustments for LME positions recorded to operating income. However, the effect of price changes of future physical metal purchases and sales is expected to largely offset the marked-to-market adjustments for the LME futures and options contracts. As of year-end 2000 Hydro entered into net short positions with the LME to secure margins on physical future metal contracts to be delivered in 2001. Hydro also entered into collar options intended to offset the effects of backwardation. These options will be marked-to-market with no offsetting effects from other transactions.

In addition, Hydro engages in speculative trading within strict limits as defined by management. Volatility from market adjustments on speculative positions will not have offsetting effects from other transactions.

The objective of Hydro s price hedging program is to reduce its cash flow exposure related to its primary metal production. In 1999, Hydro entered into short positions using LME contracts as a hedge against the risk of lower prices for anticipated metal sales of primary production in 1999 and 2000. These transactions meet certain hedging criteria, and therefore, qualify for hedge accounting. As of 31 December, 2000 the deferred gain on the hedge contracts was NOK 6 million compared to a deferred loss of NOK 246 million at year-end 1999. In accordance to the new accounting standard, SFAS 133, the deferred gain will be reclassed to shareholders equity as a one-time transition adjustment as of 1 January, 2001. The following describes the hedging strategies for 2001 that qualify and have been designated for hedge accounting under SFAS 133.

During the second half of 2000, Hydro entered into short positions using LME futures contracts as a hedge against the risk of lower aluminium prices for forecasted sales of primary metal production for the period 2001 to 2003. In connection with the planned expansion project at the Sunndal Metal plant, Hydro is exposed to commodity price and foreign currency exchange rate variability in future cash flows. As a result, Hydro entered into short positions during the fourth quarter of 2000 using LME futures to secure an average LME price for a certain tonnage of forecasted sales of primary metal production per year for the period 2003 to 2007. Simultaneously, Hydro entered into US dollar currency forwards to secure the US dollar exchange rate against NOK for the same tonnage in the same period. The intent is to secure an average aluminum price of approximately NOK 14,000 for a certain tonnage of forecasted sales of primary metal production per year for the period 2003 to 2007. Hydro also has a 10 year commitment with Aluvale to purchase a fixed tonnage of remelt ingot per year. At the end of 2000, Hydro entered into short positions using LME futures to hedge against the fluctuations in the fair value of the purchase commitment due to changes in the LME price of aluminium over the period of 2001 to 2006.

Gas. Hydro is a producer, consumer, buyer and seller of gas. The production from the Norwegian Continental Shelf is sold through the Gas Negotiating Committee (GNC). The consumption is mainly sourced by long-term contracts with major producers and distributors. Hydro is mainly involved in physical over-the-counter forward contracts traded bilaterally in the UK and on the European continent. The main purpose of this activity is to secure gas deliveries to its customers, to reduce the risk in the gas portfolio against unfavorable fluctuations in price, and to participate in limited speculative trading within strict limits defined by management. Activities qualifying as energy trading contracts under EITF 98-10, Accounting for Contracts Involved in Energy Trading and Risk Management Activities are marked-to-market with the related adjustments reflected in operating income.

Electricity. Hydro is a producer, consumer, buyer and seller of electricity. In Norway, Hydro s consumption of electricity exceeds its production. In Europe, only a small scale embedded production exists and consumption is considerably higher. This deficit is principally covered through long-term purchase contracts with other Norwegian producers and other European suppliers. Hydro s demand and supply balance can also be affected by other factors, such as seasonal variations in the level of its production, which is influenced by precipitation and reservoir levels.

Hydro utilizes derivative instruments, such as futures, forwards and options, and physical contracts that are traded either bilaterally or over electricity exchanges. The main purpose of this activity is to secure electricity in the market for its own consumption and delivery commitments, to reduce the risk in the electricity portfolio against unfavorable fluctuations in price, and to participate in limited speculative trading within strict limits defined by management.

Oil. Hydro produces and sells crude oil and refined petroleum products. Hydro has purchased put options to hedge a portion of 2001 s oil production against the risk of declining oil prices. These put options entitle Hydro to sell 15 million barrels of oil in the first half of 2001 for an average strike price of USD 18 per barrel. In January 2001 Hydro purchased additional put options entitling Hydro to sell 45 million barrels of oil for the period covering the second half of 2001 to 2002 for an average strike

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price of USD 16 per barrel. Hydro utilizes futures, physical and financial swaps and options with international oil and trading companies. These instruments are used to mitigate unwanted price exposure for a portion of its crude oil portfolio production and certain inventories of oil or petroleum products at its partly owned refinery in Sweden.

Foreign currency exchange rate risk

Hydro s primary foreign currency risk is tied to local currency fluctuations against the US dollar. To reduce the long-term effects of fluctuations in US dollar exchange rates, Hydro incurs most of its debt in US dollar. Approximately 67 percent of Hydro s long-term debt is in US dollars. The remaining long-term debt is denominated in Norwegian kroner, Euro, Swedish kroner, and British pounds. Hydro s operating income is most likely to be improved when the US dollar appreciates against European currencies, whereas financial expense, including interest expense and net foreign currency losses, is likely to be negatively affected. In addition, the effects of translation of local currency financial statements of subsidiaries outside of Norway into Norwegian kroner can influence comparative results of operations.

Hydro primarily employs foreign currency swaps and forward currency contracts to modify the currency exposures for Hydro s long-term debt portfolio. Foreign currency swaps allow Hydro to raise long term borrowings in one currency and swap them into another with lower funding costs rather than borrowing directly in the second currency. Forward currency contracts are entered to safeguard cash flows for anticipated future transactions or to cover short-term liquidity needs in one currency by excess liquidity available in another currency. Entering into short-term forward currency contracts also reduces funding costs compared with drawing a short-term loan in one currency and investing short-term in another.

In order to mitigate further its exposure to foreign currency risk, Hydro has designated a portion of its foreign denominated long-term debt, including certain related balances in currencies arising from foreign currency swaps and forwards, as hedges of net foreign investments in subsidiary companies. The foreign exchange gains and losses on this debt are recorded as a separate component of equity.

Interest rate risk

Hydro is exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and fund its business operations. Management s strategy is to have debt with long average life and stable interest payments at the lowest possible level. Hydro maintains a high ratio of long-term, fixed-rate debt with an even debt repayment schedule and adequate resources to allow for financial flexibility. Hydro uses from time to time derivative financial instruments such as foreign currency and interest rate swaps to minimize its exposure to interest rate risks.

Sensitivity analysis

Hydro has chosen sensitivity analysis to provide information about its potential exposure to hypothetical loss for derivative instruments and financial instruments in compliance with requirements of the Securities and Exchange Commission (SEC).

The sensitivity analysis reflects the hypothetical loss in fair values assuming a 10 percent change in rates or prices and no changes in the portfolio of instruments for the year ended 31 December, 2000. Hydro s management cautions against relying on the information presented. This is due to the arbitrary nature of assumptions involved, the inability of such a simple analysis to model reality, continuous changes to its portfolio and the exclusion of certain of Hydro s positions necessary to reflect the net market risk of the group. Accordingly, the information does not represent management s expectations about probable future losses. The most significant limitations on the figures provided are as follows.

The presentation only includes the effects of the derivative instruments discussed above and of certain financial instruments (see Footnote 2 below). It does not include related physical positions, contracts, and anticipated transactions that many of the derivatives instruments are meant to secure. A rate or price change of 10 percent will often result in a corresponding effect to the fair value of the physical or underlying position such that the resulting gains and losses would offset. In addition, as allowed by the SEC regulations, Hydro has excluded accounts payable and accounts receivable from the presentation which may have had a significant effect on foreign exchange risk figures provided.

The computations, which provide the most negative effect to Hydro of either a 10 percent increase or decrease in each rate or price, also do not take into account correlations which would be expected to occur between the risk exposure categories. For example, the effect that a change in a foreign exchange rate may have on a commodity price is not reflected in the table. Furthermore, it is not probable that all rates or prices would simultaneously move in directions that would have negative effects on Hydro s portfolio of instruments.

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

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Amounts in NOK million (unaudited)	Fair value as of 31 December, 2000 [1]	Hypothetical loss from +/- 10% change in: Interest rates	Foreign currency exchange rates	Commodity prices	Other
Derivative instruments related to:					
Commodities	139		23	426	
Other	(116)	17	1,122		
Financial instruments [2]	(29,611)	2,041	3,847		91

Amounts in NOK million (unaudited)	Fair value as of 31 December, 1999 [1]	Hypothetical loss from +/- 10% change in Interest rates	Foreign currency exchange rates	Commodity prices	Other
Derivative instruments related to:					
Commodities	(231)		18	203	
Other	(295)		571		
Financial instruments [2]	(38,280)	2,021	3,490		111

1) The change in fair value due to price changes is calculated based upon pricing formulas for certain derivatives, the Black-Scholes model for options and the net present value of cash flows for certain financial instruments or derivatives. Discount rates used vary as appropriate for the individual instruments.

2) Financial instruments include cash and cash equivalents, investments in marketable securities, bank loans and other interest bearing short-term debt and long-term debt. A substantial portion of the hypothetical loss in fair value for changes in interest rates relates to Hydro s long-term fixed rate debt. As Hydro expects to hold this debt until maturity, changes in the fair value of debt would not be expected to affect earnings.

During 2000, Hydro increased its bond loans in the European market from EURO 300 million to EURO 400 million and repaid a US dollar 400 million debt. Consequently, its position in long-term debt was reduced as compared with the previous year. Furthermore, during the course of the year, the Norwegian kroner devalued against the US dollar as compared to prior year. As a consequence of these activities, Hydro s positions in certain aluminium and electricity contracts and other financial instruments, along with their related market pries, have changed in such a manner that increased its exposure to risks related to commodity prices and foreign currency. These combined have led to an increase in the hypothetical losses in the fair value for the year ended 31 December, 2000. As discussed above, the hypothetical loss does not include, among other things, certain positions necessary to reflect the net market risk of the Group. Therefore, Hydro s management cautions against relying on the information presented. The remaining activities for 2000 have not materially impacted the other hypothetical losses in the fair value for the year ended 31 December, 2000.

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NORSK HYDRO ASA AND SUBSIDIARIES - US GAAP

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December,		
Amounts in NOK million (except per share amounts)	**Notes**	**2000**	**1999**	**1998**
Operating revenues	5	**156,861**	**111,955**	**105,784**
Raw materials and energy costs		94,082	70,707	70,762
Payroll and related costs	7, 20	14,852	14,051	13,081
Depreciation, depletion and amortization	5, 16	12,538	10,494	7,508
Other		6,788	8,336	8,603
Restructuring costs	6	135	632	
Operating costs and expenses	7	128,395	104,220	99,954
Operating income before financial items and other income	5	**28,466**	**7,735**	**5,830**
Equity in net income of non-consolidated investees	5, 14	672	339	410
Interest income and other financial income	8, 24	1,747	1,504	1,820
Other income, net	5, 9	3,161	1,350	
Earnings before interest expense and taxes (EBIT)		**34,046**	**10,928**	**8,060**
Interest expense and foreign exchange gain (loss)	8, 24	(3,905)	(3,055)	(2,229)
Income before taxes and minority interest		**30,141**	**7,873**	**5,831**
Current income tax expense	10	(13,711)	(3,553)	(1,379)
Deferred income tax expense	10	(2,429)	(741)	(611)
Tax effect of changes in tax law	10	(38)	(43)	11
Minority interest		18	(90)	(98)
Income before cumulative effect of change in accounting principle		**13,981**	**3,446**	**3,754**
Cumulative effect of change in accounting principle			(30)	
Net income	27	**13,981**	**3,416**	**3,754**
Earnings per share before change in accounting principle	3	53.40	13.90	16.40
Earnings per share	3	**53.40**	**13.80**	**16.40**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME *)

Net income	13,981	3,416	3,754

Net unrealized gain (loss) on securities available-for-sale	3	(3)	2	(851)
Net foreign currency translation adjustments	3	598	(523)	1,416
Minimum pension liability adjustment	3	(95)	(8)	(27)
Total other comprehensive income (loss), net of tax	3	500	(529)	538
Comprehensive income, net of tax		**14,481**	**2,887**	**4,292**

*) Changes in shareholders equity include net income together with other changes not related to investments by and distribution to shareholders. (See Note 3)

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

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NORSK HYDRO ASA AND SUBSIDIARIES - US GAAP

CONSOLIDATED BALANCE SHEETS

Amounts in NOK million	Notes	31 December, 2000	31 December, 1999
ASSETS			
Cash and cash equivalents	25	21,766	7,435
Other liquid assets	11, 25	2,491	2,535
Accounts receivable, less allowances of 970 and 792	25	27,555	23,254
Inventories	12	18,738	16,327
Prepaid expenses and other current assets	25	9,563	8,199
Current deferred tax assets	10	1,682	945
Current assets	5	**81,795**	**58,695**
Non-consolidated investees	14	7,211	6,966
Property, plant and equipment, less accumulated depreciation, depletion and amortization	16	95,025	102,498
Prepaid pension, investments and other non-current assets	13, 15, 20	10,983	7,989
Deferred tax assets	10	1,340	1,271
Non-current assets	5	**114,559**	**118,724**
Total assets	5	**196,354**	**177,419**
LIABILITIES AND SHAREHOLDERS EQUITY			
Bank loans and other interest-bearing short-term debt	17, 25	9,088	7,361
Current portion of long-term debt	19, 25	2,209	907
Other current liabilities	18, 25	33,171	28,509
Current deferred tax liabilities	10	258	216
Current liabilities		**44,726**	**36,993**
Long-term debt	19, 25	40,174	42,228
Accrued pension liabilities	20	2,735	2,287
Other long-term liabilities	21, 25	4,686	4,734
Deferred tax liabilities	10	31,387	30,357
Long-term liabilities		**78,982**	**79,606**
Minority shareholders interest in consolidated subsidiaries		**1,419**	**1,323**
Share capital	3	5,332	5,332
Additional paid-in capital	3	15,059	15,055
Retained earnings	3	51,647	39,761
-Treasury stock	3	(2,224)	(1,564)

Accumulated other comprehensive income	3	1,413	913
Shareholders equity	3, 27	**71,227**	**59,497**
Total liabilities and shareholders equity		**196,354**	**177,419**

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

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NORSK HYDRO ASA AND SUBSIDIARIES - US GAAP and N GAAP [1)]

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December,		
Amounts in NOK million	**Notes**	**2000**	**1999**	**1998**
Operating activities:				
Net income		13,981	3,416	3,754
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	5	12,538	10,494	7,508
Restructuring costs	6	135	632	
Equity in net income of non-consolidated investees	5, 14	(672)	(339)	(410)
Dividends received from non-consolidated investees	14	398	550	330
Cumulative effect of accounting changes	1		30	
Deferred taxes	10	2,467	784	600
Gain on sale of non-current assets		(3,162)	(1,282)	(1,017)
Loss on foreign currency transactions	8	655	304	361
Net sales (purchases) of trading securities		(115)	374	298
Other		377	28	42
Working capital changes that provided (used) cash:				
Receivables		(3,149)	(2,823)	(1,007)
Inventories		(2,461)	(948)	(346)
Prepaid expenses and other current assets		(616)	(3,374)	(291)
Other current liabilities		5,250	6,898	(1,322)
Net cash provided by operating activities		**25,626**	**14,744**	**8,500**
Investing activities:				
Purchases of property, plant and equipment		(11,943)	(13,029)	(12,321)
Acquisition of Saga Petroleum ASA	2		719	
Purchases of other long-term investments		(4,348)	(907)	(1,550)
Net sales (purchases) of short-term investments		(15)	32	(16)
Proceeds from sales of property, plant and equipment		1,334	1,956	274
Proceeds from sales of other long-term investments		11,342	2,863	2,001
Net cash used in investing activities		**(3,630)**	**(8,366)**	**(11,612)**
Financing activities:				
Loan proceeds		993	21,707	7,614
Principal repayments		(6,328)	(19,626)	(3,579)
Ordinary shares purchased	3	(763)	(1,599)	
Ordinary shares issued		63	3	
Dividends paid	3	(2,094)	(1,718)	(1,718)
Net cash provided by (used in) financing activities		**(8,129)**	**(1,233)**	**2,317**
Foreign currency effects on cash flows		464	354	293

Net increase (decrease) in cash and cash equivalents		**14,331**	**5,499**	**(502)**
Cash and cash equivalents at beginning of year		7,435	1,936	2,438
Cash and cash equivalents at end of year		**21,766**	**7,435**	**1,936**
Cash disbursements were made for:				
Interest (net of amount capitalized)		1,460	887	929
Income taxes		8,027	1,868	3,314

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

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

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NORSK HYDRO ASA AND SUBSIDIARIES - N GAAP

CONSOLIDATED INCOME STATEMENTS

		Year ended 31 December,		
Amounts in NOK million	**Notes**	**2000**	**1999**	**1998**
Operating revenues	5	**156,861**	**111,955**	**105,784**
Raw materials and energy costs		95,146	70,666	70,820
Change in inventories of own production		(1,064)	41	(58)
Payroll and related costs	7, 20	14,852	14,051	13,082
Depreciation, depletion and amortization	5, 16	12,538	10,494	7,508
Other		6,773	8,317	8,604
Restructuring costs	6	135	632	
Operating costs and expenses	7	128,380	104,201	99,956
Operating income	5	**28,481**	**7,754**	**5,828**
Equity in net income of non-consolidated investees	5, 14	672	339	410
Interest income and other financial income	8, 24	1,747	1,504	1,820
Other income, net	5, 9	3,161	1,350	
Earnings before interest expense and taxes (EBIT)		**34,061**	**10,947**	**8,058**
Interest expense and foreign exchange gain (loss)	8, 24	(3,905)	(3,055)	(2,229)
Income before taxes and minority interest		**30,156**	**7,892**	**5,829**
Current income tax expense	10	(13,711)	(3,553)	(1,379)
Deferred income tax expense	10	(2,439)	(747)	(610)
Tax effect of changes in tax law	10	(38)	(43)	11
Net income		**13,968**	**3,549**	**3,851**
Minority interest		18	(90)	(98)
Net income after minority interest	27	**13,986**	**3,459**	**3,753**

Oslo 21 March, 2001

The Board of Directors of Norsk Hydro ASA

Borger A. Lenth	**Einar Kloster**	**Gudmund Olsen**

Benedicte Berg Schilbred	**Odd Semstrøm**
Anne Cathrine Høeg Rasmussen	**Tom Wachtmeister**
Egil Myklebust	**Per Wold**

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 27 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

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NORSK HYDRO ASA AND SUBSIDIARIES - N GAAP

CONSOLIDATED BALANCE SHEETS

Amounts in NOK million	Notes	31 December, 2000	31 December, 1999
ASSETS			
Deferred tax assets	10	1,562	1,687
Other intangible assets	15	2,171	1,168
Intangible assets		**3,733**	**2,855**
Property, plant and equipment	16	**95,025**	**102,498**
Non-consolidated investees	14	7,211	6,966
Prepaid pension, investments and other non-current assets	13, 15, 20	8,812	6,817
Financial non-current assets		**16,023**	**13,783**
Inventories	12	18,738	16,327
Accounts receivable, less allowances of 970 and 792	25	27,555	23,254
Prepaid expenses and other current assets		9,504	8,120
Other liquid assets	11, 25	2,491	2,535
Cash and cash equivalents	25	21,766	7,435
Current assets		**80,054**	**57,671**
Total assets	5	**194,835**	**176,807**
LIABILITIES AND SHAREHOLDERS EQUITY			
Share capital	3	5,332	5,332
- Treasury stock		(132)	(98)
Premium paid-in capital		15,055	15,055
Other paid-in capital		4	
Total paid-in capital		**20,259**	**20,289**
Retained earnings incl. treasury stock	3	50,541	38,521
- Treasury stock		(2,092)	(1,466)
Total retained earnings		**48,449**	**37,055**
Minority shareholders interest in consolidated subsidiaries		1,419	1,323

Shareholders equity	3, 27	**70,127**	**58,667**
Accrued pension liabilities	20	2,735	2,287
Deferred tax liabilities	10	30,175	30,020
Other long-term liabilities	21, 25	4,686	4,734
Long-term accruals		**37,596**	**37,041**
Long-term debt	19, 25	**40,174**	**42,228**
Bank loans and other interest-bearing short-term debt	17, 25	9,088	7,361
Current portion of long-term debt	19, 25	2,209	907
Dividends payable		2,470	2,094
Other current liabilities	18, 25	33,171	28,509
Current liabilities		**46,938**	**38,871**
Total liabilities and shareholders equity		**194,835**	**176,807**

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 27 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

NORSK HYDRO ASA AND SUBSIDIARIES

Notes to the consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries (Hydro) prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) are included on pages 68 to 70. The consolidated financial statements prepared in accordance with accounting principles generally accepted in Norway (N GAAP) are located on pages 70 to 72. Financial statement preparation requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

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

Note 27 provides a reconciliation and explanation of the differences between net income and shareholders equity for US GAAP and N GAAP.

Consolidation

The consolidated financial statements include Norsk Hydro ASA and subsidiary companies owned directly or indirectly more than 50 percent. Interests in oil and gas licenses are accounted for by the proportionate consolidation method. All significant intercompany transactions and balances have been eliminated.

Investments in companies (non-consolidated investees) in which Hydro has a substantial ownership interest of 20 to 50 percent of voting shares and exercises significant influence are accounted for using the equity method.

Business Combinations

Terms and conditions underlying the most previous acquisitions have resulted in purchase accounting treatment (vs. pooling). See note 2 for a description of significant acquisitions and disposals during the past three years. Purchase accounting involves recording assets and liabilities of the acquired company at their fair value at the time of acquisition. Any excess of purchase price over fair value is recorded as goodwill. When the ownership interest in a subsidiary is less than 100 percent, the recorded amount of assets and liabilities acquired reflect only Hydro s relative share of excess values.

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

Foreign Currency Translation

The financial statements of foreign operations which are not an integral part of the parent company s operations are translated using exchange rate at year end for the balance sheet, and average exchange rates for the income statement. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in Other comprehensive income. None of the Company s existing significant foreign operations are considered to be an integral part of the parent company for foreign currency translation purposes.

Foreign Currency Transactions

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

Revenue Recognition

Revenue from sales of products, including products sold in international commodity markets, is recognized when ownership passes to the customer. Generally, this is when products are delivered. Certain contracts specify price determination in a later period. In these cases, the revenue is recognized in the period prices are determinable. Rebates and incentive allowances are deferred and recognized in income upon the realization or at the closing of the rebate period.

Revenues from the production of oil and gas are recognized on the basis of the company s net working interest, regardless of whether the production is sold (entitlement method).

In 2000 Hydro has implemented SEC Staff Accounting Bulletin No 101, Revenue Recognition in Financial Statements (SAB 101). The implementation has not had a significant impact on revenue recognition.

Cash and Cash Equivalents

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

Other Liquid Assets

Other liquid assets include bank deposits and all other monetary instruments with a maturity between three and twelve months at the date of purchase and Hydro s current portfolio of marketable equity and debt securities. The securities in this

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NORSK HYDRO ASA AND SUBSIDIARIES

Notes to the consolidated financial statements

portfolio are considered trading securities and are valued at fair value (market). The resulting unrealized holding gains and losses are included in financial income and expense. Investment income is recorded when earned.

Inventories

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

Investments

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

For N GAAP, investments are valued at the lower of historical cost or market value. [Note 27].

Property, Plant and Equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation, depletion and amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If necessary, a write-down (impairment) to fair value is recorded based upon the criteria in Statement of Financial Accounting Standards (SFAS) No. 121.

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

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

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

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

Exploration and Development Costs of Oil and Gas Reserves Hydro uses the successful efforts method of accounting for oil and gas exploration and development costs. Exploratory costs, excluding the costs of exploratory wells, are charged to expense as incurred. Drilling costs for exploratory wells are capitalized pending the determination of the existence of proved reserves. If reserves are not found, the drilling costs are charged to operating expense. All development costs for wells, platforms, equipment and related interest are capitalized. Preproduction costs are expensed as incurred.

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

Machinery and equipment	8	25 percent
Buildings	2	5 percent
Other	10	20 percent

Producing oil and gas properties are depreciated as proved developed reserves are produced using the unit-of-production method calculated by individual field. Depreciation and depletion expense includes provisions for future abandonment and removal costs for offshore facilities.

Intangible Assets

Intangible assets and deferred charges with a defined and measurable relationship to future revenues, such as goodwill in subsidiaries and patents, are capitalized. Goodwill and other intangible assets are amortized on a straight line basis over the lesser of their benefit period or 10 years.

Oil and Gas Royalty

Oil and gas revenue is recorded net of royalties payable.

Research and Development

Research and development costs are expensed as incurred.

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Other Income (Expense), net

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

Income Taxes

Deferred income tax expense is calculated using the liability method in accordance with SFAS No. 109. Under this method, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis which are considered temporary in nature. Deferred income tax expense represents the change in deferred tax asset and liability balances during the year except for deferred tax related to items charged directly to equity. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective.

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

For N GAAP, Hydro follows the NRS (The Norwegian Accounting Standards Board) preliminary standard which, like SFAS No. 109, is based on the liability method. [Note 27].

Derivative Financial Instruments

Hydro engages in activities relating to derivative financialinstruments which represents an integral part of the company s management of total foreign currency and interest rate exposure.

Hydro does not normally hold derivative financial instruments for speculative purposes. Derivative financial instruments are normally marked to their market value with the resulting gain or loss reflected in net financial expense because the instruments do not meet the criteria for deferral accounting. See Note 25 for the balance sheet classification of these instruments.

Forward currency contracts and currency options are marked to their market value at each balance sheet date with the resulting unrealized gain or loss recorded under financial income or expense.

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

Swaption contracts are marked to their market value at each balance sheet date with the resulting unrealized gain or loss reflected in financial income or expense.

For N GAAP, unrealized gains are deferred.

Hydro is exposed to credit losses relating to derivative financial instruments having a positive fair value. See Note 25. Hydro limits this credit risk by dealing with various international banks with established limits for transactions with each institution.

Hydro does not normally enter into derivative financial instruments that require daily cash settlements for changes in value. At the settlement date, cash effects are included in the Statements of Cash Flows under operating activities.

Derivative Commodity Instruments

Hydro uses commodity futures, forwards, options and swaps primarily to manage exposure to movements in commodity prices and engages in a limited amount of speculative trading. Instruments that do not qualify for deferral accounting treatment are recorded as prepaid expenses and other current assets or liabilities when purchased. Adjustments for changes in the market value of the instruments are reflected in operating income.

Deferral accounting is applied to instruments purchased as part of a defined hedging strategy; when a reduction of enterprise risk has been demonstrated; where instruments are matched and designated as hedges to underlying hedged items (rather than being evaluated on a portfolio basis) and when it has been proven that there is a high correlation between gains and losses on the instrument and the hedged item. In such instances, deferred gains and losses are recorded to operating revenue or cost, as appropriate, in the same period as the hedged item. Certain of Hydro s derivative commodity instruments; London Metal Exchange (LME) futures and certain oil contracts meet the requirements for deferral accounting.

For N GAAP, unrealized gains and losses for speculative commodity futures and option contracts are netted for each portfolio and net unrealized gains are deferred as other short-term liabilities. [Note 27].

Hydro has some exposure to credit risk related to derivative commodity instruments. However, the risk is significantly limited because most instruments are settled through commodity exchanges. Hydro limits credit risks relating to other contracts with policies for credit ratings and limits for counterparties.

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

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New Pronouncements In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133). This standard, incorporating the amendments from SFAS 138, requires derivative instruments to be recorded in the balance sheet at their fair value. Changes in the fair values are recorded to earnings for each period unless specific hedge criteria are met. Changes in the fair value for qualifying cash flow hedges are recorded in equity and are realized in earnings in conjunction with the gain or loss on the hedged item or transaction. Changes in the fair value for qualifying fair value hedges offset corresponding changes in the fair value of the hedged item in the income statement. Hydro implemented SFAS 133 on 1 January, 2001. The statement will not have significant impact on Hydro s consolidated financial statements.

For N GAAP there is no change in accounting principles.

Stock-based Compensation

Hydro accounts for stock based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25 and provides disclosures required under SFAS 123. For fixed awards, compensation expense is recorded in the income statement based on any excess of market price of the Company s shares over the exercise price of options granted to employees as of the date of the grant if both the number of shares to be granted and the exercise price are known. For variable awards compensation cost is measured at the end of each period as the amount by which the market price of the Company s shares exceeds the price of the options. For variable awards where vesting depends on achieving a specified improvement in Hydro s share price, compensation cost is measured when it is probable the performance criteria will be met. Compensation is charged to expense over the periods the employee performs the related services.

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

Employee Retirement Plans

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

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

Accounting Changes

In 1999, Hydro implemented SOP (Statement of Position) 98-5 from the AICPA (American Institute of Certified Public Accountants) requiring all startup costs to be expensed as incurred. Previously capitalized costs were expensed in 1999. *For N GAAP, the effect of this is recorded to equity.*

Reclassifications

Certain amounts in previously issued consolidated financial statements were reclassified to conform with the 2000 presentation.

In 2000, Hydro changed the presentation of revenues for certain trading activities. Revenues and related cost for these activities were previously presented net reflecting only the related margins in revenues. These activities are now presented on a gross basis. This change resulted in an increase of Operating revenues and Raw materials of NOK 12.7 billion in 2000, NOK 9.5 billion in 1999 and NOK 8.3 billion in 1998 compared to former presentations. The change has no impact on results or equity.

