

2000

Norsk Hydro



2000 from words to action



Positive market developments and internal improvements boosted the three main areas Oil and Energy, Light Metals and Agri, generating a record result of NOK 14 billion after tax. The debt-equity ratio was reduced to 0.39 when adjusted for liquidity in excess of the normal level. Hydro enjoys considerable financial freedom of action. Hydro Seafood, the company's shareholding in Dyno, oil operations in the UK and several minor activities were sold.

Renewed qualification for the Dow Jones Sustainability Group Index. Eco-efficiency was improved. Ambitious goals for a further reduction in the number of injuries were not met and new initiatives have been announced. The environment and corporate social responsibility have been given high priority and are more closely integrated into the company's business processes.

Record production and results for Oil and Energy. Oil and gas production is climbing steeply and averaged 413,000 barrels of oil equivalents per day. Net reserve replacement was 111 percent. The first oil exploration contract in Iran and a license agreement in a deep-water block in Trinidad were signed. No major discoveries were made on the Norwegian shelf or internationally.

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light metals



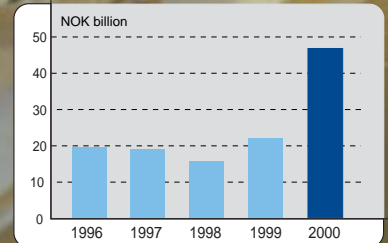
Solid growth for Light Metals. The metal supplier concept is being developed in Europe as well as North and South America. There is a continued sharp focus on the remelting of light metal. Aluminium production in Sunndal is being extended and modernized, using Hydro's own technology, making it Europe's biggest and most efficient metal plant. Extrusion activities are growing in North America. Automotive component production is set for strong growth from 2003.

Agri is completing a wide ranging and successful turnaround program. Several production plants in Europe were closed and the market balance restored. Sales outside Europe grew and are now at roughly the same level as in Europe. Hydro acquired the majority shareholding in Adubos Trevo, a leading player in the Brazilian fertilizer market.



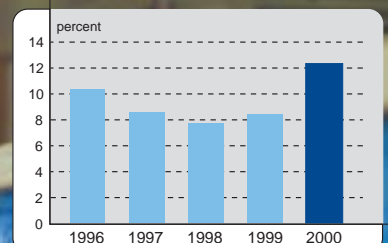
key figures

Result (EBITDA*)



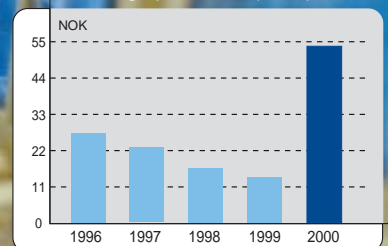
* Earnings Before Interest, Tax, Depreciation and Amortization

CROGI*

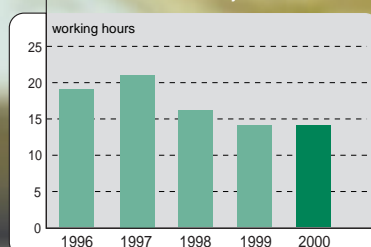


* Cash Return on Gross Investment

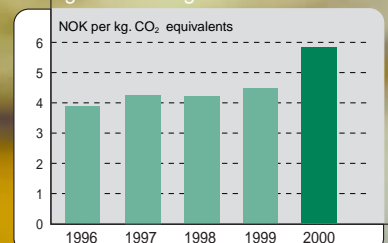
Earnings per share (NOK)



Total recordable injuries



Eco-efficiency, operating revenue/
greenhouse gas emissions



Hydro's trade in alumina and aluminium produced excellent results in 2000.

2000

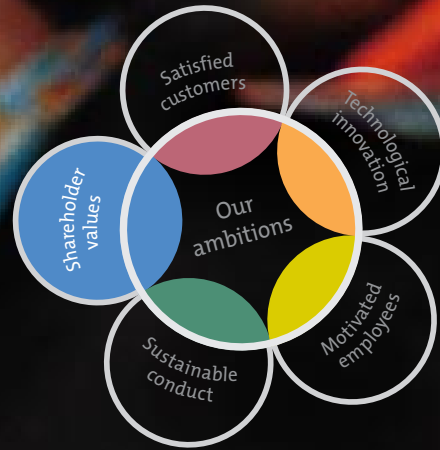
We have every reason to say that we have done what we set out to do. This applies equally to cultivating our portfolio, implementing improvement programs and introducing extensive new work processes.

Egil Myklebust, Hydro's President and CEO

Result – NOK million	2000	1999	1998	1997	1996
Operating revenues	156,861	111,955	105,784	107,725	95,462
Operating income before financial items and other items	28,466	7,735	5,830	10,702	9,653
EBITDA ¹⁾	46,609	21,944	15,617	18,910	19,484
Net income ²⁾	13,981	3,446	3,754	5,205	6,204
Financial data					
Investments ³⁾ – NOK million	16,565	53,025	13,563	12,534	12,847
Long-term debt/equity ⁴⁾	0.39	0.69	0.49	0.37	0.41
Cash flow from operations – NOK million	25,626	14,744	8,500	10,386	11,452
Rate of return					
CROGI ⁵⁾	12.3%	8.4%	7.7%	8.5%	10.3%
NOK per share					
Earnings ²⁾	53.40	13.90	16.40	22.70	27.10
Dividends ⁶⁾	9.50 ⁷⁾	8.00	7.50	7.50	7.00
Shareholders' equity	274.00	227.30	210.80	199.60	181.40
Share price Oslo Stock Exchange 31.12	373.00	336.00	257.00	359.50	345.00
Number of employees – average over the year	37,575	38,706	38,912	36,836	33,877

Notes:

1. EBITDA: Earnings before Interest, Tax, Depreciation and Amortization. See page 44 for more details.
2. Excluding the accumulative effect of accounting changes.
3. Investments in property, plant and equipment, long-term securities, intangibles, long-term advances and investments in non-consolidated investees.
4. Long-term interest bearing debt divided by total shareholders' equity plus minority interest. The 2000 figures are adjusted for cash and cash equivalents above normal.
5. CROGI: Cash Return on Gross Investment. See page 44 for more details.
6. Hydro shares are traded ex. dividend from 3 May 2001.
7. Proposed dividend.



Norsk Hydro's ambitions are to develop its operations and increase value for its stockholders through sustainable conduct, motivated employees, technological innovation and focused efforts to satisfy its customers. The Oil and Energy and the Light Metals segments are in a period of strong growth. Agri is emerging significantly strengthened from an extensive turn-around operation. Egil Myklebust (right) can round off his ten years at the helm of the company with the best results in its history. Earnings of NOK 53.40 per share are almost four times as high as the previous year. Eivind Reiten (left) will take over responsibility for a financially robust company with inspiring ambitions.

Eivind Reiten (47) will take over the post of top executive for Norsk Hydro on 3 May, 2001. Up to February 2001, he was executive vice president with responsibility for Hydro Light Metals. Reiten, a business economist, has worked for Hydro since 1986, first in various managerial positions in Hydro Agri, later as head of the divisions Hydro Energy, Refining and Marketing and Hydro Light Metals. He also has a broad political background, including the post of Minister of Petroleum and Energy.



Better performance, innovation and sustainable conduct

– three pillars for future industrial development

Our new management and financial control system increases opportunities for the follow-up of and early intervention in factors that we can influence. This is a significant step forward in our work to increase the level of our achievements. I look back on 2000 as a breakthrough year in our efforts to establish a new level of ambition.

I am happy to be able to report to the shareholders that in my tenth and last whole year as President and CEO of Norsk Hydro ASA, your company is taking significant steps forward. The total rate of return to shareholders for 2000 was 13.4 percent, which is in excess of the development on most of the relevant indexes. During the last two years, returns to Hydro shareholders have exceeded 50 percent.

There are primarily two driving forces behind this upswing:

- One is that 2000 was a year of improved market conditions for all our operations, and for some areas they were highly advantageous. Meanwhile, the exchange rate between our main expense currency, the Norwegian krone and our main income currency the US dollar was favorable. A comparison with 1999, when the exchange rate was less advantageous, explains a large part of the improved results. This also indicates that the underlying development of 1999 was more positive than the results suggest at face value, while positive market conditions also supported the improved results for 2000.

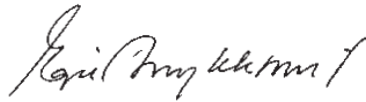
The improvement in our results means that our financial position, in the first year following the acquisition of Saga, has returned to a considerably better level than at the time of purchase. The basis for further growth and development of the company is, in financial terms, better than ever.

- The other main reason for Hydro's progress is found in the improvements for which we ourselves have direct responsibility. The Directors' Report relates the highlights of the proactive implementation of the 1999 strategy. Not least, acquisition of Saga Petroleum has resulted in considerably higher sales of oil in a buoyant market. In addition to this, a number of medium-sized and smaller projects have generated new activities that have reinforced our strategic positions.

Meanwhile the work to reduce costs has proceeded well. Not least, the extensive turnaround of our plant nutrition

It is essential for any enterprise with aspirations for the future that economic progress, environmental attitudes, awareness and social responsibility are balanced. Our challenge is to identify the opportunities present in the market's dawning awareness of these questions, and to develop sustainability as a competitive advantage for our company.

Egil Myklebust, Hydro's President and CEO




Egil Myklebust

operations has progressed ahead of plans. Elsewhere in the company we are seeing the results of our production improvements with new technology and new organizational structures being adopted to achieve cost advantages across divisional boundaries.

HIGHER STANDARDS FOR OUR ACHIEVEMENTS

Altogether these factors provide good reason for optimism with regard to future productivity and a competitive edge. Perhaps even more important, however, is the fact that the company's management, and to an increasing degree the rest of our organization, are setting higher standards for our achievements. An understanding of the positive relationships between good earnings for our owners, our industrial development and employees' tasks and working conditions is becoming more widespread. It is encouraging that the major restructuring processes of recent years have taken place without detrimental internal conflicts. Another important factor is that the board of directors has decided to change our compensation policy so that the interests of the owners and employees are linked to a greater extent, and good results within the area of responsibility of each link in the organization are honored.

Our new management and financial control system increases opportunities for the follow-up of and early intervention in factors that we can influence. This is a significant step forward in our work to increase the level of our achievements. I look back on 2000 as a breakthrough year in our efforts to establish a new level of ambition.

Another key factor is our ability to achieve profitable growth. The growth in turnover of 40 percent in 2000 highlights our progress. I have already mentioned the significance of the acquisitions that have been made to enhance the platform upon which we shall build the future within two of our defined growth areas, Oil and Energy and Light Metals. The disposal of operations where Hydro is not in a position to give optimal opportunities for growth has released both finan-

cial and human resources to develop areas that shall be cultivated.

WIDE REACHING ACHIEVEMENTS

Two other factors are important for our future growth potential:

- Hydro Agri has realized three positive achievements during a period that has been defined as a turnaround operation with few resources for investment:
 - considerable improvement in results and the value of the operation
 - better competitive position
 - continued growth in activities and improvement of capital productivity in a period of reduced investment
- The business development taking place through technological and commercial innovation in our traditional activities is described elsewhere in this report. I would like to direct particular attention to the fact that we are at the top of the league in the aluminium sector with regard to the development of more efficient and environmentally friendly electrolysis technology and applications for light metals. We are, for example, market leaders in the development and production of aluminium components for the automotive industry, and light metals are being utilized in more and more parts of the vehicle from bumpers to crash management systems. As an extended service we offer automotive producers our expertise in testing collision qualities. Our technological know-how is integrated in the business concept, with lighter, more environmentally friendly and above all safer cars as a result. Another example is our approach to the opportunities that have arisen for commercial innovation in a European energy market under liberalization.

NEW TECHNOLOGY

Concepts such as "new technology" and "new economy" have often been regarded as contradictory to mature industrial operations. In fact, many of the new products and systems that arise from the latest developments in IT and telecommunications technology are to a great extent targeted towards applications in these same mature industries.

Our expertise regarding the application of such solutions in our operation is perhaps the area of know-how where we are growing most. This increases our competitive advantage through the early adoption of new concepts in the intersection between technological development and commercialization.

BALANCED INTERACTION FOR THE FUTURE

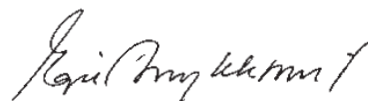
The future for industrial activities has other dimensions than those arising from the new economy. During the course of my ten years as President and CEO of Norsk Hydro, I have recognized that trends in population growth, environmental impact, social differences, globalization, increasing openness in the business sector and society as a whole and a climate of sharper competition lead to a new agenda being drawn up for the future management of industrial operations.

