

Creating a global force

NORSK HYDRO

Annual report 2001



We delivered one of the best results in Hydro's history in 2001, despite lower oil prices and a weaker aluminium market.

Key figures 2001

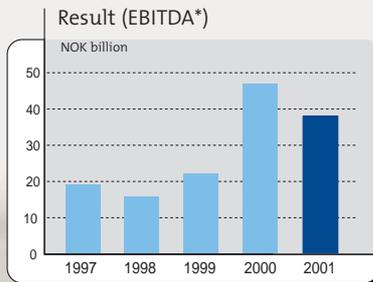
Result – NOK million	2001	2000	1999	1998	1997
Operating revenues	152,835	156,861	111,955	105,784	107,725
Operating income before financial items and other income	21,083	28,466	7,735	5,830	10,702
EBITDA ¹⁾	37,757	46,609	21,944	15,617	18,910
Net income ²⁾	7,892	13,981	3,446	3,754	5,205
Financial data					
Investments ³⁾ – NOK million	16,328	16,565	53,025	13,563	12,534
Long-term debt equity ⁴⁾	0.27	0.39	0.69	0.49	0.37
Cash flow from operations – NOK million	26,172	25,626	14,744	8,500	10,386
Rate of return					
CROGI ⁵⁾	9.1%	12.3%	8.4%	7.7%	8.5%
NOK per share					
Earnings ²⁾	30.50	53.40	13.90	16.40	22.70
Dividends ⁶⁾	10.00 ⁷⁾	9.50	8.00	7.50	7.50
Shareholders' equity	290.30	274.00	227.30	210.80	199.60
Share price Oslo Stock Exchange 31.12	376.00	373.00	336.00	257.00	359.50
Number of employees					
average over the year	36,867	37,575	38,706	38,912	36,836

Notes

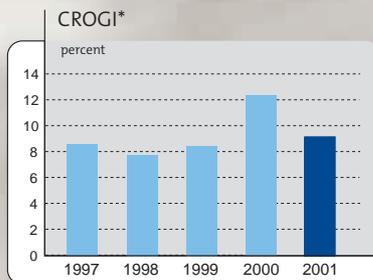
1. EBITDA: Earnings before Interest, Tax, Depreciation and Amortization. See page 43 for more details.
2. Excluding the cumulative effect of accounting changes.
3. Investments in property, plant and equipment, long-term securities, intangibles, long-term advances and investments in non-consolidated investees.
4. Long-term interest bearing debt divided by total shareholders' equity plus minority interest. The 2000 and 2001 figures are adjusted for cash and cash equivalents above normal.
5. CROGI: Cash Return on Gross Investment. See page 43 for more details.
6. Hydro shares are traded ex-dividend from 3 May 2002.
7. Proposed dividend.

COVER PICTURE: The rolling mills at Holmestrand and Karmøy are no longer alone in Hydro. The acquisition of VAW represents a considerable investment in rolled aluminium products and makes Hydro a leading supplier.

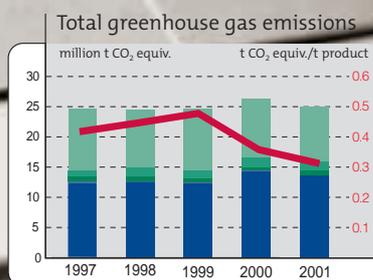
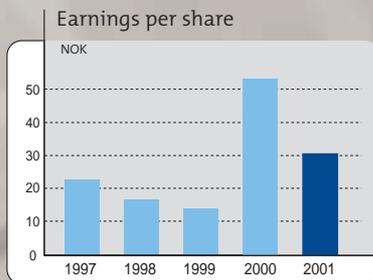
Contents



*Earnings before Interest, Tax, Depreciation and Amortization



*Cash Return on Gross Investment



■ N₂O ■ CH₄
■ SF₆ ■ CO₂
■ PFC — Eco-efficiency

1 Key figures

2 In brief: 2001 and the beginning of 2002 were eventful periods. Important new positions were established internationally.

4 Dear shareholder: We have to become even better and we are in full swing with new improvement measures that will give results in 2002 and the years ahead, writes Chief Executive Officer Eivind Reiten.

6 Shareholder issues: Hydro's board of directors believes that dividend over several years should average roughly 30 percent of the company's net income.

8 What is our most important resource when achieving results in energy, materials and food? Our ambitions are too great to be achieved simply by cost cutting.

12 Oil and Energy: In Angola we develop both oil fields and oil experts. Hydro takes its deep-water expertise out into the world.

16 Aluminium: In 20 years all cars will be used cars. After the acquisition of VAW, Hydro becomes one of three major global aluminium companies.

20 Agri: Our contribution to feeding 10 billion. We maintain a presence in nearly 60 countries and sell fertilizer in more than 100.

24 Other Activities: Hydro is a major PVC supplier in Northern Europe.

26 Annual Report for 2001 from the board of directors and the President and CEO.

33 OUR RESULTS

34 Environment: Finding answers to global challenges in our day-to-day work

36 Challenges and opportunities for a **motivated organization**

37 Health and safety efforts produce results

40 Corporate Social Responsibility a prerequisite for good business operations

41 We are engaged in **global debate**

42 FINANCIAL REVIEW

66 Consolidated financial statements US GAAP

68 Consolidated financial statements N GAAP

71 Notes to the consolidated financial statements

103 Financial statements of Norsk Hydro ASA

110 Operational data

2001 in brief...