2. BUSINESS COMBINATIONS AND DISPOSITIONS

Subsequent to and during the three years ended 31 December, 2000, Hydro entered into the following significant business combinations and dispositions.

2000 Acquisitions Hydro acquired 100 percent of the shares in Wells Aluminium Corporation, an aluminium extruder in the United States of America. The purchase price was NOK 1,352 million, including debt assumed of NOK 870 million.

In July, Hydro entered into an agreement to acquire 58 percent of Adubos Trevo, a Brazilian fertilizer company. As of 31 December 2000, 20.3 percent of the total shares and 51 percent of the voting shares have been transferred to Hydro. The purchase price for the total acquisition was NOK 374 million including assumed debt. Transfer of the remaining shares are expected to be finalized within the first six months of 2001.

2000 Dispositions During 2000, Hydro sold subsidiaries and ownership interests for a total consideration of NOK 10.3 billion. The dispositions resulted in a total pretax gain of NOK 3,161 million. In April, Hydro entered into an agreement with a Dutch company, Nutreco Holding N.V., to sell its salmon production and sales activities operating as Hydro Seafood AS. Approximately 80 percent of the total operations was transferred to Nutreco in November. The activities based in the United Kingdom are excluded as a result of objection from the UK competition authorities.

NORSK HYDRO ASA AND SUBSIDIARIES

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Hydro s activities on the British Continental Shelf were sold to Conoco (UK). These activities were acquired as a part of Hydro s acquisition of Saga Petroleum ASA (Saga) in 1999.

In addition, Hydro disposed of its shares in Dyno ASA and Autoplastics AB (now Sapa Autoplastics AB).

1999 Acquisitions Hydro and Den norske stats oljeselskap a.s (Statoil) jointly acquired all the outstanding ordinary shares of Saga, an independent oil and gas exploration and production company. The consideration paid by Hydro consisted of a cash payment and one ordinary share for every three shares of Saga. The aggregate value of the payment per Saga share was NOK 135. All of Saga s outstanding ordinary shares were acquired, representing a total value of NOK 20.2 billion.

As part of the agreement, certain of Saga s oil and gas production licenses having a market value of NOK 8.4 billion were transferred to Statoil in exchange for all of Statoil s shares in Saga and a cash payment of NOK 4,361 million. The transfer to Statoil was made with effect from 1 July, 1999 and the cash payment was received by Hydro in December 1999.

Hydro s acquisition cost was NOK 16.3 billion. The purchase was executed by the issuance of 37.5 million ordinary shares and a cash payment of NOK 4,629 million. Saga was included in Hydro s consolidated financial statements beginning 1 July, 1999 and the assets and liabilities acquired were recorded at their fair value. The fair value allocated to Saga s oil and gas production licenses and certain pipelines was NOK 11.6 billion (after adjustments recorded in 2000 - see below).

Amounts in NOK million	
Total value of Saga shares	16,246
Costs and transaction fees	52
Hydro s purchase price	16,298
Allocation of purchase price	
External cash and cash equivalents	1,039
Other current assets	7,337
Property, plant and equipment	37,228
Other noncurrent assets	451
Short-term debt	(3,322)
Long-term debt	(15,769)
Other long-term liabilities	(10,666)
Fair value of net assets of Saga as of 1 July, 1999 after elimination of assets acquired by Statoil	16,298

The following adjustments to the fair value of recorded assets and liabilities resulted from decisions by the Norwegian authorities relating to Saga s tax position as well as other new information obtained by the company:

Amounts in NOK million	
Other long-term liabilities	(1,275)
Saga s oil and gas production licenses and pipelines	(1,275)

The changes are included in the amounts in the above statement.

1999 Dispositions Hydro disposed of the following significant subsidiaries or ownership interests for aggregate proceeds of NOK 2.4 billion, resulting in a pre-tax gain of NOK 1,408 million:

Company	Location	Business
Mabo activities	Norway	Petrochemicals
Hydro Coatings	United Kingdom	Petrochemicals
Pronova Biopolymer a.s activities	Norway	Alginates

Hydro and Gränges AB (now Sapa AB) merged their respective autoplastics activities and formed Gränges Autoplastics AB (now Autoplastics AB). The transaction was accounted for as a non-monetary exchange, in which Hydro exchanged shares in subsidiaries for a 40 percent ownership in the new company. The transaction was recorded at fair value and resulted in a pretax loss of NOK 58 million.

1998 Acquisitions Hydro increased its ownership interest in Meridian Technologies Inc. from 27 percent to 49 percent for an

aggregate purchase price of NOK 460 million. See Note 14.

Pro Forma Information (Unaudited)

The following unaudited pro forma information has been prepared assuming Saga was acquired as of the beginning of 1999.

Amounts in NOK million	31 December, 1999
Assets	169,733

Amounts in NOK million	Year 1999
Operating revenues	114,386

Operating income	6,663
Net income	2,066
Earnings per share in NOK	7.80

This pro forma information has been prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the transaction occurred on the date described above. The effect of the remaining acquisitions and dispositions for 2000 and 1999 is not significant.

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3. CONSOLIDATED SHAREHOLDERS EQUITY

Amounts in NOK million except number of shares in thousands	Ordinary Shares issued Norsk Hydro ASA		Additional paid-in	Total paid-in	Retained	Treasury Stock Norsk Hydro ASA		Accumulated other comprehensive	Total shareholders
	Number	Amount	capital	capital	earnings	Number	Amount	income	equity [1)]
Balance 31 December, 1997	229,073	4,581	4,203	8,784	36,029			904	45,717
Net income 1998					3,754				3,754
Dividend declared and paid (NOK 7.50 per share)					(1,718)				(1,718)
Net unrealized loss on securities								(851)	(851)
Minimum pension liability								(27)	(27)
Foreign currency translation								1,416	1,416
Balance 31 December, 1998	229,073	4,581	4,203	8,784	38,065			1,442	48,291
Net income 1999					3,416				3,416
Dividend declared and paid (NOK 7.50 per share)					(1,718)				(1,718)
Common shares issued in Saga acquisition	37,524	751	10,852	11,603					11,603
Net unrealized gain on securities								2	2
Minimum pension liability								(8)	(8)
Foreign currency translation								(523)	(523)
Purchase of treasury stock						(5,000)	(1,599)		(1,599)
Treasury stock reissued to employees					(2)	109	35		33
Balance 31 December, 1999	266,597	5,332	15,055	20,387	39,761	(4,891)	(1,564)	913	59,497
Net income 2000					13,981				13,981
					(2,094)				(2,094)

Dividend declared and paid (NOK 8.00 per share)									
Net unrealized loss on securities								(3)	(3)
Minimum pension liability								(95)	(95)
Foreign currency translation								598	598
Purchase of treasury stock						(2,041)	(763)		(763)
Treasury stock reissued to employees			4	4	(1)	322	103		106
Balance 31 December, 2000	266,597	5,332	15,059	20,391	51,647	(6,610)	(2,224)	1,413	71,227

1) See note 27 for a reconciliation to N GAAP equity.

Components of Accumulated Other Comprehensive Income and Related Tax Effects

	31 December, 2000			31 December, 1999			31 December, 1998		
Amounts in NOK million	**Pretax**	**Tax**	**Net**	**Pretax**	**Tax**	**Net**	**Pretax**	**Tax**	**Net**
Unrealized gain on securities				5		5	16	(1)	15
Less: Reclassification adjustment	(3)		(3)	(3)		(3)	(1,165)	299	(866)
Net unrealized gain (loss) on securities	(3)		(3)	2		2	(1,149)	298	(851)
Foreign currency translation	754	162	916	(526)	(14)	(540)	1,256	160	1,416
Less: Reclassification adjustment	(318)		(318)	17		17			
Net foreign currency translation	436	162	598	(509)	(14)	(523)	1,256	160	1,416
Minimum pension liability adjustment	(132)	37	(95)	(11)	3	(8)	(11)	(16)	(27)
Total accumulated other comprehensive income	301	199	500	(518)	(11)	(529)	96	442	538

Norsk Hydro ASA had authorized and issued 266,596,650 ordinary shares having a par value of NOK 20 per share for the years ended 31 December, 2000, and 1999. For the year ended 31 December, 1998, Norsk Hydro ASA had authorized, issued and outstanding 229,072,674 ordinary shares having a par value of NOK 20 per share. As of 31 December, 2000, 6,610,580 shares were treasury stock resulting in 259,986,070 outstanding ordinary shares (for 1999 261,705,562 outstanding ordinary shares). For N GAAP, the amount for the treasury stock of NOK 2,224 million was comprised of NOK 132 million for share capital and NOK 2,092 million for retained earnings. In 2000, Hydro acquired 2,041,446 of the company s own shares for a market price of NOK 763 million. The share repurchase was authorized at the Annual General Meeting. The shares may be used as consideration in connection with commercial transactions or share schemes for the employees and employee representatives. In June and December 2000, Hydro sold 321,954 shares of its treasury stock to employees for a price of NOK 106 million. The weighted average number of outstanding shares for the year ended 31 December, 2000 was 261,620,982. As a result of the Saga acquisition, the Kingdom of Norway s ownership interest in Norsk Hydro ASA has been reduced. As of 31 December, 2000, the ownership interest was 44.9 percent adjusted for treasury stock. The share capital and paid-in premium in Norsk Hydro ASA s balance sheet are not available for dividend purposes. Included in the retained earnings for the group are restricted reserves in certain subsidiary companies amounting NOK 17,684 million that are not available for dividend purposes.

4. STOCK-BASED COMPENSATION

In 1999, Hydro adopted a stock compensation plan granting stock options to corporate officers and to certain key employees. The options can be exercised in the period from 1 January, 2001 to 31 December, 2002. The employee must retain 50 percent of the shares acquired under the plan for at least one year after the exercise date. The options expire if the employee voluntarily leaves the company before exercising the options and are generally non-transferable. All the shares authorized have been granted.

Options outstanding	Number of shares	Strike price (in NOK)	Fair value per share (in NOK)
1 January, 2000	165,000	367.50	42
Exercised			
Cancelled			
31 December, 2000	165,000	367.50	42
Options exercisable:			
31 December, 2000			

Pro Forma Information (Unaudited)

Statement of Financial Accounting Standards (SFAS) No. 123 requires disclosure of certain pro forma information based on the estimated fair value of the options granted if the intrinsic value method is used to measure compensation expense. See Note 1. Under the fair value method defined by SFAS No. 123, compensation expense is measured by using estimated fair value of the options at the date of the grant. For the pro forma disclosure, the estimated fair value is amortized from the date of the grant until the options become exercisable. The following unaudited pro forma information is presented as if the fair value method of accounting for stock-based compensation had been used.

In NOK millions, except for earnings per share

(unaudited)	**2000**	**1999**
Pro forma net income	13,974	3,416
Pro forma earnings per share	53.40	13.80

Hydro used a valuation model based on the Black-Scholes option-pricing model. The assumptions used in the model are: expected life of 2 years, expected volatility of 31 percent, and a risk-free interest of 5.9 percent and a dividend yield of about 2.5 percent.

In March 2001, the Board approved a new stock option plan for corporate officers and certain key employees, in addition to expanding the existing subsidized share-purchase plan for employees.

The stock option plan will cover around 30 persons in Hydro s top management and will be linked to shareholder returns over a three-year period. This year s distribution will consist of options for up to 10,000 shares for the president and CEO, 7,000 for others in corporate management board, and 2,000 - 3,500 for other participants. The options give the right to purchase the shares within a two-year period following the three-year performance period. The options vest in full only if shareholder return in the performance period has been 20 percent annually.

For Hydro s other employees in Norway, the board has decided that the current share-purchase rebate will be increased to NOK 6,000 from NOK 1,500 in the years that shareholder return in the previous year reached a minimum of 12 percent. The plan will be implemented this year if the company s share price from May 2000 to May 2001 increases by 12 percent. The intention is that similar plans will be proposed for employees outside of Norway.

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Notes to the consolidated financial statements

5. OPERATING AND GEOGRAPHIC SEGMENT INFORMATION

Operating segments are components of a business that are evaluated regularly by dedicated senior management utilizing financial and operational information prepared specifically for the segment for the purpose of assessing performance and allocating resources. Generally, financial information is required to be disclosed on the same basis that is used internally enabling investors to see the company through the eyes of management.

Hydro s operating segments are managed separately because each operating segment represents a strategic business unit that offers different products and serves different markets. Hydro has nine reportable operating segments (see Financial Review section on pages 44-67). The reportable segments, with the exception of Petrochemicals, are included in one of three core areas: Hydro Oil and Energy, Hydro Light Metals and Hydro Agri.

Hydro Oil and Energy consists of Exploration and Production, Energy and Oil Marketing. Exploration and Production is responsible for Hydro s oil and gas exploration, field development, and operation of production and transportation facilities. Energy produces and sells electricity generated at hydro-electric power stations in Norway, primarily for use in Hydro s own production facilities. Energy also handles trading of crude oil, natural gas liquids (NGL) and refined oil products as well as trading activities in the Norwegian, Swedish and UK markets. Oil Marketing markets and distributes gasoline and other oil products. Some activities have been transferred from Oil Marketing, formerly Refining and Marketing, to Energy. Prior year amounts have been restated to reflect this change.

Hydro Light Metals consists of Aluminium Metal Products, Aluminium Extrusion and Other Light Metals. Aluminium Metal Products activities include the production of primary aluminium, remelting of metal, and the international trading of alumina, aluminium and aluminium products. Aluminium Extrusion is involved in the manufacture and sale of extruded aluminium products. Other Light Metals consist of Aluminium Rolled Products, Automotive Structures and Magnesium.

Hydro Agri consists of Plant Nutrition, Gas and Chemicals and A/S Korn og Foderstof Kompagniet. Plant Nutrition s main activities are the production and sale of ammonia and fertilizer products, including nitrate fertilizer, complex fertilizer and urea. Most of the production takes place in Europe while trading is done worldwide. Gas and Chemicals markets numerous products which mainly have their origin in Hydro s ammonia and fertilizer production. A/S Korn og Foderstof Kompagniet is primarily engaged in the production and sale of animal and fish feed, as well as the trading of grain, feedstuffs, fertilizers and other agricultural related products. Petrochemicals is a producer of the plastic raw material polyvinyl chloride (PVC) in Scandinavia and in the UK.

Operating Segment Information

The transition to a new steering model referred to as value-based management, reflects management s focus on cash flow-based performance indicators, before and after taxes. EBITDA[1)] (defined as income/loss before tax, interest expense, depreciation, amortization, write-downs and certain other financial items) is an approximation of cash flow before taxes. EBITDA is considered an important measure of performance for the company s operational areas and operating segments. EBITDA includes results from non-consolidated investee companies as well as gains and losses on sales of activities classified as Other Income (Loss) in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of goodwill in non-consolidated investee companies.

Hydro has also introduced cash return on gross investment (CROGI) as a measure of annual rate of return on assets employed. CROGI is defined as gross cash flow after taxes, divided by average gross investment [2)], while gross cash flow is defined as EBITDA minus estimated taxes, gross investment is defined as total assets plus accumulated depreciation, amortization and write-downs, minus short-term interest-free debt [3)]. Hydro manages long-term funding and taxes on a group basis. Therefore, segment debt is defined as short-term interest free liabilities excluding corporate income taxes payable and short-term deferred tax liabilities.

Certain segment information such as EBITDA and Gross Investment are non-gaap measures. Therefore there is no directly corresponding figure in the financial statements.

Intersegment sales and transfers reflect arms length prices as if sold or transferred to third parties. Results of activities considered incidental to Hydro s main operations as well as unallocated revenues, expenses, liabilities and assets are reported separately under the caption Corporate . These amounts principally include interest income and expenses, realized and unrealized foreign exchange gains and losses and the net effect of pension schemes. The accounting policies of the operating segments reflect those described in the summary of significant accounting policies. See Note 1.

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

2) Deferred tax assets are not included in gross investment.

3) Deferred taxes and taxes payable are not deducted from gross investment.

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	External revenues			Internal revenues			Total operating revenues [1]		
Amounts in NOK million	2000	1999	1998	2000	1999	1998	2000	1999	1998
Exploration and Production	9,436	6,996	3,612	26,058	10,410	7,025	35,494	17,406	10,637
Energy [1]	36,749	16,128	11,179	7,842	4,237	3,823	44,591	20,365	15,002
Oil Marketing	4,088	2,648	2,247	6	4	2	4,094	2,652	2,249
Eliminations				(29,056)	(12,068)	(8,577)	(29,056)	(12,068)	(8,577)
Hydro Oil and Energy	50,273	25,772	17,038	4,850	2,583	2,273	55,123	28,355	19,311
Aluminium Metal Products [1]	27,157	19,331	19,246	6,377	5,209	5,860	33,534	24,540	25,106
Aluminium Extrusion	15,763	11,974	11,944	118	107	144	15,881	12,081	12,088
Other Light Metals	7,887	7,442	7,629	339	274	240	8,226	7,716	7,869
Eliminations				(6,511)	(4,857)	(5,865)	(6,511)	(4,857)	(5,865)
Hydro Light Metals	50,807	38,747	38,819	323	733	379	51,130	39,480	39,198
Plant Nutrition	31,187	24,776	26,493	2,557	2,023	1,504	33,744	26,799	27,997
Gas and Chemicals	4,569	4,521	4,457	207	197	259	4,776	4,718	4,716
A/S Korn- og Foderstof Kompagniet	10,412	9,558	9,877	226	198	266	10,638	9,756	10,143
Eliminations				(2,192)	(1,615)	(1,540)	(2,192)	(1,615)	(1,540)
Hydro Agri	46,168	38,855	40,827	798	803	489	46,966	39,658	41,316
Petrochemicals	6,211	5,221	5,851	59	125	177	6,270	5,346	6,028
Other Activities [2]	2,972	2,793	2,609	914	1,054	1,150	3,886	3,847	3,759
Segments	156,431	111,388	105,144	6,944	5,298	4,468	163,375	116,686	109,612
Corporate	430	567	640	4,728	3,392	3,706	5,158	3,959	4,346
Eliminations				(11,672)	(8,690)	(8,174)	(11,672)	(8,690)	(8,174)
Total	156,861	111,955	105,784				156,861	111,955	105,784

	Depreciation, depletion and amortization			Other operating expenses			Operating income (loss) before fin. and other income		
Amounts in NOK million	2000	1999	1998	2000	1999	1998	2000	1999	1998
Exploration and Production	8,046	6,072	3,505	7,340	5,494	4,567	20,108	5,840	2,565
Energy [1]	127	214	137	42,850	19,207	14,152	1,614	944	713

Oil Marketing	113	140	125	3,926	2,343	2,152	55	169	(28)
Eliminations	2			(29,085)	(12,077)	(8,587)	27	9	10
Hydro Oil and Energy	8,288	6,426	3,767	25,031	14,967	12,284	21,804	6,962	3,260
Aluminium Metal Products [1]	622	537	479	30,091	22,646	22,773	2,821	1,357	1,854
Aluminium Extrusion	537	391	368	14,653	11,041	11,184	691	649	536
Other Light Metals	486	576	480	7,883	6,924	7,227	(143)	216	162
Eliminations				(6,478)	(4,814)	(5,890)	(33)	(43)	25
Hydro Light Metals	1,645	1,504	1,327	46,149	35,797	35,294	3,336	2,179	2,577
Plant Nutrition	1,286	1,246	1,309	31,468	27,792	27,270	990	(2,239)	(582)
Gas and Chemicals	354	396	340	4,109	3,973	4,115	313	349	261
A/S Korn og Foderstof Kompagniet [3]	257	211	(1)	10,425	9,312	9,769	(44)	233	375
Eliminations				(2,236)	(1,601)	(1,544)	44	(14)	4
Hydro Agri	1,897	1,853	1,648	43,766	39,476	39,610	1,303	(1,671)	58
Petrochemicals	395	383	434	5,610	4,850	5,365	265	113	229
Other Activities [2]	172	204	214	3,424	3,397	3,597	290	246	(52)
Segments	12,397	10,370	7,390	123,980	98,487	96,150	26,998	7,829	6,072
Corporate [4]	147	129	124	3,533	3,931	4,458	1,478	(101)	(236)
Eliminations	(6)	(5)	(6)	(11,656)	(8,692)	(8,162)	(10)	7	(6)
Total	12,538	10,494	7,508	115,857	93,726	92,446	28,466	7,735	5,830

1) Presentation of income from parts of the trading activities is changed from net presentation of margin to gross presentation as operating revenues and raw materials. This includes metal trade within Aluminium Metal Products and trade in petroleum products within Energy. Prior periods are reclassified to conform.

2) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance and Technology and Projects.

3) Depreciation expense for 1998 includes a favorable one-time effect of a change in KFK s method of depreciation. The effect did not have a material impact on Hydro s results of operations.

4) In Corporate, operating income (loss) includes the net effect of the overfunding of certain pension schemes by NOK 315 million, NOK 393 million and NOK 524 million in 2000, 1999 and 1998, respectively. In 2000, Hydro changed the way it allocates pension costs to its Norwegian operations. Previously costs were determined based on the number of years of service resulting in a concentration of the total costs towards the end of the service period. The change resulted in non-recurring charges to the segments with a corresponding credit of NOK 1,824 million reflected in Corporate. Part of these costs have been charged to external parties resulting in a positive effect to the Company of NOK 470 million. In 1999, Hydro began allocating a larger portion of corporate costs to the operating segments. In 1999, such amount was NOK 396 million.

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	Equity in net income non-consolidated investees			Other income, net			EBITDA		
Amounts in NOK million	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Exploration and Production	21	(13)	7	387			28,656	11,971	6,094
Energy	(6)	(9)	(75)				1,745	1,148	777
Oil Marketing	21	117	36				211	451	156
Eliminations							29	9	9
Hydro Oil and Energy	36	95	(32)	387			30,641	13,579	7,036
Aluminium Metal Products	237	62	108				3,744	2,016	2,465
Aluminium Extrusion	10	12	4	50			1,307	1,071	934
Other Light Metals	16	(89)	(39)	72	(58)		483	717	636
Eliminations							(33)	(44)	25
Hydro Light Metals	263	(15)	73	122	(58)		5,501	3,760	4,060
Plant Nutrition	316	210	379				2,841	(119)	1,258
Gas and Chemicals	33	5	16				712	760	622
A/S Korn og Foderstof Kompagniet				89			386	515	486
Eliminations							43	(15)	4
Hydro Agri	349	215	395	89			3,982	1,141	2,370
Petrochemicals	1	(26)	9		383		662	855	681
Other Activities [1)]	19	16	22	1,609	1,025		2,082	2,029	195
Segments	668	285	467	2,207	1,350		42,868	21,364	14,342
Corporate [2)]	4	54	(57)	954			3,733	566	1,278
Eliminations							8	14	(3)
Total	672	339	410	3,161	1,350		46,609	21,944	15,617

	Gross Cash Flow after Tax			Gross Investment			CROGI		
Amounts in NOK million	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Exploration and Production	16,309	8,428	4,549	111,038	113,811	65,000	14.5%	9.4%	7.3%
Energy	1,096	770	491	6,004	6,508	6,221	17.5%	12.1%	8.0%
Oil Marketing	188	394	156	3,682	3,152	2,905	5.5%	13.0%	5.8%

Eliminations	20	7	6	(56)		(10)			
Hydro Oil and Energy	17,613	9,599	5,202	120,668	123,471	74,116	14.4%	9.7%	7.3%
Aluminium Metal Products	2,895	1,603	1,902	21,977	18,071	16,701	14.5%	9.2%	11.8%
Aluminium Extrusion	1,079	871	767	9,475	7,099	7,526	13.0%	11.9%	10.7%
Other Light Metals	483	662	541	13,831	13,159	12,661	3.6%	5.1%	4.8%
Eliminations	(32)	(31)	18	(114)	(83)	(37)			
Hydro Light Metals	4,425	3,105	3,228	45,169	38,246	36,851	10.6%	8.3%	9.2%
Plant Nutrition	2,456	(119)	1,258	35,161	34,738	36,118	7.0%	(0.3%)	3.7%
Gas and Chemicals	615	653	543	5,147	4,591	4,509	12.6%	14.3%	13.8%
A/S Korn og Foderstof Kompagniet	347	424	340	7,499	6,331	6,218	5.0%	6.8%	5.7%
Eliminations	31	(16)	3	(19)	(55)	(41)			
Hydro Agri	3,449	942	2,144	47,788	45,605	46,804	7.4%	2.0%	4.9%
Petrochemicals	582	706	609	10,197	9,460	9,774	5.9%	7.3%	6.4%
Other Activities [1)]	1,525	1,499	140	4,282	6,442	6,252	28.4%	23.6%	2.1%
Segments	27,594	15,851	11,323	228,104	223,224	173,797	12.2%	8.0%	6.8%
Corporate [2)]	2,666	460	938	94,947	61,201	36,872	3.4%	0.9%	2.7%
Eliminations	171	1,296	1,377	(62,844)	(49,156)	(27,470)			
Total	30,431	17,607	13,638	260,207	235,269	183,199	12.3%	8.4%	7.7%

1) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance and Technology and Projects.

2) In Corporate, EBITDA includes the net effect of the overfunding of certain pension schemes by NOK 315 million, NOK 393 million and NOK 524 million in 2000, 1999 and 1998, respectively. In 2000, Hydro changed the way it allocates pension costs to its Norwegian operations. Previously costs were determined based on the number of years of service resulting in a concentration of the total costs towards the end of the service period. The change resulted in non-recurring charges to the segments with a corresponding credit of NOK 1,824 million reflected in Corporate. Part of these costs have been charged to external parties resulting in a positive effect to the Company of NOK 470 million. In 1999, Hydro began allocating a larger portion of corporate costs to the operating segments. In 1999, such amount was NOK 396 million.

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	Current assets [3)]		Non-current assets		Assets [3)]	
Amounts in NOK million	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**
Exploration and Production	9,888	11,282	68,861	75,500	78,749	86,782
Energy	5,061	4,628	3,606	3,798	8,667	8,426
Oil Marketing	1,913	1,606	1,582	1,387	3,495	2,993
Eliminations	(2,586)	(2,324)	(58)		(2,644)	(2,324)
Hydro Oil and Energy	14,276	15,192	73,991	80,685	88,267	95,877
Aluminium Metal Products	10,542	8,077	7,423	5,143	17,965	13,220
Aluminium Extrusion	5,340	4,395	4,682	3,295	10,022	7,690
Other Light Metals	3,516	3,205	5,117	5,247	8,633	8,452
Eliminations	(1,315)	(1,190)		(1)	(1,315)	(1,191)
Hydro Light Metals	18,083	14,487	17,222	13,684	35,305	28,171
Plant Nutrition	14,917	13,561	11,525	11,939	26,442	25,500
Gas and Chemicals	2,128	1,417	2,033	2,173	4,161	3,590
A/S Korn og Foderstof Kompagniet	4,501	3,787	1,951	1,654	6,452	5,441
Eliminations	(1,011)	(423)	(2)	(1)	(1,013)	(424)
Hydro Agri	20,535	18,342	15,507	15,765	36,042	34,107
Petrochemicals	2,318	2,155	3,424	3,240	5,742	5,395
Other Activities [1)]	3,858	5,074	460	147	4,318	5,221
Segments	59,070	55,250	110,604	113,521	169,674	168,771
Corporate	60,103	25,717	36,991	37,993	97,094	63,710
Eliminations	(37,378)	(22,272)	(33,036)	(32,790)	(70,414)	(55,062)
Total	81,795	58,695	114,559	118,724	196,354	177,419

	Non-consolidated investees, investments and advances		Segment debt [4)]		Investments [5)]	
Amounts in NOK million	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**
Exploration and Production	91	94	5,779	8,159	8,322	47,751
Energy	429	606	4,549	3,659	123	93
Oil Marketing	882	714	1,061	1,007	63	88
Eliminations			(2,585)	(2,323)	29	

Hydro Oil and Energy	1,402	1,414	8,804	10,502	8,537	47,932
Aluminium Metal Products	1,702	606	4,311	2,969	2,561	983
Aluminium Extrusion	99	93	3,138	2,776	1,962	558
Other Light Metals	697	1,021	1,465	1,326	552	590
Eliminations			(1,234)	(1,132)		
Hydro Light Metals	2,498	1,720	7,680	5,939	5,075	2,131
Plant Nutrition	2,241	1,876	6,309	4,980	1,093	1,267
Gas and Chemicals	153	122	910	930	240	259
A/S Korn og Foderstof Kompagniet	2	2	1,199	1,169	548	476
Eliminations	(2)	(2)	(999)	(383)		
Hydro Agri	2,394	1,998	7,419	6,696	1,881	2,002
Petrochemicals	576	348	1,123	1,125	540	555
Other Activities [1)]	3	74	575	721	317	288
Segments	6,873	5,554	25,601	24,983	16,350	52,908
Corporate	338	1,412	3,446	2,976	240	117
Eliminations			(3,537)	(1,716)	(25)	
Total	7,211	6,966	25,510	26,243	16,565	53,025

3) Current assets and assets do not include internal cash accounts and accounts receivable related to group relief.

4) Segment debt is defined as short-term interest free liabilities excluding corporate income taxes payable and short-term deferred tax liabilities.