This has convinced me that the balanced interaction of economic progress, environmental attitudes and awareness and social responsibility is essential for any enterprise with aspirations for the future. Our challenge is to identify the opportunities present in the market's dawning awareness of these questions, and to develop sustainability into competitive advantage.

In Hydro we see that much of the business development that is taking place in the company is rooted in this approach. This applies to Oil and Energy, Light Metals and Plant Nutrition, which are all closely connected to the production and application of energy in a modern society. These are key areas with regard to finding responsible solutions to meet the need for energy, food and materials on the one hand, and to reduce

the environmental impact on the other. Hydro's composition of business areas also offers exciting opportunities for sharing knowledge and developments between operational areas. Examples of this can be seen in our extensive recycling and remelting activities in the Light Metals segment, and in our work on the development of hydrogen as a future source of energy.

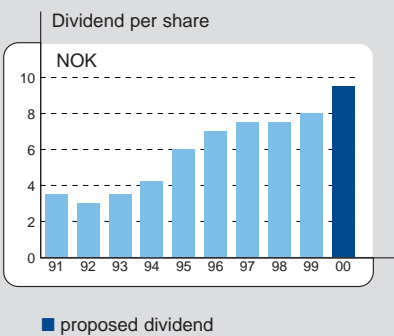
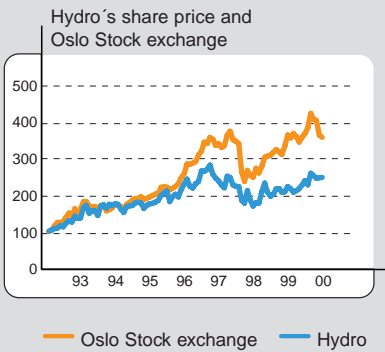
I am convinced that we have a good starting point for continued competitive value creation. It will be up to my successor, Eivind Reiten, to lead the work to achieve Hydro's ambitious goals. With him, he has 38,000 employees who showed the will and the ability to tackle major challenges in 2000 and who are adapting to changed circumstances. This is a good starting point for continuing the positive development of Hydro in the years to come.



Egil Myklebust
President and CEO



Shareholder policy



Hydro creates value for its shareholders, its employees and society through profitable operations and growth. The company sets stringent objectives for profitability and financial strength. Hydro will exploit and develop its positions within its core areas.

The long-term return to shareholders should reflect the added value created by the company. This is expressed partly by dividends paid and partly by a long-term increase in the share price. Dividends paid should increase steadily in line with the growth of Hydro's profits. In determining the dividend, the need to maintain financial strength and flexibility will also be considered, as will the possibilities for growth through new profitable investments. Over time, the total return to shareholders should accrue to a greater extent from the increase in share price than from dividends received. The board of directors considers it appropriate that the dividend over several years should average around 30 percent of the company's net income.

In order to maximize value added over a period of time, it is essential that the company at any time has adequate financial resources at its disposal. Accordingly, the company must seek to retain the confidence of shareholders and stock markets, and must also ensure that its position is always such that it has access to necessary loan capital on attractive terms.

Through listings on stock exchanges in many countries and through close contact with stock markets, Hydro seeks to maintain public interest in its shares in order to ensure a broad geographical distribution and optimal marketability.

The company endeavors to give its investors the best possible background for the pricing of the Hydro share, for example by making available correct, complete and up-to-date information.



Ronny in Rackwitz – recycling and motorbiking

Ronny Gwiedziel speeds up and thrusts the loader into the scrap. With the scoop full he looks around, reverses and heads off towards the furnace. He is one of 38 employees who ensure that tonnes of aluminium scrap re-emerge as first class extrusion ingot, the raw material for his 133 colleagues who work in the extrusion plant next door. Everything is re-used at Hydro Aluminium Rackwitz, nothing goes to waste. This is both environmentally friendly and profitable.

After work Ronny likes to ride off on his motorbike together with Peggy. The couple are the result of quite a romance between the aluminium profiles. They met in the packing station at the plant, where Peggy is a shift forewoman. Their wedding in fact commenced among the presses and the newly extruded aluminium sections.

Next after Peggy, it is his job that is closest to Ronny's heart. When he started out as a cast house apprentice, in the former GDR, jobs were taken for granted but working conditions left a lot to be desired, with scant regard for the working environment and safety in general. In today's Germany finding work is not easy. On the other hand, environmental responsibility and safety in the workplace represented the first and most noticeable change when Hydro acquired the Rackwitz aluminium operation in 1997.

The remelting of aluminium requires only four to five percent of the energy necessary when the metal was produced for the first time. It is therefore extremely environmentally friendly. From the recycled metal we develop products which make cars safer, more fuel-efficient and less polluting. Remelting is all about responsibility and the environment. And what's more, it makes economic sense.

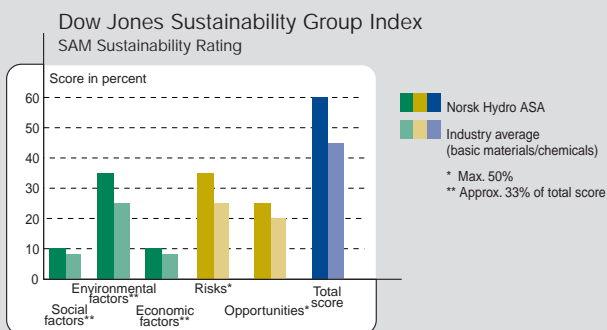
Recycling is a growth business. This company has a future, and Ronny Gwiedziel is looking forward to a future in the company. It is maybe not so strange that he has acquired a few shares for the first time in his life? Not because he is speculating, but because of his conviction that sustainable production yields the best returns.

SUSTAINABILITY



The balance that we in Hydro call sustainable conduct and development will contribute over time to enhance value for our customers, partners, our employees and shareholders. Egil Myklebust, Hydro's President and CEO, was invited by Kofi Annan, Secretary-General of the UN, as one of industry's spokesmen at the official launching of the "Global Compact" initiative in New York on 26 July, 2000.

SUSTAINABILITY



The 2000 initiative

The concept of sustainability is a major issue in our strategy seminars at all levels and in our management development programs. In addition to extensive in-house initiatives, Hydro also takes part in several national and international projects and activities associated with sustainable development. The following describes some of the most important:

We support the UN Secretary-General's initiative for a "Global Compact" which deals with the principles for human rights, work standards and the environment. Through the World Business Council for Sustainable Development, we are involved in shaping the contribution of industry to sustainable development. We take an active part in programs for social responsibility, innovation and technology and in those involving climate and energy. We have contributed to the World Business Council's protocol on reporting on the emissions of greenhouse gases, and along with other companies we are now testing this concept.

Hydro is participating in the World Business Council's three-year project "Sustainable Mobility" with eight other leading companies from the automotive, energy and materials industries. The aim is to develop visions for mobility in the year 2030 and to present possible pathways for their attainment. We are also taking part in the member project "Mining, Minerals and Sustainable Development".

We support the activities of academic institutions working to build up knowledge on sustainable development. This includes our collaboration with the Massachusetts Institute of Technology, the Norwegian University of Science and Technology and the College of Europe.

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We see exciting business possibilities in our ambition to be at the forefront in running and developing all aspects of business in a sustainable manner: whether the focus is on financial results, resources and the environment, or on our interaction with society at large and our social obligations. Framework and direction are provided on the one hand by the needs of a growing population for energy, materials and food, and on the other by the desire to take care of ourselves, our descendants, our values and the abundance of the natural world. We see many possibilities – but we are also confronted by major challenges.

In 2000, we gained the renewed trust of being named one of the leading industrial companies in the Dow Jones Sustainability Group Index. This index measures the performance of industrial companies according to principles for social responsibility and sustainable development.

Hydro converts the concept of "sustainability" into practical action in three basic areas:

CONDUCT:

We shall show respect for people and the environment, and behave in a responsible and orderly manner when balancing different considerations and dilemmas.

We cannot deviate from the requirement to act responsibly, as a good neighbor and citizen and in line with our environmental principles and guidelines for ethics and social responsibility. We strive to show respect for basic human rights, the working environment and our employees. The effect on the environment of emissions and discharges from our plants and from the use of our products must be within nature's critical limits. We try to live up to our "license to operate" and be preferred by customers who demand suppliers with high ethical standards and sound environmental and safety results.

"Sustainability companies not only manage the standard economic factors affecting their businesses but the environmental and social factors as well. There is mounting evidence that their financial performance is superior to that of companies that do not adequately, correctly and optimally manage these important factors."

The Dow Jones' Sustainability Group Index

Although the results of 2000 were not satisfactory, there must be no doubt that our ambition is to achieve a high level of safety and our goal is to prevent accidents and injuries. Five people lost their lives in accidents at work, and we did not attain our target for lost-time injury reduction. We have therefore initiated a comprehensive process aimed at improving safety.

In spite of systematic efforts to reduce emissions and discharges from our plants, we also experienced accidental discharges in 2000. None of these had serious environmental consequences.

INNOVATION:

We shall develop Hydro by means of new concepts and processes that lead to economic growth and value creation while meeting environmental challenges.

An assertive attitude to environmental and resource issues is a motivating factor for innovation, research and technological development. We are developing concepts and solutions for eco-efficiency through the entire life cycle of our products and are "closing the loop" by increased recycling. A holistic and systematic approach means that we must encourage creativity, both commercial and technological, and involve professional disciplines and employees throughout the whole organization.

Innovation can reduce our use of resources and environmental effects. Our metal supplier concept, our environmentally-adapted use of plant nutrition and the work on decarbonization and new non-polluting energy-carriers show that there is room for innovative thinking at the point where environmental requirements, market and technology meet.

We have not yet found all the answers, commercially speaking, in connection with our Hydrokraft concept for the decarbonization of fossil fuels. However, we remain convinced that the requisite impetus to create value, economical-

ly, environmentally and for society at large, arises when sustainability as a direction and driving force is combined with production and business development.

COMMUNICATION:

We shall actively conduct an open and meaningful dialogue with the societies in which we operate regarding the promotion of sustainable development so as to increase our mutual understanding.

Customers, suppliers, shareholders, partners, NGOs and other interested parties, the authorities and employees – they all make demands on us. We need to interact with society at large so that we can develop solutions which cater to changing social conditions and new environmental requirements. To achieve this, we are dependent on the authorities creating frame conditions that contribute to innovation.

We will act with confidence and trust, and we will strive to attain the greatest possible insight and openness in our communication with our surroundings across different cultural boundaries.

In the year 2000, situations arose (for example in India and Iceland) where our ability to communicate with various interest groups was put to the test. This has influenced the design and progress of the projects.

For more detailed information, please refer to pages 36-43 of this report and to Hydro's supplementary and continuous reporting on the Internet: www.hydro.com.



Motivated by the big challenge of deep waters.

He works worldwide. One day Angola, the next Canada, Russia or Iran. And now also Trinidad, a recent addition to Hydro's deep water activities.

Knud Schlosser is a Danish engineer who has worked around the world in different Hydro divisions. He combines the entrepreneurial spirit experienced in the ammonia plants of France and Trinidad with the systematic approach applied on major North Sea projects. He has worked under the burning desert sun, in the frozen North and amidst the breezes that cool tropical coastlines, but he feels most at home in deep water, like the company he works for. In Africa, for example, where he explored the coast in an open catamaran, his meager provisions tied to the mast. Not that an open boat would normally be one's first choice in the harsh waters off Canada and Russia. Yet the oil and gas deposits there are attractive, the ocean depths are vast and the challenges exciting.

In 2001, the company he works for is going to direct more resources to international exploration than on the Norwegian continental shelf. For the first time ever.

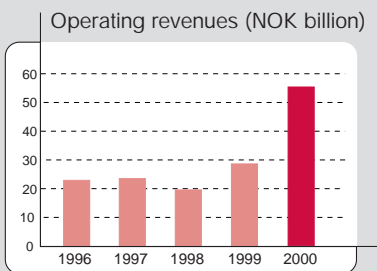
All the same, it will take a long time until international oil and gas production reaches the same level as that on the Norwegian shelf. Knud is part of the work process that will reduce this gap. Work which takes him back to familiar coasts, deep waters and fresh adventures.

OIL AND ENERGY



The difficult topography and subzero water temperatures at depths up to 1000 meters combine to make the development of the gigantic Ormen Lange gas field an unusually challenging task.

OIL AND ENERGY



HYDRO OIL AND ENERGY

Hydro Exploration and Production Norway is the largest division in the oil and energy area, taking in all of Hydro's exploration activities plus production of oil and gas on the Norwegian continental shelf. In 2000, the division had an average daily production of almost 381,000 barrels of oil equivalents and operator responsibility for 15 installations on 12 oil and gas fields, with a total production of 1,148,000 barrels per day.