OIL AND ENERGY

More oil in production

SECOND QUARTER: Production on the Hydro operated Snorre B field in the North Sea came on stream two months earlier than planned. The Girassol field off Angola came on stream at the end of 2001, while production from Terra Nova off Nova Scotia started in January 2002. Two interesting discoveries have been made in the North Sea. Our reserve replacement was 122 percent.



HYDRO

On a new sustainability index

THIRD QUARTER: Hydro was listed on the FTSE4Good index, a leading European index for socially responsible investments. For the third time, Hydro appeared on the Dow Jones Sustainability Index, which comprises the top ten percent of companies in terms of sustainable operations.



OIL AND ENERGY

Important position in Angola

THIRD QUARTER: Against formidable competition, Hydro acquired a 30 percent interest and was assigned technical assistant to the state-owned company Sonangol on the promising block 34 in Angola. Collaboration was initiated for exploration in the Gulf of Mexico and off Trinidad and Tobago.



ALUMINIUM

Biggest in building systems

FOURTH QUARTER: Following the acquisition in January 2002 of the French company Technal, with its 1,500 employees in the UK, Portugal, Spain and France, Hydro became the world's leading supplier of aluminium building systems. Takeover took place in January 2002. It was decided to close down primary magnesium production in Porsgrunn.



AGRI

Turned towards new growth

FOURTH QUARTER: The extensive Hydro Agri Turnaround operation was concluded after two years, resulting in NOK 2.9 billion in annual cost savings, a workforce reduction of some 30 per cent, and a total of 30 units being sold or closed down. The world's biggest fertilizer producer is now again on the move.



ALUMINIUM

En route to the top

2002: An agreement was signed to acquire Germany's biggest aluminium company, VAW, with 15,000 employees and turnover of EUR 3.8 billion. The new Hydro Aluminium, with 30,000 employees and turnover of roughly NOK 80 billion, will be one of three major global aluminium companies.

Dear
shareholder,



”

Norsk Hydro was in a stronger position at the end of 2001 as the result of taking new, important steps for reaching our strategic goals. We delivered one of the best results in Hydro's history in 2001, despite lower oil prices and a weaker market for aluminium. We did not achieve our profitability targets and are not satisfied. We must make further improvements and new initiatives are underway that will generate positive impact in 2002 and in the years ahead.

In my first shareholders' letter, it is natural to underscore my commitment to promoting the company's further growth – by getting the best out of our employees, developing our portfolio and, not least, by improving our own, and our shareholders', results.

Our ambition to be a sustainable company in the widest possible sense remains. We intend to grow and deliver first-class results, nurturing an innovative organization while acting responsibly towards our employees and customers, the environment and our host communities. Nevertheless, I do not believe that we will attain our goals by means of isolated initiatives or programs: our ambitions require us to adopt a long-term comprehensive approach.

OUR RESULTS

The extensive turnaround operation in our Agri business area has fully demonstrated what our organization can achieve. The agreement to purchase the German aluminium company VAW demonstrates our ability to seize strategic opportunities. These are qualities that we will have increasing need for in a world where change takes place at an ever more rapid pace.

The purchase of VAW in January 2002 is of fundamental strategic importance for Hydro. The acquisition adds EUR 3.8 billion to our turnover, and around 15,000 employees to our organization. The integration brings us valuable capacity and expertise in addition to well-positioned operations in Europe, Asia, Australia and North

America. Our competitiveness in the global aluminium market is markedly improved.

I have given top priority to ensuring that the integration of VAW is successful and that we are able to realize the economic synergies underlying the acquisition. We shall also improve our results through an extensive reorganization and further development of our strong market positions. In total our target is an annual improvement of at least NOK 1.6 billion from 2004.

Our position as a major operator on the Norwegian continental shelf has brought us to the forefront of technical and industrial development. We are now involved in development tasks that challenge us further. The gas field Ormen Lange is in a class of its own in this respect, and I can assure both shareholders and our partners that we are giving this project the priority it requires. Despite these major and exciting tasks on the Norwegian shelf, growth and profitability in Oil and Energy will be increasingly influenced on the results from our international exploration program. The successful completion of this exploration program is a key challenge in 2002.

Hydro Agri has a top global position as a supplier of mineral fertilizer. We shall strengthen this position further through continued improvement in profitability and competitiveness and through exploiting attractive opportunities for expansion in growth markets, mainly outside of Europe.

OUR EMPLOYEES

Our organization is based on ambitious requirements for quality and integrity, and our many thousand employees all over the world are competent and loyal. They are our most important source of change and sustainable growth. The competition for the best qualified workforce is getting tougher, and our employees expect more from us. We are a major employer and shall offer an environment where everyone, regardless of position and location, has the opportunity for development – both personally and professionally.

At the same time, our employees will also meet greater requirements for competence and results. Ideas must be translated into action more rapidly. Hydro will change continuously, and the people representing our organization will be required to take part in these changes. Many of our employees have more to contribute. Our challenge is to further develop a culture that provides the opportunity to utilize and develop competencies and the opportunity as well as the requirement to achieve top performance.