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

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	Assets		Long-lived assets		Investments	
Amounts in NOK million	**2000**	**1999**	**2000**	**1999**	**2000**	**1999**
Europe:						
Norway	113,375	101,406	79,931	85,307	8,080	42,180
EU:						
Great Britain	6,754	12,308	2,114	7,132	464	5,697
Germany	3,121	3,022	1,258	1,321	63	237
France	9,260	9,277	1,595	1,764	122	402
Sweden	7,364	8,434	1,985	1,981	256	223
Denmark	8,391	7,427	3,054	2,883	651	568
Italy	3,125	2,715	790	583	120	151
Spain	732	390	160	76	89	12
The Netherlands	6,612	4,134	2,093	1,307	1,113	108
Other	4,671	4,417	588	1,022	111	268
Total EU	50,030	52,124	13,637	18,069	2,989	7,666
Other Europe	885	1,184	258	305	37	93
Total Europe	164,290	154,714	93,826	103,681	11,106	49,939
Outside Europe:						
USA	8,137	4,042	2,179	1,536	1,678	175
Asia	4,386	3,035	2,266	1,734	456	427
Other Americas	5,785	3,346	2,742	1,280	1,334	104
Africa	4,164	3,775	2,484	1,752	881	1,218
Canada	9,454	8,387	7,446	6,220	1,078	1,085
Australia and New Zealand	138	120	105	83	32	77
Total outside Europe	32,064	22,705	17,222	12,605	5,459	3,086
Total	196,354	177,419	111,048	116,286	16,565	53,025

	Operating revenues		
Amounts in NOK million	**2000**	**1999**	**1998**
Europe:			
Norway	14,238	10,745	9,058
EU:			
Great Britain	19,311	12,063	10,658
Germany	18,503	11,572	11,900
France	16,538	11,104	9,809

Sweden	13,494	10,024	9,558
Denmark	7,256	6,729	6,614
Italy	6,562	5,624	6,071
Spain	3,751	2,693	2,408
The Netherlands	3,163	2,533	2,894
Other	8,139	6,015	6,377
Total EU	96,717	68,357	66,289
Switzerland	5,550	3,792	2,887
Other Europe	5,434	4,056	4,524
Total Europe	121,939	86,950	82,758
Outside Europe:			
USA	16,849	11,721	9,990
Asia	7,377	5,854	5,723
Other Americas	5,099	3,330	3,210
Africa	3,811	2,204	2,418
Canada	1,231	1,520	1,295
Australia and New Zealand	555	376	390
Total outside Europe	34,922	25,005	23,026
Total	156,861	111,955	105,784

The specification of assets, long-lived assets and investments is based upon location of operation. Included in long-lived assets are investments in non-consolidated investees; property, plant and equipment (net of accumulated depreciation) and non-current financial assets.

Operating revenues are specified by customer location. Presentation of income from parts of the trading activities in 2000 changed from net presentation of margin to gross presentation as operating revenues and raw materials. This includes metal trade within Aluminium Metal Products and trade in petroleum products within Energy. Prior periods are reclassified to conform.

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6. RESTRUCTURING COSTS

On 17 December, 1999, Hydro announced a restructuring program in the Plant Nutrition segment. The program involved reductions in Hydro s fertilizer activities in Europe by eliminating one million tonnes of nitrate fertilizer capacity. The reduction of production capacity was to be accomplished by the closure of three and dismantlement of two plant facilities in Europe. The plant facilities were shut down in the second half of year 2000. As part of the closure of the plant facilities, restructuring costs of NOK 632 million were recorded in the fourth quarter of 1999. The restructuring costs of NOK 632 million included an impairment loss on the plant facilities of NOK 444 million, whose fair value was estimated by discounting the expected future cash flows from the individual plant facilities. The restructuring costs also included an accrual of NOK 188 million for costs to discontinue the activities described above. The expected date of completion of the plan to discontinue the above described activities is by the end of 2001. The costs to discontinue the activities described above include costs to dismantle the plant facilities and to terminate agreements with customers and suppliers.

In 2000, Hydro charged NOK 135 million in restructuring costs related to workforce reductions in the closed down facilities. The remaining accrual for costs to discontinue activities as of 31 December, 2000 amounted to NOK 117 million and is included in other short-term debt. Cash outlay in 2000 was NOK 213 million.

7. OPERATING COSTS AND EXPENSES

Operating costs include research and development, operating lease expense and payroll and related costs as follows:

Amounts in NOK million	**2000**	**1999**	**1998**
Research and development expense	898	1,043	1,044
Operating lease expense: [1]			
Drilling rigs, ships, office space	1,636	1,133	1,345
Office space leased from Hydro s independent pension trust	200	156	153
Total	1,836	1,289	1,498
Payroll and related costs:			
Salaries	12,023	11,314	10,931
Social security costs	1,609	1,600	1,472
Social benefits	486	517	459
Net periodic pension cost (Note 20)	734	620	219
Total	14,852	14,051	13,081

To estimate earnings in relation to research and development costs incurred is impracticable for the years ended 31 December, 2000, 1999 and 1998. See also financial review page 63-64.

[1] Minimum future rentals are in total NOK 8,772 million which are due under non-cancelable operating leases as follows (in NOK million): 2001 2,206; 2002 1,553; 2003 1,105; 2004 1,072; 2005 1,087 and thereafter 1,749.

8. FINANCIAL INCOME AND EXPENSE

Amounts in NOK million	2000	1999	1998
Interest income	1,803	1,022	673
Net gain (loss) on securities	(168)	379	1,015
Dividends received	112	103	132
Interest income and other financial income	1,747	1,504	1,820
Interest expense	(3,016)	(2,566)	(1,738)
Net foreign exchange loss	(655)	(304)	(361)
Other, net	(234)	(185)	(130)
Interest expense and foreign exchange gain (loss)	(3,905)	(3,055)	(2,229)
Net financial expense	(2,158)	(1,551)	(409)

Interest capitalized in 2000, 1999 and 1998 was NOK 1,029 million and NOK 839 million, NOK 614 million, respectively.

9. OTHER INCOME AND EXPENSE

In 2000 other income totaled NOK 3,161 million. Other income in 2000 consists of: Gain on sale of Hydro Seafood of NOK 1,609 million, gain on sale of shares in Dyno of NOK 954 million, gain on sale of Saga Petroleum UK of NOK 387 million, gain on sale of KFK s petfood business, BS Pet Products AS, of NOK 89 million, gain on sale of shares in Sapa Autoplastics AB of NOK 72 million, gain on sale of Fundo a.s. of NOK 50 million.

Other income totaled NOK 1,350 million in 1999 and comprised of a gain of NOK 1,025 million on the sale of Pronova Biopolymer, a gain of NOK 234 million on the sale of Hydro Coatings, a gain of NOK 149 million on the sale of the plastic pipe systems activities of Mabo, and a loss of NOK 58 million related to the transfer of Hydro s plastic bumper system activities to Sapa Autoplastics AB.

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10. INCOME TAXES

Amounts in NOK million	**2000**	**1999**	**1998**
Income before taxes and minority interest:			
Norway	26,341	8,276	5,337
Other countries	3,800	(403)	494
Total	30,141	7,873	5,831
Current taxes:			
Norway	12,892	2,909	1,319
Other countries	819	644	60
Current income tax expense	13,711	3,553	1,379
Deferred taxes:			
Norway	2,131	1,458	955
Other countries	336	(674)	(355)
Deferred tax expense	2,467	784	600
Total income tax expense	16,178	4,337	1,979

Components of deferred income tax expense

Amounts in NOK million	**2000**	**1999**	**1998**
Deferred tax expense, excluding items below	2,567	671	576
Benefits of tax loss carryforwards	(58)	142	(176)
Tax expense (benefit) allocated to other comprehensive income	199	(11)	144
Effect of tax law changes	38	43	(11)
Net change in valuation allowance	(279)	(61)	67
Deferred tax expense - US GAAP	2,467	784	600
Adjustments to N GAAP:			
Tax effects of differences between US GAAP and N GAAP (Note 27)	*10*	*6*	*(1)*
Deferred tax expense - N GAAP	*2,477*	*790*	*599*

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2000**	**1999**	**1998**
Expected income taxes at statutory tax rate [1)]	8,439	2,205	1,633
Petroleum surtax [2)]	8,665	2,904	1,361
Uplift benefit [2)]	(720)	(829)	(628)
Hydro-electric power surtax [3)]	155	171	86
Tax law changes	38	43	(11)
Losses and other deductions with no tax benefit	417	776	446
Non-deductible expenses and amortization of goodwill	178	186	184
Foreign tax rate differences	117	(41)	34
Tax free income	(481)	(384)	(144)
Dividend exclusion	(22)	(10)	(46)
Losses and other benefits not previously recognized	(962)	(853)	(844)
Other, net	354	169	(92)
Income tax expense US GAAP	16,178	4,337	1,979
Effective tax rate US GAAP	53.7%	55.1%	33.9%
Tax effect of differences between US GAAP and N GAAP (Note 27)	*10*	*6*	*(1)*
Income tax expense N GAAP	*16,188*	*4,343*	*1,978*
Income before taxes N GAAP	*30,156*	*7,892*	*5,829*
Effective tax rate N GAAP	*53.7%*	*55.0%*	*33.9%*

At the end of 2000, Hydro had tax loss carryforwards of NOK 7,253 million, primarily in Germany, France, Canada, Italy, Jamaica, Brazil and Trinidad. Carry forward amounts expire as follows:

Amounts in NOK million	
2001	41
2002	226
2003	159
2004	509
2005	414
After 2005	919
Without expiration	4,985
Total tax loss carryforwards	7,253

1) Norwegian nominal statutory tax rate is 28 percent.

2) Income from oil and gas activities on the Norwegian Continental Shelf is taxed according to the Petroleum Tax Law. This stipulates a surtax of 50 percent after deducting uplift, a special deduction for surtax, in addition to normal corporate taxation of 28 percent.

3) A surtax of 27 percent is applied to taxable income, with certain adjustments, for Norwegian hydro-electric power plants. The surtax comes in addition to the normal corporate taxation. Tax depreciation, including that from the upward revision of basis under the new law, is deductible for both corporate tax and surtax purposes.

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The tax effects of temporary differences and tax loss carry-forwards giving rise to deferred tax assets and liabilities were as follows as of 31 December, 2000 and 1999:

	US GAAP Deferred Tax			
Amounts in NOK million	**Assets 2000**	**Liabilities 2000**	**Assets 1999**	**Liabilities 1999**
Short-term:				
Marketable securities	11		1	(89)
Inventory valuation	115	(768)	151	(332)
Accrued expenses	1,289	(223)	1,014	(129)
Unrealized exchange (gains) losses	54	(35)		(49)
Uplift benefit	823		504	
Other		(21)		(15)
Long-term:				
Marketable securities				(1)
Unrealized exchange (gains) losses	119	(4)	77	(9)
Depreciation	2,007	(24,852)	2,138	(25,177)
Capitalized interest		(4,003)		(4,015)
Exploration drilling costs		(2,816)		(2,892)
Other non-current assets	1,046	(547)	1,275	(1,184)
Accrued expenses	1,160	(574)	1,054	(567)
Pensions	550	(1,293)	631	(1,459)
Deferred (gains) losses on sales	321	(1,368)	247	(994)
Uplift benefit	1,679		2,985	
Other	378	(1,441)	240	(1,252)
Total tax loss carryforwards	2,494		2,604	
Subtotal	12,046	(37,945)	12,921	(38,164)
Total valuation allowance	(2,724)		(3,114)	
Gross deferred tax assets and liabilities	9,322	(37,945)	9,807	(38,164)
Adjustments for N GAAP:				
(Note 27)				
Short and long-term:				
Marketable securities				*1*
Unrealized gains		*10*		*23*
Gross deferred tax assets and liabilities, N GAAP	*9,322*	*(37,935)*	*9,807*	*(38,140)*
Net - N GAAP	*1,562*	*(30,175)*	*1,687*	*(30,020)*

Deferred income taxes have not been provided for on undistributed earnings of foreign subsidiaries, amounting to NOK 8,260 million, since those earnings are indefinitely invested. No deferred income taxes have been recognized on undistributed Norwegian subsidiary earnings which can be remitted tax-free as dividends

11. OTHER LIQUID ASSETS

Amounts in NOK million	2000	1999
Bank time deposits	33	16
Marketable equity securities	907	1,095
Debt securities and other	1,551	1,424
Total other liquid assets	2,491	2,535

The net change in unrealized gains on securities for the years ended 31 December 2000, 1999 and 1998 was a net loss of NOK 358 million, a net gain of NOK 36 million and a net loss of NOK 236 million, respectively. Total cost of marketable equity securities and debt securities and other was NOK 2,501 million and NOK 2,198 million as of 31 December, 2000 and 1999, respectively.

12. INVENTORIES

Amounts in NOK million	2000	1999
Finished goods	11,525	9,356
Work in progress	1,288	1,571
Raw materials	5,925	5,400
Total inventories	18,738	16,327

13. AVAILABLE-FOR-SALE SECURITIES

As of 31 December, 2000 and 1999, available-for-sale securities at cost amounted to NOK 0 and NOK 13 million, respectively. Unrealized holding gains as of 31 December, 1999 was NOK 4 million. Proceeds from the sale of available-for-sale securities in 1998 was NOK 1,788 million and gross realized gain from such sales was NOK 1,139 million. Amounts for the years ended 31 December, 2000 and 1999 were insignificant.

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14. NON-CONSOLIDATED INVESTEES

Amounts in NOK million	Hydro Texaco	Scanraff	Alunorte	Søral	Meridian	Auto-plastics	Qafco	Farmland	Dyno	Other	Total Hydro
Balance 01.01.1999	849	353		328	635		861	438	1,025	1,808	6,297
Investments (sale), net										385	385
Change in long-term advances, net		(11)				15				(10)	(6)
Transfer (to) from other investments						394				8	402
Hydro s share of net income (loss)	119			84	(39)	(5)	34	114	46	65	418
Amortization and write-down	(6)				(39)	(6)				(28)	(79)
Dividends received by Hydro	(16)			(50)			(91)	(229)	(29)	(135)	(550)
Foreign currency translation and other	(39)	2			72	(6)	37	22	9	2	99
Balance 31.12.1999	907	344		362	629	392	841	345	1,051	2,095	6,966
Changes in 2000:											
Investments (sale), net		(11)	709			(391)			(1,085)	470	(308)
Change in long-term advances, net										(57)	(57)
Transfer (to) from other investments										(4)	(4)
Hydro s share of net income	20		53	188	64	1	152	3	4	212	697
Amortization and write-down			(21)		(44)	(6)				46	(25)
Dividends received by Hydro	(71)			(47)			(51)			(229)	(398)
Foreign currency translation and other	13	(1)	48		48	4	91	37	30	70	340
Balance 31.12.2000	869	332	789	503	697		1,033	385		2,603	7,211

Specification of Non-consolidated Investees

Amounts in NOK million, except ownership	Percentage owned by	Investments in and advances	Hydro's current receivable

	Hydro	to investees		(payable), net with investees	
	2000	2000	1999	2000	1999
Hydro Texaco	50.0%	869	907	(120)	55
Scanraff	21.5%	332	344	(5)	6
Alunorte	26.7%	789		(65)	
Søral	49.9%	503	362	(132)	(133)
Meridian	49.0%	697	629	10	15
Autoplastics			392		
Qafco	25.0%	1,033	841	(55)	(35)
Farmland Hydro	50.0%	385	345		31
Dyno			1,051		
Others [1)]		2,603	2,095	246	381
Total		7,211	6,966	(121)	320

1) Includes non-consolidated investees where total investments in and advances to each individual investee amounts to less than NOK 300 million.

Significant investees business, majority owners, nature of related party transactions with Hydro and, when material to Hydro, the amount of these transactions are as follow:

Hydro Texaco a.s operates 931 gasoline stations and 167 diesel stations in Norway, Denmark and the Baltics. Hydro and Texaco Inc. each own 50 percent in the joint venture. Hydro sells and purchases oil related products to and from the joint venture at market prices. Sales from Hydro Texaco to Hydro amounted to NOK 900 million, NOK 660 million and NOK 338 million in 2000, 1999 and 1998, respectively. Sales from Hydro to Hydro Texaco amounted to NOK 969 million, NOK 628 million and NOK 532 million in 2000, 1999 and 1998, respectively.

Skandinaviska Raffinaderiet AB (Scanraff) and Skandina-viska Kracker AB (Scancracker) operate the Scanraff refinery and adjacent cracking facilities. Hydro paid processing fees to Scanraff for refining of its oil of NOK 232 million, NOK 225 million and NOK 205 million in 2000, 1999 and 1998, respectively. The other partner is an unaffiliated company. Alumina do Norte do Brasil S.A. (Alunorte) is an alumina refinery located in Brazil. Alunorte is majority owned by Brazilian companies, where Hydro owns 26.7 percent. Hydro purchased alumina from Alunorte amounting to NOK 703 million in 2000.

Sør-Norge Aluminium AS (Søral), a Norwegian primary aluminium manufacturer, sells 50 percent of its production to each major owner at current market prices. The other 50 percent

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owner of Søral is an unaffiliated company. Sale of aluminium from Søral to Hydro amounted to NOK 1,026 million, NOK 811 million and NOK 1,141 million in 2000, 1999 and 1998, respectively. Sales from Hydro to Søral amounted to NOK 405 million, NOK 266 million and NOK 330 million in 2000, 1999 and 1998, respectively.

Meridian Technologies Inc. (Meridian) is a Canadian company owned 51 percent by Teksid S.p.A. (a subsidary of the Fiat group) and 49 percent by Hydro. Meridian provides aluminium and magnesium die-casting products to the automobile industry. Meridian is a customer of alloyed magnesium. Operating revenues from sales to Meridian were not material to the Other Light Metals segment as a whole.

Hydro sold the shares in Sapa Autoplastics AB to Sapa AB in the third quarter 2000.

Qatar Fertiliser Company S.A.Q. (Qafco) owns a fertilizer complex for which Hydro provides marketing support and technical assistance. The remaining 75 percent of Qafco is owned by the State of Qatar. Hydro purchased urea from Qafco amounting to NOK 1,030 million, NOK 670 million and NOK 688 million in 2000, 1999 and 1998, respectively.

The ownership interest in Farmland Hydro LP entitles Hydro to act as the worldwide agent for sales of its phosphate fertilizers. The other partner is an unaffiliated company. Sales from Hydro to Farmland Hydro amounted to NOK 352 million, NOK 231 million and NOK 271 million in 2000, 1999 and 1998, respectively.

Hydro sold the shares in Dyno ASA to Industri Kapital, a Swedish investment company, in August 2000.

Non-consolidated investees 100 percent basis

The following table sets forth summarized unaudited financial information of Hydro s non-consolidated investees on a 100 percent combined basis. Hydro s share of these investments, which is also specified below, is accounted for using the equity method.

Income Statement Data

Amounts in NOK million (unaudited)	2000	1999	1998
Operating revenues	41,080	35,729	35,209

Operating income	5,714	2,567	2,990
Income before taxes and minority interest	3,065	1,779	2,101
Net income	2,435	1,083	926
Hydro s share of net income	697	418	459

Balance Sheet Data

Amounts in NOK million (unaudited)	2000	1999	1998
Current assets	16,408	16,841	15,057
Non-current assets	30,610	29,275	25,992
Assets	47,018	46,116	41,049
Current liabilities	12,246	13,560	12,707
Non-current liabilities	14,150	12,740	10,335
Minority interest	30	422	300
Shareholders equity	20,592	19,394	17,707
Liabilities and shareholders equity	47,018	46,116	41,049
Hydro s investments and advances	7,211	6,966	6,297

15. PREPAID PENSION, INVESTMENTS AND NON-CURRENT ASSETS

Amounts in NOK million	2000	1999
Goodwill [1)] for consolidated subsidiaries, less accumulated amortization	1,363	458
Intangible assets [2)] , less accumulated amortization	808	710
Total intangible assets	2,171	1,168
Prepaid pension (Note 20)	4,488	4,316
Available-for-sale securities at fair value		17
Other investments at cost	1,967	870
Non-current assets	2,357	1,618
Total prepaid pension, investments and non-current assets	8,812	6,821
Total - US GAAP	10,983	7,989
Total prepaid pension, investments and non-current assets	*8,812*	*6,821*
Adjustments (Note 27)		*(4)*
Total prepaid pension, investments and non-current assets - N GAAP	*8,812*	*6,817*

1) Historic cost for 2000 was NOK 2,274 million and for 1999 NOK 1,350 million

2) Historic cost for 2000 was NOK 2,167 million and for 1999 NOK 2,051 million

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16. PROPERTY, PLANT AND EQUIPMENT

	Land-based Activities						
Amounts in NOK million	**Land**	**Machinery and Equipment**	**Buildings**	**Plant under construction**	**Other**	**E&P [1]**	**Total**
Cost:							
Cost 31.12.1999	1,019	54,969	15,994	1,684	779	111,620	186,065
Additions at cost	63	2,489	691	1,392	8	7,071 [2]	11,714
Retirements	(21)	(2,643)	(373)	(12)	(15)	(12,135)	(15,199)
Transfers		1,152	270	(1,422)			
Foreign currency translation	30	981	166	26		913	2,116
Balance 31.12.2000	1,091	56,948	16,748	1,668	772	107,469	184,696
Depreciation:							
Balance 31.12.1999		(36,788)	(8,348)		(185)	(38,246)	(83,567)
Depreciation, depletion and amortization [3]		(3,494)	(624)		(42)	(7,596)	(11,756)
Retirements		1,911	12		5	4,585 [2]	6,513
Foreign currency translation and transfers		(584)	(106)			(171)	(861)
Balance 31.12.2000		(38,955)	(9,066)		(222)	(41,428)	(89,671)
Net Book Value:							
Balance 31.12.1999	1,019	18,181	7,646	1,684	594	73,374	102,498
Balance 31.12.2000	1,091	17,993	7,682	1,668	550	66,041	95,025 [4]

1) Includes land-based activities for Exploration and Production (E&P)

2) Includes adjustment to the allocation of purchase price for Saga Petroleum of NOK (1,275) million.

3) Impairment losses for 2000, 1999 and 1998 were NOK 141 million, NOK 295 million and NOK 248 million, respectively. In 1999 additional impairment losses of NOK 444 million was recorded as restructuring costs. The fair value of the impaired assets was generally estimated by discounting the expected future cash flows of the individual assets. During the three years ended 31 December, 2000, impairment was generally indicated as the result of current period cash flow losses, combined with a history of losses, or a significant change in the manner in which the asset is to be used.

4) Includes NOK 287 million and NOK 680 million related to capital leases for 2000 and 1999, respectively.

17. BANK LOANS AND OTHER INTEREST BEARING SHORT-TERM DEBT

	Weighted Average Interest Rates for the year			
Amounts in NOK million	**2000**	**1999**	**2000**	**1999**
Bank loans and overdraft facilities	7.4%	6.0%	4,550	4,834
Commercial paper	5.3%	3.1%		1
Other	6.1%	4.8%	4,538	2,526
Total bank loans and other interestbearing short-term debt			9,088	7,361

As of 31 December, 2000, Norsk Hydro ASA had committed and unused short-term credit facilities with various banks totaling approximately NOK 3,550 million. Interest rates range from 3.5 to 8.3 percent depending on the currency of the facilities. No compensating balance is required.

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18. OTHER CURRENT LIABILITIES

Amounts in NOK million	2000	1999
Accounts payable	13,019	12,393
Income taxes payable	7,661	2,266
Payroll and value added taxes	3,004	2,444
Accrued liabilities	8,088	10,360
Other liabilities	1,399	1,046
Other current liabilities	33,171	28,509

19. LONG-TERM DEBT

Substantially all unsecured debenture bonds and unsecured bank loan agreements contain provisions restricting the pledging of assets to secure future borrowings without granting a similar secured status to the existing bondholders and lenders. Certain of the debenture bond agreements contain provisions allowing Hydro to call the debt prior to its final redemption date at par or at certain specified premiums.

Long-term debt payable in various currencies

Amounts in NOK million	Weighted Average Interest Rates	Denominated Amount 2000	Balance in NOK 2000	Balance in NOK 1999
Unsecured debenture bonds:				
USD	7.5%	3,144	27,894	25,213
NOK	8.4%	4,646	4,646	5,494
GBP	7.5%	325	4,289	4,209
EURO	6.3%	400	3,299	2,415
Total			40,128	37,331
Unsecured bank loans:				
USD	5.8%	36	322	3,607
SEK	5.5%	1,021	955	961
Other			241	150

Total			1,518	4,718
Capital lease obligations			203	568
Mortgage loans			107	230
Other long-term debt			427	288
Outstanding debt			42,383	43,135
Less: Current portion			(2,209)	(907)
Total long-term debt			40,174	42,228

Foreign currency swaps are not reflected in the table above. (See Note 24).

Payments on long-term debt fall due as follows

Amounts in NOK million	Debentures	Bank-loans	Capital lease and other	Total
2001	1,831	205	173	2,209
2002	1,946	191	115	2,252
2003	1,920	101	114	2,135
2004	1,480	33	108	1,621
2005	500	500	67	1,067
Thereafter	32,451	488	160	33,099
Total	40,128[1]	1,518[2]	737	42,383

1) Of which Norsk Hydro ASA is responsible for NOK 39,772 million.

2) Of which Norsk Hydro ASA is responsible for NOK 1,272 million.

Hydro had no unsecured variable rate bank loans as of 31 December, 2000. As of 31 December, 1999, the amount was NOK 3,223 million, based on interbank interest rates.

Hydro has entered into agreements with several international banks for long-term, stand-by credit for a total amount of USD 2,000 million. There are no borrowings under these facilities as of 31 December, 2000. Commitment fees range from 0.075 percent to 0.15 percent.

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20. EMPLOYEE RETIREMENT PLANS

Pension Benefits

Norsk Hydro ASA and many of its subsidiaries have defined benefit retirement plans which cover substantially all of their employees. Plan benefits are generally based on years of service and final salary levels. Some subsidiaries have defined contribution or multiemployer plans.

Net periodic pension cost (credit)

Amounts in NOK million	2000	1999	1998
Defined benefit plans:			
Benefits earned during the year, net of participants contributions	528	434	345
Interest cost on prior period benefit obligation	1,004	765	683
Expected return on plan assets	(1,412)	(1,132)	(1,121)
Recognized net gain	(69)	(11)	(63)
Amortization of prior service cost	258	141	111
Amortization of net transition asset	(57)	(56)	(55)
Curtailment loss	19	13	
Settlement gain	(48)	(2)	
Net periodic pension cost (credit)	223	152	(100)
Defined contribution plans	51	52	53
Multiemployer plans	14	31	36
Termination benefits and other	446	385	230
Total net periodic pension cost	734	620	219
Change in the additional minimum pension liability included within other comprehensive income	132	11	11

Change in projected benefit obligation (PBO)

Amounts in NOK million	2000	1999
Projected benefit obligation at beginning of year	(12,528)	(11,778)
Benefits earned during the year	(543)	(448)
Interest cost on prior period benefit obligation	(1,004)	(765)

Actuarial gain (loss)	(330)	551
Plan amendments	(1,735)	(96)
Benefits paid	723	655
Curtailment gain	34	11
Settlements	91	73
Special termination benefits	(57)	(40)
Business combinations	(80)	(749)
Foreign currency translation	(117)	58
Projected benefit obligation at end of year	(15,546)	(12,528)

Change in pension plan assets

Amounts in NOK million	2000	1999
Fair value of plan assets at beginning of year	18,117	15,518
Actual return on plan assets	1,331	2,547
Company contributions	59	45
Plan participants contributions	15	15
Benefits paid	(645)	(576)
Settlements	(79)	(77)
Business combinations	89	624
Foreign currency translation	133	21
Fair value of plan assets at end of year	19,020	18,117

Status of pension plans reconciled to balance sheet

Amounts in NOK million	2000	1999
Defined benefit plans:		
Funded status of the plans at end of year	3,474	5,589
Unrecognized net gain	(2,049)	(2,821)
Unrecognized prior service cost	1,797	368
Unrecognized net transition asset	(131)	(188)
Net prepaid pension recognized	3,091	2,948
Termination benefits and other	(913)	(817)
Total net prepaid pension recognized	2,178	2,131
Amounts recognized in the balance sheet consist of:		
Prepaid pension	4,488	4,316
Accrued pension liabilities	(2,735)	(2,287)
Intangible asset	198	7
Accumulated other comprehensive income	227	95
Net amount recognized	2,178	2,131

Weighted-average assumptions at end of year:

	2000	1999
Discount rate	7.1%	7.0%
Expected return on plan assets	8.0%	8.0%
Rate of compensation increase	3.1%	2.3%

Plans in which the accumulated benefit obligation exceeds plan assets:

Amounts in NOK million	2000	1999
Projected benefit obligation	2,408	1,672
Accumulated benefit obligation (ABO)	1,770	1,314
Plan assets	17	59

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Effective 1 January, 2000, certain Norwegian plans amended their plan benefit formulas as to provide for indexation of pension benefits. The resulting prior service cost of NOK 1,654 million is being amortized on a straight line basis over the employees average remaining service period.

Hydro increased the pensions of current pensioners in its main pension plans in Norway by approximately 7 percent as of 1 July, 1998. The resulting prior service cost of NOK 228 million was fully amortized as of 31 December, 2000.