Hydro Exploration and Production International covers the growing international oil and gas operation. The division produces oil in Canada, Libya and Russia and participates in the development of fields in these countries and in Angola, holds interesting positions in Iran and produced in 2000 an average of 32,000 barrels of oil equivalents daily.

Hydro Energy is responsible for the company's commercial operations in the oil, gas and power sectors. The division is also responsible for Hydro's own hydroelectric power production, which totaled some 11.5 TWh in 2000. In addition, the division is also responsible for refinery operations and the transport of dry gas by pipeline and the seaborne transport of crude oil, NGL and petroleum products. Hydro Energy participates in European energy markets and is involved in energy trading in a number of countries.

Hydro Oil Marketing is responsible for the marketing of oil products from a total of 1,800 gasoline service stations through its wholly-owned subsidiary Norsk Hydro Olje AB in Sweden and its 50 percent interest in Hydro Texaco in Denmark, Norway and the Baltic countries.

Hydro Technology and Projects supports all of Hydro's divisions in the fields of technology development and development projects.

The increasing impact of expansion, a steep rise in production, efficient operations and high oil prices generated an operating income of NOK 21.8 billion for Hydro Oil and Energy in 2000, up from roughly seven billion in 1999.

A wealth of experience and expertise has been gained in deep-sea drilling for oil and gas over 30 years in the world's most turbulent seas. Hydro's advanced technical innovations are really put to the test when faced with complex exploration and development tasks at ever greater depths in addition to the industry's stringent requirements regarding regularity, employee safety and environmental accountability. Dedicated efforts to reduce the chemical discharges from oil operations achieved good results in 2000, although several unfortunate incidents were registered. The target of reducing the rate of lost-time injuries per million hours worked (LTI) was not attained. New initiatives for improving safety have therefore been launched.

In a European perspective, Hydro is a significant supplier of energy. We are also the major energy refiner in Northern Europe. These elements create a unique position enabling us to exploit the opportunities opened up by energy market liberalization. As financial and environmental considerations gradually provide the impetus for a transition from coal to gas in European electrical power production, our ambition is to participate in the development of this market as both gas supplier and electrical power trader.

During the coming decades, natural gas converted to hydrogen will play an important role in paving the way to a new energy system based on renewable sources. We are therefore continuing to look into ways of making the Hydrokraft concept competitive. This involves separation of hydrogen and the carbon components of natural gas before the hydrogen enriched fuel is used for electricity production and the carbon dioxide is reinjected into the reservoir to increase recovery. We are also working on several other concepts for developing hydrogen to become the energy carrier of the future.

"Our technological and operational expertise at great depths is on a par with that of the world's biggest oil companies. Hydro is a technology driven company with a lot of knowledge and experience gained in deep waters and from operations run under extreme conditions."

Tore Torvund, Executive Vice President Oil and Energy




Tore Torvund

GREATER CONCENTRATION ON INTERNATIONAL EXPLORATION

Exploration activity in 2000 did not result in any major new discoveries. The company's remaining reserves at the end of the year stood at 2,040 million boe. Adjusted for reserves that were sold, purchased or swapped, Hydro achieved a total reserve replacement of approximately 111 percent of production. In 2001 we are concentrating, for the first time ever, more on international than on Norwegian exploration. Our expertise combined with innovative technology, that enables us to achieve reliable and regular production in the world's roughest waters, provide Hydro with an excellent basis for establishing new positions beyond the North Sea.

The company is currently concentrating on deep-water acreage in West Africa and Canada, and is actively reviewing opportunities for swap agreements in new overseas basins. Furthermore, thanks to the Saga acquisition, Hydro has established an interesting position in Iran and Libya. Hydro's participation in Libya is under consideration. In Trinidad, we have entered into an agreement to take over half of Petrobras' 38 percent share in a block that is up to 1,200 meters deep.

INCREASING PRODUCTION

Our share of oil production both in and outside of Norway, passed the 413,000 boe per day mark in 2000, and this figure is expected to increase to 435,000 boe per day in 2001. Total production from installations operated by us in the North Sea was 1.148 million barrels per day. Five new installations in which we have an interest will come on stream in the course of 2001, while a further ten are being developed.

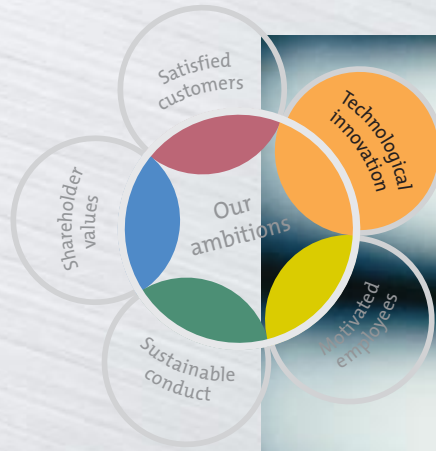
A great deal of development activity is taking place in Angola and Canada. In Angola, Hydro has interests ranging from 10 to 27.5 percent in three blocks. The Girassol field is expected to come on stream in the course of 2001. On deep water block 34, Hydro is set to provide technical assistance to its operating partner Sonangol, the state-owned Angolan

oil company. Meanwhile in Canada, where Hibernia produced 150,000 barrels daily, production is starting up in 2001 on the Terra Nova field. The Khaiaga field in North West Russia produces 10,000 to 12,000 barrels daily and there are plans to increase production here to 30,000 barrels daily in the course of 2002.

ADVANCED TECHNOLOGY AT GREAT DEPTHS

Hydro's oil and gas operation in Norway will grow as the company participates in new licensing rounds, plus active exploration and development with the objective of getting the most out of the existing infrastructure and fields already in production. The company is aiming to fortify its position in those fields where it is operator by swapping licenses. Hydro has expressed its intention of purchasing license interests when the Storting (Norwegian Parliament) permits the sale of some of the oil assets currently owned by the Norwegian state, probably in the spring of 2001.

The responsibility for developing the Ormen Lange field is also putting the company's technological know-how and innovative ability to the test. This major gas-field at a depth of 1,000 meters is currently slated to come on stream in 2006. In the meantime, the commissioning of Troll Pilot at a depth of 340 meters is also furnishing the company with vital experience. By placing the production system on the seabed it will be possible to recover oil more cheaply, as well as in a more environmentally friendly and less energy intensive way. Troll Pilot produces water together with the oil and then re-injects the processed water back into the reservoir. Only the oil is brought up to the platform. This prize-winning technology for separating oil and water down in the horizontal production wells combines considerable environmental benefits with more straightforward oil field development.



Golf for two or safety for everybody? Why not both?

When a well known automobile manufacturer came to Hydro looking for answers, it was somewhat of a surprise that the questions revolved around golf. The elegant design of a luxury sports car made it impossible to squeeze two sets of golf clubs into the trunk, providing the manufacturer was adamant about including his own safety enhancing, but space stealing bumper system.

Peter Gundlach, a Danish engineer and project manager in Hydro's automotive division, who has lived for much of his life in Greenland, does not play golf. However, he accepted the challenge and got down to work immediately together with the customer's engineers. "It was not easy to design a solution due to the manufacturer's criteria, which included high energy absorption," he says. "We had to work pretty hard to achieve our objective."

The manufacturer's space and safety requirements determined the basis of the project. Compromises at the cost of safety were out of the question. But the cooperation between supplier and customer provided the key to the solution, together with Hydro's unique know-how when it comes to metallurgy, extrusion design and the automotive industry. It was this combination that made it possible for Gundlach and his colleagues to come up with a brand new, slim-line bumper system. After producing a prototype, the aluminium bumper system was crash-tested and improved. Crash-tested and improved.

Production of the elegant two-seater – including the slim-line bumper system – starts in 2001. For the customer the project was a small but important one. For us in Hydro it was the start of a collaboration that can grow further.

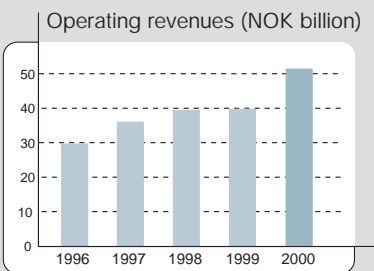
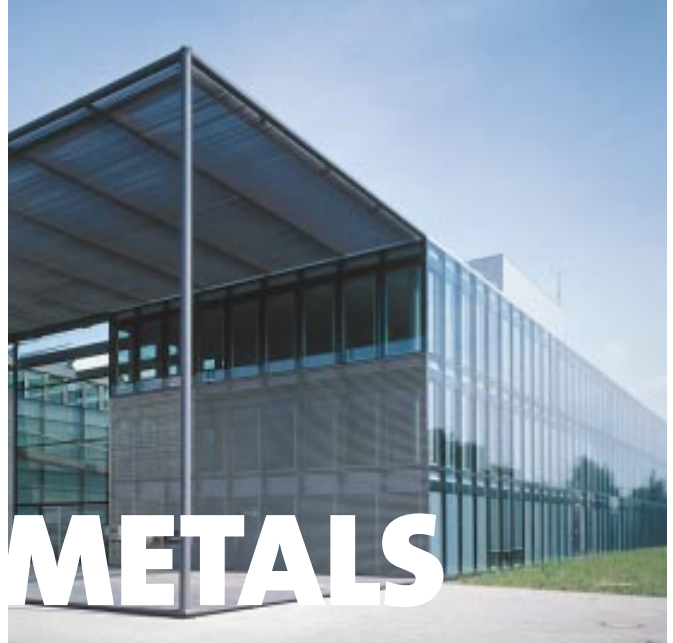
And Gundlach? He still does not play golf, but he is an expert on car safety.

LIGHT METALS



Building systems in aluminium is a growing and profitable area of concentration where the expertise of our European operations plays a vital role in establishing new ventures in other parts of the globe.

LIGHT METALS



HYDRO LIGHT METALS

Hydro Aluminium Metal Products supplies more than two million tonnes of aluminium from a network of cast houses in Europe and the US. The division produces some 762,000 tonnes of primary aluminium at four wholly-owned metal plants and one partly-owned facility in Norway and recycles roughly half a million tonnes of aluminium scrap in Europe and the US. Hydro has ownership rights in the Slovalco metal plant in Slovakia and produces alumina in Brazil and Jamaica.

Hydro Aluminium Extrusion is a leading producer of extruded aluminium for the automotive and construction industries. The division has close to 80 semi-fabrication plants located in more than 20 countries in Europe, Asia, North and South America, and is in the vanguard internationally as a supplier of special tubing for heat-exchange systems.

Hydro Automotive Structures develops and produces extruded aluminium automotive components in cooperation with the international automotive industry and is a leading producer of bumper beams and space frames for cars.

Hydro Aluminium Rolled Products serves the European market for rolled products with an emphasis on small and medium-size end users. The operation is based on recycling and a distinct niche strategy within strip coating and the market for transformer windings.

Hydro Magnesium is the world's largest magnesium producer, with a total annual production of approximately 110,000 tonnes primary and recycled metal at its two plants, in Canada and in Norway. The division works closely with the American and European automotive industries to which its deliveries are considerable.

W

We have every confidence in the expertise of Hydro Light Metals, which provides a very substantial basis for the vigorous further development of the operation. Growth will take place primarily by enhancing our market positions, but will also result from major investments – especially in the American market, and by means of the extensive renewal and expansion of our metal production capacity in Norway. Moreover, we are concentrating heavily in Europe and the US in order to meet greater demand for aluminium automotive components.

Hydro Light Metals emerged from 2000 with an operating income of NOK 3.3 billion, an improvement of more than 50 percent on the previous year. The increase was due to improved aluminium prices, a higher USD exchange rate, some good results from trading and considerable growth in total business operations. The average realized aluminium price was USD 1,530 per tonne, USD 150 more than in 1999.

STRONG CONCENTRATION IN AMERICA

Our business in the Americas has grown strongly over the last two years. Our involvement in Alunorte in Brazil further augments the availability of the raw material alumina. This has been a high priority goal for several years.

Through our acquisition of Wells Aluminum Corporation, with its six extrusion plants and one remelt plant, we have now, in 2000, achieved the ranking of fourth-largest supplier of aluminium profiles in the US with a total semi-manufacturing capacity of 110,000 tonnes. In Buenos Aires, we took over an extrusion plant which, once the current expansion is completed, will give Hydro a leading position and a market share of nine percent in Argentina. We already hold an interesting position in the Brazilian profile market. We are cultivating our newly established market position in North and South America in the light of experiences we have gained by successfully building up the biggest chain of extruders in Europe.

In addition, we bought into an aluminium cast house in Venezuela with the aim of supplying the growing US

"In such an extensive and integrated light metals business such as ours, there is always room for improvement. The biggest challenge ahead of us is one of managing growth in such a way as to maintain quality."