OUR PORTFOLIO

Active development of our portfolio is a key factor in our effort to create shareholder value. Our three core areas all have a good basis for competitive value creation. We must ensure that we are the best at running the operations we chose to be active in. We also have to seek rapid solutions for the operations we shall no longer run. Agri's strengthened competitive position and the acquisition of VAW give us increased freedom of action with regard to Hydro's total portfolio. We will work actively to position our business areas for further growth and value creation. Our long-term industrial strategy will reflect an openness to changes in Hydro's structure, should this be appropriate.

Since the acquisition of Saga Petroleum in 1999, we have strengthened our financial capacity through solid earnings, divestments and the controlled investment of funds. We are now in a position to take the considerable strategic leap represented by the purchase of VAW. As a result of this acquisition, our debt/equity ratio will exceed our long-term target. Re-establishing our financial position so that we meet our targets by the end of 2003 is therefore a central task.

SAFETY

I feel personal responsibility for the health and safety of every employee in Hydro. I am therefore pleased that we can demonstrate a clear improvement in the overall safety of our operations in 2001. A reduction of around 30 percent in the number of injuries in comparison with the year before is positive. All the same, we have between one and two serious incidents each week, and we unfortunately experienced five fatal accidents in connection with Hydro activities in 2001. These are serious reminders of the need to keep pressure on the systematic improvement of safety in all parts of our organization.

Our platform for further profitable growth and value creation is robust. However, continued improvements are necessary if we are to meet our targets. My main task will be to ensure that every section of the company is aware of the need for these changes and in a position to achieve the targets we have set ourselves. Only in this way can we help you, our owners, to receive competitive returns.



Eivind Reiten
Chief Executive Officer

Shareholder issues

Financial calendar 2002*

- 29 April: First quarter results
- 2 May: Annual General Meeting
- 3 May: Share quoted ex-dividend
- 22 July: Second quarter results
- 21 October: Third quarter results

Questions regarding shareholder matters should be directed to:

DnB Verdipapirservice
Stranden 21
N-0021 OSLO
Norway
Telephone: +47 22 48 35 84
Fax: +47 22 48 11 71

Listed on the stock exchanges of eight countries

Hydro's shares are quoted on the stock markets of eight countries. The ticker code on the Oslo and the New York Stock exchanges is NHY. For updated share prices and historical prices, see www.hydro.com.

* Subject to possible changes

Hydro shall create financial value for its shareholders, employees and society through profitability and growth. The company sets high requirements for profitability and financial strength. Hydro shall exploit and develop its positions within its core areas.

Long-term returns to shareholders should reflect the value created in the company in the form of dividends and a higher share price. Dividends should show a steady development in line with the growth in Hydro's results, while recognizing the need for financial preparedness given opportunities for adding value through new, profitable investments. Over time, value added will be reflected to a greater extent by an increased share price rather than through dividend distributions.

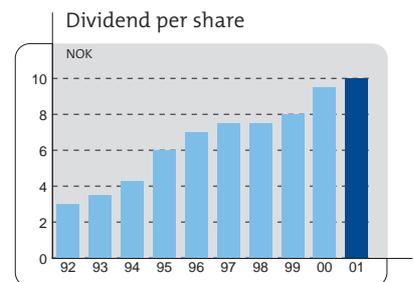
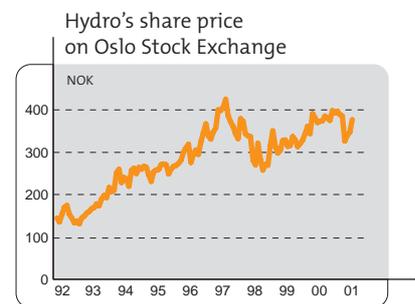
Hydro's board of directors considers it appropriate that dividends over a period of several years average roughly 30 percent of the company's net income.

In order to capture the greatest possible value over time, it is imperative that the company has adequate financial resources at its disposal. The need to maintain financial preparedness is a condition for the company maintaining good relations with its shareholders and the equity capital markets, occupying a position that will always ensure access to necessary loan capital on attractive terms. Hydro endeavors to maintain a long-term A/A2 rating.

The company emphasizes providing investors with the best possible basis for share price determination by means of accurate, comprehensive and timely information. Updated information can be found on our Internet pages www.hydro.com.

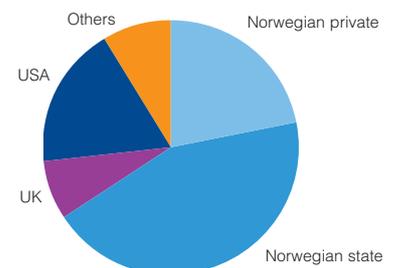
With a view to enabling employee share plans and other potential business transactions, Hydro purchased five million of its own shares in 2000 and 2001. At the end of 2001, the company held nine million of its own shares.

In order to focus attention on shareholder value and the overall goals of the company, Hydro has introduced share price related arrangements in the form of options for top management and share purchase schemes for a majority of the employees. At the beginning of 2002, approximately one third of the employees were shareholders in the company.



■ Proposed dividend

Distribution of Hydro's shares



* Information regarding the shareholdings of board members and primary insiders is given on page 105.