Other Retirement Benefits

Hydro has unfunded retiree medical and life insurance plans for certain of its employees outside Norway. In 2000 the net periodic post retirement income was NOK 11 million, as a result of a curtailment gain related to employees in Great Britain. The corresponding cost for 1999 and 1998 was NOK 22 million and NOK 14 million, respectively. The post retirement liability was NOK 242 million and NOK 221 million as of 31 December, 2000 and 1999, respectively.

21. CONTINGENCIES AND OTHER LONG-TERM LIABILITIES

Hydro is subject to changing environmental laws and regulations that in the future may require the company to modernize technology to meet more stringent emissions standards or to take actions for contaminated areas. As of 31 December, 2000 and 1999, Hydro had accrued NOK 263 million and NOK 204 million, respectively, for corrective environmental measures. The corresponding expense was NOK 46 million in 2000 compared to NOK 10 million and NOK 42 million in 1999 and 1998, respectively. Hydro s share of the estimated total future cost of decommissioning and abandonment relating to off-shore installations is NOK 3,450 million. As of 31 December, 2000, Hydro had accrued NOK 1,965 million for decommissioning and abandonment costs using the unit-of-production method. The accrual was NOK 2,041 million as of 31 December, 1999.

Decommissioning and abandonment expense was NOK 450 million, NOK 542 million and NOK 277 million in 2000, 1999 and 1998, respectively. Hydro s future expenses for these corrective environmental measures are affected by a number of uncertainties including, but not limited to, the method and extent of corrective action. Due to uncertainties inherent in the estimation process, it is at least reasonably possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Hydro s major production facilities and product storage terminals. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

On 23 July, 1999 and 4 February, 2000, Dolphin AS presented claims to Hydro for higher day rates associated with a drilling rig, which has been leased for a period of seven years. The claims are based on a general upgrading of the drilling rig and total NOK 1.9 billion. Hydro will utilize the drilling rig in its activities associated with the Snorre Unit and Production License 089, in which Hydro has ownership interests of 17.66 percent and 13.28 percent, respectively. As such, any additional net rental cost to Hydro is expected to be substantially less than the amount claimed by Dolphin AS. The parties have agreed to arbitration to settle the case. Hearings are expected to take place in December 2001 and January 2002.

Hydro is involved in or threatened with various other legal, tax and environmental matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Amounts in NOK million	**2000**	**1999**
Other long-term liabilities:		
Insurance premiums and loss reserves	732	713
Accruals abandonment costs offshore	1,064	1,104
Accruals decommissioning costs offshore	901	937
Postretirement benefits other than pension	242	221
Other	1,747	1,759
Total	4,686	4,734

22. SECURED DEBT AND GUARANTEES

Amounts in NOK million	**2000**	**1999**
Amount of secured debt	138	335
Assets used as security:		
Plant and equipment, etc.	203	236
Buildings	292	638
Other	16	161
Total	511	1,035
Guarantees (off-balance sheet):		
Contingency for discounted bills	78	48
Guarantees of debt	713	582
Indirect guarantees	6,083	6,438
Total	6,874	7,068

Hydro provides guarantees arising in the ordinary course of business including stand-by letters of credit, letters of credit, performance bonds and various payment or financial guarantees.

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Following the asset exchange between Hydro and Petro-Canada in 1996, Hydro guaranteed that the total recoverable reserves attributable to Petro-Canada s working interest in the Veslefrikk field shall not be less than a certain quantified amount of crude oil. If less, Hydro has an obligation to deliver indemnity volumes to Petro-Canada. The guarantee does not apply in cases of force majeure, the failure of the operator to comply with good oil field practices, etc.

As of 31 December, 2000, the remaining guaranteed volume was 1.7 million Sm^3 of crude oil, equivalent to approximately NOK 2,187 million included above in indirect guarantees.

23. CONTRACTUAL AND OTHER COMMITMENTS FOR FUTURE INVESTMENTS AND OPERATIONS

As of 31 December, 2000: Amounts in NOK million	2001	Investments Thereafter	Total
Contract commitments for investments in property, plant and equipment:			
Land based	713	72	785
Oil and gas fields and transport systems	4,805	7,179	11,984
Total	5,518	7,251	12,769
Additional authorized future investments in property, plant and equipment:			
Land based	1,240	267	1,507
Oil and gas fields and transport systems	408	1,464	1,872
Total	1,648	1,731	3,379
Contract commitments for other future investments:	311	890	1,201

Additional authorized future investments include projects formally approved for development by the Board of Directors or management given the authority to approve such investments. General investment budgets are excluded from these amounts.

Hydro has entered into take-or-pay and long-term contracts providing for future payments to secure pipeline and transportation capacity, processing services, raw materials and electricity and steam. In addition, Hydro has entered into long-term sale commitments to deliver goods. This principally relates to obligations to deliver gas from fields on the Norwegian Continental Shelf for a total amount of NOK 184.8 billion.

The non-cancelable future fixed and determinable obligation as of 31 December, 2000 is as follows:

Take-or-pay and Long-term contracts

Amounts in NOK million	Transport and Other	Raw materials	Energy related	Sale commitments
2001	319	1,324	1,189	(9,989)
2002	317	1,072	1,162	(9,804)
2003	261	1,158	1,163	(10,577)
2004	254	794	1,076	(10,670)
2005	247	643	1,066	(10,340)
Thereafter	2,200	1,962	20,137	(162,660)
Total	3,598	6,953	25,793	(214,040)

Terms of certain of these agreements include additional charges covering variable operating expenses in addition to the fixed and determinable component shown above.

In addition, Hydro has contracted to purchase 29.2 million tonnes of alumina over the next 13 years with variable prices referenced to the London Metal Exchange quoted prices.

The total purchases under the take-or-pay agreements and long-term contracts were as follows (in NOK million): 2000 2,523; 1999 2,932 and 1998 3,278.

24. DERIVATIVE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Hydro utilizes interest rate and foreign currency swaps to alter the interest rate or currency exposures for its long-term debt portfolio. See Note 19.

Forward currency contracts often provide needed liquidity in one currency in exchange for excess liquidity in another. For a description of risk management and financial market risk see the Risk Management discussion in the Operating and Financial Review and Prospects section of this report. Refer to Note 1 under Derivative Financial Instruments for information about credit risk and cash flows of these instruments.

Interest Rate Swaps

At year end 2000, Hydro had two interest rate swaps, acquired as a part of the Saga acquisition. The interest rate swaps have offsetting terms and the combined swaps have no market value as of 31 December, 2000.

Outstanding interest rate swaps as of 31 December, 2000

Notional amount	Hydro pays	Hydro receives	Maturity
NOK 500 million	NIBOR + 1.6%	Fixed 10.5%	March 2002
NOK 500 million	Fixed 10.5%	NIBOR +1.6%	March 2002

Swaption Contract

Hydro acquired, as part of the Saga acquisition, a sold swaption contract whereby the other party has a right to enter into a interest rate swap during the period until September 2008, under which Hydro will receive a fixed interest of 7.25 percent while paying LIBOR on a notional amount of USD 100 million (NOK 887 million). Under the contract, Hydro will receive 0.25 percent of the notional amount annually until the option is exercised or until the contract expires in March 2009. The contract is recorded at fair value.

Foreign Currency Swaps

Amounts in million

Hydro receives			Hydro pays			
Currency	**Amount**	**Interest Rate**	**Currency**	**Amount**	**Interest Rate**	**Maturity**
USD	16	floating	DKK	100	fixed	Jan. 03

Floating interest rates are principally based on the London inter-bank offered rate (LIBOR) 6 months. The Norwegian kroner equivalent of the notional contract amount above is approximately NOK 0.1 billion stated at year end exchange rates, compared to outstanding contracts at the end of 1999 of NOK 1.6 billion.

Forward Currency Contracts

The buy amounts represent commitments to purchase foreign currencies and the sell amounts represent commitments to sell foreign currencies. The following contracts were outstanding as of 31 December, 2000, and mature between January 2001 and March 2005.

	In currency		In NOK	
Amounts in million	**Buy**	**Sell**	**Buy**	**Sell**
USD	480	(214)	4,257	(1,941)
NOK	4,962	(79)	4,962	(79)
DEM	19		82	

GBP	14	(2)	189	(27)
SEK	39	(1,025)	37	(961)
DKK	281	(1,094)	310	(1,213)
CAD		(620)		(3,676)
Other			124	(2,189)
Sum			9,961	(10,086)

The corresponding amounts representing commitments to purchase and sell foreign currencies as of 31 December, 1999 were NOK 12,125 million and NOK 12,096 million, respectively.

Foreign Currency Options

Hydro had a portfolio of purchased and written foreign currency options as of 31 December, 2000. The portfolio was acquired as part of the Saga acquisition. The written options in the portfolio are designed to reduce total premium payments. The following contract amounts were outstanding as of 31 December, 2000:

Amounts in million	Notional amount USD	Notional amount NOK
Bought put options	10	89
Sold call options	(10)	(89)
Sold put options	(10)	(89)
Total	(10)	(89)

The option contracts outstanding at 31 December, 2000 mature in August 2001.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments not otherwise disclosed are as follows:

Amounts in NOK million	Carrying Amount 2000	Fair Value 2000	Carrying Amount 1999	Fair Value 1999
Assets:				
Current assets:				
Forward currency contracts	71	71	125	125
Non-current assets:				
Foreign currency swaps	29	12	18	
Interest rate swap		17		55
Liabilities:				

Current liabilities:				
Forward currency contracts	(196)	(196)	(96)	(96)
Foreign currency swaps			(204)	(213)
Foreign currency options	(7)	(7)	(21)	(21)
Other long-term liabilities:				
Interest rate swap		(17)		(55)
Swaption contract	(3)	(3)	(25)	(25)
Long-term debt	(42,383)	(43,043)	(43,135)	(41,746)

The recorded amounts of cash and cash equivalents, receivables, bank loans and other interest bearing short-term debt, and other liabilities approximate their fair values. Marketable equity and debt securities are recorded at their fair values. (Note 11).

Fair values are estimated using quoted market prices, estimates obtained from brokers and other appropriate valuation techniques based upon information available as of 31 December of the respective years. The fair value estimates do not necessarily reflect the values which could be realized in the current market.

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26. SUPPLEMENTARY OIL AND GAS INFORMATION

Costs Incurred on Oil and Gas Properties

Exploration Costs

	Norway			International			Total		
Amounts in NOK million	**2000**	**1999 1)**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Capitalized at beginning of year	1,158	856	725	254	174	491	1,412	1,030	1,216
Costs incurred during the year	916	796	914	883	702	454	1,799	1,498	1,368
Acquisition cost 2)	9	362					9	362	
Expensed	(934)	(671)	(776)	(767)	(531)	(445)	(1,701)	(1,202)	(1,221)
Transferred to development	(275)	(185)	(7)	(61)	(50)	(326)	(336)	(235)	(333)
Disposals				(8)	(41)		(8)	(41)	
Foreign currency translation				8			8		
Capitalized at end of year	874	1,158	856	309	254	174	1,183	1,412	1,030

Costs related to Development, Transportation Systems and Other

	Norway			International			Total		
Amounts in NOK million	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Net book value at beginning of year	62,324	28,688	26,651	9,650	2,451	1,506	71,974	31,139	28,157
Cost incurred during the year 3)	6,058	6,765	5,098	1,868	1,668	1,069	7,926	8,433	6,167
Acquisition cost 4)	(2,383)	32,360		1,125	5,803		(1,258)	38,163	
Transferred from exploration cost	275	185	7	61	50	326	336	235	333
Amortization	(6,883)	(4,938)	(3,068)	(711)	(594)	(157)	(7,594)	(5,532)	(3,225)
Disposals 5)	(919)	(736)		(6,370)	(146)	(212)	(7,289)	(882)	(212)
Foreign currency translation				737	418	(81)	737	418	(81)
Net book value at end of year	58,472	62,324	28,688	6,360	9,650	2,451	64,832	71,974	31,139

1) 1999 figures include Saga Petroleum.

2) 1999 represents exploration costs acquired from Saga Petroleum. See Note 2.

3) In 2000, NOK 966 million and NOK 627 million of development costs related to activities in Canada and Angola respectively. In addition, NOK 100 million and NOK 93 million related to activities in the UK and Russia. In 1999, NOK 924 million, NOK 624 million and NOK 44 million related to activities in Canada, Angola and Russia, respectively. In 1998, NOK 796 million and NOK 202 million of development costs related to activities in Canada and Angola, respectively.

4) 2000 includes adjustment to the allocation of purchase price for Saga Petroleum of NOK (1,275) million. 1999 included the acquisition of Saga s fields and transportation systems in Norway and in the UK and Ireland.

5) 2000 included the disposals of Hydro s activities on the British Continental Shelf. In 1999, the disposals related to Saga s Varg ship and fields in Indonesia.

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Proved Reserves of Oil and Gas (Unaudited)

Proved reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves can be expected to be recovered through existing wells with existing equipment and operating methods. Proved undeveloped reserves are expected to be recovered from undrilled production wells on exploration licenses. Reserves are expected to be revised as oil and gas are produced and additional data become available.

Proved Developed and Undeveloped Reserves of Oil and Gas (Unaudited)

	Norway		International		Total	
	Oil mmboe [1)]	Natural gas billion Sm^3	Oil mmboe [1)]	Natural gas billion Sm^3	Oil mmboe [1)]	Natural gas billion Sm^3
As of 31 December, 1997	587	126.6	93		680	126.6
Revisions of previous estimates [2)]	33	(1.5)			33	(1.5)
Purchase (sale)/exchange of reserves in place						
Extensions and new discoveries	3	0.1			3	0.1
Production for the year	(77)	(3.3)	(1)		(78)	(3.3)
As of 31 December, 1998 [5)]	546	121.9	92		638	121.9
Revisions of previous estimates [2)]	22	1.0	1		23	1.0
Purchase (sale)/exchange of reserves in place [3)]	229	42.7	56	6.3	285	49.0
Extensions and new discoveries [4)]	131	5.8	10		141	5.8
Production for the year	(91)	(3.9)	(6)	(0.3)	(97)	(4.2)
As of 31 December, 1999 [5)]	837	167.5	153	6.0	990	173.5
Revisions of previous estimates [2)]	49	4.9	(1)	0.1	48	5.0
Purchase (sale)/exchange of reserves in place [3)]	12	0.6	(39)	(5.7)	(27)	(5.1)
Extensions and new discoveries [4)]	32	1.4	52		84	1.4
Production for the year	(110)	(4.7)	(9)	(0.4)	(119)	(5.1)
As of 31 December, 2000 [5) 6)]	820	169.7	156		976	169.7
Proved developed reserves:						
As of 31 December, 1997	356	60.6	19		375	60.6
As of 31 December, 1998	358	57.0	17		375	57.0

As of 31 December, 1999	500	69.1	74	6.0	574	75.1
As of 31 December, 2000	555	103.0	33		588	103.0

1) Includes crude oil and NGL/Condensate.

2) The revision of previous estimates relates to new information from current year s drilling operations and additional data which is now available.

3) In 2000, the decrease in oil reserves outside Norway was due to the sale of the UK portfolio. The increase in Norway was due to increased ownership interest in the Grane field and purchase of reserves in the Tune field. In 1999, the increase in reserves was due to the inclusion and increase in ownership interest from the Saga acquisition.

4) In 2000, extensions and new discoveries for oil were related to the Fram, Glitne and STUJ fields, and the Dalia field in Angola. Extensions and new discoveries for gas were related to the Fram and STUJ fields. In 1999, extensions and new discoveries for oil were related to the Grane and Borg fields. Extensions and new discoveries for gas were related to the Kvitebjørn and Tune fields. The Khariaga field in Russia comprised the international extensions and new discoveries for oil.

5) Reserve estimates are made before royalties of approximately 3.8, 8.8 and 11.0 million barrels of oil equivalents for 2000, 1999 and 1998, respectively.

6) In 2000, reserve estimates included 156 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. The decrease in gas reserves outside Norway was due to the sale of the UK portfolio. The increase in Norway was due to the purchase of reserves in the Tune field.

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Results of Operations for Oil and Gas Producing Activities

As required by SFAS 69, the revenues and expenses included in the following table reflect only those relating to the oil and gas producing operations of Hydro. In addition to these operations, Exploration and Production in Note 5 reflects revenues and expenses relating to petroleum transportation operations.

The results of operations should not be equated to net income since no deduction nor allocation is made for interest costs, general corporate overhead costs, and other costs. Income tax expense is a theoretical computation based on the statutory tax rates after giving effect to the effects of uplift and permanent differences only.

	Norway			International			Total		
Amounts in NOK million	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Sales to unaffiliated customers	5,581	4,687	2,173	2,468	1,085	223	8,049	5,772	2,396
Intercompany transfers	25,791	10,320	6,934				25,791	10,320	6,934
Total revenues	31,372	15,007	9,107	2,468	1,085	223	33,840	16,092	9,330
Operating costs and expenses:									
Production costs	3,402	2,696	1,879	307	171	165	3,709	2,867	2,044
Exploration expenses	934	670	775	767	531	446	1,701	1,201	1,221
Depreciation, depletion and amortization	7,186	5,327	3,285	768	673	169	7,954	6,000	3,454
Total expenses	11,522	8,693	5,939	1,842	1,375	780	13,364	10,068	6,719
Results of operations before taxes	19,850	6,314	3,168	626	(290)	(557)	20,476	6,024	2,611
Current and deferred income tax expense	(15,356)	(4,576)	(1,934)	(228)	93	180	(15,584)	(4,483)	(1,754)
Results of operations	4,494	1,738	1,234	398	(197)	(377)	4,892	1,541	857

US GAAP Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves (Unaudited)

The standardized measure of discounted future net cash flows of Hydro s proved reserves of oil (including natural gas liquids and condensate) and gas is prepared in compliance with SFAS 69.

Future net cash flows are based on numerous assumptions which may or may not be realized. The Management of Hydro cautions against relying on the information presented because of the highly arbitrary nature of assumptions involved and susceptibility of estimates to change as new and more accurate data become available.

The individual components of future net cash flows shown below were computed using prices, production costs, development costs, royalty levels, foreign exchange rates, statutory tax rates and estimated proved reserve quantities at the respective year ends.

Standardized Measure of Discounted Future Net Cash Flows

	Norway			International			Total		
Amounts in NOK million	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**	**2000**	**1999**	**1998**
Future cash inflows	364,200	274,800	118,900	30,900	32,300	6,900	395,100	307,100	125,800
Future production costs	(58,100)	(48,800)	(29,600)	(7,100)	(8,100)	(1,900)	(65,200)	(56,900)	(31,500)
Future development costs	(21,400)	(21,200)	(13,100)	(6,600)	(4,800)	(3,600)	(28,000)	(26,000)	(16,700)
Future income tax expense	(210,800)	(140,200)	(51,500)	(4,300)	(5,300)	(400)	(215,100)	(145,500)	(51,900)
Future net cash flows	73,900	64,600	24,700	12,900	14,100	1,000	86,800	78,700	25,700
Less: 10% annual discount for estimated timing of cash flows	(27,900)	(25,400)	(12,900)	(4,900)	(5,100)	(1,000)	(32,800)	(30,500)	(13,900)
Standardized measure of discounted future net cash flows	46,000	39,200	11,800	8,000	9,000		54,000	48,200	11,800

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Major Sources of Changes in the Standardized Measure of Discounted Future Net Cash Flows

Amounts in NOK million	2000	1999	1998
Net changes in prices and production costs	43,000	45,600	(20,200)
Sales and transfers of oil and gas produced, net of production costs	(30,300)	(13,300)	(7,100)
Extensions, unitizations, discoveries and improved recovery, net of related costs	8,400	13,100	100
Purchase/Exchange of interests in fields	1,500	38,400	
Sale/Exchange of interests in fields	(5,800)		
Changes in estimated development costs	(6,700)	(11,900)	(3,800)
Development costs incurred during the year	6,400	6,000	5,000
Net change in income taxes	(19,900)	(48,200)	18,000
Accretion of discount	3,100	800	1,900
Revisions of previous reserve quantity estimates	6,100	6,000	500
Other		(100)	100
Total change in the standardized measure during the year	5,800	36,400	(5,500)

Average Sales Price and Production Cost per Unit

The following table presents the average sales price (including transfers) and production costs per unit of crude oil and natural gas, net of reductions in respect of royalty payments:

	Norway			International			Total		
Amounts in NOK	2000	1999	1998	2000	1999	1998	2000	1999	1998
Average Sales Price									
crude oil (per barrel)	248.80	143.90	93.50	219.60	157.70	72.30	246.40	144.70	93.50
natural gas (per Sm^3)	1.00	0.58	0.70	0.78	0.55		0.98	0.58	0.70
Average production cost (per boe)	24.50	22.60	20.30	25.90	19.00	35.20	24.60	22.40	20.50

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27. SUMMARY OF DIFFERENCES IN ACCOUNTING POLICIES AND RECONCILIATION OF US GAAP TO N GAAP

The financial statements prepared in accordance with accounting principles generally accepted in Norway presented on pages 70-72, differ in certain respects from US GAAP. Currently the differences are immaterial for Norsk Hydro. A reconciliation of net income and shareholders equity from US GAAP to Norwegian principles (N GAAP) and a description of these differences follow. The lines with a note reference reflect the variance between the US GAAP balance in that note and the N GAAP balance.

Reconciliation of US GAAP to N GAAP

Net income:

Amounts in NOK million	**Notes**	**2000**	**1999**	**1998**
Operating income before financial and other items US GAAP		28,466	7,735	5,830
Adjustments for N GAAP:				
Other operating costs (derivative commodity contracts)		15	19	(2)
Operating income before financial and other income N GAAP		**28,481**	**7,754**	**5,828**
Equity in net income of non-consolidated investees		672	339	410
Interest income and other financial income		1,747	1,504	1,820
Other income, net		3,161	1,350	
Earnings before interest expense and taxes (EBIT)		**34,061**	**10,947**	**8,058**
Interest expense and foreign exchange gain (loss)		(3,905)	(3,055)	(2,229)
Income before taxes and minority interest N GAAP		**30,156**	**7,892**	**5,829**
Current income tax expense		(13,711)	(3,553)	(1,379)
Deferred income tax expense US GAAP		(2,467)	(784)	(600)
Adjusted to N GAAP deferred tax	10	(10)	(6)	1
Net income - N GAAP		**13,968**	**3,549**	**3,851**
Minority interest		18	(90)	(98)
Net income after minority interest - N GAAP		**13,986**	**3,459**	**3,753**

Shareholders equity:

Amounts in NOK million	**Notes**	**2000**	**1999**	**1998**

Shareholders equity for US GAAP		71,227	59,497	48,291
Unrealized gains current (a)		(59)	(79)	(97)
Investments (b)	13		(4)	(2)
Deferred tax assets and liabilities current and long-term (c)	10	10	24	28
Dividends payable (d)		(2,470)	(2,094)	(1,718)
Minority Interest (e)		1,419	1,323	1,266
Shareholders equity for N GAAP		**70,127**	**58,667**	**47,768**

NORSK HYDRO ASA AND SUBSIDIARIES

Notes to the consolidated financial statements

Explanation of major differences between N GAAP and US GAAP

(a) Derivative commodity contracts: *Under N GAAP, unrealized gains and losses for speculative commodity futures and option contracts are netted for each portfolio and net unrealized gains are deferred as other short-term liabilities*. For US GAAP, unrealized gains and losses on speculative contracts are recorded to operating revenue or cost as appropriate, when incurred.

(b) Unrealized holding gain (loss) on securities: *Under N GAAP, Hydro s long-term marketable equity and debt securities are carried at the lower of historical cost or market value*. Under US GAAP, securities are carried at fair value (market) and unrealized holding gains or losses are included in Other comprehensive income, net of tax effects, for available-for-sale securities.

(c) Deferred taxes: Under N GAAP, deferred taxes are recorded based upon the liability method similar to US GAAP. Differences occur primarily because items accounted for differently under US GAAP also have deferred tax effects. Under N GAAP, deferred tax assets and liabilities for each tax entity are netted and classified as a long-term liability or asset.

A reconciliation of the current and long-term temporary differences giving rise to the N GAAP deferred tax asset and liability is provided in Note 10. Classification between current and long-term for US GAAP is determined by the classification of the related asset or liability giving rise to the temporary difference. For each tax entity, deferred tax assets and liabilities are offset within the respective current or long-term groups and presented as a single amount.

(d) Dividends payable: *For N GAAP, dividends proposed at the end of the year which will be declared and paid in the following year are recorded as a reduction to equity and as debt.* For US GAAP, equity is reduced when dividends are declared.

(e) Minority Interest: *For N GAAP shareholders equity is presented including minority interest.* In US GAAP shareholders equity is presented excluding minority interest.

(f) Cumulative effect of change in accounting principle: In 1999 Hydro changed its accounting principles regarding start-up costs. *For N GAAP this is recorded to equity.* In US GAAP this is recorded in the income statement.

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NORSK HYDRO ASA - N GAAP

Amounts in NOK million	**Notes**	**2000**	**1999**
INCOME STATEMENTS			
Operating revenues		**13,383**	**11,011**
Raw materials and energy costs		5,390	4,475
Change in inventories of own production		23	(3)
Payroll and related costs	2, 3	5,598	4,585
Depreciation, depletion and amortization	4	34	36
Other		2,448	2,508
Total operating costs and expenses		13,493	11,601
Operating income		**(110)**	**(590)**
Financial income, net	5	4,785	3,121
Other income	5	2,193	
Income before taxes		**6,868**	**2,531**
Current tax expense	6	(1,184)	(189)
Deferred tax benefit	6	195	78
Net income		**5,879**	**2,420**
Appropriation of net income and equity transfers:			
Dividend proposed		(2,470)	(2,094)
Shareholder contribution			(1)
Distributable equity		(3,409)	(325)
Total appropriation		(5,879)	(2,420)
STATEMENTS OF CASH FLOWS			
Net income		5,879	2,420
Depreciation, depletion and amortization		34	36
Deferred taxes		(195)	(78)
Loss (gain) on sale of non-current assets		(2,203)	37
Other adjustments		1,158	(816)
Net cash provided by operating activities		**4,673**	**1,599**
Investments in subsidiaries		(195)	(4,841)
Sale of subsidiaries		2,420	6
Net sales (purchases) of other investments		123	(75)
Net cash provided by (used in) investing activities		**2,348**	**(4,910)**

Dividends paid		(2,094)	(1,718)
Other financing activities, net		11,558	6,910
Net cash provided by financing activities		**9,464**	**5,192**
Foreign currency effects on cash flow		396	371
Net increase in cash and cash equivalents		**16,881**	**2,252**
Cash and cash equivalents 01.01		2,501	249
Cash and cash equivalents 31.12		**19,382**	**2,501**

		31 December,	
Amounts in NOK million	**Notes**	**2000**	**1999**
BALANCE SHEETS			
ASSETS			
Intangible assets		**32**	**31**
Property, plant and equipment	4	**223**	**274**
Shares in subsidiaries	7	48,689	48,719
Intercompany receivables		25,227	24,880
Non-consolidated investees	8	777	800
Prepaid pension, investments and other non-current assets	2, 9	4,914	4,591
Total financial non-current assets		**79,607**	**78,990**
Inventories	9	216	191
Accounts receivable, less allowances of 41 and 33		508	846
Intercompany receivables		35,980	24,411
Prepaid expenses and other current assets		4,294	1,857
Cash and cash equivalents		19,382	2,501
Current assets		**60,380**	**29,806**
Total assets		**140,242**	**109,101**
LIABILITIES AND SHAREHOLDERS EQUITY			
Paid-in capital:			
Share capital 266,596,650 at NOK 20	11	5,332	5,332
Treasury stock 6,610,580 at NOK 20		(132)	(98)
Paid-in premium		15,055	15,055
Other paid-in capital		4	
Retained earnings:			
Retained earnings		10,430	7,022

Treasury stock		(2,092)	(1,466)
Shareholders equity		**28,597**	**25,845**
Deferred tax liabilities	6	1,331	1,502
Other long-term liabilities		700	609
Long-term liabilities		**2,031**	**2,111**
Intercompany payables		142	262
Other long-term interest-bearing debt		39,065	31,210
Long-term debt		**39,207**	**31,472**
Bank loans and other interest-bearing short-term debt	9	5,067	4,879
Dividends payable		2,470	2,094
Intercompany payables		56,771	39,184
Current portion of long-term debt		1,978	709
Other current liabilities		4,121	2,807
Current liabilities		**70,407**	**49,673**
Total liabilities and shareholders equity		**140,242**	**109,101**

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

NORSK HYDRO ASA

Notes to the financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Norsk Hydro ASA are prepared in accordance with accounting principles generally accepted in Norway (N GAAP).

Hydro s general accounting policies are presented in Note 1 to the consolidated financial statements on pages 73-76. See Note 27 on pages 100 and 101 for an additional clarification of the major differences in accordance with N GAAP compared with US GAAP.

Shares in subsidiaries and non-consolidated investees are in Norsk Hydro ASA s financial statements presented according to the cost method. Group relief received is included in dividends from subsidiaries.

See Note 3 in Notes to the consolidated financial statements regarding paid-in capital for Norsk Hydro ASA.