Jon-Harald Nilsen, Executive Vice President Hydro Light Metals




Jon-Harald Nilsen

market with extrusion ingot and wire rod. Our intention to concentrate on the American market is underscored by the setting up of a new aluminium research center in Michigan.

MORE RECYCLED METAL

Our metal supplier concept means that we have an annual turnover of more than two million tonnes of aluminium from different sources: our own metal plants, our partners and – not least – the constantly increasing remelt of aluminium. The remelt process gives us top quality light metal using only four to five percent of the energy required to produce the metal in the first place. This is the basis for developing products to make vehicles lighter and less energy intensive, and to prolong the lifetimes of buildings.

With an annual capacity of more than a half million tonnes, Hydro is a leading supplier of remelted aluminium, in a market that up until now has consisted of a large number of smaller participants. In October 2000, our new remelt facility in Kentucky came on stream with a capacity of 90,000 tonnes extrusion ingots per year, further boosting our position as a metal supplier in the US. When a new remelt plant in Spain, which will be able to produce 60,000 tonnes, comes on stream in the autumn of 2001, Hydro's five European remelt plants will have a total capacity of almost 300,000 tonnes.

More and more metal is being upgraded in our network of cast houses. The latest addition to the family was a cast house for extrusion ingot in Wales which, after a revamp, will increase our capacity by 43,000 tonnes.

The 234,000 tonne expansion of primary metal production capacity in Sunndal, based on Hydro's own energy efficient technology, will further increase metal supplies. The plant will become the the biggest in Europe, and production per man-year will be doubled when the project is completed in 2004. Moreover, modernization will involve some very advanced environmental features.

The opportunities represented by using new technology and eBusiness play a central part in the work carried out to further develop our metal supplier concept. This finds expression in ambitious projects aimed at tying customers closer to Hydro by means of web portals providing access to information and services on the Internet. Added value is thus created in a way that our traditional channels were unable to provide, paving the way for increased efficiency in transaction flows and the exchange of information. All of which, of course, means lower costs.


GROWTH IN AUTOMOTIVE COMPONENTS

Hydro Automotive Structures is strengthening its position as a leading supplier of safety equipment and auto and structural frames in extruded aluminium. In order to deal with the rapidly filling order book, a decision was made in 2000 to invest roughly NOK 500 million in new production lines for aluminium bumpers in Norway, Sweden and France. Production of bumper beams and crash boxes will increase considerably from 2003 onwards. Two-thirds of production in 2000 went to Audi/Volkswagen and BMW, who are Hydro's biggest customers in this market. In addition, new long term contracts were signed with DaimlerChrysler, Nissan, Renault, Ford and General Motors. The business is in the midst of an intensive growth phase in which dedicated efforts are being made to meet the needs of the future. The market for magnesium automotive components is also growing strongly, although Hydro's margins for this metal were squeezed in 2000 as a result of the surprisingly tough competition from an increasing number of small producers in China. We ourselves are building two new magnesium plants in Xi'an, China: one for the production of alloys for extrusion ingots and one for magnesium anodes. The aim is to fully utilize Hydro's market positions, technical expertise and quality in conjunction with local metal producers.



AGRI



A man with dark hair and a beard, wearing a blue jacket, is looking thoughtfully to the side. He is in a greenhouse, with green leaves and white plastic covering visible in the background.

In Almería Hydro speaks the same language as the farmer. Literally.

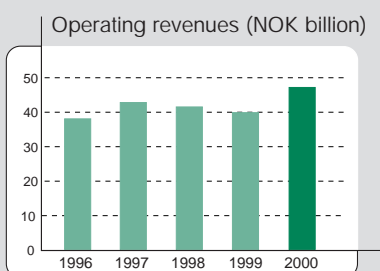
At the start of each day María Luisa Martínez García gets into her car and sets off on a round trip that will take in visits to seven or eight farmers and just as many greenhouses. An agronomist from the local university, she knows all about the challenges faced by the fruit and vegetable growers in the area when it comes to providing nutrition for tomatoes, cucumbers and melons. The nutrition has got to be of the right kind and in the right amount. Important factors influencing the fertilizer plan that María Luisa prepares for her customers are how water quality influences the concentration of nutrients, or impacts on the current growth phase of the plants.

This knowledge is good to have as she advises farmers to switch from solid to liquid fertilizer. Vicente Gómez Fuentes smiles with satisfaction at the thought. After he decided to switch to HydroTerra liquid fertilizer, life has become "mucho más cómodo" – much more comfortable. For example, he does not have to lift heavy sacks any more and his irrigation system needs less maintenance.

It was not simply a matter of course for Vicente to allow himself to be persuaded by a multinational company with its roots in the far north. But the fact is that María Luisa and Vicente were born and grew up just a few kilometers from each other in the region widely known as the market garden of Spain. Their cooperation typifies the way in which Hydro has succeeded in combining its almost century long expertise in plant nutrition and sustainable cultivation with local insights into the problems the farmers of Almería have to solve every day. The same approach as the company employs in more than 60 other countries throughout all five continents.

Hydro is focusing on further developing its role as supplier of specialty fertilizer for food plants – an area of growth worldwide.

AGRI



HYDRO AGRI

Hydro Plant Nutrition is the company's division for production, distribution and marketing of plant nutrition products with a presence in more than 60 countries in every part of the globe. In 2000 the division sold 21.4 million tonnes of fertilizer, of which 15.1 million tonnes came from its own production plants in Europe, Africa, Asia and America. With a market share of more than five percent, Hydro is the foremost participant in the global market.

Hydro Gas and Chemicals supplies technical nitrates, nitrogen chemicals and industrial gases – most of them with a basis in the fertilizer production and distribution system – for the production of explosives, glue, foodstuffs and beverages, as well as for welding gases plus waste water and flue gas purification.

Korn- og Foderstof Kompagniet (KFK) is the leading private corn and feed stuff company in Denmark operating in the domestic market and in Sweden. Hydro holds a 62 percent ownership stake in KFK.

Hydro is the world's biggest supplier and the only company actively offering plant nutrition and agronomic services on all five continents. We have built up wide-ranging expertise at every stage of the supply chain – from raw material processing to cost effective and environmentally friendly production, from deeply rooted local knowledge about the role of plant nutrition in sustainable agriculture to smooth running logistics ensuring that customers enjoy complete reliability of delivery. The fact that we are the world's leading supplier of ammonia, the critical intermediate product in the production of all nitrogen fertilizers, gives us a solid basis for stable production.

In Hydro Agri we are working on new concepts for the controlled addition of nutrients designed to improve the productivity of the soil and at the same time minimize the environmental impact. The development of special tools and equipment enhances our fertilizer advisory service for sound agricultural practice. We also have a wide range of specialty fertilizers that are used in the cultivation of the most exclusive agricultural products.

Meeting demanding internal improvement and market restructuring targets in the course of 2000, we turned an operating loss of NOK 1,671 million in 1999 into a surplus of NOK 1,303 million. Internal cost reductions account for half of the improved result.

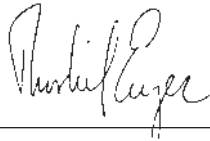
BETTER BALANCE IN THE MARKET

The end of 1999 saw a considerable distortion in the supply and demand balance for nitrate fertilizer in Europe. Increased production capacity, EU's Set-aside Program and imported products from Eastern Europe had each contributed since 1992 to a market surplus of roughly three million tonnes, or 20 percent of total nitrate capacity. All of this resulted in very low prices and a fertilizer industry in crisis.

The market is now in considerably better balance. In 2000 we closed plants in the UK, in Sweden and in France. Production capacity for nitrate fertilizer was reduced by a million tonnes.

"I have become more and more convinced that Hydro Agri possesses a unique competitive strength. We are a major global company with the required expertise and should be the most profitable Agri company in the world. Productivity improvements will be our trademark."

Thorleif Enger, Executive Vice President Hydro Agri




Thorleif Enger

Other players reduced capacity and helped ease the market back into balance. Altogether, some 2.5 million tonnes of production were permanently closed down in the course of 2000.

Similar measures were also implemented in the NPK market. Hydro alone reduced production capacity by half a million tonnes. Market prices, especially for nitrate fertilizer, reverted to levels giving more normal margins. However, prices for the natural gas used as a raw material were record high and margins were therefore still below their historical average.

LEANER ORGANIZATION

In 2000, Hydro Agri completed one of the most wide-ranging work force reduction processes in the company's history. By the middle of 2001, a total of 3,000 of the 10,500 people who worked for Hydro Agri in 1998 will have left the organization. On the other hand, the acquisitions of Adubos Trevo and Kynoch in the growth markets of Brazil and South Africa brought 1,500 new employees into the company. We place great emphasis on carrying through these reduction and restructuring measures in a responsible way.

The two Agri divisions, Hydro Plant Nutrition and Hydro Gas and Chemicals, merged their support functions into a common staff unit, simplifying processes and cutting the number of administrative positions by 800, a reduction of some 30 to 40 percent. At the same time, more responsibility has been transferred to the local and regional business units in order to better ensure that customers obtain the right quality at the right time and at the right price – a major tenet of Hydro Agri's business philosophy.

MORE THAN 20 MILLION TONNES

By means of our far-reaching distribution network, we sold some 21.4 million tonnes of fertilizer throughout the world in 2000. This includes 15.1 million tonnes produced in our own plants, primarily in Europe, but also through affiliated companies in Qatar, Trinidad, Florida and South Africa. Hydro

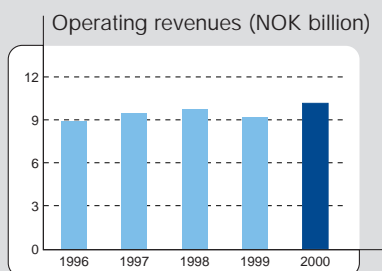
pursued in 2000 its ambition to carry out acquisitions in growing markets by obtaining a majority shareholding in a Brazilian company, Adubos Trevo, a leading participant in Brazil's fertilizer market.

Hydro Plant Nutrition achieved a considerably improved result for the year; the impressive progress recorded in Europe being particularly satisfying. But sales outside of Europe also grew strongly and have now reached roughly the same level.

Hydro Gas and Chemicals processes spin-off products from Hydro Agri's production system and is a major player in selected niches such as technical nitrates for the nonmilitary explosives industry, technical urea for the construction industry, carbon dioxide for the foodstuffs industry, gases for a variety of applications as well as environmental improvement agents such as Reduktan and Nutriox. Reduktan reduces the emissions of gaseous nitrogen oxide, while Nutriox removes toxic hydrogen sulfide in drain and wastewater systems. Hydro Gas and Chemicals achieved an acceptable level of earnings in 2000, even though high ammonia and nitrate prices reduced margins here.

Meanwhile in Denmark, Korn- og Foderstof Kompagniet (KFK) suffered as a result of the considerable over-capacity in the domestic market. The company has therefore implemented an extensive turnaround operation in order to harmonize capacity with the market situation. Among other measures, a number of sales outlets, two feed stuff plants and a seed plant will be closed down.

OTHER ACTIVITIES



- Norsk Hydro is a leading supplier of the plastic raw material polyvinylchloride (PVC) and the intermediate product vinyl chloride monomer (VCM) in Northern Europe. The division is active at every stage of the integrated chain from condensate to PVC in Scandinavia and the UK. By means of joint ventures we are also positioned in Singapore, China and India. In addition, we are participating in the building of a new petrochemicals plant in Qatar.
- Pronova develops projects and businesses with the aim of selling these units to external purchasers at a later date. The company holds a strong position in the development and production of omega-3 fatty acids.

D PETROCHEMICALS

Operating income for Hydro Petrochemicals in 2000 was NOK 265 million, an improvement of NOK 152 million compared with the previous year. The improved result is due primarily to the 41 percent price rise for suspension polyvinylchloride (S-PVC), but also to the effects of internal improvement measures.

PVC is a robust, durable material that is easily formed. It finds applications therefore in products that need to last a long time and in contexts where there are special quality requirements, such as medical equipment. Other areas of application are water pipes, window-frames, cables and cable insulation.

In accordance with Hydro's strategy, efforts have been made to find a new ownership structure for the petrochemicals business. As it until now has proved difficult to find a solution which will be financially satisfactory for Hydro, the company will continue to develop the business with the aim of realizing a higher value at a later date.

A change took place in the ownership of the ethylene cracker at Rafnes, in which Hydro previously held a 51 percent stake, with the setting up of a joint venture company in which Borealis and Hydro each have a 50 percent holding.