What is **our most important resource**
when achieving results in energy,



materials and food?



There will soon be more than 50,000 of us facing new challenges and opportunities daily, making choices and carrying out tasks that influence Hydro's results in major and minor ways. Every day we check the company's development by taking its pulse, in the form of the share price trend on the stock exchange, reactions from customers and suppliers, production challenges, comment and opinion.

There is tremendous diversity in our ranks – a rich tapestry of backgrounds, personalities, competencies, ideas, language and cultures. Our own research demonstrates that we can derive even more benefit from this diversity. We are placing knowledge of our human resource strengths and weaknesses into a systematic framework, the Hydro index, which we are now testing out in Norway. It has one main objective: to nurture and support a corporate culture distinguished by excellent results, responsible practices and wide-ranging perspectives, for making the best use of the energy and expertise of our 50,000 employees.

In the same way, more and more of our managers are being evaluated annually, and paid according to their results, when measured against our business targets and Leadership Expectations:

- to achieve results
- to bring about change and improvement
- to develop employees and teams
- to be inclusive and a good communicator
- to inspire trust and adopt a long-term approach

Of those included in the scheme, 82 percent state that our Leadership Expectations and evaluation systems are an excellent contribution to value creation in Hydro.

Our biggest challenge in 2002 is to integrate VAW without losing impetus in our efforts to strengthen Hydro's organization: VAW with its 15,000 employees, its corporate culture, know-how and experience represents an important addition. The integration process will proceed along twin tracks: we are making a real effort to identify and exploit synergies, as well as to conduct a dialog on cultural understanding and Hydro leadership requirements.



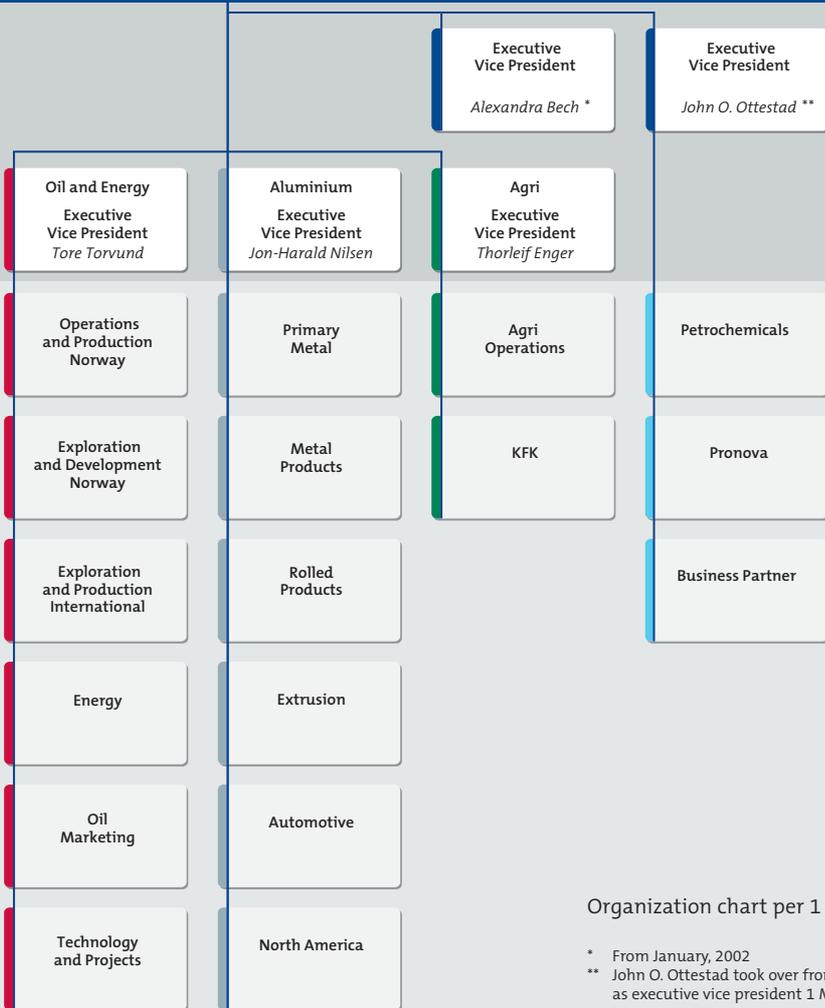
In searching for oil and gas at greater and greater ocean depths, in our efforts to make hydrogen the energy source of the future and your next car that little bit safer ... and in our efforts to provide the farmer with nutrition to cultivate healthy and tasty food, we are first and foremost dependent on one resource: our own expertise, our commitment, our boldness and creativity to see solutions where previously there were challenges. And our ability to do all this in a systematic way.



Generaldirektør
Eivind Reiten



Thorleif Enger



Organization chart per 1 March, 2002

* From January, 2002
** John O. Ottestad took over from Leiv L. Nergaard as executive vice president 1 March, 2002

WE CREATE REAL VALUE IN NEARLY 60 COUNTRIES

Hydro aims to meet the most important challenges of the future in energy, materials and food. Our 35,000 employees in almost 60 countries recover energy in its various forms, and market or refine it into aluminium and plant nutrition. Our turnover in 2001 was NOK 153 billion. Following the 2002 acquisition of the German aluminium company VAW, the number of employees will increase to more than 50,000.