For information about risk management in Norsk Hydro ASA see Note 24 in Notes to the consolidated financial statements and the Risk Management discussion in the Operating and Financial Review and Prospects section of this report. The information given in Note 19 in Notes to the consolidated financial statements on payments on long-term debt also applies to Norsk Hydro ASA.

Norsk Hydro ASA provides financing to most of the subsidiary companies in Norway as well as abroad. All employees working for Norsk Hydro Produksjon AS are employed by Norsk Hydro ASA.

2. EMPLOYEE RETIREMENT PLANS

Net periodic pension cost (credit)

Amounts in NOK million	**2000**	**1999**
Defined benefit plans:		
Benefits earned during the year	269	262
Interest cost on prior period benefit obligation	477	430
Actual return on plan assets	(276)	(1,747)
Net amortization and deferral	(402)	1,025
Net pension cost (credit)	68	(30)

Termination benefits and other	42	46
Total net periodic pension cost	110	16

Assumptions at end of year

	2000	1999
Discount rate	7.5%	7.5%
Expected return on plan assets	8.5%	8.5%
Rate of salary increase	3.5%	3.5%
Rate of pension increase	2.5%	0.0%

See Note 20 in Notes to the consolidated financial statements for further information.

Status of pension plans reconciled to balance sheet

	Plan assets exceed ABO		ABO exceeds plan assets	
Amounts in NOK million	**2000**	**1999**	**2000**	**1999**
Defined benefit plans:				
Projected benefit obligation (PBO)	(5,544)	(4,718)	(1,429)	(658)
Plan assets at fair value	9,005	9,557		
Plan assets in excess of (less than) PBO	3,461	4,839	(1,429)	(658)
Unrecognized prior service cost and other	83	(1,460)	842	201
Prepaid pension (accrued pension liabilities)	3,544	3,379	(587)	(457)
Termination benefits and other			(264)	(78)
Total prepaid pension (accrued pension liabilities) on balance sheet	3,544	3,379	(851)	(535)

3. REMUNERATIONS AND OTHER

Remuneration of the members of the corporate assembly and the board of directors was NOK 307,500 and NOK 1,315,000, respectively. The president s salary and other benefits inclusive of remuneration as member of the board totaled 4,093,000 in 2000 and 3,679,000 in 1999. The company s employment contract with the president provides that, in the event that employment terminates, he has the right to salary and the accrual of pension rights for a three year period. The company s obligation is reduced by salary received or pension rights accrued from other sources.

In March 2001, the Board approved a new stock option plan for corporate officers and certain key employees, in addition to expanding the existing subsidized share-purchase plan for employees. Refer to note 4 in Notes to the consolidated financial statements for a description of stock based compensation. The board has decided to establish a stronger element of performance rewards in Hydro s compensation system: a bonus linked to achieving performance goals in the business plans for various units in Hydro. The bonus will be limited to a maximum of one month s salary per year for employees. For approximately 200 managers with substantial responsibility for performance, the bonus will be limited to a maximum of two months salary. For top management around 30 persons the bonus will be limited to a maximum of three months salary.

Performance goals will be established that eliminates effects of price variations of the company s main products and foreign exchange fluctuations. It is the actual improvements of Hydro s activities that will be measured and rewarded.

Partners and employees of Hydro s appointed independent auditors, Deloitte & Touche AS, own no shares in Norsk Hydro ASA or any of its subsidiaries. Fees in 2000 to Deloitte & Touche AS for ordinary audit were NOK 3,370,000 for Norsk Hydro ASA

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NORSK HYDRO ASA

Notes to the financial statements

and NOK 12,698,000 for subsidiaries. Fees for audit related services were NOK 1,225,000 for Norsk Hydro ASA and NOK 966,000 for the subsidiaries. Fees for other services were NOK 227,000 for Norsk Hydro ASA and NOK 2,892,000 for the subsidiaries.

Deloitte Consulting AS, an affiliate company of Deloitte & Touche AS, has provided services to Hydro in the amount of NOK 22,810,500 of which NOK 496,000 was allocated to Norsk Hydro ASA and the remaining amount for the subsidiaries.

For 2000, the estimated adjustment to the tax basis (consolidated RISK) of shares for shareholders in Norsk Hydro ASA is a negative amount of NOK 32.20 per share.

Members of the board of directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for in the company s articles of association and Norwegian law. The company has no significant contracts in which a board member has a material interest.

In 2000, average number of employees in the Group was 38,166, compared to 37,575 for 1999. The corresponding figure for the parent company was 9,181 employees in 2000 versus 9,094 in 1999.

Amounts in NOK million	**2000**	**1999**
Payroll and related costs:		
Salaries	4,818	4,047
Social security costs	589	492
Social benefits	79	30
Net periodic pension cost (Note 2)	110	16
Total	5,596	4,585

Total loans to the company s employees, members of the corporate assembly and board of directors as of 31 December, 2000 are NOK 800 million. All loans are given in accordance with general market terms.

Loans given to members of the Board and their number of shares owned as of 31 December, 2000 are:

	Loans outstanding [1)]	Number of shares
Einar Kloster		28,000
Borger A. Lenth		144
Gudmund Per Olsen	78	732
Anne Cath. Høeg Rasmussen		1,000
Benedicte Berg Schilbred		40,504
Odd Senstrøm	24	16
Tom Wachtmeister		3,500
Per Wold	7	799

Members of the corporate assembly owning ordinary shares as of 31 December, 2000 are:

	Number of shares
Åse Bjøntegård	300
Roy Brenden	62
Sjur Bøyum	799
Solveig Frøynes	63
Kjell Furseth	175
Westye Høegh	14,712
Ann Høgman	107
Karl Edvard Juul	153
Kari Kveseth	50
A. Sylvi Lem	132
Peter Lorange	413
Jarle Molde	109
Geir Nilsen	14
Svein Erik Nilsen	554
Rune Strande	64
Sven Ullring	26
Idar Ulstein	540
Morten Ødegård	269
Svein Aaser	1,872

Loans to senior management as of 31 December, 2000 and their ownership of shares and options (see Note 4, page 79) are:

	Loans outstanding [1)]	Number of shares	Options
Egil Myklebust	4,653	3,715	10,000
Thorleif Enger	817	17,759	7,000
Leiv L. Nergaard	355	12,649	7,000
Eivind Reiten	8	1,439	7,000
Tore Torvund	390	425	7,000

Outstanding loan particulars: [2)]	**Interest**	**Amount** [1)]

		Loans Repayment	
Egil Myklebust:			
Various loans	6.0-6.5%	15-30 years	2,450
Mortgage loan	6.0%		2,200
Thorleif Enger:			
Various loans	6.5%	7-15 years	810
Leiv L. Nergaard:			
Various loans	6.5%	15 years	348
Tore Torvund:			
Various loans	6.5%	5-15 years	383

1) Amounts in NOK thousands

2) Each member of senior management has, in addition, interest-free loans for shares and/or PC equipment, in accordance with the company s terms for employees.

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NORSK HYDRO ASA

Notes to the financial statements

4. PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Machinery, etc	Buildings	Plant under construction	Other	Total
Cost 31.12.1999	304	242	41	7	594
Additions at cost	47	2	1		50
Retirements	(92)	(10)	(24)		(126)
Transfers	4		(4)		
Accumulated depreciation 31.12.2000	(153)	(142)			(295)
Net book value 31.12.2000	110	92	14	7	223
Depreciation in 2000	30	4			34

5. FINANCIAL INCOME AND EXPENSE, AND OTHER INCOME

Amounts in NOK million	2000	1999
Dividends from subsidiaries	4,018	2,480
Dividends from non-consolidated investees	60	107
Interest from group companies	3,979	2,881
Other interest income	868	342
Interest paid to group companies	(2,600)	(810)
Other interest expense	(3,117)	(2,517)
Other financial income, net	1,577	638
Financial income, net	4,785	3,121

In 2000 Hydro sold its subsidiary Hydro Seafood AS. The sale resulted in a pre-tax gain of NOK 2,193 million, included in Other income .

6. INCOME TAXES

The tax effect of temporary differences resulting in the deferred tax assets (liabilities) and the change in temporary differences are:

Temporary differences

	Tax effected		Change	
Amounts in NOK million	**2000**	**1999**	**2000**	**1999**
Short-term items	60	13	167	201
Write-down on shares	(647)	(646)	(3)	(6)
Prepaid pension	(992)	(946)	(13)	(85)
Pension liabilities	238	150	256	67
Other long-term	10	(73)	289	102
Deferred tax liabilities	(1,331)	(1,502)		
Change for year			696	279

As of 1 January, 2000 all employees in Saga were transferred to Norsk Hydro ASA. The transfer of related pension plans resulted in a change in deferred tax liabilities but no effect on the tax expense. The change relates to prepaid pension, pension liabilities and other long-term items.

Reconciliation of nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2000**	**1999**
Income (loss) before taxes	6,868	2,531
Expected income taxes at statutory tax rate	1,923	708
Tax free income	(47)	(12)
Non-deductible expenses	5	3
Dividend exclusion	(845)	(608)
Other, net	(55)	11
Hydro-electric power surtax	8	9
Income tax expense	989	111
Effective tax rate	14.40%	4.38%

See Note 10 in Notes to the consolidated financial statements for further information

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NORSK HYDRO ASA

Notes to the financial statements

7. SHARES IN SUBSIDIARIES

Company name:		Percentage of shares owned by Norsk Hydro	Total share capital of the company (000 s)		Book value 31.12.2000 (in NOK 000 s)
Oil and Energy:	Saga Holding AS	100	NOK	12,035	16,246,324
	Norsk Hydro Kraft OY	100	FIM	200	269
	AS Svælgfos	100	NOK	800	800
Light Metals:	Hydro Aluminium AS	100	NOK	2,167,001	4,866,019
	Norsk Hydro Magnesiumgesellschaft GmbH [1)]	2	DEM	1,000	179
Agri:	Algea AS	100	NOK	1,000	16,679
	Hydro Agri Hellas S.A.	100	GRD	90,000	2,277
	Polybulk AB	100	SEK	102	2,551
	Hydro Agri Argentina S.A.	100	ARS	12,512	92,561
	Hydro Agri Colombia Ltda.	100	COP	4,842,549	16,749
	Hydro Agri Russland AS	100	NOK	21,200	21,200
	Hydro Agri Uruguay S.A.	100	UYU	18	7,231
	Hydro Agri Venezuela C.A.	60	VEB	363,000	125
	Hydro Nordic, S.A.	70	GTQ	8,500	14,110
	Hydroship a.s	100	NOK	280,000	280,000
	Hydroship Services AS	100	NOK	1,039	1,039
	Norensacados C.A.	60	VEB	15,000	140
	Norsk Hydro Chile S.A.	100	CLP	878,668	13,071
	Norsk Hydro (Far East) Ltd.	100	HKD	50	60
	Ceylon Oxygen Ltd.	67.3	LKR	90,000	27,905
	Okledyh Management AS	93.2	NOK	139	9,565
	Hydro Oleochemicals AS	100	NOK	3,000	58,661
	Hydro Megon AS	100	NOK	6,400	5,800
	Hydro Wax AS	100	NOK	3,750	3,750
	Hydro Gas and Chemicals AS	100	NOK	15,050	49,416
Other activities:	Pronova AS	100	NOK	59,644	846,634
	Industrial Insurance Ltd.	100	NOK	10,000	10,000
	Industriforsikring AS	100	NOK	20,000	20,000
Corporate:	Retroplast AS	100	NOK	50	3,825
	Grenland Industriutvikling AS	100	NOK	1,750	10,950
	Hydro Porsgrunn Eiendomsforvaltning AS	100	NOK	2,500	5,500
	Norsk Hydro Plastic Pipe AS	100	NOK	10,000	156,473
	Hydro Technology Venture AS	100	NOK	150	150
	Norsk Hydro Asia Pte. Ltd.	100	SGD	200,673	920,281
	Norsk Hydro Comércio e Indùstria Ltda.	100	BRL	33,268	123,893
	Norsk Hydro Danmark AS	100	DKK	1,002,000	4,515,523
	Norsk Hydro Deutschland GmbH	100	DEM	110,000	736,298
	Norsk Hydro Electrolysers AS	100	NOK	4,000	4,300
	Norsk Hydros Handelsselskap AS	100	NOK	1,000	1,000

	Norsk Hydro Produksjon AS	100	NOK	200,000	18,811,324
	Norsk Hydro Russland AS	100	NOK	19,000	19,000
	Norsk Hydro Sverige AB	100	SEK	585,000	557,692
	Norsk Hydro Americas, Inc.	100	USD	30,000	209,917
Total					48,689,241

The foreign currency designation indicates country of domicile.

Percentage of shares owned equals percentage of voting shares owned.

A number of the above-mentioned companies also own shares in other companies as specified in their annual reports.

[1)] The company is owned 98 percent by Norsk Hydro Deutschland GmbH and 2 percent by Norsk Hydro ASA.

The following figures which relate to Norsk Hydro ASA s concession to own an energy distribution network are required by regulation § 4-4 to the law on energy (in NOK million)

	2000	1999
Operating revenues	2	2
Operating costs	2	3
Operating income (loss)	0	(1)
Fixed asset base	4	5
Return on capital	11.6	(12.5)

NORSK HYDRO ASA

Notes to the financial statements

8. SHARES IN NON-CONSOLIDATED INVESTEES

The most significant investments in non-consolidated investees for Norsk Hydro ASA are (amounts in NOK million):

Name	Percentage owned (equals voting rights)	Country	Book value as of 31 December, 2000	Long-term advances	Total
Compania Industrial de Resinas Sinteticas - CIRES SA	26.2%	Portugal	100		100
Phosyn Plc.	35.0%	Great Britain	79		79
Hydro Agri Trade Maroc	50.0%	Marocco	71		71
Suzhou Huasu Plastics Co. Ltd.	31.8%	China	67	58	125
Qatar Fertilizer Company (S.A.Q.)	25.0%	Qatar	43		43
Scanraff [1)]	21.5%	Sweden		229	229
Other			101	29	130
Total			461	316	777

1) Indirectly owned by Norsk Hydro ASA.

9. SPECIFICATION OF BALANCE SHEET ITEMS

Amounts in NOK million	2000	1999
Prepaid pension, investments and other non-current assets:		
Other investments	445	362
Prepaid pension	3,544	3,379
Other non-current assets	925	850
Total	4,914	4,591
Inventories:		
Raw materials	125	130
Work in progress		2
Finished goods	91	59
Total	216	191
Bank loans and other short-term interest-bearing debt:		
Bank overdraft	907	2,850

Other interest-bearing debt	4,160	2,029
Total	5,067	4,879

10. GUARANTEES

Norsk Hydro ASA provides guarantees arising in the ordinary course of business including stand-by letters of credit, letters of credit, performance bonds and various payment or financial guarantees.

Amounts in NOK million	**2000**	**1999**
Guarantees (off-balance sheet):		
Guarantees of debt	1,545	4,318
Indirect guarantees	3,201	3,245
Total	4,746	7,563

11. NUMBER OF SHARES OUTSTANDING, SHAREHOLDERS, ETC.

The share capital of the company is NOK 5,331,933,000. It consists of 266,596,650 ordinary shares at NOK 20 per share. As of 31 December, 2000 the company had purchased 6,610,580 treasury stocks at a cost of NOK 2.2 billion. For further information on these issues see Note 3 in Notes to the consolidated financial statements.

Shareholders holding one percent or more of the total 259,986,070 shares outstanding as of 31 December, 2000 are according to information in the Norwegian securities registry system (Verdipapirsentralen):

Name	**Number of shares**
Ministry of Trade and Industry	116,832,770
Morgan Guaranty Trust Co. of NY [1)]	16,140,414
State Street Bank & Trust [2)]	14,071,445
Chase Manhattan Bank [2)]	10,283,391
Folketrygdfondet	8,119,982
Chase Manhattan Bank [2)]	3,776,936
Sicovam [2)]	3,613,771
Chase Manhattan Bank [2)]	3,600,000
Chase Manhattan Bank [2)]	3,570,000
Boston Safe Dep. & Trust [2)]	3,174,706
KLP Forsikring	3,148,013

1) Representing American Depositary Shares.

2) Client accounts and similar.

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Independent Auditors Report Corporate Assembly

To the annual general meeting of Norsk Hydro ASA

INDEPENDENT AUDITORS REPORT FOR N GAAP FINANCIAL STATEMENTS

We have audited the financial statements of Norsk Hydro ASA and its subsidiaries as of 31 December 2000, showing a profit of NOK 5,879 million for the parent company and a profit of NOK 13,968 million for the group. We have also audited the information in the Board of Directors report concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income. Financial statements comprise the balance sheet, the statement of income, the statement of cash flows, the accompanying notes and the group accounts. These financial statements, which are presented in accordance with accounting principles generally accepted in Norway, are the responsibility of the Company s Board of Directors and the Company s President. Our responsibility is to express an opinion on these financial statements and on certain other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards generally accepted in Norway. Auditing standards generally accepted in Norway require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards generally accepted in Norway, an audit also comprises a review of the management of the Company s financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements, as shown on page 70-72 and page 102, are prepared in accordance with the law and regulations and present fairly, in material respects, the financial position of the Company as of 31 December 2000 and the results of its operations and its cash flows for the period, in accordance with accounting principles generally accepted in Norway;

- the Company s management has fulfilled its duty to maintain the Company s accounting process in such a proper and well-arranged manner that the accounting process is in accordance with the law and accounting practices generally accepted in Norway; and

- the information in the Board of Directors report, as shown on page 30-35, concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income is consistent with the financial statements and complies with the law and regulations.

Oslo, Norway, 21 March, 2001

DELOITTE & TOUCHE AS

Ingebret G. Hisdal State Authorized Public Accountant,

(Norway)

To the annual general meeting of Norsk Hydro ASA

INDEPENDENT AUDITORS REPORT FOR US GAAP FINANCIAL STATEMENTS

We have audited the consolidated balance sheets of Norsk Hydro ASA and subsidiaries as of December 31, 2000 and 1999, and the related consolidated income statements, statements of comprehensive income, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements on pages 68-70 present fairly, in all material respects, the financial position of the Company as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America.

Oslo, Norway, 21 March, 2001

DELOITTE & TOUCHE AS

Ingebret G. Hisdal State Authorized Public Accountant, (Norway)

STATEMENT OF THE CORPORATE ASSEMBLY TO THE ANNUAL GENERAL MEETING OF NORSK HYDRO ASA

The board of directors proposal for the financial statements for the financial year 2000 and the Auditors report have been submitted to the corporate assembly. The corporate assembly recommends that the directors proposal regarding the financial statements for 2000 for the parent company, Norsk Hydro ASA, and for Norsk Hydro ASA and its subsidiaries be approved by the annual general meeting, and that the net income for 2000 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, Norway, 21 March, 2001

Sven Ullring

CORPORATE ASSEMBLY

The following were members of Norsk Hydro s corporate assembly at the end of 2000:

Sven Ullring (chairman)
Svein Steen Thomassen
(vice chairman)
Åse Bjøntegård
Solveig Frøynes
Kjell Furseth
Aase Gudding Gresvig
Westye Høegh
Ann Høgman
Kari Kveseth
Frøydis Langmark
Peter Lorange
Gisèle Marchand

Jarle Molde
Ingvild Myhre
Geir Nilsen
Svein Erik Nilsen
Rune Strande
Sigurd Støren
Idar Ulstein
Svein Aaser

Observers:
Roy Brenden
Karl-Edvard Juul
Morten Ødegård

Deputy members:
Sjur Bøyum
Geir Hansen
Oddvar Karlsen
Hans Krokan
A. Sylvi Lem
Roger Midtun
Jon Arne Mo
Helge Moen
Torstein Olsrød
Siri Teigum
Kjell Aamot

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Appendix 9

Translation from Norwegian

Audited interim Balance Sheet for Norsk Hydro ASA [1] (NGAAP)

Amounts in NOK million	**30 September, 2003**
ASSETS	
Intangible assets	2
Property, plant and equipment	229
Shares in subsidiaries	32,483
Intercompany receivables	44,279
Non-consolidated investees	895
Prepaid pension, investments and other non-current assets	6,083
Total financial non-current assets	83,740
Inventories	28
Accounts receivable	28
Intercompany receivables	26,020
Prepaid expenses and other current assets	2,524
Cash and cash equivalents	14,278
Current assets	42,878
Total assets	126,849
LIABILITIES AND SHAREHOLDERS EQUITY	
Paid-in capital:	
Share capital 266,596,650 at NOK 20	5,332
Treasury stock 9,884,650 at NOK 20	(198)
Paid-in premium	15,055
Other paid-in capital	16
Retained earnings	25,673
Treasury stock	(3,326)
Shareholders equity	42,552
Deferred tax liabilities	511
Other long-term liabilities	2,648
Long-term liabilities	3,159
Intercompany payables	1,718
Other long-term interest-bearing debt	28,287

Long-term debt	30,005
Bank loans and other interest - bearing short-term debt	2,892
Intercompany payables	43,929
Current portion of long-term debt	1,026
Other current liabilities	3,286
Current liabilities	51,133
Total liabilities and shareholders equity	126,849

Oslo, 28. November 2003

The Board of Norsk Hydro ASA

Egil Myklebust	Borger A. Lenth	Steinar Skarstein	Elisabeth Grieg
Chairperson	Deputy Chairperson		
Odd Semstrøm	Geir Nilsen	Ingvild Myhre	Håkan Mogren
Anne Cathrine Høeg Rasmussen			Eivind Reiten
			President and CEO

1 The interim balance sheet is prepared as a part of the legal requirements for demergers in Norway. The balance sheet is prepared in accordance with accounting principles generally accepted in Norway, as described in Hydro s annual report.

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Appendix 10

Translation from Norwegian

To the General Meeting of Norsk Hydro ASA

INDEPENDENT AUDITORS REPORT

We have audited the balance sheet of Norsk Hydro ASA as of September 30, 2003. This balance sheet is the responsibility of the Company s Board of Directors and Hydro s President and Chief Executive Officer. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards generally accepted in Norway. Auditing standards generally accepted in Norway require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. To the extent required by law and auditing standards generally accepted in Norway, an audit also comprises a review of the management of the Company s affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our conclusion.

In our opinion the balance sheet as of September 30, 2003 is prepared in accordance with the law and regulations and presents fairly, in material respects, the financial position of the Company as of September 30, 2003, in accordance with accounting principles generally accepted in Norway.

Oslo, Norway, 28 November 2003

DELOITTE AS

Aase Aa. Lundgaard

State Authorized Public Accountant, (Norway)

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Appendix 11

Translation from Norwegian

Draft Opening Balance Sheet for AgriHold ASA [1]

Amounts in NOK million

ASSETS	
Intangible assets	96
Property, plant and equipment	16
Shares in subsidiaries	3,212
Loans to Agri companies	14,860
Non-consolidated investees	39
Prepaid pension, investments and other non-current assets	76
Total financial non-current assets	18,187
Inventories	28
Accounts receivable	13
Receivables Agri companies	1,954
Prepaid expenses and other current assets	33
Current assets	2,028
Total assets	20,327
LIABILITIES AND SHAREHOLDERS EQUITY	
Paid-in capital:	
Share capital 319,442,590 at NOK 1.70	543
Paid-in premium	3,689
Retained earnings	5,000
Shareholders equity	9,232
Long-term liabilities	301
Interest bearing loan Norsk Hydro ASA	9,424
Loans from Agri companies	1,293
Other current liabilities	77
Current liabilities	10,794
Total liabilities and shareholders equity	20,327

28. November 2003

1 The opening balance sheet is prepared as a part of the legal requirements for demergers in Norway. The balance sheet is prepared in accordance with accounting principles generally accepted in Norway, as described in Hydro s annual report.

The opening balance sheet is based on the audited interim balance sheet for Norsk Hydro ASA as of 30. September 2003. Assets and liabilities related to Agri Business, including Related Transactions, as described in the demerger plan, are transferred from Norsk Hydro ASA to AgriHold ASA as contribution in kind at Norsk Hydro s book value. The assets and liabilities transferred, together with the cash amount contributed at the formation of AgriHold ASA represent an estimate of the opening balance sheet for AgriHold ASA as of the consummation date of the demerger. An assumption has been made that the cash amount contributed at formation will be used to repay loans from Norsk Hydro ASA, see 2.5 in the demerger plan.

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Appendix 12

Translation from Norwegian

To the General Meetings of Norsk Hydro ASA and AgriHold ASA

INDEPENDENT ACCOUNTANTS REPORT

In our opinion the draft opening balance sheet for AgriHold ASA as of the consummation date of the demerger (March 24, 2004) has been presented in accordance with accounting principles generally accepted in Norway.

Oslo, Norway, 28 November, 2003

DELOITTE AS

Kjetil Nevstad

State Authorized Public Accountant, (Norway)

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Appendix 13

Translation from Norwegian

To the General Meeting of Norsk Hydro ASA

INDEPENDENT ACCOUNTANTS REPORT

We confirm that subsequent to the reduction of Share Capital in Norsk Hydro ASA from NOK 5,331,933,000, by;

NOK 29,686,000 through cancellation of 1,484,300 treasury shares,

NOK 23,158,440 through redemption of 1,157,922 shares, and

NOK 448,722,527.60 through the demerger of Agri to AgriHold ASA

to NOK 4,830,366,032.40 there will be a full coverage for Norsk Hydro ASA s restricted equity subsequent to the reduction.

Oslo, Norway 28 November 2003

DELOITTE AS

Aase Aa. Lundgaard

State Authorized Public Accountant, (Norway)

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Exhibit 3: Financial Information

APPENDIX 1. Form 6-K for the quarter ended September 30, 2003

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NORSK HYDRO ASA and SUBSIDIARIES

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

for the nine months ending 30 September, 2003

In this Quarterly Report on Form 6-K (the Report), references to the Company are to Norsk Hydro ASA; references to Hydro or the Group are t the Company and its consolidated subsidiaries. The Company publishes its consolidated financial statements in Norwegian kroner (NOK). In this Report, references to US dollar , USD , or $ are to United States dollars, and references to EUR are to European Monetary Union s single currency Euro.

CONSOLIDATED RESULTS (US GAAP)

(UNAUDITED)

	Third quarter			01.01-30.09			Year
	2003	**2003**	2002	**2003**	**2003**	2002	2002
Million, except per share data	**NOK**	**EUR[1)]**	NOK	**NOK**	**EUR[1)]**	NOK	NOK
Operating revenues	**41,857**	**5,116**	40,813	**127,249**	**15,553**	123,033	167,040
Operating income	**5,730**	**700**	3,945	**17,121**	**2,093**	13,845	19,841
Non-consolidated investees	**181**	**22**	(356)	**850**	**104**	(451)	33
Interest income and other financial income	**315**	**39**	210	**1,118**	**136**	1,084	1,418
Other income (loss), net	**139**	**17**		**(1,702)**	**(208)**	219	219
Earnings before interest expense and taxes (EBIT)	**6,365**	**778**	3,799	**17,387**	**2,125**	14,697	21,511
Interest expense and foreign exchange gain/(loss)	**(2)**		(628)	**(1,288)**	**(157)**	294	517
Income before taxes and minority interest	**6,363**	**778**	3,171	**16,099**	**1,968**	14,991	22,028
Income tax expense	**(4,039)**	**(494)**	(2,701)	**(9,301)**	**(1,137)**	(9,549)	(13,278)
Minority interest	**73**	**9**	43	**124**	**15**	43	15
Income before cumulative effect of change in accounting principle	**2,397**	**293**	513	**6,922**	**846**	5,485	8,765
Cumulative effect of change in accounting principle				**281**	**34**		
Net income	**2,397**	**293**	513	**7,203**	**880**	5,485	8,765
Earnings per share before change in accounting principle (in NOK and Euro)	**9.30**	**1.10**	2.00	**26.80**	**3.30**	21.30	34.00
Earnings per share (in NOK and Euro)	**9.30**	**1.10**	2.00	**27.90**	**3.40**	21.30	34.00
Financial data							

EBITDA [2] million	**10,414**	**1,273**	7,490	**30,855**	**3,771**	25,203	35,658
Investments million	**4,680**	**572**	3,712	**13,713**	**1,676**	39,767	45,716
Net interest-bearing debt/equity [3]	**0.24**	**0.24**	0.43	**0.24**	**0.24**	0.43	0.44

1) Presentation in Euro is a convenience translation based on the exchange rate at September 30, 2003, which was 8.1817.

2) EBITDA: Earnings before Interest, Tax, Depreciation and Amortization. See page 24.

3) Net interest-bearing debt divided by shareholders equity plus minority interest.

All comparative figures are for the corresponding period in 2002 unless otherwise stated. Certain amounts in previously issued consolidated financial statements were reclassified to conform with the 2003 presentation.

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Norsk Hydro s net income in the third quarter of 2003 was NOK 2,397 million (NOK 9.30 per share) compared to NOK 513 million (NOK 2.00 per share) in the same period last year. Operating income in the third quarter amounted to NOK 5,730 million, an increase of 45 percent compared to the corresponding period in 2002.

Higher oil and gas production together with lower oil and gas exploration costs were the main factors underlying the improved operating results.

Net income before the effects of changes in accounting principles for the first three quarters of the year was NOK 6,922 million (NOK 26.80 per share), compared to NOK 5,485 million (NOK 21.30 per share) in the same period last year.

It is particularly pleasing to note that Hydro s good results in Oil and Energy are based on strong production growth and good cost control, as well as high oil and gas prices, says President and CEO Eivind Reiten.