Hydro now owns 29.7 percent of the petrochemical company QVC Ltd. in Qatar which is building a new plant for the production of caustic soda and the intermediate products ethylene dichloride (EDC) and vinyl chloride monomer (VCM) for external sale. The plant is planned to come on stream in the second quarter of 2001.

D PRONOVA

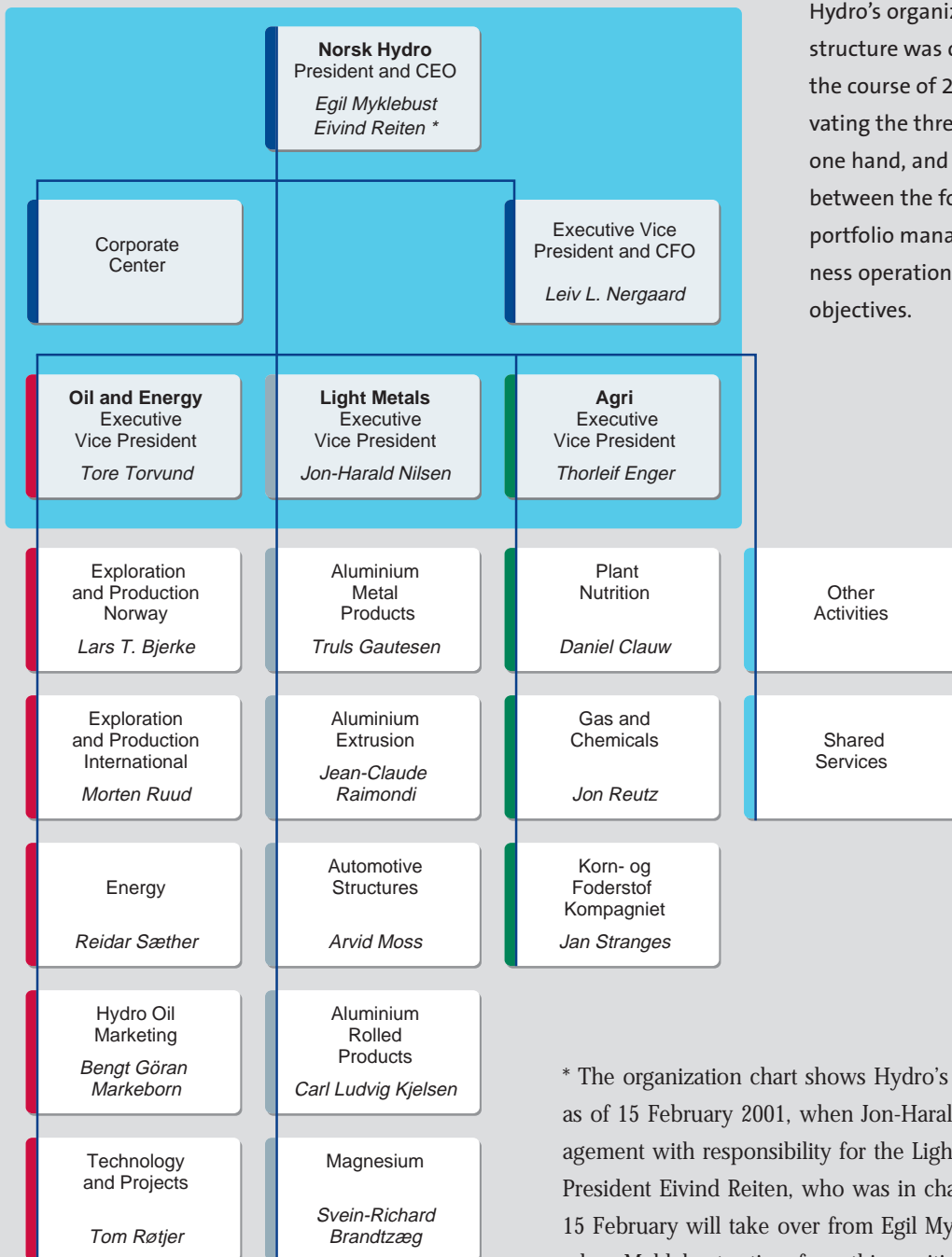
Pronova is Hydro's "incubator" for projects and activities at the periphery of the company's core business areas. Its mission is to develop businesses and realize their long-term potential either as part of Hydro or outside the company.

Pronova comprises altogether 12 activities in areas such as the production of Omega-3 fatty acids, formates for use as animal feed, de-icing agents and drilling fluid, packaging systems for the transport of bulk goods, carbon dioxide based heat pumps and electrolyzers for the production of hydrogen.

The American College of Cardiology presented in 1999 a long-term study which revealed a lower mortality rate among heart patients when using Pronova's highly concentrated omega-3 product, Omacor. The product was approved for medicinal use by six EU countries in March 2001.

In conjunction with the Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology (SINTEF), Hydro has developed a CO₂ heat pump system which operates under super critical pressure conditions. The system can replace the environmentally noxious gas HFK, used currently in refrigeration and air-conditioning plants. Pronova has signed a working agreement with Denso of Japan for the application of the technology to water heating. The system will be launched in the Japanese market in spring 2001.

Management and organization



Hydro's organization and management structure was considerably altered during the course of 2000. Stronger focus on cultivating the three main business areas on the one hand, and a clearer differentiation between the follow up of corporate strategy, portfolio management and the current business operations on the other were the main objectives.

* The organization chart shows Hydro's organization after alterations as of 15 February 2001, when Jon-Harald Nilsen joined corporate management with responsibility for the Light Metals area. Executive Vice President Eivind Reiten, who was in charge of Hydro Light Metals until 15 February will take over from Egil Myklebust as President and CEO when Myklebust retires from this position after 10 years on 2 May 2001. Truls Gautesen became head of the division Hydro Aluminium Metals on 15 February, taking over from Jon-Harald Nilsen.

Value Based Management

Focus on value creation is at the basis of all our decision and management processes. Extensive changes in Hydro's management principles with emphasis on Value Based Management have increased the efficiency, resolve and ability to support profitable growth within the core areas. In the fall of 1999, we decided to adopt a wide range of far-reaching and challenging plans for our leadership. Our portfolio is developed proactively through identifying and promoting profitable opportunities, systematic follow-up of operations focusing on improvement measures where targets are not met, together with an active program for disposal of operations outside the core areas.

Key elements in Hydro's Value Base Management are:

- **PRIORITIZATION OF INVESTMENT FUNDS** in order to ensure better correspondence between allocation of resources and strategic decisions. The attractiveness of individual projects shall not be the only decision factor.
- **TIGHTENING OF CAPITAL EXPENDITURE DISCIPLINE** with focus on supporting the strategic potential within the business units.
- **THE INTRODUCTION OF VALUE BASED MANAGEMENT TOOLS** which measure results in terms of profitability and capital input throughout the organization and increase understanding of how value is created.
- **THE INTRODUCTION OF PERFORMANCE RELATED PAY SYSTEMS** at all levels of the company in the near future will further encourage creation of value.

The turnaround operation in Agri exemplifies the effective use of this approach. Having established a strategic mode of "fix-it" for the business in 1999, investments have been restricted to essential maintenance. Agri has had to improve its financial situation before new growth can be considered.

*Hydro has many competent employees.
Leaders capable of creating value help us all work more efficiently
towards our common goal*

Leiv L. Nergaard, Executive Vice President and CFO



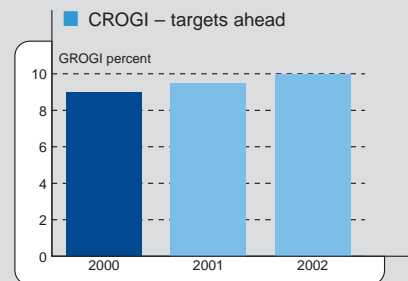

Leiv L. Nergaard

Follow-up will concentrate on the factors that we can influence ourselves. A number of measures and organizational changes have been implemented to achieve significant cost reductions, and Hydro's European production unit is currently in a restructuring process.

The use of key performance indicators throughout the organization gives a sound basis for establishing and following up goals that are significant for value creation. The awareness of the underlying development in our competitive ability is increased through the use of forecast long-term average prices, "normalized prices" for our products in the planning and follow-up of goals and performance. These tools together with tight progress schedules have resulted in a swift and extensive improvement of Hydro Agri's results. Equivalent approaches have been introduced into all parts of the company, regardless of whether their strategic position is defined as growth, cash generation or fix.

Hydro's ambitions are reflected in its target of delivering a Total Shareholder Return, measured as total dividend plus rise in the share price, of 15-20 percent on average through the cycle. The target for profitability measured as Cash Flow Return on Gross Investment (CROGI) is 10 percent based on normalized prices by 2002. Based on normalized prices CROGI for 2000 was approximately 9%.

Due to favorable market conditions coupled with significant improvements in our business, the debt/equity ratio (long-term debt divided by equity plus minority interest) has been brought back to a level well below Hydro's target of 0.5. This gives us the capacity to pursue profitable growth opportunities, where they offer the best means of increasing shareholder value.



"Normalized prices":

■ NOK/USD	8.00
■ Brent Blend (USD/bbl)	18
■ CAN27 (DEM/tonne)	200
■ LME 3M (USD/tonne)	1,500

Gains from divestments excluded

Changes and record results

2000 Report of



- 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.

the board of directors



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

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.

2000 report of the board of directors

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.

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 under-

lying 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

2000 report of the board of directors

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.

Åge 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, totalling 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.

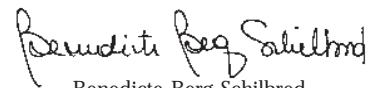
Oslo, 21 March, 2001



Einar Kloster



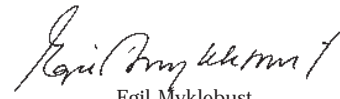
Borger A. Lenth



Benedicte Berg Schilbred



Anne Cathrine Høeg Rasmussen



Egil Myklebust



Gudmund Olsen



Odd Semstrøm



Tom Wachtmeister



Per Wold

Systematic eco-efficiency

Hydro is currently engaged in work designed to improve eco-efficiency throughout the product lifecycle and looking at concepts that help "closing the loop". We are recycling more and more light metal, reducing nutrient run-off by sharing our know-how regarding the correct application of mineral fertilizer and developing methods for decarbonizing fossil fuels.

We improved our production eco-efficiency in 2001 as well; both turnover and volume produced per unit input factor of raw material and energy increased. In addition we produced and sold more with fewer emissions and discharges.

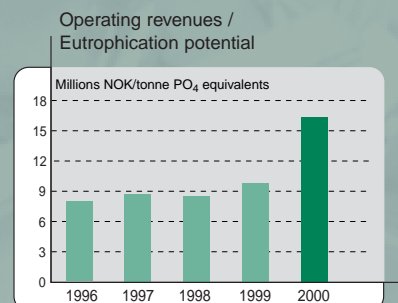
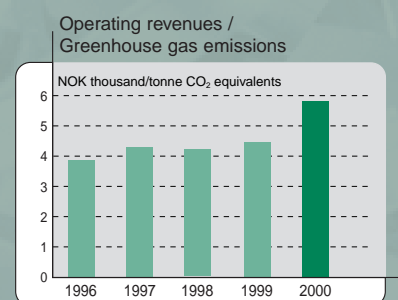
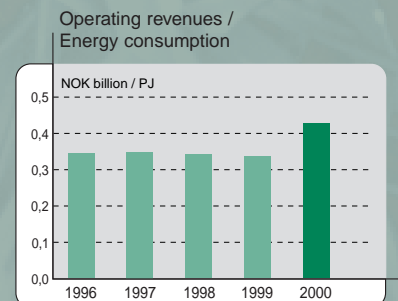
The eco-efficiency concept applies to the whole value chain from raw materials and production to product and process development, logistics, services and product applications. In order to evaluate environmental impact throughout the entire value chain we employ life-cycle analyses. In this way we are able to systematize the use of energy and raw materials, as well as describe emissions and discharges and waste production at our plants. We can evaluate the environmental impact of our products and how well suited they are to reuse or recycling. Life-cycle analyses also provide a survey of the most cost-efficient measures for reducing environmental consequences.

The emissions and discharges from our production with the greatest environmental impact are greenhouse gases, nutrient salts, fluorides, acidifying substances, chemicals and micro-pollutants.

Part of Norsk Hydro's energy consumption is in the form of a raw material used in production in addition to other raw materials such as phosphate, potassium, aluminium oxide and fluoride, dolomite, magnesite and sodium chloride.

Increased production of oil and gas following the acquisition of Saga Petroleum and new production plants in Agri and Light Metals led to increases in energy consumption and greenhouse gas emissions in 2000. On the other hand, eco-efficiency measured in terms of turnover per greenhouse gas emission unit increased by 30 percent from 1999 to 2000, while production per emission unit rose by five percent.