The future belongs to those who create real value



Tore Torvund

Jon-Harald Nilsen

Alexandra Bech

John O. Ottestad

With our three business areas, Oil and Energy, Aluminium and Agri, given greater prominence, new international positions bring a wide range of possibilities. We are implementing our biggest international oil exploration program ever. At the same time, integration with the German company VAW will make us a powerful player in the top world league. The successful turnaround operation convincingly transformed Hydro Agri into a global leader in plant nutrition.

After the purchase of VAW we now have the task of ensuring that debt-equity ratio is back on target at 0.5 by the end of 2003. We shall do so by generally improving our results, by a rapid and efficient integration process in aluminium, strict cost controls throughout the company and the sale of non-core activities – such as VAW Flexible Packaging, the Danish grain

and feed company KFK, and Hydro Petrochemicals.

Our efforts to improve results are like a story without end, one that must never become monotonous. This is because our ambitions are too great to be achieved simply by cost-cutting. Our quest to reduce costs, to increase income opportunities, to create innovative technical solutions and new products, is carried out in parallel with our efforts to do what we do in the right way.

Short-term gains for our shareholders are of little value if they are not followed up by new improvements in the next quarter. At the same time, no economic targets are so important that they can take precedence over our long-term responsibility for the environment, the properties of our products and our employees' health and safety. We therefore work on a systematic basis to achieve

sustainability, ensuring that our results in the environmental, human resource and organizational spheres, as well as in areas of social responsibility and safety, are monitored in the same way as our financial goals.

This focus covers a broad range of programs to inspire and measure the individual employees' development and results, and a compensation system that links salaries more closely to individual and business unit performance. Future incentive arrangements shall be adapted to our changing business needs and will be extended to cover even more of our employees.

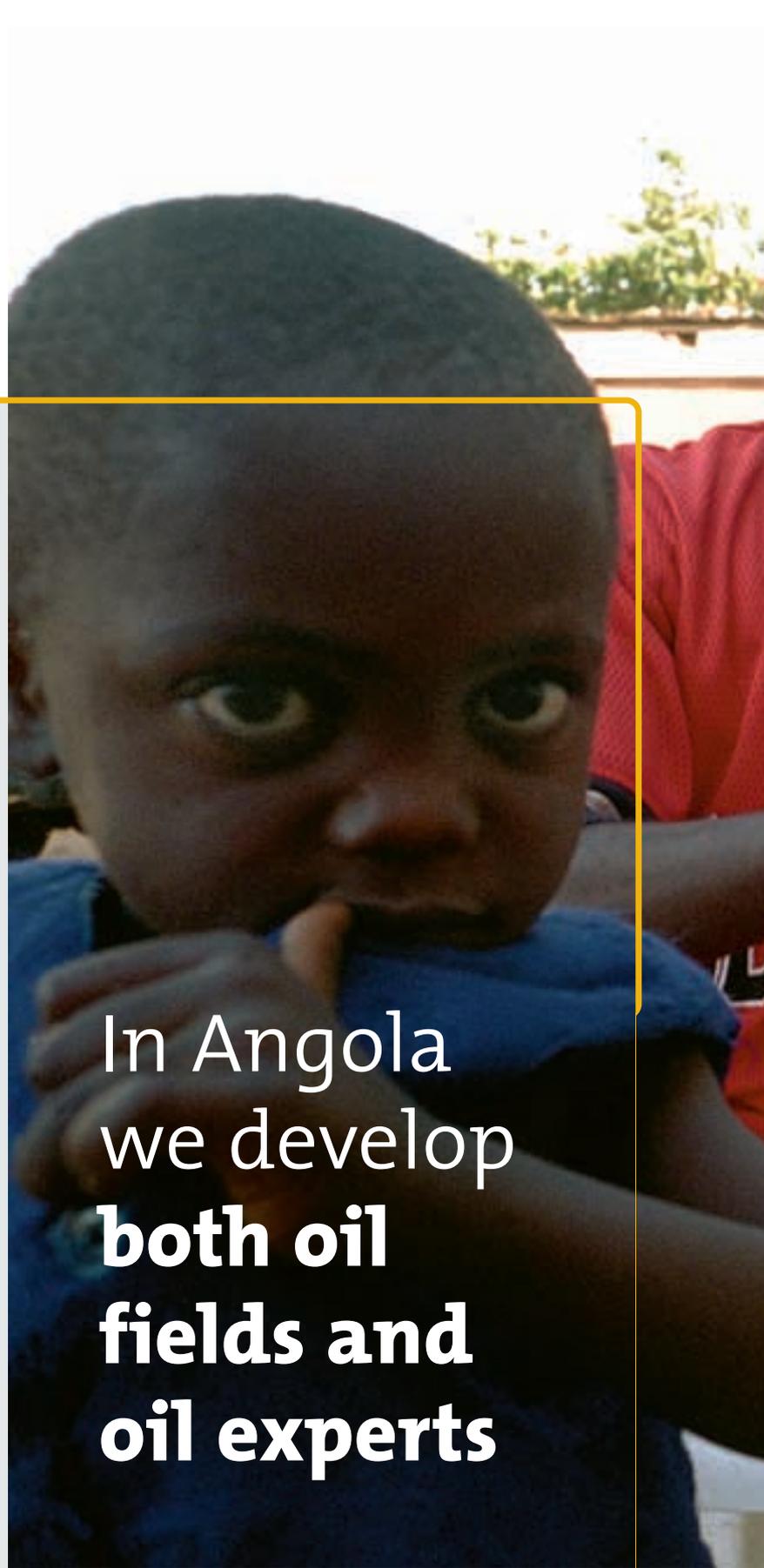
IT TOOK US OVER 30 YEARS to get to Angola. Most of this time we spent in Norwegian waters, where one of our tasks is operatorship of Ormen Lange – one of the toughest deep-water fields in the world. Later this decade, installations in extreme current and temperature conditions 1,000 meters below the surface of the sea will supply Europe with gas from this field.