The start-up of the Grane and Fram Vest fields is on schedule and with costs well below budget demonstrate our ability to manage large, complex development projects. Our organization s success in maintaining a high level of production regularity has contributed to an upward adjustment of the estimate for this year s oil and gas production to 520,000 barrels of oil equivalent per day (boed) compared to the previous estimate of 510,000 boed.

The aluminium results remain weak, but the continued high pace of our improvement programs is very positive. Our decision to participate in the further expansion of the alumina refinery, Alunorte in Brazil, represents another step to secure a competitive source of raw materials for our aluminium operations. Developments in the fertilizer markets are good, and Agri stands as a competitive and well-run fertilizer operation as it prepares to spin-off as a separate listed company, continues Reiten.

Hydro s oil and gas production in the third quarter averaged 489,000 boed, an increase of 8 percent compared to the same period last year. Oil prices in Norwegian kroner were substantially unchanged, while the price of natural gas was 17 percent higher than in the corresponding period last year. Hydro expects considerably higher production in the fourth quarter with total production estimated at 520,000 boed for the year as a whole, and 560,000 boed for the fourth quarter. Exploration costs charged against income in the third quarter amounted to NOK 303 million.

Hydro signed an agreement in the third quarter for the sale of the company s share in the Scanraff oil refinery in Sweden. The agreement is expected to be concluded in the fourth quarter after approval from the authorities and result in a gain on disposal of approximately NOK 600 million.

Aluminium s operating income in the third quarter was slightly higher than the prior year. The markets for semi-finished products remain weak, while metal prices in dollar terms are somewhat higher. Prices measured in Norwegian kroner, however, are slightly lower. The cost improvement programs continue and are on target.

Agri results reflect stronger markets for most fertilizer products, but the improvements were partly offset by the effect of high energy prices on raw material costs. Sales volumes were stable after adjusting for the effects of disposals of non core activities since the equivalent period of last year.

The Board s decision taken in the second quarter to prepare for the spin-off of Hydro s Agri operation has been followed up by an extensive process to establish the best possible basis for making a decision regarding the type of transaction and the practical implementation. External advisors have been engaged and the plan for Hydro Agri to be listed as a separate company during the course of the first half of 2004 is on schedule.

The provision for taxes for the first three quarters was NOK 9,301 million, representing approximately 58 percent of pre-tax income. The tax provision has been strongly influenced by amendments to the Norwegian tax regulations relating to the future costs of removing oil and gas installations on the Norwegian continental shelf after production has ceased. In addition, the tax provision for the third quarter 2003 included a one time positive effect of NOK 139 million relating to the final conclusion of an outstanding tax ruling in Norway. Excluding these effects, tax expense amounted to 65 percent of pre-tax income for the first three quarters and 66 percent for the third quarter of 2003.

Investments in the third quarter of 2003 amounted NOK 4,680 million. Just over half of the investments related to oil and gas operations.

Cash flow from operations for the first three quarters was NOK 23.2 billion (NOK 19.8 billion) mainly due to higher earnings.

Hydro has earlier established a goal to dispose of non core business assets totaling NOK 10 billion during 2002 and 2003. As of the end of the third quarter 2003, disposals have been completed or agreed for approximately NOK 9 billion.

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Third quarter 2003

NOK million	Operating income (loss)	Non-cons. inv., Interest & selected fin.items	Other income	Depreciation and amortization	EBITDA
Hydro Oil and Energy	5,322	3		2,420	7,745
Hydro Aluminium	530	39		929	1,498
Hydro Agri	464	187		338	989
Other Activities	(318)	77	139	360	258
Corporate and Eliminations	(268)	190		2	(76)
Total [1]	5,730	496	139	4,049	10,414

01.01- 30.09.2003

NOK million	Operating income (loss)	Non-cons. inv., Interest & selected fin.items	Other income	Depreciation and amortization	EBITDA
Hydro Oil and Energy	15,149	117	326	7,095	22,687
Hydro Aluminium	1,747	398		2,544	4,689
Hydro Agri	1,893	506		865	3,264
Other Activities	(424)	322	162	748	808
Corporate and Eliminations	(1,244)	625	(2,190)	2,216[2]	(593)
Total [1]	17,121	1,968	(1,702)	13,468	30,855

1) See specification on page 29.

2) Includes non-cash charge relating to an expected state grant pertaining to an asset removal obligation of NOK 2,207 million (page 14).

EBITDA for the third quarter was NOK 10,414 million (NOK 7,490 million). EBITDA for the first three quarters was NOK 30,855 (NOK 25,203 million).

Earnings from non-consolidated investees in the third quarter were NOK 181 million, compared with a loss of NOK 356 million in the third quarter of 2002. The results in 2002 were affected by unrealized foreign exchange losses relating to the alumina operation in Brazil of NOK 381 million compared with foreign exchange losses of NOK 18 million in the third quarter of the current year. Earnings increased by NOK 174 million (excluding the currency effects) mainly as a result of stronger performance by investees in Agri reflecting higher fertilizer prices.

Other Income amounted to NOK 139 million representing a gain on the disposal of Carmeda AB, a medical equipment and implant company.

On 7 May 2003, the Annual General Meeting of Norsk Hydro ASA authorized the Board of Directors to buy back up to 2,808,810 shares over the next 18 months for the purpose of subsequent cancellation. Accordingly, Hydro purchased 1,484,300 shares during the third quarter at an average price of NOK 374. Based on an agreement with the Norwegian State, Hydro s largest shareholder, a proportional share of the State s interest will also be bought for cancellation. The State s ownership interest will therefore remain unaffected by the buyback and cancellation. A total of up to 5 million shares may be cancelled, representing 1.9 percent of the outstanding shares. A final decision on cancellation must be approved by a majority of two thirds of the shareholders in a future General Meeting.

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HYDRO OIL AND ENERGY

Operating income (loss)

NOK million	Third quarter **2003**	Third quarter 2002	01.01-30.09 **2003**	01.01-30.09 2002	Year 2002
Exploration and Production	**4,579**	2,583	**13,168**	8,660	13,137
Energy and Oil Marketing	**739**	587	**2,001**	1,903	2,784
Eliminations	**4**		**(20)**		26
Total	**5,322**	3,170	**15,149**	10,563	15,947

EBITDA

NOK million	Third quarter **2003**	Third quarter 2002	01.01-30.09 **2003**	01.01-30.09 2002	Year 2002
Exploration and Production	**6,814**	4,624	**19,812**	14,864	21,593
Energy and Oil Marketing	**927**	827	**2,895**	2,589	3,721
Eliminations	**4**		**(20)**		26
Total	**7,745**	5,451	**22,687**	17,453	25,340

	Third quarter **2003**	Third quarter 2002	01.01-30.09 **2003**	01.01-30.09 2002	Year 2002
Oil and gas production (thousands boe/d)	**489**	452	**508**	460	480
Oil price (USD/bbl)	**28.20**	27.10	**28.60**	24.30	24.70
Oil price (NOK/bbl)	**206.60**	204.00	**203.60**	197.60	194.20
Average exchange rate USD/NOK	**7.32**	7.52	**7.13**	8.13	7.88
Gas price (NOK/Sm^{3})[)]	**1.01**	0.86	**1.01**	0.95	0.95
Exploration expense (NOK million)	**303**	1,342	**1,109**	2,992	3,558

Hydro Oil and Energy consists of the two sub-segments : Exploration and Production and Energy and Oil Marketing .

Operating income for Oil and Energy in the third quarter of 2003 was NOK 5,322 million, around 68 percent higher than in the same period last year. Operating income for the first three quarters was 43 percent higher than the corresponding period of last year.

Hydro s realized crude oil price during the third quarter was USD 28.2 per barrel (USD 27.1 per barrel). Measured in Norwegian kroner, the oil price was around the same level as in the third quarter of 2002.

Realized prices for Hydro s gas volumes was 17 percent higher than for the equivalent period last year, amounting to NOK 1.01 per Sm^3. However, realized gas prices were negatively affected by spot market prices that were lower than long-term contract prices. Average realized gas prices for the first three quarters of 2003 were somewhat higher than the same period of last year.

Prices in the Nordic electricity market remained stable throughout the third quarter of 2003. Spot prices averaged NOK 255 per MWh, compared to NOK 149 per MWh in the corresponding period last year. Forward prices for deliveries of electricity up to 2006 increased slightly during the third quarter. Water reservoir levels in Norway and Sweden rose during the quarter, but remain around 15 percent lower than normal.

EBITDA for Oil and Energy for the third quarter was NOK 7,745 million, around 42 percent higher than the equivalent period last year. For the first three quarters of 2003, EBITDA was 30 percent higher than the same period of last year.

Factors affecting developments in the next few months:

In the fourth quarter of 2003, oil and gas production is expected to reach around 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 during the current year and prospects for the rest of the year, Hydro s production targets have been raised from the earlier target for 2003 of 510,000 boed to 520,000 boed.

Overall exploration activities for 2003, with an expected expenditure of NOK 1.9 billion, are expected to be somewhat lower than planned.

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Hydro has signed an agreement for the sale of the company s 25 percent ownership interest in the Scanraff oil refinery in Sweden. The sale is pending approval of the authorities, which is expected to be granted in the fourth quarter. The disposal will result in a tax free gain estimated at approximately NOK 600 million.

EXPLORATION AND PRODUCTION

Operating income from Exploration and Production for the third quarter was NOK 4,579 million, an increase of about 77 percent compared to the third quarter of 2002. Production in the third quarter was 8 percent higher than for the same period last year improving results by approximately NOK 600 million. Exploration costs in the third quarter were NOK 1,039 million lower than the corresponding period last year. Realized gas prices increased in the quarter approximately 17 percent compared to 2002.

Operating income for the first three quarters was 52 percent higher than in the same period last year. The improvement mainly results from an increase in both oil and gas production during the period. In addition, exploration costs charged to income for the quarter were considerably lower than in the equivalent period last year.

Hydro s production of oil and gas in the third quarter of 2003 averaged 489,000 boed, an increase of 37,000 boed compared to the third quarter of 2002. Oil production (including NGL and condensate) amounted to 373,000 boed in the third quarter, 9,000 boed higher than in the same period last year. Maintenance shutdowns resulted in a loss of oil production (including NGL and condensate) of around 18,000 boed in the third quarter. Gas production in the third quarter was 3 percent above the level in the second quarter this year, and around 32 percent higher than in the equivalent period last year, partly due to new fields such as Tune and Sigyn coming on stream on the Norwegian continental shelf.

Costs (production costs, depreciation and net tariffs) per produced barrel for the first three quarters of the year amounted to NOK 78.8 (NOK 77.0 for the third quarter). The reduction of 3.9 percent in the first three quarters is mainly due to increased production and higher regularity.

Exploration costs of NOK 303 million (NOK 1,342 million) were charged to income in the quarter. Two oil discoveries were made in the third quarter in the Grane/Heimdal area (Klegg on License 036 and Ringhorne Øst on License 027/169). Two wells on the Norwegian continental shelf were dry and have been charged to expense in the quarter. An exploration well is currently being drilled in Iran with the results expected in the fourth quarter. Total exploration activities have been lower than in the equivalent period last year. On 1 October, Hydro submitted an application for 8 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. Grane came on stream on 23 September, three weeks ahead of schedule, while Fram Vest started production at the beginning of October as planned. Development cost for the Grane project was around NOK 1.5 billion lower than initial estimates. Hydro s share of the Grane field is 38 percent. The Grane field contains oil of a different quality than is found in the rest of the Norwegian sector. As a result, 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 s ownership share of this field is 25 percent. The Mikkel field, in which Hydro has a 10 percent interest, started production in line with plan on 1 October.

The Norwegian and British authorities have agreed on the main principles for a treaty relating to new pipelines between the two countries. This will make it possible to ship gas from the Ormen Lange field to the UK. The plan for development and operation (PDO) for Ormen Lange is expected to be submitted as planned in the fourth quarter of 2003.

The agreement with the Russian oil company Lukoil on the transfer of a 25 percent share of Hydro s exploration contract in the Anaran block in Iran was approved by the Iranian authorities in the third quarter. This is reflected in the results with a corresponding reduction in capitalized exploration costs. Following the sale, Norsk Hydro retains a 75 percent share of the Anaran contract.

ENERGY AND OIL MARKETING

Operating income for Energy and Oil Marketing in the third quarter of 2003 was NOK 739 million (NOK 587 million). Operating income for the first three quarters was NOK 2,001 million, an increase of 5 percent compared with the same period last year.

Operating income for Power Supply and Marketing increased with NOK 61 million in the third quarter of 2003 compared to the same period in 2002. Power production in the third quarter of 2003 was 2.0 TWh, a reduction of 14 percent compared to the equivalent period last year. The stronger result is due to higher prices and income from trading activities.

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Operating income from Gas activities improved by NOK 95 million compared to the same period last year. Around NOK 33 million of operating income came from Gas Sourcing and Marketing, while the remainder related to Gas Infrastructure. The stronger results from Gas Infrastructure were mainly due to higher tariff income, and lower depreciation charges following the extension of license periods for a number of gas pipelines when Gassled was established in January 2003. In the third quarter, Hydro signed an agreement with A.P. Møller-Mærsk A/S, a Danish company, for the purchase of 0.66 billion cubic meters of gas per year during the period 2005 to 2009.

Operating income from Oil Trading and Refining increased by NOK 20 million in the third quarter of 2003 compared with the same period last year. Lower results from crude oil trading were offset by improved results from refining, shipping and other trading activities.

Operating income from Oil Marketing in the third quarter of 2003 was NOK 33 million (NOK 44 million). The reduction was mainly due to lower sales margins. The result for the third quarter 2003 includes an inventory gain of NOK 30 million, which is somewhat lower than for the equivalent period last year.

EBITDA for Energy and Oil Marketing was NOK 927 million in the third quarter of 2003, compared to NOK 827 million in the same period last year. EBITDA for the first three quarters was NOK 2,895 million, representing an increase of 12 percent compared with the same period last year. A transfer of ownership interests in Sundfjord Kraft ANS in return for 20.2 percent of the shares in SKS Produksjon AS during the second quarter resulted in a gain of NOK 326 million reflected in the results.

HYDRO ALUMINIUM

Operating income (loss)

	Third quarter		01.01-30.09		Year
NOK million	**2003**	2002	**2003**	2002	2002
Metals	**571**	441	**1,685**	1,265	1,690
Rolled Products	**18**	(18)	**71**	(108)	(295)
Extrusion and Automotive	**(4)**	12	**38**	43	14
Other and eliminations [1)]	**(55)**	(23)	**(47)**	268	289
Total	**530**	412	**1,747**	1,468	1,698

EBITDA

	Third quarter		01.01-30.09		Year
NOK million	**2003**	2002	**2003**	2002	2002
Metals	**991**	474	**3,162**	1,739	2,703

Rolled Products	**184**	101	**567**	211	258
Extrusion and Automotive	**377**	274	**1,006**	799	1,084
Other and eliminations	**(54)**	(22)	**(46)**	269	289
Total	**1,498**	827	**4,689**	3,018	4,334

	Third quarter		01.01-30.09		Year
	2003	2002[2)]	**2003**	2002[2)]	2002[2)]
Realized aluminium price LME (USD/tonne)	**1,445**	1,377	**1,424**	1,378	1,372
USD/NOK, realized [3)]	**7.33**	7.81	**7.30**	8.45	8.21
Primary production (Kmt)	**381**	348	**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 to 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 contracts) and not included in EBITDA.

The Aluminium business area is comprised of the sub-segments Metals (Primary Metals and Metal Products), Rolled Products, Extrusion and Automotive (including the North America unit). During the first quarter of 2002, Hydro acquired VAW Aluminium and Technal. Hydro s consolidated results include the operating results of VAW as of 15 March 2002 and Technal, as of 26 January 2002.

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Hydro Aluminium s operating income for the quarter was NOK 530 million (NOK 412 million). Excluding infrequent items in both periods, in the third quarter, operating income was NOK 533 million (NOK 470 million). During the quarter, positive effects relating to higher sales volumes were partly offset by increased costs and depreciation including a write down of assets amounting to NOK 63 million.

Hydro Aluminium improved primary metal volumes as a result of new production capacity. 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. Depreciation increased mainly due to new production capacity. Operating income relating to trading activities improved by NOK 240 million compared to the third quarter of 2002.

Overall Western world shipments of primary metal increased an estimated three percent for the first three quarters of 2003 compared to the same period last year while reported inventories increased by about 120,000 tonnes since the end of 2002. The average market price for aluminium (LME 3 month average) was USD 1,420 per tonne for the third quarter 2003. This was about seven percent higher than in the third quarter 2002, and up three percent from the previous quarter.

Demand softened further for nearly all Extrusion and Automotive products resulting in pressure on volumes and margins. Light vehicle sales in Europe and USA declined just over two percent on a year to date basis from 2002. The European market for Rolled Products was nearly flat but there were positive signs in the North American market. However, the weaker USD placed a disadvantage on producers outside the US.

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 320 million for the third quarter of 2003 and about NOK 920 million for the first three quarters of the year. Accumulated savings compared to 2001 amounted to about NOK 1.9 billion at the end of the third quarter of 2003.

Infrequent items:* In order to better understand Hydro Aluminium s underlying performance, in the discussion below, operating income has been adjusted for certain items referred to as infrequent items.

Net infrequent items charged in the third quarter of 2003[1)] amounted to NOK 3 million while NOK 59 million of infrequent items were charged in the third quarter of the previous year[2)].

For the first three quarters of 2003, operating income, excluding new business and infrequent items declined approximately NOK 550 million. Lower results reflected a substantial fall in margins due to lower aluminium prices measured in Norwegian kroner of approximately 11 percent from the corresponding period last year. The negative effects were partly offset by higher sales volumes, better product premiums, the contribution of hedges and better trading results.

EBITDA for the third quarter of 2003 was NOK 1,498 million, an increase of NOK 671 million compared to the same period last year. EBITDA was influenced by an unrealized currency loss of NOK 18 million in the third quarter of 2003 relating to the revaluation of dollar denominated debt held by the Company s non-consolidated investee, Alunorte, located in Brazil. Corresponding unrealized currency losses were NOK 381 million in the third quarter 2002. Excluding infrequent items and the currency effects related to Alunorte, EBITDA improved NOK 253 million for the third quarter.

For the first three quarters of 2003, EBITDA was higher than the same period last year largely due to the inclusion of VAW for the entire period of 2003 and due to lower infrequent items and restructuring charges. Unrealized gains from the Alunorte loan were NOK 208 million for the first three quarters of 2003 compared to a loss of NOK 626 million for 2002.

* See discussion on Non-GAAP Measures (EBITDA for example) of Financial Performance on page 24 of this report.

1) Infrequent charges split by segment for the third quarter of 2003 (and first three quarters) were: Metals NOK 0 million (gain of NOK 19 million); Rolled Products NOK 29 million (NOK 34 million); and Extrusion and Automotive gain of NOK 26 million (loss of NOK 110 million). The main infrequent charges in the third quarter of 2003 included demanning and rationalization costs of approximately NOK 21 million and a one time gain of NOK 18 million on realigning the North American benefit plan to be closer to common industry practice. The main infrequent items for the first three quarters of 2003 were NOK 140 million (USD 20 million) related to the loan loss provision on a subordinated loan provided to Goldendale Aluminium Inc. included in the Extrusion and Automotive sector and the reversal of an environmental accrual of NOK 59 million.

2) Infrequent charges (including restructuring charges) impacting operating income for 2002 were NOK 59 million for the third quarter (NOK 667 million for the first three quarters). The costs mainly relate 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 69 million in the third quarter (gain of NOK 10 million for the first three quarters). Infrequent charges split by segment for the quarter (and first three quarters of 2002) were: Metals NOK 11 million (NOK 282 million); Rolled Products NOK 25 million (NOK 235 million) and Extrusion and Automotive NOK 92 million (NOK160 million).

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Factors affecting developments in the coming months: European market indicators remain flat leading to an expectation of low demand for aluminium for the rest of the year. Industry bookings for aluminium in the third quarter for deliveries in the fourth quarter indicate an expected upturn in the United States. For downstream activities, there is continued uncertainty underlying a possible recovery.

The fourth quarter results are also expected to be impacted by seasonal effects. Rolled Products and Extrusion and Automotive demand tends to decline in the fourth quarter as a result of the Christmas holidays.

In addition, realized aluminium prices in Norwegian kroner are expected to be lower in the fourth quarter assuming the current NOK/USD exchange rate. The expected reduction results from the magnitude of the currency portion of the Sunndal hedge program which is only about one fourth of the USD amount compared to the third quarter.

METALS

Operating income for the third quarter was NOK 571 million (NOK 441 million). Adjusted for infrequent items, operating income increased by NOK 188 million in third quarter. The increase was mainly due to higher volumes. Lower margins resulting from the strengthening of the NOK against the USD and higher fixed costs were offset by the contribution from hedges, better product premiums and improved trading results.

Hydro realized an aluminium price of USD 1,445 per tonne for the third quarter of 2003 compared to USD 1,377 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 two percent. The realized NOK/USD exchange rate was NOK 7.33 in the third quarter of 2003 (NOK 7.81 in 2002), including hedges.

Realized effects of hedges, which are comprised of LME future contracts and US dollar forward contracts, positively impacted the results by about NOK 142 million in the third quarter of 2003. Hedges related to Sunndal contributed NOK 68 million in 2003. For the first three quarters of 2003, the effects of these hedges positively impacted the results by NOK 405 million (NOK 114 million in 2002). LME future contracts relating to Sunndal are spread evenly over the quarters while the amount of US dollar forward contracts vary by quarter.

Lower aluminium prices stated in Norwegian kroner (excluding hedges) reduced margins by approximately NOK 250 million for the third quarter of 2003 compared with the same period of 2002. Approximately NOK 140 million of this reduction was offset by higher product premiums (particularly for extrusion ingot), improved magnesium margins due to a better product mix and lower costs for USD denominated raw materials.

Volumes for Hydro Aluminium s primary metal increased 10 percent in the third quarter of 2003 compared to the same period of 2002. This mainly reflected the new capacity from Sunndal.

Operating income from trading activities improved by approximately NOK 240 million compared to the third quarter of 2002, mainly due to the positive impact of a stronger EUR/USD exchange rate. Excluding currency effects trading results improved about NOK 40 million.

For the first three quarters of 2003, operating income was NOK 1,685 million (NOK 1,265 million). Excluding VAW activities for the first quarter and infrequent items, operating income fell NOK 175 million. Lower net margins resulted in a reduction of operating income by about NOK 875 million. The effect of the lower realized NOK/USD exchange rates substantially exceeded the improvements in realized aluminium prices and product premiums measured in USD. Other operating improvements, including higher sales volume, the contribution of hedging and higher trading results (mainly due to positive currency effects), contributed positively by about NOK 690 million.

EBITDA for Metals in the third quarter of 2003 was NOK 991 million (NOK 474 million). Excluding infrequent items and the currency effects for Alunorte, EBITDA increased by NOK 211 million. For the first three quarters of 2003, EBITDA was also higher than in the corresponding period last year. Excluding VAW activities for the first quarter, infrequent items and currency effects for Alunorte, EBITDA was NOK 2,461 million (NOK 2,572 million).

Hydro Aluminium s brown field expansion projects are all progressing according to plan and within budget. The expansion project for the aluminium plant in Sunndal, Norway, has now started up approximately 70 percent of the total planned expansion.

Emission standards established by the Norwegian Pollution Authority require production facilities using Søderberg technology in the Høyanger and Årdal primary aluminium plants to be closed or replaced by 2006. After an extensive assessment Hydro determined that investments to replace this capacity will not be made. The resulting closures will reduce the Company s annual primary aluminium production capacity by 72,000 tonnes. The affected 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 during 2002 2004 will increase Hydro s annual primary aluminium production by approximately 230,000 tonnes per year.

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An important strategic step for Hydro Aluminium in the third quarter was the decision to participate in the planned 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 2006. The expansion will increase Hydro Aluminium s raw material supply secured by equity investments.

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

ROLLED PRODUCTS

Operating income for the third quarter of 2003 was NOK 18 million, an improvement of NOK 36 million compared to an operating loss in the same period of last year. Excluding infrequent items, operating income was NOK 47 million, an improvement of about NOK 40 million compared to the third quarter of 2002. Higher margins and volumes were the main reasons for this improvement. In addition, costs were impacted by an accrual of NOK 31 million relating to a duty claim.

Difficult market conditions continued with volumes at about the same level in Europe and somewhat higher in the US compared to the third quarter of 2002. A weaker USD/EUR exchange rate put pressure on margins in Europe.

Rolled products margins were higher contributing approximately NOK 70 million to operating income compared to the third quarter of 2002. Inventory losses from falling metal prices were NOK 60 million in third quarter of 2003 (NOK 146 million in 2002) positively influencing margins. However, the effects of currency changes resulted in a negative impact on margins.

Shipped volumes increased nearly six percent as Rolled Products increased market share in a relatively flat market.

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 percent of the total work force by the end of 2004. About 80 percent of the reductions were completed at the end of the third quarter.

For the first three quarters of 2003, operating income was NOK 71 million compared to a loss of NOK 108 million in the same period last year. Excluding infrequent items, operating income was NOK 105 million (NOK 127 million). Positive effects resulting from higher sales volumes in 2003 were offset by lower margins and higher costs. Inventory losses resulting from market value fluctuations relating to the metal contained in aluminium products in process of fabrication were approximately NOK 150 million for both 2003 and 2002.

EBITDA for Rolled Products for the third quarter of 2003 was NOK 184 million compared to NOK 101 million for the same quarter in the previous year. For the first three quarters of 2003, EBITDA was NOK 567 million (NOK 211 million). Excluding infrequent items, EBITDA was NOK 601 million (NOK 446 million). The activities of former VAW contributed a positive variance of approximately NOK 112 million to EBITDA in 2003 over 2002 since they were not consolidated for the entire period last year.

EXTRUSION AND AUTOMOTIVE

The operating loss for Extrusion and Automotive for the third quarter was NOK 4 million compared to operating income of NOK 12 million for the same period in 2002. Adjusted for infrequent items, the third quarter operating loss was NOK 30 million compared to operating income of NOK 104 million in the third quarter of the previous year. The reduction reflects higher fixed costs and a write down of assets in the amount of NOK 63 million during the period.

Market sentiment further declined in the third quarter of 2003 with no expectation of imminent recovery. As a result, many customers prepared to scale back production and demand for most products fell. This put additional pressure on prices and margins. Demand in the general extrusion market in Europe was stable or declining while demand for many extruded products in North America weakened further. For the construction industry, two major markets for Hydro Aluminium, Germany and Portugal, continue to be weak. In the automotive industry, light vehicle sales were lower than in 2002 for both Europe and North America.

However, Hydro Aluminium Automotive strengthened its position in the third quarter 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 were at about the same level measured in Euro, but reflected a positive variance when reported in NOK. Despite price pressure for the North American extrusion operation, margins improved reflecting lower freight cost. Higher margins in these business operations more than offset the impact of lower prices on some products as well as somewhat higher costs due to the ramp up of new product lines.

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Total volumes increased compared to 2002 due to the ramp up of shipments on new contracts. This offset reduced volumes from other business activities. European extrusion shipments remained at nearly same level as 2002. However, volumes for Hydro s Building systems operations declined due to lower demand from the European construction industry. North American operations were also negatively impacted by falling volumes.

Fixed costs in the third quarter increased about NOK 80 million. Measured in local currencies, sales and administration costs declined as a result of improvement programs and fixed costs were lower due to closure of activities in 2002. However, total costs increased mainly due to currency effects of Euro denominated costs reported in NOK. In addition, a temporary reduction of production resulted in increased costs.

Depreciation expense increased by NOK 103 million reflecting a write down of NOK 63 million of obsolete assets within several operating units in Automotive and higher charges following the start up of new production lines and remelt operations.

For the first three quarters of 2003, operating income was NOK 38 million (NOK 43 million). Excluding the VAW and Technal variance for the first quarter of 2003 and infrequent items, operating income was NOK 156 million (NOK 204 million). The positive effect of increased volumes was partly offset by the higher total costs and depreciation expense. Higher volumes resulted from the ramp up of new Automotive contracts.

EBITDA for Extrusion and Automotive for the third quarter of 2003 was NOK 377 million (NOK 274 million). Excluding infrequent items, EBITDA was NOK 352 million (NOK 365 million). For the first three quarters of 2003, EBITDA, excluding VAW and Technal variance for the first quarter of 2003 and infrequent items, increased by NOK 96 million.

HYDRO AGRI

	Third quarter		01.01-30.09		Year
NOK million	**2003**	2002	**2003**	2002	2002
Operating income	**464**	436	**1,893**	1,998	2,207
EBITDA	**989**	719	**3,264**	3,300	3,945

	Third quarter		01.01-30.09		Year
Sales including third party products (1,000 tonnes) [1)]	**2003**	2002	**2003**	2002	2002
Europe	**2,261**	2,294	**7,704**	7,566	10,077
Outside Europe	**2,923**	3,135	**8,021**	8,475	11,580
Total	**5,184**	5,429	**15,725**	16,041	21,657

Hereof own production from Europe	**2,591**	2,573	**8,879**	8,531	11,136

1) Sales volume includes fertilizer products and nitrogen products for technical use.