Of Hydro's greenhouse gas emissions in 2000, 71 percent were attributable to Agri, 16 percent to Light Metals and 10 percent to Oil and Energy. Besides energy



We produce more with less

	Total amounts		Eco-efficiency parameters			
			Operating revenues/input factors, emissions and waste		Production/input factors, emissions and waste	
	2000	Percent change from 1999 to 2000	2000	Percent change from 1999 to 2000	2000	Percent change from 1999 to 2000
INPUT FACTORS						
Energy incl. oil and gas as raw materials	369 ¹⁾	+11 %	0.43 ⁸⁾	+27 %	0.09 ¹⁵⁾	+2 %
Raw materials (excl. oil and gas)	4.67 ²⁾	+4 %	33.60 ⁹⁾	+35 %	7.19 ¹⁶⁾	+8 %
Water	538 ³⁾	-6 %	0.29 ¹⁰⁾	+49 %	0.06 ¹⁷⁾	+20 %
EMISSIONS, DISCHARGES AND WASTE						
Greenhouse gas emissions	27.1 ⁴⁾	+8 %	5.79 ¹¹⁾	+30 %	1.24 ¹⁸⁾	+5 %
Acidification potential	33.2 ⁵⁾	+15 %	4.73 ¹²⁾	+22 %	1.01 ¹⁹⁾	-2 %
Eutrophication potential	9.6 ⁶⁾	-16 %	16.27 ¹³⁾	+67 %	3.48 ²⁰⁾	+34 %
Waste generation	237 ⁷⁾	+20 %	0.66 ¹⁴⁾	+17 %	0.14 ²¹⁾	-6 %

1) Petajoule (PJ)

2) million tonnes

3) million m³

4) million tonnes CO₂ equiv.

5) thousand tonnes SO₂ equiv.

6) thousand tonnes PO₄ equiv.

7) thousand tonnes

8) billion NOK/PJ

9) thousand NOK/tonne

10) thousand NOK/m³

11) thousand NOK/tonne CO₂ equiv.

12) million NOK/tonne SO₂ equiv.

13) million NOK/tonne PO₄ equiv.

14) million NOK/tonne

15) million tonnes/PJ

16) tonne/tonne

17) tonne/m³

18) tonne/tonne CO₂ equiv.

19) thousand tonne/tonne SO₂ equiv.

20) thousand tonne/tonne PO₄ equiv.

21) thousand tonne/tonne

efficient operations, new technology is necessary in order to reduce these emissions significantly.

A life-cycle analysis of Hydro's operations reveals that roughly 80 percent of greenhouse gas emissions derive from the use of our products, mainly CO₂ from oil and gas combustion plus the formation of nitrous oxide from plant nutrition application. In order to reduce these N₂O emissions, technology is being developed to homogeneously decompose the gas in nitric acid burners. We also disseminate information regarding the environmentally correct application of plant nutrition to our customers. Technology is being developed to replace the use of SF₆ in magnesium casting with another protective gas. The modern prebake technology to be used in connection with the aluminium production expansion at Sunndalsøra will reduce specific greenhouse gas emissions as well as emissions of fluorides and polyaromatic

hydrocarbons. In our work on energy systems of the future, we are looking into the decarbonization of fossil energy sources as a measure leading to a substantial reduction in CO₂ emissions.

The phosphoric acid plant at Vlaardingen, the major single contributor to Hydro's phosphorous emissions, was closed in 1999. The company's total phosphorous emissions from production have therefore been reduced by 61 percent from 1998 to 2000 and comprised 634 tonnes in 2000.

The increase in total waste volumes is ascribed mainly to offshore activities, new aluminium remelt facilities and increased waste from the production of magnesium.

Greater focus on safety and the working environment



The company places great emphasis on safety, giving priority to continuous improvement measures. Extensive advances have brought considerably improved results over the last 15 years, although we did not succeed in continuing to record improved performance in 2000. Five persons lost their lives while working for Norsk Hydro.

ACCIDENTS AND ACCIDENTAL EMISSIONS

According to the standards employed by Norsk Hydro, 38 serious accidents were reported in 2000, compared with 58 in 1999 and 76 in 1998. In addition, there were 41 near-misses which could have developed into serious incidents. All accidents are investigated in order to find the cause and identify actions that can prevent a repetition.

FATAL ACCIDENTS

Despite comprehensive accident preventive measures, we lost five colleagues in fatal accidents during 2000. Seven persons lost their lives in accidents at work in the previous year and four in each of the two previous years. In 2000 three Hydro employees died as a result of accidents in Uruguay, in Høyanger and at Raufoss. One contractor lost his life in Guatemala and one on the Oseberg East platform in the North Sea.

It is painful to record that fatal accidents still occur. The moving five-years' average for fatal accidents among employees and contractors increased despite the greater level of wide-ranging preventive measures.

OCCUPATIONAL SAFETY

The LTI-rate for Hydro employees (number of lost-time injuries per million hours worked) was 4.6 in 2000, compared to 4.0 in the two previous years. The target for 2000 was a rate of below 3.0. In 2000 there were 296 lost-time injuries among Hydro employees, compared with 264 in 1999.

The accident frequency for contractual employees showed a positive development with an LTI-rate of 2.8, compared with figures of 5.5 and 6.1 in the two previous years.

The number of injuries leading to alternative work last year was 166, compared with 148 and 169 in the two previous years. In addition, there were 423 cases (434 in 1999 and 604 in 1998) where medical treatment was required. In the latter cases, employees were able to resume ordinary duties.

The frequency of total recordable injuries (TRI – the sum of lost-time injuries, alternative work cases and injuries requiring medical treatment) was 14 per million hours worked in 2000 compared with 14 and 16 in the two previous years.

WORKING ENVIRONMENT AND HEALTH

Absence due to illness was 3.9 percent in 2000, having been 3.8 percent in the two previous years.

Work continues aimed at reducing musculoskeletal and respiratory system complaints in the aluminium industry. A project on the impact shift-work has on health and safety will be concluded in 2001. Several units use periodic surveys of the psychosocial working environment as a basis for improvement measures.

INSURANCE SETTLEMENTS

Insurance settlements claimed to offshore and land-based activities as a result of compensatory physical damage and consequential loss amounted to NOK 538 million, compared with NOK 365 million in 1999 and NOK 416 million in 1998.

PRESIDENT'S SAFETY AWARD

To encourage work in preventing accidents and injuries, Hydro introduced the President's Safety Award in 1995. The winner of the award in 1999 was Heat Transfer Tønder, a unit of Hydro Aluminium Extrusion, while Hydro Agri Sweden received the award for 2000.



Management and regulatory requirements

MANAGEMENT SYSTEMS

Health, environment and safety, social responsibility, dialogue and partnership – all these elements are part of line responsibility in Hydro. The corporate directive relating to health, environment and safety was revised in 2000 and now stipulates that all major production units be certified in accordance with the standards for international environmental management systems. At the end of 2000, 25 of Hydro's units were certified in accordance with ISO 14001 or EMAS, compared with 20 units the previous year.

More than 240 internal and external HES audits were conducted during 2000.

FINANCIAL ISSUES

Amendments to environmental legislation can mean that Hydro needs to modernize its technology in order to meet more stringent emission requirements or implement special measures in areas that are already polluted. In the notes to the accounts, which provide a more comprehensive description, it is stated that the provision for future corrective environmental measures amounted to NOK 263 million as of 31 December 2000, compared with 204 million as of 31 December 1999.

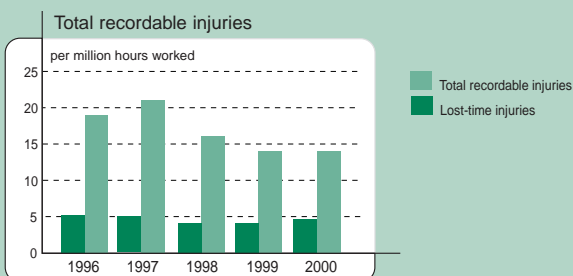
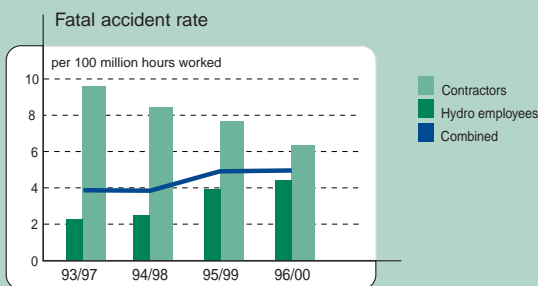
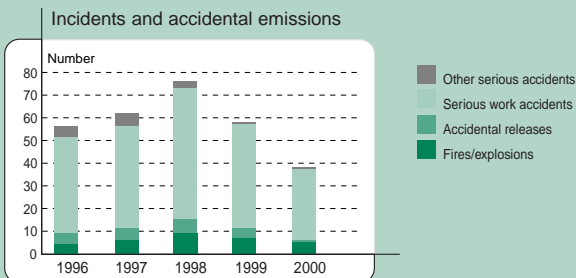
Looking beyond the costs for corrective action at our plant locations, where environmental measures take the form of special projects beside normal operations, environmental improvement costs are so integrated in our investments and operations that it is impossible to segregate them. It has therefore been some years since the company stopped putting a figure on the environmental component of total investments and costs.

CONCESSION LIMITS

The vast majority of emissions and discharges from Hydro's plants were within concession limits. Some accidental emissions did occur, though the environmental consequences were not serious.

STATEMENT BY THE ENVIRONMENTAL AUDITOR

In accordance with the terms of the assignment, Deloitte & Touche has controlled the routines and procedures the company has applied in order to obtain the basic data needed to present the HES information on pages 36-39 of the annual report, and which also provides the basis for the Internet presentations. The report of the environmental auditors is available as part of the electronic version of the annual report on the Internet.



Corporate social responsibility

The company's social responsibility embraces opportunities and challenges that lie in the borderland between industry and society at large. They are linked to globalization and to the increasing importance of a constructive dialogue between people and cultures of different traditions and values.

Our own business challenges and the general development in the interaction between industry and society have brought issues linked to corporate social responsibility to the forefront of our awareness. The relationship with the local community plays a major role in the attention that the Norwegian media and humanitarian organizations pay to our involvement in the Utkal Alumina project in the Indian province of Orissa. Increased international focus on the role of industry in areas of conflict has put the oil activities in Angola on the map. And in China, Hydro Magnesium faces challenges relating to the workers' situation and to conditions in the supply chain.

Our work is founded on a deeply rooted corporate culture that emphasizes that we are knowledgeable about, responsible towards and that we engage in a dialogue with our host societies. The experiences and challenges of international business development over the last few years have placed the global dimension of corporate social responsibility in sharper relief. In addition to the activities which it manages itself, Hydro plays an active part in the UN's Global Compact initiative, the World Business Council for Sustainable Development, the World Bank's Business Partners for Development, the Global Mining Initiative, besides conducting dialogues with different pressure groups and research institutions on a continuous basis.

Hydro's CSR strategy builds on our understanding of the challenges:

Our obligation to systematically assess and take into account the social and cultural aspects of our operations. These include human rights, working conditions and our relationship with the local community as well as with suppliers and customers. Our goal is to make a contribution to long-term value creation and better living conditions for those who are affected by our activities.

A long-term commitment requires a sober assessment of some partially conflicting considerations:

Global business operations must be based on universal principles in combination with insights into and respect for local culture and the level of economic development. The way we practise social responsibility must be compatible with competitiveness and be implemented in such a way that the responsibility is shared in the best way possible between the authorities, society and industry.

The Utkal project on ice

The three partners in Utkal Alumina International (UAIL) in the Indian province of Orissa have decided to temporarily curtail project activities pending a lower level of tension in the project area. As a condition for its participation, Hydro has said that the industrial development must be welcome and that it must not be necessary to perform the work with police protection.

Development projects in the villages will continue, as far as practical, under the management of the Utkal Rural Development Society (URDS). The project organization will concentrate its work on informing and conducting a dialogue with the affected parties. Work on providing a health service for the local population will continue. Hydro and its partners are endeavoring to ensure that all groups affected will be able to cooperate within a democratically regulated framework.

Hydro's work in connection with corporate social responsibility includes:

Creating awareness through mutual concepts and understanding, for example in all our management training programs.

Drawing up clear guidelines. In 1999 we introduced a separate corporate directive for corporate social responsibility and industrial development which is to be followed by practical guidelines.

Increasing capacity through our central corporate staff for corporate social responsibility and through specific functions within our three business areas.

Developing management systems that ensure continuous monitoring, e.g. through annual job appraisal dialogues and systematic follow-up at all levels.