We bring these experiences to the promising block 34 in Angola, where we acquired a 30 percent interest in the autumn of 2001, and were assigned technical assistant to the state-owned oil company Sonangol. The valuable oil resources are to be found deep below the seabed at water depths down to 2,500 meters.

We know what we're getting into. In many ways we were in the same situation in Norway 30 years ago as Sonangol is in Angola today. We had a lot to come to grips with. But we lacked the know-how.

We are looking ahead in Angola. Far ahead. This is why we have signed an agreement to teach and train 60 local oil experts over the next few years. Inveja (23), seen here at home with his younger brother and sisters, is one of them. Hydro provides expertise and resources, and these young Angolans the will to succeed. Firstly, they receive training in Luanda. Then they are given the opportunity to take petroleum study courses in Aberdeen and be further trained by us in Norway. So the ring is closed. And they will be ready to take on new tasks in our own, or in Sonangol's organization in Angola.

Like Inveja we are determined to succeed in Angola. And we need more people with their firm sense of purpose.



In Angola
we develop
**both oil
fields and
oil experts**



Inveja Malungo, 23, is taking part in Hydro's training program in Angola. His favorite subjects are English and Mathematics. "English is the language of business," he explains. Here he is at home with his younger siblings.

Oil and Energy

”

The results from 2001 show that size isn't everything. We are a small player in the overall picture. But we can measure our strength offshore against the largest players. The key is the ability and willingness to innovate, and an organization that is constantly striving to achieve more. But we are not going to stop here. Hydro has ambitions of becoming both a bigger and a better energy company – with an annual production growth of between five and six percent. We have also established important downstream positions in Europe, which we will further develop.



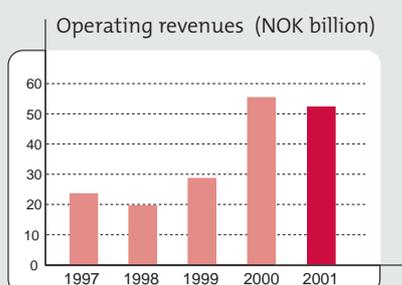
Tore Torvund,
Chief Executive Officer of
Hydro Oil and Energy.

OIL AND ENERGY

Hydro is operator for 15 oil and gas installations distributed over 12 fields with a total production of over 1.3 million barrels of oil equivalents a day, and is one of the world's leading offshore oil companies. The company's own production of oil and gas in 2001 averaged 421,000 barrels of oil equivalents. The company produced oil in Angola, Canada, Libya, Norway and Russia, and has some interesting positions in Iran and the Gulf of Mexico. The expertise built up by our 3,900 employees, for example in challenging subsea developments in the North Sea, is a decisive factor in our international activities. In Norway we produce electricity from renewable sources. With growing oil and gas production on the Norwegian continental shelf, Hydro will play an increasingly central role in the supply of energy to Europe.

Hydro Oil and Energy consists of the following sectors:

- Operations and Production Norway
- Exploration and Development Norway
- Exploration and Production International
- Energy
- Oil Marketing
- Technology and Projects





Oil and Energy

As an offshore operator, we are in the world's top league. Hydro set the tone by turning the thin oil layers below the Troll gas field into the most productive oil field on the Norwegian continental shelf. With our subsea installation Troll Pilot, we challenged technological limits – and succeeded.

Since the summer of 2001, we have had the first ever seabed production unit in stable operation. In addition to the possibility of reducing costs through subsea production, the pilot also offers environmental advantages as produced water is pumped straight back into the seabed.

DEEP SEA EXPERTISE ...

Our ability to produce results through technical innovation will again be tested in the development of the major gas field, Ormen Lange, the only really deep-water field on the Norwegian shelf. One thousand meters below the surface of the sea, with temperatures well below freezing, strong underwater currents and the extremely uneven topography of the seabed, we will take technological innovation to new depths.

The Ormen Lange project is running according to plan with production start-up targeted for 2007.

... AND INTERNATIONAL FIELDS

It is this expertise that forms the basis for

the internationalization of Hydro's oil activities. The Girassol field off Angola came on stream in 2001, and production from Terra Nova off Canada started in January 2002.

And we are continuously establishing new, exciting positions. During the course of 2001 we initiated a collaboration in connection with deep-water exploration in the Gulf of Mexico. We have also signed an agreement for our first exploration off Trinidad and Tobago, at a depth of between 700 and 1,200 meters.