Hydro Agri s operating income of NOK 464 million in the third quarter increased by NOK 28 million compared to third quarter last year. Operating income for the first nine months of 2003 was NOK 1,893 million, NOK 105 million lower than the corresponding period of the previous year. Positive price developments this quarter were partly offset by negative currency effects and higher energy costs.

The nitrogen fertilizer market continued to strengthen during the third quarter. The average urea price (fob Arab Gulf) during the third quarter was USD 150 per tonne, an increase of 34 percent compared to the same quarter last year. The urea price increase was supported by higher global consumption, continued production cutbacks in the US due to high gas prices and production stops due to production problems in Russia, Ukraine, Indonesia, and Algeria. Ammonia prices reached an average

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price of 194 USD per tonne (fob Trinidad) for the third quarter. This is a historically high level. The positive nitrogen price trend also affected the European nitrate prices, which started the season at a satisfactory level and continued to rise through the quarter. Compared to third quarter last year, the average CAN price was 28 percent higher measured in USD, while the increase in Euro was 12 percent.

In total, higher prices measured in USD improved operating income by NOK 690 million compared to the same quarter last year. Higher gas and oil prices in Europe increased costs for Agri by NOK 310 million compared to third quarter last year. The appreciation of the NOK and Euro against the USD impacted operating income negatively by approximately NOK 80 million. Furthermore, bad debt provisions of NOK 80 million, mainly related to customers in Africa, were charged to the result. Fixed cost measured in local currency increased about NOK 100 million, mainly relating to extraordinary maintanence and increased pension costs. The underlying development in fixed costs showed a small increase compared to the third quarter of 2002.

Agri s total sales volume in the third quarter was 5 percent below third quarter last year. The reduction reflected the exit from low-margin sales in the phosphate fertilizer market in connection with the divestment of Farmland Hydro last year. Sales of own produced products were in line with last year.

In Europe, Agri s third quarter sales volume was at the same level as in the corresponding quarter last year. Total European fertilizer imports have been low for the quarter and in line with last year. The attractive urea prices offer exporters many alternative markets. Total nitrogen deliveries in West Europe are comparable to third quarter last year.

Outside Europe, Agri s sales volume was maintained for the quarter after adjusting for the strategic decision to exit the production of phosphate fertilizers. Results in North America, Latin America and Asia were maintained at a satisfactory level, while the continued difficult political situation in some key countries in Africa resulted in weak results for this region.

The industrial segment (Hydro Gases and Chemicals) delivered a weaker third quarter this year with an operating income of NOK 101 million (NOK 162 million). EBITDA was NOK 168 million (NOK 217 million). The increase in the nitrogen raw material costs, which benefits the fertilizer activity positively, resulted in temporary pressure on industrial product margins because external sales contracts include price adjustments with certain time lags. Sales volume of technical nitrates increased due to increased coal mining activity. Nitrogen chemicals volume declined due to temporary production stops while industrial gases and carbon dioxide sales were in line with last year.

Productivity in Agri increased as a result of improvements in the production system. Fixed cost per tonne in the European production system was reduced by 5 percent this quarter compared to last year. Total fixed cost showed a small nominal increase. Operating capital measured as capital days were down 10 percent from the third quarter last year.

EBITDA for the third quarter of 2003 amounted to NOK 989 million (NOK 719 million). Positive price developments this quarter of NOK 740 million were partly offset by negative currency effects of NOK 115 million and higher energy costs of NOK 310 million. The negative volume effect for the quarter was NOK 40 million.

EBITDA for the first nine months of 2003 was NOK 3,264 million (NOK 3,300 million). Compared to last year the result was influenced by a positive price effect of NOK 1,870 million and negative effects from changes in exchange rates (NOK 720 million) and energy prices (NOK 1,000 million).

Factors influencing the short term outlook: Energy prices will continue to have a negative impact on Agri s results in the fourth quarter. Energy costs for Agri s ammonia factories in Europe reflect fuel oil prices with an average time lag of 4 - 5 months. Fourth quarter energy costs will thus mainly reflect the high fuel oil prices during the second quarter of 2003, making expected fourth quarter energy costs approximately NOK 200 - 250 million higher than in fourth quarter last year. A negative currency effect for the fourth - quarter compared to same quarter 2002 is expected to have a further negative EBITDA effect of some NOK 100 million, assuming that the end September exchange rates remain unchanged for Agri s main currencies. The underlying market situation for nitrogen fertilizers is positive. The global market balance for nitrogen products has been improving and the inventory level in the distribution chain in Europe is lower than last year.

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OTHER ACTIVITIES

Operating Income (loss)

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Petrochemicals	**(73)**	62	**(36)**	29	(35)
Other	**(245)**	(43)	**(388)**	(36)	48
Total	**(318)**	19	**(424)**	(7)	13

EBITDA

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Petrochemicals	**28**	154	**253**	285	320
Other	**230**	211	**555**	426	724
Total	**258**	365	**808**	711	1,044

Other activities comprises Petrochemicals, Treka (formerly A/S Korn- og Foderstof Kompagniet), VAW Flexible Packaging (sold in April 2003), Pronova, the casualty insurance company Industriforsikring and Hydro Business Partner.

PETROCHEMICALS

The Operating loss for Petrochemicals was NOK 73 million in the third quarter 2003, a decrease of NOK 135 million compared with the corresponding period of the previous year. The decline reflects lower product prices and higher raw material costs, partly offset by higher volumes.

In the first three quarters of 2003, operating income declined by NOK 65 million while EBITDA declined by NOK 32 million compared with the same periods in the previous year. The reduction was mainly due to an increase in raw material costs. Results from non-consolidated investees were approximately NOK 42 million higher compared to the same period of 2002. The improvement was mainly due to higher product prices in Asia, which is the main market for Qatar Vinyl Company, a 29.7 percent Hydro owned investment.

TREKA

In the third quarter Treka disposed of its bioenergy activities. During the quarter, Biomar, the remaining business activity in Treka, increased an accrual for bad debts by about NOK 100 million reflecting the continuing weak salmon farming market. In addition, goodwill and intangible assets has been written down by around NOK 210 million.

PRONOVA

During the quarter, Pronova sold the 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.

CORPORATE ACTIVITIES AND ELIMINATIONS

The Results for the third quarter of 2003 was an operating loss of NOK 268 million (NOK 92 million). For the first three quarters of the year the result reflected an operating loss of NOK 1,244 million (NOK 177 million). The main reason for the increase relates to increased pension costs. In addition, the result for the first three quarters of 2003 includes a negative effect relating to the elimination of the unrealized gain of NOK 129 million on power purchase contracts included in Hydro Energy.

Hydro Energy is responsible for ensuring the supply of electricity for the company s own consumption and has entered into power purchase contracts in the market and sales contracts with other units in the group. These contracts are recognized at market value in Hydro Energy. For other Hydro units, the internal purchase contracts are regarded as normal purchase contracts and are not recognized at market value. During the third quarter, the estimated market value of the internal power contracts increased somewhat due to an increase in electricity forward prices. This represented an unrealized loss to Hydro Energy and was charged to the result, offsetting unrealized gains on external contracts. Elimination of this unrealized loss in Hydro Energy contributed to earnings in Corporate and Eliminations by NOK 12 million. For the first three quarters, the combined effects was a negative NOK 129 million included in Corporate and Eliminations. The contracts have a duration of up to 10 years and can result in significant unrealized gains and losses, impacting future earnings, depending on developments in the electricity markets (forward prices) and changes in the contract portfolio.

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In June 2003, the Norwegian tax regulations relating to the removal costs for oil and gas installations on the Norwegian continental shelf were amended. In accordance with earlier regulations, removal costs could not be deducted when calculating taxable income. Instead, the Norwegian state assumed a portion of the removal costs by means of a special removal grant for each license calculated on the basis of the average tax rate incurred by the participating companies over the license period. The new rules permit removal costs to be deducted from taxable income. The amendment resulted in a charge to other income of NOK 2,207 million in the second quarter representing the estimated value of existing grants. The charge has no cash effect and therefore no impact on EBITDA. At the same time, a deferred tax asset representing the value of the new tax deductions (calculated at 78 percent of the accrued asset removal obligation), was included as a reduction to the tax provision for the second quarter in the amount of NOK 2,380 million. The net non-recurring effect of the change in regulations amounted to NOK 173 million.

FINANCE

	Third quarter		01.01-30.09		Year
NOK million	**2003**	2002	**2003**	2002	2002
Interest income	**278**	305	**904**	1,220	1,548
Dividends received / net gain (loss) on securities	**37**	(95)	**214**	(136)	(130)
Interest income and other financial income	**315**	210	**1,118**	1,084	1,418
Interest expense	**(652)**	(761)	**(2,100)**	(2,422)	(3,189)
Capitalized interest	**207**	162	**569**	437	607
Net foreign exchange gain (loss)	**475**	30	**324**	2,405	3,262
Other	**(32)**	(59)	**(81)**	(126)	(163)
Interest expense and foreign exchange gain/(loss)	**(2)**	(628)	**(1,288)**	294	517
Net financial income (expense)	**313**	(418)	**(170)**	1,378	1,935

Net financial income for the third quarter was NOK 313 million including a foreign currency gain of NOK 475 million. During the quarter the US dollar weakened in the range of 2-3 percent against NOK, Euro and Australian dollars resulting in gains on Hydro s net US dollar debt positions. Weakening of other currencies against NOK has also resulted in gains on debt positions in foreign currencies. These gains have to some extent been offset by currency losses on receivables.

Year-to-date currency gains amounted to NOK 324 million and mainly relate to the US dollar weakening against the Euro, Aus-tralian dollars and Canadian dollars.

Net interest cost for the third quarter was NOK 167 million compared to NOK 313 million in the second quarter 2003. The improvement relates to several factors, mainly higher cash holdings, interest income related to a tax ruling and higher amount of interest capitalized.

Net interest bearing debt by the end of the third quarter 2003 was NOK 20.1 billion, compared with NOK 27.3 billion at the end of the second quarter. The improvement reflects high operating cash generation. However, a tax payment of approximately NOK 7 billion was due the first of

October.

Hydro s debt/equity ratio, calculated as net interest bearing debt divided by equity plus minority interest was 0.24 at the end of the third quarter 2003.

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TAX

Provision for current and deferred taxes for the first three quarters in 2003 amounted to NOK 9,301 million, representing approximately 58 percent of pre-tax income. The tax provision consists primarily of current taxes. The equivalent amounts for the first three quarters of 2002 were NOK 9,549 million and 64 percent.

The tax percentage for the first three quarters of 2003 was strongly influenced by the effect of changes in the Norwegian tax regulations relating to the costs of removing oil and gas installations from the Norwegian continental shelf. Pre-tax income for the first three quarters includes a negative non-recurring effect of NOK 2,207 million, while the tax expense includes 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 tax-related loss on receivable in connection with a subsidiary company in the UK during the period 1982 to 1988. The loss was approved for tax deduction by the Norwegian Tax Appeal Board on 2 June 2003, a decision which is now final.

In the third quarter of 2003, tax expense was reduced by NOK 139 million.

Adjusted for the effects described above, the tax provision represented 65 percent of pre-tax income for the first three quarters, and 66 percent for the third quarter.

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

Oslo, 20 October 2003

Board of Directors

Norsk Hydro Third quarter 2003

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LIQUIDITY AND CAPITAL RESOURCES

Hydro s cash holdings (cash and cash equivalents) as of 30 September 2003 were NOK 16,461 million, an increase of NOK 10,496 million, compared to its cash position as of 31 December 2002.

Net cash provided by operating activities was NOK 23,224 million for the nine months ended 30 September 2003 compared to NOK 19,784 million in the corresponding period of the prior year, reflecting higher earnings of 2003.

Net cash used in investing activities in the first three quarters of 2003 amounted to NOK 5,674 million compared to NOK 30,155 million for the same period of the prior year. In 2002, purchases of long-term investments, principally the acquisitions of VAW and Technal, and purchase of the Norwegian State s Direct Financial Interests (SDFI) assets accounted for the largest portion of the investing activities. Higher proceeds from sales of short and long-term investments in 2003 resulted in lower net cash used in investing activities.

Net cash used in financing activities was NOK 7,626 million in the first nine months of 2003 compared to net cash used in financing activities of NOK 5,716 million in the third quarter of 2002. The increase in net cash outlay was mainly due to higher loan repayments in the first nine months of 2003 compared to the same period of the prior year, and purchase of own shares during the third quarter of 2003.

DISCLOSURES ABOUT MARKET RISK

Reference is made to Item 11 in the Company s Form 20-F for 2002.

During the first nine months of 2003, the Company s positions in certain aluminum, energy, and other financial instruments, and their related market prices, have changed in such a manner that its exposure to commodity price and interest rate risk has decreased and increased, respectively. The decrease in commodity price risk was mainly due to the change in Hydro s exposure in aluminium positions compared to year end 2002. Inclusion of VAW s long LME positions more than offset existing short LME positions and reduces Hydro s overall net exposure to increases in commodity prices. The effect resulted in an overall decrease in the hypothetical loss in the fair value of Hydro s commodity instruments. The increase in interest rate risk was due to Hydro s financial instruments. An increase in the long-term USD interest rates compared to year end 2002 resulted in an overall increase in the hypothetical loss in the fair value of Hydro s financial instruments. These factors have led to an increase and decrease in the hypothetical losses in the fair value of commodity instruments and financial instruments, respectively, as disclosed in the sensitivity analysis provided under Item 11 in the Company s annual report on Form 20-F for the year ended December 31, 2002. As discussed therein, the hypothetical loss does not include, among other things, certain positions necessary to reflect the net market risk of the Group. Therefore, Hydro s management cautions against relying on the information presented.

The remaining activities for the nine months of 2003 have not materially impacted the other hypothetical losses in the fair value that were disclosed in the sensitivity analysis provided under Item 11 in the Company s annual report on Form 20-F for the year ended December 31, 2002.

FORWARD LOOKING STATEMENTS

In order to utilize the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995, Hydro is providing the following cautionary statement:

This document contains (and oral communications made by or on behalf of Hydro may contain) forecasts, projections, estimates, statements of managements plans, objectives and strategies for Hydro, such as planned expansions, investments or other projects, targeted production volumes, capacity or rate, start-up costs, cost reductions, profit objectives, and various expectations about future developments in Hydro s markets (particularly prices, supply and demand, and competition), results of operations, margins, risk management and so forth. These forward-looking statements are based on a number of assumptions and forecasts, including world economic growth and other economic indicators (including rates of inflation and industrial production), trends in Hydro s key markets, and global oil and gas, aluminum and fertilizer supply and demand conditions. By their nature, forward-looking statements involve risk and uncertainty and various factors could cause Hydro s actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. For a detailed description of factors that could cause Hydro s actual results to differ materially from those expressed in or implied by such statements, please refer to its annual report on Form 20-F for the year-ended December 31, 2002, and subsequent filings on Form 6-K with the U.S. Securities and Exchange Commission.

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INDEPENDENT ACCOUNTANTS REPORT

To the Board of Directors and shareholders of Norsk Hydro ASA

Oslo, Norway

We have reviewed the accompanying condensed consolidated balance sheets of Norsk Hydro ASA and its subsidiaries as of 30 September, 2003 and 2002, and the related condensed consolidated statements of income and of cash flows for each of the nine-month periods then ended. These financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Norsk Hydro ASA and subsidiaries as of 31 December, 2002, and the related consolidated statements of income, comprehensive income and cash flows for the year then ended (not presented herein); and in our report dated 28 February, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements as of 31 December, 2002, and for the year then ended, are fairly stated, in all material respects, in relation to the consolidated financial statements from which they were derived.

DELOITTE & TOUCHE AS

Oslo, Norway

20 October, 2003

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NORSK HYDRO ASA and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Third quarter			01.01-30.09			Year ended December 31,
	2003	**2003**	2002	**2003**	**2003**	2002	2002
Million, except per share data	**NOK**	**EUR[1)]**	NOK	**NOK**	**EUR[1)]**	NOK	NOK
Operating revenues	**41,857**	**5,116**	40,813	**127,249**	**15,553**	123,033	167,040
Depreciation, depletion and amortization	**3,933**	**481**	3,569	**11,079**	**1,354**	10,206	13,912
Other operating costs	**32,194**	**3,935**	33,368	**99,049**	**12,106**	98,992	133,297
Restructuring costs			(69)			(10)	(10)
Operating income	**5,730**	**700**	3,945	**17,121**	**2,093**	13,845	19,841
Equity in net income of non-consolidated investees	**181**	**22**	(356)	**850**	**104**	(451)	33
Interest income and other financial income	**315**	**39**	210	**1,118**	**136**	1,084	1,418
Other income, net	**139**	**17**		**(1,702)**	**(208)**	219	219
Earnings before interest expense and tax (EBIT)	**6,365**	**778**	3,799	**17,387**	**2,125**	14,697	21,511
Interest expense and foreign exchange gain/(loss)	**(2)**		(628)	**(1,288)**	**(157)**	294	517
Income before tax and minority interest	**6,363**	**778**	3,171	**16,099**	**1,968**	14,991	22,028
Income tax expense	**(4,039)**	**(494)**	(2,701)	**(9,301)**	**(1,137)**	(9,549)	(13,278)
Minority interest	**73**	**9**	43	**124**	**15**	43	15
Income before cumulative effect of change in accounting principle	**2,397**	**293**	513	**6,922**	**846**	5,485	8,765
Cumulative effect of change in accounting principle				**281**	**34**		
Net income	**2,397**	**293**	513	**7,203**	**880**	5,485	8,765
Earnings per share before change in accounting principle (in NOK and Euro)	**9.30**	**1.10**	2.00	**26.80**	**3.30**	21.30	34.00

Earnings per share (in NOK and Euro)	**9.30**	**1.10**	2.00	**27.90**	**3.40**	21.30	34.00
Average number of outstanding shares	**257,269,550**	**257,269,550**	257,960,532	**257,803,672**	**257,803,672**	257,745,113	257,799,411

[1] Presentation in Euro is a convenience translation based on the exchange rate at September 30, 2003, which was 8.1817.

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NORSK HYDRO ASA and SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30,		September 30,	December 31,
	2003	2003	2002	2002
Million, except per share data	NOK	EUR[1)]	NOK	NOK
ASSETS				
Cash and cash equivalents	**16,461**	**2,012**	10,571	5,965
Other liquid assets	**1,742**	**213**	1,956	2,647
Receivables	**41,299**	**5,048**	39,643	40,553
Inventories	**16,876**	**2,063**	17,238	17,232
Total current assets	**76,378**	**9,336**	69,408	66,397
Property, plant and equipment, less accumulated depreciation, depletion and amortization	**114,273**	**13,967**	111,311	112,342
Other assets	**29,572**	**3,614**	28,327	28,472
Total non-current assets	**143,845**	**17,581**	139,638	140,814
Total assets	**220,223**	**26,917**	209,046	207,211
LIABILITIES AND SHAREHOLDERS EQUITY				
Bank loans and other interest bearing short-term debt	**5,994**	**733**	8,048	7,306
Current portion of long-term debt	**1,192**	**146**	2,062	1,958
Other current liabilities	**46,663**	**5,703**	40,604	38,593
Total current liabilities	**53,849**	**6,582**	50,714	47,857
Long-term debt	**29,423**	**3,596**	33,247	30,902
Other long-term liabilities	**17,333**	**2,119**	14,325	14,633
Deferred tax liabilities	**34,299**	**4,192**	35,254	36,809
Total long-term liabilities	**81,055**	**9,907**	82,826	82,344
Minority shareholders interest in consolidated subsidiaries	**669**	**82**	1,175	1,143

Shareholders equity	**84,650**	**10,346**	74,331	75,867
Total liabilities and shareholders equity	**220,223**	**26,917**	209,046	207,211

[1] Presentation in Euro is a convenience translation based on the exchange rate at September 30, 2003, which was 8.1817.

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NORSK HYDRO ASA and SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended September 30,			Year ended December 31,
	2003	**2003**	2002	2002
Million	**NOK**	**EUR**[1)]	NOK	NOK
Operating activities:				
Net income	**7,203**	**880**	5,485	8,765
Adjustments:				
Depreciation, depletion and amortization	**11,079**	**1,354**	10,206	13,912
Other adjustments	**4,942**	**605**	4,093	(892)
Net cash provided by operating activities	**23,224**	**2,839**	19,784	21,785
Investing activities:				
Purchases of property, plant and equipment	**(10,945)**	**(1,338)**	(14,193)	(19,573)
Purchases of other long-term investments	**(826)**	**(101)**	(17,171)	(18,104)
Net sales (purchases) of short-term investments	**968**	**118**	(531)	(1,154)
Proceeds from sales of property, plant and equipment	**739**	**90**	698	908
Proceeds from sales of other long-term investments	**4,390**	**537**	1,042	1,477
Net cash used in investing activities	**(5,674)**	**(694)**	(30,155)	(36,446)
Financing activities:				
Loan proceeds	**181**	**22**	592	707
Principal repayments	**(4,605)**	**(563)**	(3,785)	(4,196)
Ordinary shares purchased	**(555)**	**(68)**		
Ordinary shares issued	**64**	**8**	53	70
Dividends paid	**(2,711)**	**(331)**	(2,576)	(2,576)
Net cash used in financing activities	**(7,626)**	**(932)**	(5,716)	(5,995)
Foreign currency effects on cash flows	**572**	**70**	(490)	(527)
Net increase (decrease) in cash and cash equivalents	**10,496**	**1,283**	(16,577)	(21,183)

Cash and cash equivalents at beginning of period	**5,965**	**729**	27,148	27,148
Cash and cash equivalents at end of period	**16,461**	**2,012**	10,571	5,965

1) Presentation in Euro is a convenience translation based on the exchange rate at September 30, 2003, which was 8.1817.

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NORSK HYDRO ASA and SUBSIDIARIES

Notes to the condensed consolidated financial statements

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements and notes should be read in conjunction with the consolidated financial statements and notes for the year ended 31 December, 2002 included in Norsk Hydro s Annual Report on Form 20-F. The condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (US GAAP). The interim financial statements are unaudited and reflect all adjustments which are, in the opinion of management, necessary to present fairly the results of operations for the periods presented.

2. COMPREHENSIVE INCOME

Total comprehensive income is comprised of net earnings, net unrealized gains and losses on securities available for sale, net foreign currency translation adjustments, net investment hedges, cash flow hedges, and minimum pension liability adjustment. Total comprehensive income for the nine months ended 30 September, 2003 and 2002, was NOK 11,983 million and NOK 1,981 million, respectively. Total comprehensive income for 30 September, 2003 was higher primarily due to increase in foreign currency translation gain compared to the same period of prior year.

Total comprehensive income for the year ended December 31, 2002 was NOK 3,516 million.

3. RESTRUCTURING COSTS

In October of 2001 Hydro discontinued production of primary magnesium in Norway. As a result, Hydro closed the Porsgrunn magnesium production facilities in March of 2002, and has started the clean up and dismantling work. Dismantling and clean-up work are expected to be finalized in 2004. As part of the closure of the magnesium plant facilities, restructuring costs totaling NOK 961 million were recognized at the end of 2001; of this amount, NOK 261 million was charged as an impairment loss on the plant facilities, and NOK 40 million was related to reduction in inventories due to obsolences; the remaining NOK 660 million of restructuring costs included termination costs for customer and supplier agreements, work-force reduction costs, and dismantling and clean-up costs. Hydro recorded additional restructuring costs of NOK 59 million related to work-force reduction in the first quarter of 2002.

The initial restructuring accrual was reduced by NOK 69 million during the third quarter of 2002 due to the reversal of certain accruals relating to contract termination costs that were lower than originally anticipated.

The following table summarizes the types and amounts recognized as accrued expenses for the restructuring together with changes in the accrual for the twelve-month period ended 31 December 2002, and the nine-month period ended 30 September 2003:

Amounts in NOK million	**Demolition Costs**	**Workforce severance**	**Shutdown costs of operations**	**Contract termination**	**Total**
31 December, 2001	**316**	**130**	**98**	**116**	**660**
Additions/(Deductions) [1]		59		(69)	(10)
Payment	(41)	(171)	(98)	(47)	(357)
31 December, 2002	**275**	**18**			**293**
Additions/(Deductions) [1]					
Payment	(53)	(15)			(68)
30 September, 2003	**222**	**3**			**225**

1) Charged to the income statement

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4. INVENTORIES

in NOK million	30 September, 2003	30 September, 2002	31 December, 2002
Finished goods	8,138	8,502	8,804
Work in progress	2,774	2,702	2,734
Raw materials	5,964	6,034	5,694
Total	16,876	17,238	17,232

5. CONTINGENCIES

Hydro is involved in or threatened with various legal, tax and environmental matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

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CHANGES IN SHAREHOLDERS EQUITY

NOK million	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Shareholders equity at beginning of period	**75,867**	74,793	74,793
Net income	**7,203**	5,485	8,765
Dividend declared and paid	**(2,711)**	(2,576)	(2,576)
Foreign currency translation, net	**5,181**	(5,364)	(7,207)
Hedge of net investment and cash flow hedge	**(389)**	1,885	2,312
Other items recorded directly to shareholders equity	**(12)**	(26)	(354)
Reissue (purchase) of treasury stock	**(489)**	134	134
Shareholders equity at end of period	**84,650**	74,331	75,867

All figures are based on generally accepted accounting principles in the United States (US GAAP) unless otherwise stated.

Hydro s accounting principles are included in its 2002 Annual Report. The principles are similar for the interim accounts, with the exception of the new accounting standards implemented on January 1, 2003 in accordance with the description in the 2002 Annual Report and in this Report.

Interim figures are unaudited.

CHANGE IN ACCOUNTING PRINCIPLES

Hydro implemented the new accounting standard for asset retirement obligations, such as decommissioning and asset removal obligation of oil and gas production platforms, facilities and pipelines [SFAS 143] beginning January 1, 2003. The new accounting standard requires that the fair value of future asset retirement obligations be recorded in the Company s balance sheet in the period it is incurred; accordingly, obligations for oil and gas installations should be recognized at the start of production. Asset retirement costs are capitalized as part of the asset s original cost and depreciated over the asset s useful life, while changes to the present value of the obligations are charged to earnings. As a result of the new accounting standard, a positive after-tax effect of NOK 310 million was recorded as cumulative effect of change in accounting principles in the Company s results of the first quarter of 2003. The changes also resulted in an increase in the capitalized value of fixed assets by NOK 1,101 million. The increase in the original cost of fixed assets was NOK 1,932 million and related accumulated depreciation was NOK 831 million. In addition, liabilities for asset retirement obligations increased NOK 2,418 million to NOK 4,519 million, and the deferred tax obligation increased NOK 465 million. Up to 27 June, 2003, the Norwegian State s share of removal obligation was covered by way of grant. This was accounted for as a long-term receivable of NOK 2,092 million.

On 27 June the tax regulation relating to the removal cost for oil and gas instalations on the Norwegian continental shelf were amended, as described on page 14.

The following table reconciles the reported net income, reported earnings per share and asset retirement obligations to that which would have resulted for the three months ended March 31, 2002 and for the year ended December 31, 2002, assuming SFAS 143 were adopted January 1, 2002.

ASSET RETIREMENT OBLIGATIONS

NOK million, except per share data	1.1.2002	Third quarter 2002	01.01-30.09 2002	Year 2002
Reported net income		513	5,485	8,765
Depreciation change (after tax)		(5)	(11)	(25)
Pro forma net income		508	5,474	8,740
Reported earnings per share		2.00	21.30	34.00
Depreciation change earnings per share		0.00	0.00	0.00
Pro forma earnings per share		2.00	21.30	34.00
Pro forma Asset Retirement Obligations	4,218	4,448	4,448	4,519

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Hydro Energy has changed its accounting treatment for certain energy contracts in accordance with EITF 02-3, which changes recognition and reporting of gains and losses on energy contracts. As of January 1, 2003, this standard requires energy contracts that are not derivatives to be recorded at the lower of historical cost and fair value. Certain of these contracts were previously accounted for at their market value. The change in accounting treatment resulted in an after-tax charge of NOK 29 million to cumulative change in accounting principles.

Consolidation of Variable Interest Entities

In January 2003, FASB Interpretation 46 Consolidation of Variable Interest Entities (FIN 46) was issued and addresses consolidation of certain entities (variable interest entities) where the usual conditions for consolidation, such as control or majority voting interest, does not apply. Variable interest entities have commonly been referred to as special purpose entities. The Interpretation provides guidance on how to identify variable interest entities and how to determine which owner is the primary beneficiary of the variable interest entity, and therefore should consolidate the entity. The interpretation is to be applied for variable interest entities created after January 31, 2003. For variable interest entities created on or before January 31, 2003, the effective date for applying the provisions of FIN 46 has been deferred until year-end 2003 by FASB Staff Position FIN 46-6, Effective Date of FASB Interpretation No. 46, issued in October 2003.

FIN 46 has not led to consolidation of units in the first quarter of 2003 which would not have been consolidated under the previous regulation. Hydro is currently in the process of evaluating existing arrangements to determine if they are variable interest entities. FIN 46 may not apply to any of Hydro s investments or arrangement. If it is determined to apply, entities may be consolidated into Hydro s consolidated financial statements.