Cooperating with non-governmental organizations (NGOs) and other interested parties both locally and globally to develop mutual understanding.

Reporting founded on the same basic principles and requirements as those used for our financial and environmental reporting.

Being open, and providing timely information so that the outside world can continuously follow our efforts and form their own opinions.

More than oil in Angola

The 30-year civil war in Angola has imposed great suffering on the population of the country. In conjunction with the state oil company Sonangol, Hydro is making a contribution to increased Angolan participation and oil industry competence by means of an extensive educational program. In addition to taking part in oil and gas operations, Hydro has in recent years taken the initiative to introduce several community-oriented projects. These projects focus on bettering living conditions, and have been selected to take place within areas where Hydro can contribute with specific expertise. In these projects, priority has been given to allocating a major role to local businesses and to directing the projects towards basic services and development rather than to actual relief work. The most important areas for Hydro have been education, agriculture and fresh water provision.

Corporate social responsibility – part of the planning in Xi'an

In China, Hydro Magnesium is cooperating with the local authorities to prepare the establishment of a magnesium plant in Xi'an. The plant will be supplied with primary metal from the plants employing the demanding Pidgeon process. The standards at the smelters are varied, but many plants face major challenges relating to the environment, safety, health and social conditions.

The major part of the heaviest and riskiest work is carried out by guest workers from impoverished agricultural provinces. China has a nomadic workforce of around 120 million people who are bereft of social rights in the provinces where they work. They usually sleep in dormitories at the plants, taking on hard labor for poor pay. There is an increased focus on this problem

and the Chinese authorities are working to find suitable remedies.

Hydro will emphasize social criteria when choosing raw material suppliers in China, preferring to use those who demonstrate the will and ability to implement improvements. Furthermore, the company will provide advice and practical support where possible. Our purchase of raw materials (both for our own activities in China and for export) will be selective; in addition to price, priority will be given to social considerations. We will prefer to buy from companies that show a willingness to improve, and we will also contribute with advice and support where possible.

People and organization

Map showing number of employees by region



Where old and new meet

Our experience is built on a 100-year old industrial culture. Throughout the years, Hydro's organization has developed in pace with the industrial community. Today industrial companies face intense global competition and environmental requirements, along with enormous changes in attitude regarding opportunities in our modern knowledge-based society. For Hydro this fosters commercial and organizational innovation, but the changes also put the company culture under pressure.

In 2000 Hydro posted the best financial results in its history. Several of our operations have achieved results that have taken some by surprise. But the organization must pay a price for these improvements. Many good employees have left the company in the past few years and the board still warns of measures for reorganization. Cuts in the workforce have been made in a responsible manner, but such processes leave their mark on both the people and the organization and entail much thought being given to the relationship between the company and its employees.

Some people in the organization have questioned whether the activities carried out to improve the financial situation have

created a culture that excludes consideration of other values such as safety and the environment. This is a question we take very seriously. Confidence in the fact that Hydro fulfils its obligations to the environment, safety and social responsibility is a prerequisite. Our experience shows that effective safety precautions and high value creation usually go hand in hand.

The foundation of profitable growth lies in the utilization of the rich diversity of the Hydro organization as we interact with owners, the market and our colleagues. Research has proved that many employees have more to contribute than we as an organization are capable of using. Sustainability is about harnessing the will and resources to create new directions and not necessarily to maintain things as they are today. The market, our owners, the authorities and the employees are the most important sources of information and feedback on what is required for us to adjust our course and balance our efforts. We are working on systematic methods to continue developing Hydro as an attractive workplace for skilled people.

On the one hand, Hydro is the sum of its different activities, each of which concentrates on being the best partner for its customers.

On the other hand, Hydro is the sum of several thousand people who bring experience and creativity to the company's ambitions for high performance, and who strive to attain a sustainable future for the environment, society and for Hydro as a workplace through innovation and knowledge.

The ability and the will to change

Hydro was one of the pioneers of flexible working hours and new office solutions. The Hydroflex project, started in 1997, has encouraged several of our units to develop adaptable forms of organization, offices and work. One great challenge is to balance the needs of the individual with the organization's wishes for continuous development and higher efficiency.

While the company's three main business areas are increasing their concentration on cultivating core competence, we have merged shared services and support functions to form Hydro Business Partner. This division gathers together skills of general value across the business areas, and is constantly striving to achieve greater efficiency. In cooperation with Manpower, Hydro Business Partner has established the company Quality People which, by hiring out labor, provides greater flexibility in manning and the potential to market Hydro's competence outside the company.

Our ambition is to use the best possible available technology at any given time in order to make the organization more efficient. However, we also see the danger of this in a working situation where the use of employees' time is not balanced against the need for free time. This is an area where we would like to learn more about the consequences for the organization and management of the "limitless" knowledge workers of the future.

Measures in connection with personnel and organizational policy

Each unit in Hydro is responsible for developing the organization and the skills of the employees so that these are adapted to the challenges presented by the market and technology. Pay and working conditions are modified to suit competitive conditions in the individual market.

The company structure gives us a good potential for synergy by utilizing or moving key competence around in the organization.

To promote performance and to form a foundation for learning throughout Hydro we use a common system for monitoring management performance and management development needs – "Hydro Leadership Development Process". The purpose of this is to create a close connection between the objectives of the enterprise, developed through the annual business planning, and individual goals that can easily be followed up.

In addition, the performance of the managers is assessed against Hydro's management criteria: business and result focus, change and improvement orientation, employee development, communicative abilities, and values in the form of integrity, trust, respect for the individual and consideration for sustainable development.

A large number of management programs are run by the company to assist the growth of a common organizational culture and to promote development. These are supplementary to the various training and management development activities within each individual division.

In line with the strategy concerning increased emphasis on performance and value creation, the board resolved in March 2001 to introduce an incentive scheme for the company's senior management. The scheme consists of share options and an annual bonus linked to the attainment of the business plan. The option scheme depends on the company providing its shareholders with a high yield over a three-year period.

Employees by business area – as of 31 December, 2000

	Oil and Energy	Light Metals	Agri	Other activities	Total
Total	3,912	16,794	11,238	6,222	38,166
In Norway	3,532	6,337	1,803	4,503	16,175

Financial Review

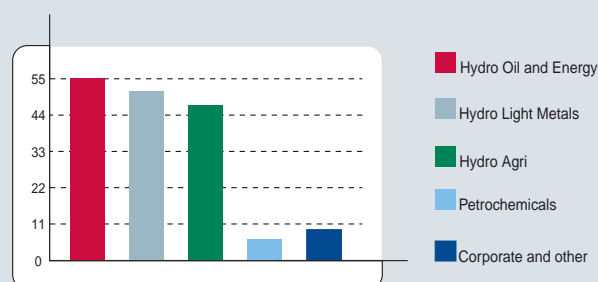
This discussion should be read in conjunction with the information contained in the Company's consolidated financial statements and the related notes included in this annual report.

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

Total operating revenues for 2000 by area in NOK billion



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

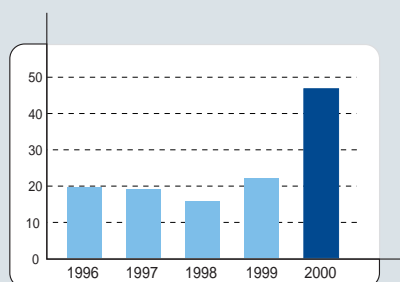
EBITDA and reconciliation to income before taxes and minority interest

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.

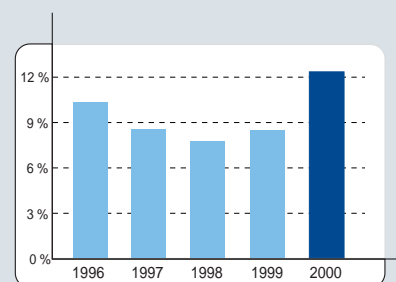
EBITDA should not be construed as an alternative to operating income and income before taxes as an indicator of Hydro's results of operations in accordance with generally accepted accounting principles. Nor is EBITDA an alternative to cash flow from operating activities in accordance with generally accepted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

EBITDA - in NOK billion



CROGI – Total Hydro



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 concen-

tration 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.

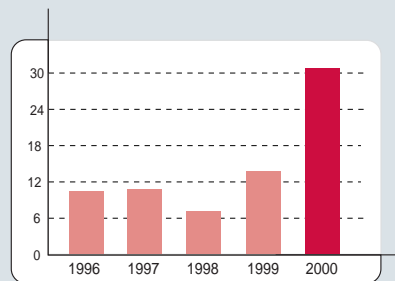
Taxes

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

EBITDA in NOK billion



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

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 CO₂ 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.

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.

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.

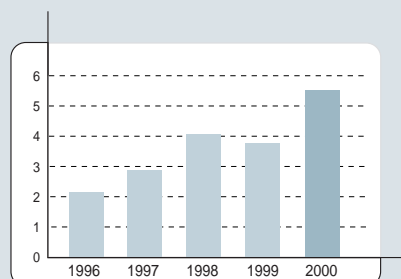
Oil Marketing's EBITDA decreased by 53 percent compared to 1999. The decrease was mainly caused by lower sales margins due to lags in the increase of retail selling prices compared to the increased cost of refined products and the write-down of product inventories due to oil price reductions toward the 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.

HYDRO LIGHT METALS

EBITDA in NOK billion



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

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

Sunddal 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 continu-

ous 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.

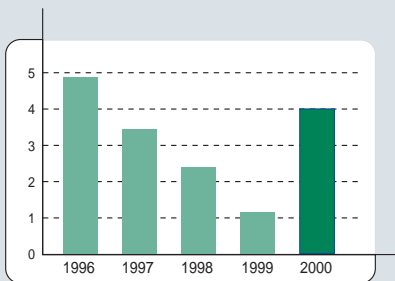
The start up of Noranda's new 63,000 tonnes primary magnesium facility in Canada is expected to maintain the prevailing price pressure through 2001.

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.

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

EBITDA in NOK billion



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, AECl, in which Hydro purchased a controlling interest in December 1999 and by Adubos Trevo S.A. in Brazil (Trevo), in which Hydro agreed to acquire 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.

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.

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 Hydrelko and its grain refiner production in Norway, and the transfer of part of the urea business to Plant Nutrition.

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

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.

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

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.

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 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 development 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

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 deriv-

ative 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 reclassified 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 aluminium 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 Aluvalde 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

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 pay-

ments 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.

Hypothetical loss from +/- 10% change in:

Amounts in NOK million (unaudited)	Fair value as of 31 December, 2000 ¹⁾	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

Hypothetical loss from +/- 10% change in:

Amounts in NOK million (unaudited)	Fair value as of 31 December, 1999 ¹⁾	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 prices, 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.

CONSOLIDATED INCOME STATEMENTS

Amounts in NOK million (except per share amounts)	Notes	Year ended 31 December,		
		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.

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.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in NOK million	Notes	Year ended 31 December,		
		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.

CONSOLIDATED INCOME STATEMENTS

Amounts in NOK million	Notes	Year ended 31 December,		
		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 Schillbred

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.

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.

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

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.

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 financial instruments 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.

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.

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 Granges AB (now Sapa AB) merged their respective autoplastics activities and formed Granges 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.

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, 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
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)
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

Amounts in NOK million	31 December, 2000			31 December, 1999			31 December, 1998		
	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.

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. EBITDA¹⁾ (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 investment²⁾, 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 debt³⁾. 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.

Amounts in NOK million	External revenues			Internal revenues			Total operating revenues ¹⁾		
	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

Amounts in NOK million	Depreciation, depletion and amortization			Other operating expenses			Operating income (loss) before fin. and other income		
	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.

NORSK HYDRO ASA AND SUBSIDIARIES
Notes to the consolidated financial statements

Amounts in NOK million	Equity in net income non-consolidated investees			Other income, net			EBITDA		
	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

Amounts in NOK million	Gross Cash Flow after Tax			Gross Investment			CROGI		
	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.

Amounts in NOK million	Current assets ³⁾		Non-current assets		Assets ³⁾	
	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

Amounts in NOK million	Non-consolidated investees, investments and advances		Segment debt ⁴⁾		Investments ⁵⁾	
	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.

NORSK HYDRO ASA AND SUBSIDIARIES
Notes to the consolidated financial statements

Amounts in NOK million	Assets		Long-lived assets		Investments	
	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

Amounts in NOK million	Operating revenues		
	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.

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.

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
<i>Adjustments to N GAAP:</i>			
<i>Tax effects of differences between US GAAP and N GAAP (Note 27)</i>	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%
<i>Tax effect of differences between US GAAP and N GAAP (Note 27)</i>	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.

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:

Amounts in NOK million	US GAAP Deferred Tax			
	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.