EXCITING EXPLORATION

In 2001 our exploration activities were shared equally between the Norwegian shelf and our international focus areas. We made several interesting discoveries in Norway, including two close to the Oseberg infrastructure, for which we are operator.

In 2002 we will focus three times as much internationally as in Norway, and an increasing amount of exploration will take place in Angola, Canada, the Mexican Gulf and the Middle East. The Norwegian shelf also has interesting prospects, which all in all means some very exciting exploration activity in 2002.

MARKET IN EUROPE

It seems that natural gas will be the most important energy carrier in Europe in the

near future, and our gas production is increasing rapidly. An estimated content of 390 billion cubic meters of gas makes the Ormen Lange field an important source of energy for Europe. We are a major player within both electricity and natural gas, and have experience of liberalized markets. This gives us a platform from which to play a key role in the liberalization of the gas and electricity market. In order to take part in this market we have geared up our European trading operation in Brussels for the sale of our own and third party gas. We sell more third party gas than we produce ourselves, and are further developing our position with gas and electricity as key elements.

FUTURE IN ALTERNATIVES

We face the future with focused research and development, for example as wind power producer in Havøygavlen in Finnmark, Northern Norway, and through the removal of pure carbon from natural gas and the production of hydrogen. There is much to suggest that fuel cells in vehicles will make hydrogen the energy carrier of the future for the transport sector. As the world's largest producer of electrolyzers, mini hydrogen factories, and through our participation in a pilot project in Iceland and Norway, we are on the way into a market that we believe has interesting prospects for the future.

In 20 years all cars will be **used cars**

We have transformed the remelting of old automotive parts and other aluminium scrap into an area of concentration. In 2001, some 425,000 tonnes of aluminium were converted into shining new metal, ready for a new life as the next generation of engine blocks, window frames or stereo systems. The metal is not only as good as new; it represents an environmental resource. The energy savings achieved by remelting instead of producing primary metal using new raw materials, amount to more than 95 percent.

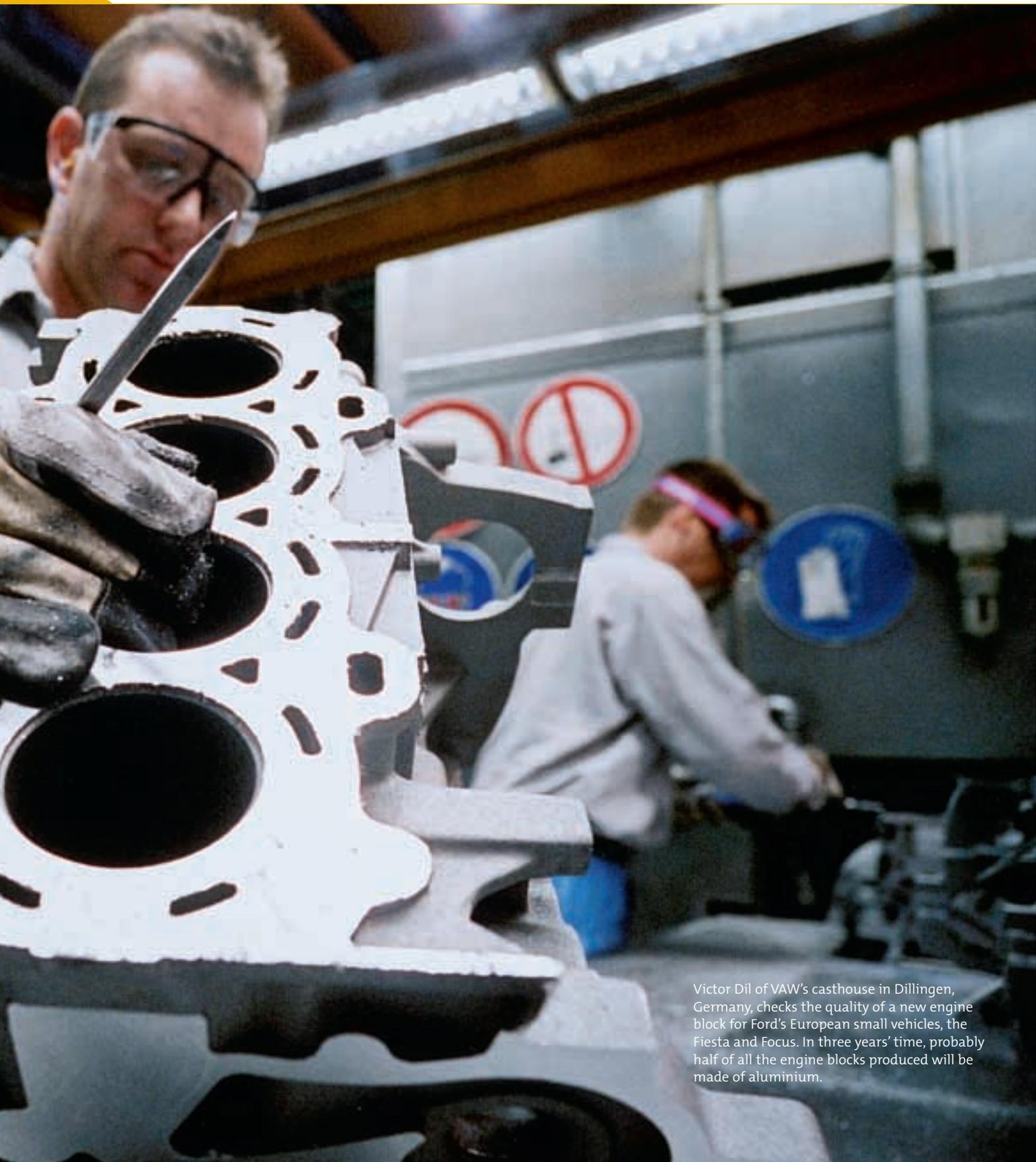
Each year we aim to send hundreds of thousands of new, advanced engine blocks and other products onto the market. Recycled up to one hundred percent.