USE OF NON-GAAP FINANCIAL MEASURES

The U.S. Securities and Exchange Commission recently adopted regulations, effective as of March 28, 2003, governing the use of non-GAAP financial measures. Non-GAAP financial measures are defined in the regulations to include financial measures that either exclude or include amounts that are not excluded from or included in the most directly comparable measure calculated and presented in accordance with GAAP. EBITDA is considered such a measure.

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 better understanding for management and investors of the underlying operating results of its business segments for the period under evaluation. Hydro manages long-term debt and taxes on a group basis. Therefore, net income is discussed only for the group as a whole.

Hydro s steering model, referred to as Value-Based Management, reflects managements 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, net in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values in non-consolidated investees. Hydro s definition of EBITDA may differ from that of other companies.

EBITDA should not be considered as an alternative to operating income and income before taxes as an indicator of the company 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.

EBITDA for the core business areas are presented in the table below, in addition to a reconciliation of EBITDA to net income at the Company level. A reconciliation of EBITDA to operating income for the core business areas and sub-segments is presented on page 29 of this report.

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RECONCILIATION TO NET INCOME

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Hydro Oil and Energy	**7,745**	5,451	**22,687**	17,453	25,340
Hydro Aluminium	**1,498**	827	**4,689**	3,018	4,334
Hydro Agri	**989**	719	**3,264**	3,300	3,945
Other Activities	**258**	365	**808**	711	1,044
Corporate and Eliminations	**(76)**	128	**(593)**	721	995
Total EBITDA [1]	**10,414**	7,490	**30,855**	25,203	35,658
Depreciation, depletion and amortization	**(3,933)**	(3,569)	**(11,079)**	(10,206)	(13,912)
Amortization of excess values in non-consolidated investees	**(116)**	(122)	**(182)**	(300)	(235)
Other income (expense) non-cash [2]			**(2,207)**		
Interest expense	**(652)**	(761)	**(2,100)**	(2,422)	(3,189)
Capitalized interest	**207**	162	**569**	437	607
Net foreign exchange gain/(loss)	**475**	30	**324**	2,405	3,262
Other financial items	**(32)**	(59)	**(81)**	(126)	(163)
Income before tax and minority interest	**6,363**	3,171	**16,099**	14,991	22,028
Income tax expense	**(4,039)**	(2,701)	**(9,301)**	(9,549)	(13,278)
Minority interest	**73**	43	**124**	43	15
Income before cumulative effect of change in accounting principle	**2,397**	513	**6,922**	5,485	8,765
Cumulative effect of change in accounting principle			**281**		
Net income	**2,397**	513	**7,203**	5,485	8,765

1) EBITDA: Earnings Before Interest, Taxes, Depreciation and Amotization.

2) The amount relates to the reversal of an expected state grant pertaining to an asset removal obligation.

EBITDA information by segment in each of the core business areas, as well as explanation of the financial performance of each segment, is included in the presentation of the business areas.

NON-RECURRING OR INFREQUENT ITEMS

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

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

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

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INDIVIDUAL OPERATING SEGMENT

OPERATING REVENUES

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Exploration and Production	**9,014**	8,001	**27,220**	23,695	32,970
Energy and Oil Marketing	**12,032**	11,239	**35,839**	32,960	45,915
Eliminations	**(6,479)**	(7,070)	**(19,697)**	(18,304)	(23,040)
Hydro Oil and Energy	**14,567**	12,170	**43,362**	38,351	55,845
Metals	**9,602**	10,416	**30,171**	29,485	39,646
Rolled Products	**4,716**	4,388	**14,017**	10,634	14,790
Extrusion and Automotive	**5,925**	6,017	**18,320**	18,393	24,245
Other and eliminations	**(3,134)**	(4,057)	**(10,473)**	(10,096)	(13,630)
Hydro Aluminium	**17,109**	16,764	**52,035**	48,416	65,051
Hydro Agri	**9,443**	8,295	**27,784**	26,421	33,348
Other activities	**2,973**	5,957	**11,085**	17,117	21,769
Corporate and eliminations	**(2,235)**	(2,373)	**(7,017)**	(7,272)	(8,973)
Total	**41,857**	40,813	**127,249**	123,033	167,040

EXTERNAL REVENUES

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Exploration and Production	**2,984**	974	**8,679**	5,461	10,136
Energy and Oil Marketing	**10,579**	10,128	**32,119**	29,945	41,929
Eliminations	**(367)**	(208)	**(1,176)**	(706)	(965)

Hydro Oil and Energy	**13,196**	10,894	**39,622**	34,700	51,100
Metals	**6,460**	6,547	**19,900**	19,418	26,025
Rolled Products	**4,636**	4,191	**13,623**	10,183	14,135
Extrusion and Automotive	**5,914**	6,001	**18,272**	18,335	24,186
Other and eliminations	**49**	(137)	**117**	112	162
Hydro Aluminium	**17,059**	16,602	**51,912**	48,048	64,508
Hydro Agri	**9,396**	8,195	**27,586**	26,013	32,818
Other activities	**2,186**	5,112	**8,221**	14,243	17,988
Corporate and eliminations	**20**	10	**(92)**	29	626
Total	**41,857**	40,813	**127,249**	123,033	167,040

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NORSK HYDRO ASA and SUBSIDIARIES

INTERNAL REVENUES

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Exploration and Production	**6,030**	7,027	**18,541**	18,234	22,834
Energy and Oil Marketing	**1,453**	1,111	**3,720**	3,015	3,986
Eliminations	**(6,112)**	(6,862)	**(18,521)**	(17,598)	(22,075)
Hydro Oil and Energy	**1,371**	1,276	**3,740**	3,651	4,745
Metals	**3,142**	3,869	**10,271**	10,067	13,621
Rolled Products	**80**	197	**394**	451	655
Extrusion and Automotive	**11**	16	**48**	58	59
Other and eliminations	**(3,183)**	(3,920)	**(10,590)**	(10,208)	(13,792)
Hydro Aluminium	**50**	162	**123**	368	543
Hydro Agri	**47**	100	**198**	408	530
Other activities	**787**	845	**2,864**	2,874	3,781
Corporate and eliminations	**(2,255)**	(2,383)	**(6,925)**	(7,301)	(9,599)
Total					

DEPRECIATION, DEPLETION AND AMORTIZATION

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Exploration and Production	**2,217**	2,021	**6,594**	6,068	8,242
Energy and Oil Marketing	**148**	187	**439**	570	764
Eliminations					
Hydro Oil and Energy	**2,365**	2,208	**7,033**	6,638	9,006
Metals	**388**	316	**1,090**	833	1,117
Rolled Products	**154**	116	**449**	268	496

Extrusion and Automotive	**359**	256	**923**	729	1,010
Other and eliminations					
Hydro Aluminium	**901**	688	**2,462**	1,830	2,623
Hydro Agri	**305**	269	**829**	870	1,172
Other activities	**359**	402	**747**	858	1,100
Corporate and eliminations	**3**	2	**8**	10	11
Total	**3,933**	3,569	**11,079**	10,206	13,912

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NORSK HYDRO ASA and SUBSIDIARIES

OPERATING INCOME (LOSS)

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Exploration and Production	**4,579**	2,583	**13,168**	8,660	13,137
Energy and Oil Marketing	**739**	587	**2,001**	1,903	2,784
Eliminations	**4**		**(20)**		26
Hydro Oil and Energy	**5,322**	3,170	**15,149**	10,563	15,947
Metals	**571**	441	**1,685**	1,265	1,690
Rolled Products	**18**	(18)	**71**	(108)	(295)
Extrusion and Automotive	**(4)**	12	**38**	43	14
Other and eliminations	**(55)**	(23)	**(47)**	268	289
Hydro Aluminium	**530**	412	**1,747**	1,468	1,698
Hydro Agri	**464**	436	**1,893**	1,998	2,207
Other activities	**(318)**	19	**(424)**	(7)	13
Corporate and eliminations	**(268)**	(92)	**(1,244)**	(177)	(24)
Total	**5,730**	3,945	**17,121**	13,845	19,841

EBITDA

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003	01.01-30.09 2002	Year 2002
Exploration and Production	**6,814**	4,624	**19,812**	14,864	21,593
Energy and Oil Marketing	**927**	827	**2,895**	2,589	3,721
Eliminations	**4**		**(20)**		26
Hydro Oil and Energy	**7,745**	5,451	**22,687**	17,453	25,340
Metals	**991**	474	**3,162**	1,739	2,703
Rolled Products	**184**	101	**567**	211	258

Extrusion and Automotive	**377**	274	**1,006**	799	1,084
Other and eliminations	**(54)**	(22)	**(46)**	269	289
Hydro Aluminium	**1,498**	827	**4,689**	3,018	4,334
Hydro Agri	**989**	719	**3,264**	3,300	3,945
Other activities	**258**	365	**808**	711	1,044
Corporate and eliminations	**(76)**	128	**(593)**	721	995
Total	**10,414**	7,490	**30,855**	25,203	35,658

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US GAAP

NORSK HYDRO ASA and SUBSIDIARIES

OPERATING INCOME - EBIT EBITDA THIRD QUARTER 2003

NOK million	**Operating income (loss)**	Non-cons. investees	Interest income	Selected Financial items	Other income	**EBIT**	Depr. and Amort.	**EBITDA**
Exploration and Production	**4,579**	7	8	2		**4,596**	2,218	**6,814**
Energy and Oil Marketing	**739**	(9)	8	(12)		**726**	201	**927**
Eliminations	**4**			(1)		**3**	1	**4**
Hydro Oil and Energy	**5,322**	(2)	16	(11)		**5,325**	2,420	**7,745**
Metals	**571**	15	(1)	6		**591**	400	**991**
Rolled Products	**18**	(1)	(2)	1		**16**	168	**184**
Extrusion and Automotive	**(4)**	18	5	(2)		**17**	360	**377**
Other and eliminations	**(55)**					**(55)**	1	**(54)**
Hydro Aluminium	**530**	32	2	5		**569**	929	**1,498**
Hydro Agri	**464**	126	64	(3)		**651**	338	**989**
Other activities	**(318)**	25	13	39	139	**(102)**	360	**258**
Corporate and eliminations	**(268)**		183	7		**(78)**	2	**(76)**
Total	**5,730**	181	278	37	139	**6,365**	4,049	**10,414**

OPERATING INCOME EBIT EBITDA 01.01-30.09.2003

NOK million	**Operating income (loss)**	Non-cons. investees	Interest income	Selected Financial items	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	5	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**
Otsher 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 state grant pertaining to an asset removal obligation of NOK 2,207 million.

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NORSK HYDRO ASA and SUBSIDIARIES

INVESTMENTS [1)]

NOK million	Third quarter 2003	Third quarter 2002	01.01-30.09 2003[2)]	01.01-30.09 2002	Year 2002
Exploration and Production	**2,307**	1,911	**8,033**	11,767	14,074
Energy and Oil Marketing	**290**	115	**735**	341	622
Eliminations					
Hydro Oil and Energy	**2,597**	2,026	**8,768**	12,108	14,696
Metals	**984**	922	**2,523**	12,058	12,728
Rolled Products	**89**	54	**203**	7,060	7,437
Extrusion and Automotive	**387**	256	**920**	4,629	5,153
Other and eliminations					
Hydro Aluminium	**1,460**	1,232	**3,646**	23,747	25,318
Hydro Agri	**451**	260	**768**	886	1,543
Other activities	**129**	165	**473**	2,763	3,115
Corporate and eliminations	**43**	29	**58**	263	1,044
Total	**4,680**	3,712	**13,713**	39,767	45,716

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

2) Includes effect of change in accounting principle (FAS 143). Non-cash increase in investment of NOK 1,932 million.

EBITDA

NOK million	2003 3rd qtr	2003 2nd qtr	2003 1st qtr	2002 4th qtr	2002 3rd qtr	2002 2nd qtr	2002 1st qtr

Exploration and Production	**6,814**	5,228	7,770	6,729	4,624	5,311	4,929
Energy and Oil Marketing	**927**	1,048	920	1,132	827	844	918
Eliminations	**4**	(2)	(22)	26			
Hydro Oil and Energy	**7,745**	6,274	8,668	7,887	5,451	6,155	5,847
Metals	**991**	1,124	1,047	964	474	715	550
Rolled Products	**184**	215	168	47	101	82	28
Extrusion and Automotive	**377**	300	329	285	274	331	194
Other and eliminations	**(54)**	(20)	28	20	(22)	164	127
Hydro Aluminium	**1,498**	1,619	1,572	1,316	827	1,292	899
Hydro Agri	**989**	1,073	1,202	645	719	1,198	1,383
Other activities	**258**	290	260	333	365	183	163
Corporate and eliminations	**(76)**	21	(538)	274	128	297	296
Total	**10,414**	9,277	11,164	10,455	7,490	9,125	8,588

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NORSK HYDRO ASA and SUBSIDIARIES

QUARTERLY RESULTS

	2003			2002			
NOK million	**3rd qtr**	2nd qtr	1st qtr	4th qtr	3rd qtr	2nd qtr	1st qtr
Operating revenues	**41,857**	40,578	44,814	44,007	40,813	44,454	37,766
Operating income	**5,730**	4,619	6,772	5,996	3,945	5,077	4,823
EBITDA	**10,414**	9,277	11,164	10,455	7,490	9,125	8,588
Net income	**2,397**	2,324	2,482	3,280	513	2,840	2,132
Earnings per share (NOK)	**9.30**	9.00	9.60	12.70	2.00	11.00	8.30

	2003			2002			
EUR million	**3rd qtr**	2nd qtr	1st qtr	4th qtr	3rd qtr	2nd qtr	1st qtr
Operating revenues	**5,116**	4,915	5,660	6,049	5,555	5,996	4,897
Operating income	**700**	559	855	824	537	685	625
EBITDA	**1,273**	1,124	1,410	1,437	1,019	1,231	1,114
Net income	**293**	281	313	451	70	383	276
Earnings per share (EUR)	**1.10**	1.10	1.20	1.80	0.30	1.50	1.10
Amounts have been converted to Euro for convenience using the end exchange rate (NOK/EUR) in effect during the quarters as follows:	**8.1817**	8.2559	7.9176	7.2754	7.3469	7.4145	7.7116

Norsk Hydro Third quarter 2003

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VAW ACQUISITION

In January 2002, Hydro entered into an agreement to purchase all the outstanding shares of the German aluminum company, VAW Aluminium AG, a leading aluminum company in Europe. The acquisition was completed on March 15, 2002. VAW is included in Hydro s consolidated results from that date. VAW had operations in more than 20 countries. The major part of these activities are located in the EU. In addition, VAW had important operations located in North America and the Pacific region. VAW is fully integrated into Hydro s aluminium operations.

The consideration for VAW amounts to EURO 1,911 million (NOK 14.9 billion). In addition, interest-bearing debt of EURO 703 million (NOK 5.5 billion) and pension obligations of approximately EURO 410 million (NOK 3.2 billion) were assumed. The acquisition was financed by Hydro s cash holdings.

Assets acquired and liabilities assumed in the VAW acquisition have been recorded at estimated fair value. The purchase price allocation is based on estimates for fair value of assets and liabilities in VAW, and was completed during first quarter 2003. Excess values are for the most part allocated to tangible fixed assets. The allocation does not indicate material goodwill in the transaction.

Because VAW s inventories have been recorded at estimated fair values as of the time of the acquisition, cost of goods sold was unusually high in the period after acquisition. The effect was approximately NOK 200 million.

NOK million	
Preliminary allocation of purchase price:	
Cash and cash equivalents	410
Other current assets	11,597
Property, plant and equipment, less accumulated depreciation, depletion and amortization	16,592
Other assets	6,140
Total current liabilities	(9,517)
Total long-term liabilities	(10,022)
Minority shareholders interest in consolidated subsidiaries	(356)
Estimated fair value of assets in VAW as of March 15, 2002	14,844

PRO FORMA INFORMATION

The following unaudited pro forma information has been prepared assuming VAW was acquired as of the beginning of 2002.

NOK million	Third quarter 2002	01.01-30.09 2002	Year 2002

Operating revenues	40,560	129,148	174,630
Operating income	3,945	14,392	20,554
EBITDA	7,490	25,914	36,878
Net income	513	5,692	9,125
Earnings per share in NOK	2.00	22.10	35.30

VAW s results have been translated into Norwegian kroner at average exchange rates. Pro forma adjustments are made for the fair value adjustments relating to assets and liabilities, depreciation and the amortization of these adjustments as well as finance cost of the acquisition price and deferred tax related to the above mentioned adjustments.

However, no adjustment has been made for the fair valuation of inventories. Significant sales between the companies are eliminated.

The effect of other acquisitions and divestitures on accounting results for 2002 is not material.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

For and on behalf of

NORSK HYDRO ASA

/s/ John O. Ottestad

JOHN O. OTTESTAD

(Executive Vice President and

Chief Financial Officer)

Date: 20 October, 2003

Norsk Hydro Third quarter 2003

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APPENDIX 2. Financial Review 2001 vs 2000

Hydro s net income after tax in 2001 was NOK 7,892 million (NOK 30.50 per share) compared to NOK 13,981 million (NOK 53.40 per share) in 2000. The reduction primarily resulted from lower crude oil prices and lower prices and margins in the Light Metals area. In addition, net income for 2001 included an after tax gain related to divestments of businesses of NOK 520 million (NOK 2.00 per share) compared to NOK 2,800 million (NOK 10.70 per share) for the previous year. The impact of weaker markets became apparent during the second half of the year. The Agri area delivered good results, continuing to reduce costs while increasing market share.

Operating Results

Operating revenues in 2001 decreased approximately 3 percent to NOK 152,835 million from NOK 156,861 million in 2000.

Operating income of NOK 21,083 million was roughly 26 percent below the record result in 2000. EBITDA for 2001 was NOK 37,757 million, a decline of 19 percent compared to the prior year. The overall decline was primarily due to weaker markets and restructuring costs in 2001. Hydro changed the way it allocates pension costs to its Norwegian operations in 2000. Previously, costs were determined based on the number of years of service resulting in a concentration of the total costs towards the end of the service period. The change resulted in nonrecurring charges to the segments with a corresponding credit of NOK 2,007 million reflected in Corporate, which is included in Corporate s net periodic pension credit.

Earnings from non-consolidated investees were reduced by NOK 106 million to NOK 566 million, primarily as a result of foreign currency losses on alumina operations in Brazil, of which Hydro s share amounted to NOK 159 million.

Other Income, which consists of pretax gains on divestments of businesses, was on a lower scale than in the previous year. For 2001 these gains represented before tax in the amount of NOK 578 million in 2001 compared to NOK 3,161 million in the prior year. The most significant amounts in 2001 related to the sale of Hydro Seafood s UK operation, plus the sale of electricity grid in Norway.

Financial items

Net financial expenses in 2001 were NOK 762 million compared to NOK 2,158 million in 2000. The decrease reflected the Company s increased cash balances resulted in increased interest earnings. Currency losses were somewhat lower than the previous year notwithstanding losses of approximately NOK 130 million relating to the devaluation of the Argentine peso at the end of 2001.

Net interest bearing debt at the end of 2001 was NOK 21.1 billion, a reduction of NOK 8.6 billion from the end of the prior year.

Taxes

The provision for current and deferred taxes for 2001 amounted to NOK 13,750 million, representing 64 percent of pretax income. The corresponding figure in 2000 was NOK 16,178 million, equivalent to 54 percent of pretax income. The tax percentage for 2000 was influenced by the gains on the sales of operations included in Other Income, which were taxed at a lower rate. Excluding the effects of these gains, the tax percentage would have been approximately 59 percent for 2000. The increase in the effective tax rate for 2001 resulted from the relatively larger share of earnings from oil and gas activities in Norway, which were taxed at a marginal tax rate of 78 percent.

Reorganization of the reporting structure in the first quarter of 2002 resulted in certain changes in segment reporting. Hydro s three core business areas remain the same, but the sub-segments within each core business area have been revised. In addition, certain operations identified as non-core activities have been included in Other Activities . These include Petrochemicals and A/S Korn- og Foderstof Kampagniet (KFK). The financial review comparison for 2001 to 2000 for the above mentioned three core areas disclosed below has been revised to be consistent with the 2002 financial review at the business area level.

OIL AND ENERGY

Revenues and market conditions

Operating revenues declined approximately 6 percent to NOK 52,016 million from NOK 55,123 million in the prior year, primarily as a result of lower crude oil prices and lower refined product prices. However, average production of oil and gas increased by approximately one percent compared to 2000. Oil production outside the NCS increased toward the end of the year as the Girassol field in Angola came on stream. Crude oil prices fell sharply in the latter of 2001 due to global recession and OPEC s production policy in 2001. The growth in global oil demand for 2001 was the weakest since 1985. Additionally, the terrorist attacks in the US on September 11, 2001 increased uncertainty, causing a further reduction in demand for crude oil.

Operating costs

Hydro s total expenditures for exploration of oil and gas and appraisal of discoveries increased approximately 12 percent from 2001 to 2000. Exploration costs charged to results were NOK 1,400 million in 2001 compared to NOK 1,701 million in the prior year. The increase was primarily attributable to higher international exploration activity reflecting Hydro s strategy to expand its international oil and gas portfolio. For Energy, refining costs per barrel (comprising both fixed and variable processing costs) increased from NOK 12.3 in 2000 to NOK 13.0 in 2001 as a result of the reduced throughput caused by a five-week refinery outage at the Scanraff refinery, Hydro s partly owned refinery located in Sweden. Product variable costs for refined oil products decreased in 2001 as a result of lower oil prices.

Operating income and EBITDA

Operating income for Oil and Energy was NOK 19,178 million in 2001 compared to NOK 21,804 million in 2000. EBITDA was NOK 27,604 million in 2001 compared to NOK 30,641 million in 2000, approximately a 10 percent decrease. The decline in operating income was primarily due to lower crude oil prices and refined product prices. EBITDA for 2001 included a NOK 179 million gain on the sale of electricity grid assets. EBITDA for 2000 was positively influenced by a gain of NOK 387 million relating to the sale of UK oil and gas operations. EBITDA for both 2001 and 2000 was influenced by nonrecurring pension charges.

HYDRO LIGHT METALS

Revenues and market conditions

Operating revenues for 2001 of NOK 51,083 million were essentially flat compared to 2000. The Metals sub-segment increased by NOK 992 million in 2001 compared to the prior year and was offset by a net decline of NOK 1,039 million in 2001 compared to 2000 in the other Light Metals subsegments. The downturn in the business cycle in the second half of 2001 resulted in lower prices and lower margins for both primary aluminium and all fabricated products. Shipments of primary aluminium in the Western World in 2001 decreased roughly 6 percent compared with 2000 representing the largest year-to-year decline since 1981. The downturn was particularly pronounced in the US for primary aluminium and extruded products. In view of these market developments, the average three-month price for primary aluminium on the LME decreased by approximately 7 percent to US dollar 1,454 per tonne in 2001 compared to US dollar 1,567 per tonne in 2000. Realized average aluminium prices in 2001, in NOK, were marginally higher than in 2000. Slightly lower average

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prices, in USD, were offset by a stronger USD/NOK exchange rate. In November 2001, Hydro signed an agreement to acquire the French building systems Technal group for a price of EUR 73 million (NOK 580 million) and the assumption of NOK 307 million in debt.

Operating costs

In 2001, the total operating costs of Hydro s smelters increased by approximately 7 percent compared to the prior year. The biggest component of total operating costs is the cost of raw materials and energy for primary aluminium production, consisting principally of alumina, electricity, and carbon anode (consumed in the smelting process). Raw material and energy costs, per tonne of primary aluminium produced, increased approximately 8 percent in 2001 compared to the prior year.

Responding to market conditions (most notably, the declining demand) in 2001, Hydro implemented several measures aimed at reducing production volumes and saving costs. During the year, Extrusion reduced its European and US extrusion press capacity by approximately 10 percent. This was accomplished primarily by temporary measures such as adjusting factory shifts and reducing staffing. In addition, local market conditions and cost considerations led to the complete shut down of 2 presses. Related workforce reductions during 2001 represented approximately 300 man years.

Operating income and EBITDA

Operating income for Light Metals in 2001 was NOK 185 million compared to NOK 3,336 million in 2000. EBITDA for 2001 was NOK 2,543 million compared to NOK 5,501 million in 2000. The decline in operating results was largely attributable to the deterioration in market conditions, particularly in the second half of 2001. In addition, EBITDA declined in 2001 primarily due to losses on aluminium options of NOK 545 million, lower margins at metal plants and the positive effects in 2000 of exceptional metal trading results. Hydro decided in October 2001 to close down its primary magnesium production plant in Porsgrunn, Norway. EBITDA for 2001 included NOK 700 million representing closure costs and costs for workforce reductions. In addition, operating income for 2001 included a write-down of NOK 261 million of fixed assets related to this closure.

HYDRO AGRI

Revenues and market conditions

Hydro Agri s operating revenues increased in 2001 to NOK 37,407 million compared to NOK 36,607 million in the prior year, an increase of approximately 2 percent. The increase in operating revenues reflected improved fertilizer prices and increased sales volumes outside Europe, primarily Latin America and Asia, offsetting lower volumes sold in Europe. As mentioned above, the subsegment, KFK, has been moved to Other Activities to be consistent with the 2002 reporting structure.

Operating costs

Average prices for the most important nitrogen products and chemicals (primarily natural gas) increased sharply in 2001. The average ammonia price (another primary raw material) increased only slightly, although there was a sharp decline in price in 2001 from the exceptionally high level at yearend 2000.

The Hydro Agri Turnaround program was completed at the end of 2001 achieving total manning reductions of approximately 3,750 people and annual cost reductions of approximately NOK 2,900 million compared to the 1998 level (approximately NOK 200 million was cost savings related to Gas and Chemicals sub-segment). This resulted in total savings in cost by more than 30 percent. Operating results in 2001 included approximately NOK 300 million in redundancy and other costs related to the staffing reductions compared to NOK 460 million in 2000.

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Costs in 2001 also included losses and write-downs totalling NOK 126 million related to the disposal of Oleochemicals and other non-core business activities.

Operating income and EBITDA

Operating income for 2001 was NOK 2,114 million compared to NOK 1,303 million in 2000. EBITDA was NOK 4,402 million in 2001 compared to NOK 3,553 million in 2000. The increase in operating income and EBITDA compared to the prior year was primarily due to improved fertilizer prices partially offset by reduced sales volumes. Nonrecurring charges of NOK 239 million reduced EBITDA, compared with nonrecurring charges of NOK 731 million in 2000.

OTHER ACTIVITIES

Other Activities include Petrochemicals, Pronova, the industrial casualty insurance company, Industriforsikring, Hydro Business Partner, Hydro Technology and Projects, and KFK.

Petrochemicals

Revenues and market conditions

Petrochemicals operating revenues decreased by approximately 14 percent in 2001, compared to 2000. The reduction is primarily due to lower average product prices, particularly suspension polyvinyl chloride (S-PVC) prices. Hydro s average realized prices for S-PVC was approximately 26 percent lower in 2001 than in 2000 as a result of a decline in demand. Noretyl, in which Hydro s share was reduced to 50 percent with effect from January 1, 2001, was reported as a non-consolidated investee. As a result, earnings from non-consolidated investees were higher and operating income was lower than compared to 2000.

Operating costs

Total raw material costs for Petrochemicals were at a similar level compared to the previous year. Total fixed costs (excluding a one-time pension adjustment in 2000 and other non-recurring costs) were reduced in 2001 compared to 2000 reflecting reduced staffing and improved work processes.

Operating income and EBITDA

Petrochemicals operating income/(loss) in 2001 was NOK (101) million compared to NOK 265 million in the prior year. EBITDA was NOK 363 million in 2001 compared to NOK 662 million in the prior year, a decrease of 45 percent. EBITDA for 2001 was negatively affected by nonrecurring items in the amount of approximately NOK 225 million relating to the costs of staffing reductions and demolition and cleanup costs for the Porsgrunn, Norway facility. This was partly offset by a gain of NOK 59 million on the sale of Singapore Polymer Corporation (SPC). Non-recurring costs in 2000, mainly relating to pensions, were around NOK 173 million.

EBITDA for Other activities was NOK 1,215 million, a decline of NOK 1,735 million compared to 2000. At the end of 2000, the Company sold Hydro Seafood resulting in a gain of NOK 1,609 million. Hydro Seafood s British operations were sold in 2001 resulting in a gain of NOK 418 million. The results for 2000 were also positively influenced by Hydro Seafood s operating results up to the time of sale. In 2001, staffing reductions at the Company s Grenland industrial site in Norway resulted in a nonrecurring charge of NOK 300 million. Underlying operating results improved by approximately NOK 40 million excluding the effects of the divestment of Hydro Seafood and the nonrecurring charges described above.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

			Norsk Hydro ASA
			(Registrant)
Date	November 28, 2003	By:	/s/ Egil Myklebust
			Egil Myklebust Chairperson
		By:	/s/ Borger A. Lenth
			Borger A. Lenth Deputy Chairperson Steiner Skarstein
		By:	/s/ Anne Cathrine Høeg Rasmussen
			Anne Cathrine Høeg Rasmussen Director
		By:	/s/ Ingvild Myhre
			Ingvild Myhre Director
		By:	/s/ Elisabeth Grieg
			Elisabeth Grieg Director
		By:	/s/ Håkan Mogren
			Håkan Mogren Director
		By:	/s/ Geir Nilsen
			Geir Nilsen Director
		By:	/s/ Odd Semstrøm
			Odd Semstrøm

Director