14. NON-CONSOLIDATED INVESTEEES

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 Hydro 2000	Investments in and advances to investees		Hydro's current receivable (payable), net with investees	
		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 Skandinaviska 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

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 subsidiary 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

16. PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Land-based Activities					E&P ¹⁾	Total
	Land	Machinery and Equipment	Buildings	Plant under construction	Other		
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

Amounts in NOK million	Weighted Average Interest Rates for the year			
	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.

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	Balance in NOK	
		2000	2000	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.

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

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.

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 Sm³ 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	Investments		
	2001	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
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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 interbank 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.

Amounts in million	In currency		In NOK	
	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	Notional amount
	USD	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	Fair Value	Carrying Amount	Fair Value
	2000	2000	1999	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.

26. SUPPLEMENTARY OIL AND GAS INFORMATION

Costs Incurred on Oil and Gas Properties

Exploration Costs

Amounts in NOK million	Norway			International			Total		
	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

Amounts in NOK million	Norway			International			Total		
	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.

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.

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		
	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

Amounts in NOK million	Norway			International			Total		
	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 dis- counted future net cash flows	46,000	39,200	11,800	8,000	9,000	-	54,000	48,200	11,800

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:

Amounts in NOK	Norway			International			Total		
	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

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

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.

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

Amounts in NOK million	Notes	31 December,	
		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.

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

Amounts in NOK million	Plan assets exceed ABO		ABO exceeds plan assets	
	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

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	Loans Repayment	Amount ¹⁾
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.

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:

Amounts in NOK million	Temporary differences			
	Tax effected		Change	
	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

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 Indústria 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)

8. SHARES IN NON-CONSOLIDATED INVESTEEES

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 Depository Shares.

2) Client accounts and similar.

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

EXPLORATION AND PRODUCTION

Proved reserves as of 31 December, 2000 (SEC definition)

Field	Block	Operator	Hydro %-interest	Total mill. boe	Hydro's share			Prod. start up
					Oil/NGL mill. boe	Gas bill. Sm ³		
Oseberg field	30/6, 30/9	Norsk Hydro	19.60 - 32.02	293	139	23.9	1988	
Gulfaks field	34/10, 33/12	Statoil	9.00	62	35	4.2	1986	
Ekofisk field	2/4, 2/5, 2/7	Phillips Petroleum	5.81 - 6.65	106	85	3.3	1971	
Snorre field	34/4, 34/7, 33/9	Norsk Hydro	5.98 - 17.65	160	150	1.4	1992	
Brage	31/4, 30/6, 31/7	Norsk Hydro	23.20 - 24.44	9	8	0.0	1993	
Troll	31/2, 31/3, 31/5, 31/6	Norsk Hydro / Statoil	9.78	665	75	96.7	1995 1996	
Sleipner field	15/6, 15/9, 16/7	Statoil	8.85 - 10.00	74	18	8.6	1993	
Njord	6407/7,10	Norsk Hydro	22.50	12	12	0.0	1997	
Norne	6608/10, 6508/1	Statoil	8.10	31	26	0.8	1997	
Visund	34/8, 34/7	Norsk Hydro	20.30	91	43	6.9	1999	
Åsgard	6407/2, 6506/11,12, 6507/11	Statoil	9.60	150	64	13.8	1999	
Varg	15/12	Norsk Hydro	35.00	1	1	0.0	1998	
Grane	25/11	Norsk Hydro	24.40	127	127	0.0	2003	
Tune	30/8, 30/5, 30/6	Norsk Hydro	30.00	24	5	3.0	2002	
Kvitebjørn	34/11	Statoil	15.00	49	9	6.0	2004	
Fram Vest	35/11	Norsk Hydro	25.00	23	19	0.6	2003	
Vale	25/4	Norsk Hydro	28.53	6	4	0.4	2001	
Other fields				1	0	0.1		
Total Norway				1,884	820	169.7		
Hibernia	Grand Banks, Canada	HMDC*	5.00	17	17	0.0	1997	
Terra Nova	Grand Banks, Canada	Petro-Canada	15.00	32	32	0.0	2001	
Girassol	Block 17, Angola	Total/Fina Elf	10.00	38	38	0.0	2001	
Dalia	Block 17, Angola	Total/Fina Elf	10.00	34	34	0.0	2004	
Khariaga	Timan Pechora, Russland	Total/Fina Elf	40.00	26	26	0.0	1999	
Mabruk	Sirte basin, Libya	Total/Fina Elf	25.00	9	9	0.0	1995	
Total International				156	156	0.0		
Total				2,040	976	169.7		

Production of oil and gas 2000

Field	Operator	Hydro's %-interest	Total mill. boe	Hydro's share		
				Oil/NGL mill. boe	Gas bill. Sm ³	
Oseberg field	Norsk Hydro	19.60 - 32.02	31	29	0.3	
Gulfaks field	Statoil	9.00	10	9	0.1	
Frigg field	Total/Fina Elf	6.05 - 19.99	2	0	0.2	
Ekofisk field	Phillips Petroleum	5.81 - 6.65	10	8	0.3	
Brage	Norsk Hydro	23.20 - 24.44	4	4	0.0	
Snorre field	Norsk Hydro	5.98 - 17.65	20	19	0.1	
Sleipner field	Statoil	8.85 - 10.00	11	4	1.1	
Troll	Norsk Hydro / Statoil	9.78	27	12	2.5	
Njord	Norsk Hydro	22.50	6	6	0.0	
Norne	Statoil	8.10	5	5	0.0	
Visund	Norsk Hydro	20.30	3	3	0.0	
Varg	Norsk Hydro	35.00	4	4	0.0	
Yme	Statoil	25.00	2	2	0.0	
Åsgard	Statoil	9.60	5	5	0.1	
Total Norway			140	110	4.7	
Hibernia	HMDC*	5.00	3	3	0.0	
Kharyaga	Total/Fina Elf	40.00	1	1	0.0	
Mabruk	Total/Fina Elf	25.00	1	1	0.0	
Alba	Chevron UK Ltd.	11.75	2	2	0.0	
Britannia	Britannia Operation Ltd.	9.01	3	1	0.4	
Gryphon	Kerr McGee North Sea (UK) Ltd.	25.00	1	1	0.0	
Thistle-området	BP Amoco Exploration	18.28 - 41.67	0	0	0.0	
Total International			11	9	0.4	
Total			**151	119	5.1	

*HMDC: Hibernia Management Development Company ** Total daily production in 2000 was 413,000 boe.

ENERGY

	2000	1999	1998
Total power available (TeraWatt hours TWh):	38.3	29.7	24.0
From own power station	11.5	10.2	8.8
Lease production	0.2	0.2	0.2
Average spot price NOK/kWh	0.103	0.112	0.116
Oiltrading and refining (thousand tonnes):			
Crude oil/NGL	16,307	11,927	11,453
Oil products	2,795	2,660	2,686
Oiltrading	19,102	14,587	14,139
Gasoline	956	969	856
Medium destillates	915	880	836
Heavy fuel oil	516	476	481
Other	59	59	49
Refining	2,447	2,384	2,222

OIL MARKETING

	2000	1999	1998
Marketing (Sales 1,000 m ³) ¹⁾			
Gasoline	1,534	1,486	1,477
Gasoil	2,042	2,218	2,280
Market share 2000 ¹⁾	Sweden	Denmark	Norway
Gasoline	12.3 %	15.7 %	19.5 %
Gasoil	14.0 %	19.9 %	15.8 %

1) Includes 100 percent of Hydro Texaco.

ALUMINIUM

	2000	1999	1998
Tonnes			
Production of alumina	898,000	530,000	578,000
Production of primary aluminium:			
Karmøy	270,000	267,000	267,000
Årdal	204,000	201,000	197,000
Sunndal	154,000	149,000	146,000
Høyanger	72,000	71,000	70,000
Sørå (Hydro's ownership interest 49.9 percent)	62,000	58,000	56,000
Total	762,000	746,000	736,000
Total business volume (incl. trading and external sources)	2,153,000	1,885,000	1,777,000
Remelting	387,000	300,000	204,000
Semi-fabricating:			
Extruded products	448,000	376,000	353,000
Rolled products	134,000	127,000	133,000
Wire rod and other	82,000	80,000	82,000
Price primary aluminium London Metal Exchange 3-month price USD/tonne (avg.)	1,567	1,387	1,380

MAGNESIUM

Tonnes	2000	1999	1998
Production and remelting of primary magnesium	109,900	113,400	105,600

AGRI

Thousand tonnes	2000	1999	1998
Consumption of raw materials:			
Rock phosphate	1,000	1,150	1,250
Potassium	1,100	850	970
Oil and gas (million toe)	3.9	3.5	3.6
Production:			
Ammoniakk (NH ₃)	4,000	3,300	3,400
Fertilizer products	14,800	14,100	14,400
Sales including third-party products:			
Europe	12,000	11,600	11,400
Outside Europe	9,600	8,500	7,900
Prices for fertilizer products – average monthly quotations :			
DAP - FOB Gulf of Mexico USD/tonnes	154	178	203
Urea - FOB Middle East USD/tonnes	110	79	93
NH ₃ - C&F Western Europe USD/tonnes	179	119	145

PETROCHEMICALS

Production in tonnes	2000	1999	1998
Base products:			
VCM	536,000	539,000	512,000
Caustic soda	271,000	272,000	270,000
PVC	521,000	519,000	471,000
S-PVC	445,000	451,000	403,000
P-PVC	76,000	68,000	68,000
PVC-compounds	154,000	161,000	139,000
Average prices Western Europe			
Ethylene – DEM/tonne delivered	1,301	829	845
VCM – Spot Export FOB USD/tonne	562	418	315
S-PVC – DEM/kg delivered	1.68	1.22	1.21

Source: ICIS/PLATTS

ANNUAL GENERAL MEETING

The annual general meeting of Norsk Hydro ASA will be held at the Radisson SAS Scandinavia Hotel at Holbergsgt. 30, Oslo, Norway, on Wednesday, 2 May, 2001 at 4.30 pm CET.

Shareholders who wish to attend the annual general meeting are asked to inform the following registrar by 4 pm CET on Friday, 27 April, 2001:

Den norske Bank
Verdipapirservice
Stranden 21, N-0021 Oslo
Telephone: + 47 22 48 35 84
Telefax: + 47 22 48 11 71

Any shareholder may appoint a proxy with written authority to attend the meeting and to vote on his or her behalf. In accordance with the company's articles of association, notice of the annual general meeting will be published in *Aftenposten*, *Dagens Næringsliv* and *Dagsavisen*.

Dividend payment

The proposal of the board of directors for dividend payments will be considered by the annual general meeting. Provided the proposal is approved, dividend will be paid on Monday 21 May, 2001, to persons listed in the register of shareholders of the Norwegian Registry of Securities (VPS) on 2 May, 2001, or who are authorized by the shareholder to receive the dividend. In case of dividend payment to foreign shareholders, Norwegian source-tax will be deducted in accordance with the current regulations. All shares will be quoted exclusive of dividend on the Oslo Stock Exchange from and including Thursday, 3 May, 2001, and on the New York Stock Exchange from and including Monday, 30 April, 2001.

Quarterly results

Hydro issues quarterly financial reports. The dates for publication of the quarterly results in 2001 are:

1st quarter:	23 April
2nd quarter:	16 July
3rd quarter:	15 October

The results will be released at 9:30 am CET. The company reserves the right to change the dates.

INFORMATION FROM THE COMPANY

Hydro's annual report and quarterly reports are available in Norwegian and English. The company also prepares in English an annual report, Form 20-F, and quarterly reports, Form 6-K, for the Securities and Exchange Commission in the US. These reports, together with further information on Hydro's activities, can be obtained on request from the Corporate Communication department at Hydro. This information is also available on Internet: www.hydro.com

Address

Hydro's head office has the address:

Norsk Hydro ASA, Bygdøy allé 2, N-0240 Oslo, Norway
Telephone: +47 22 53 81 00
Telefax: +47 22 53 27 25
E-mail: corporate@hydro.com
Telex: 78350 hydro n

Updated and detailed addresses are available at www.hydro.com

Change of address

Shareholders registered in the Norwegian Registry of Securities should send information on changes of address to their registrars and not directly to the company.

Credits:

Photo: Kåre Foss (cover, p. 1, 11), Atle Johnsen (p. 2), Craig Johnson (p. 1), Terje S. Knudsen (p. 4), Achim Kröpsch (p. 38), Pål Rødahl (cover, p. 5, 15, 17, 19, 21, 22, 24, 25, 29, 30, 31), Conné van d'Grachten (p. 20), PhotoDisc (p. 9 (m), 20), Arctic, Bergen (ill. p. 16).

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