Aluminium is strong, corrosion free and easy to form into a very wide range of products. In addition, it is light, making it especially attractive in the transport sector. Cars containing a lot of aluminium are lighter and consume less energy than they would have using similar parts in steel. This means that they also pollute less. Furthermore, aluminium absorbs impacts very efficiently, reducing the extent of collision damage. In a growing market, we are therefore concentrating our efforts heavily on becoming a supplier to the automotive industry. We are the world's leading supplier of aluminium tubes for heat exchangers and of aluminium bumper systems. And we supply aluminium frames to attractive top models such as the Aston Martin Vanquish and the BMW Z8, to name just two.

Moreover, we are the world's biggest supplier of magnesium and aluminium building systems, including windows and doors, as well as facades.



A l u m i n i u m



Victor Dil of VAW's casthouse in Dillingen, Germany, checks the quality of a new engine block for Ford's European small vehicles, the Fiesta and Focus. In three years' time, probably half of all the engine blocks produced will be made of aluminium.

”

In order to make a real impact in developing applications for light metals, we had to become a leading player in the rolled aluminium segment. In Europe, Hydro was biggest in extruded products, which comprise 25 percent of the total market. The market for rolled products, where VAW is a leader, is twice as big. For this reason, VAW matches Hydro's aluminium ambitions like a glove. And that's not all. Together we are going to delve more deeply into the scrap heap and get hold of an even bigger part of the recycling business that is making aluminium and magnesium the materials of the future.



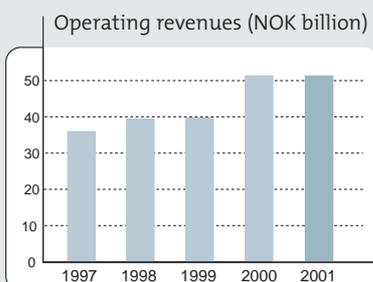
Jon-Harald Nilsen,
Chief Executive Officer of
Hydro Aluminium

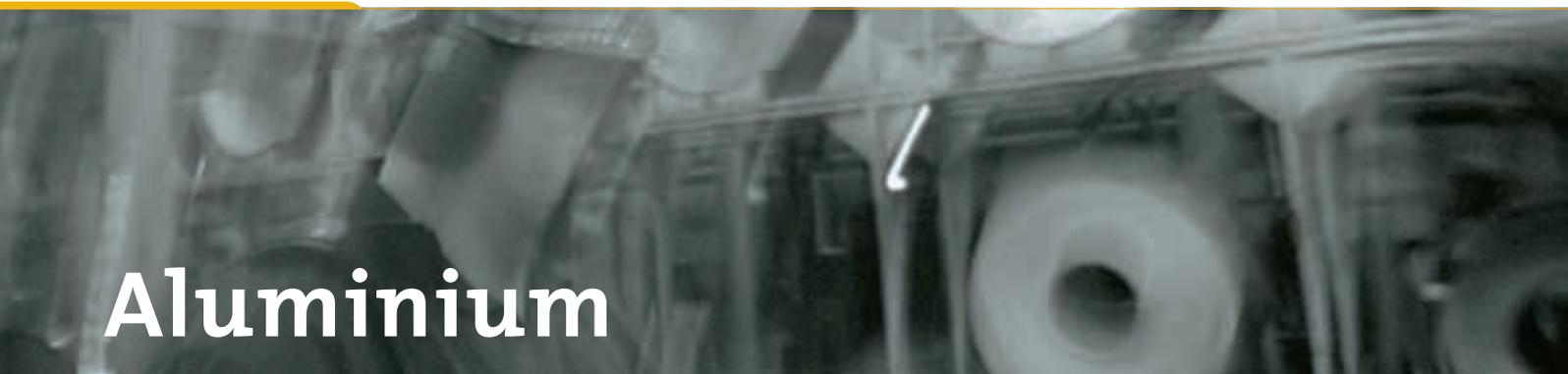
ALUMINIUM

With the acquisition of the German aluminium company VAW, Hydro Aluminium steps up in 2002 from its strong position in Europe to become one of the three major global aluminium companies – with roughly 30,000 employees. In 2001 our total turnover was 2.3 million tonnes of aluminium, of which 700,000 tonnes was primary aluminium from our own plants and 425,000 tonnes was remelted. We further processed 635,000 tonnes. The new Hydro Aluminium is expected to have an annual turnover of some 2.8 million tonnes. We are boosting our downstream role, especially where rolled products are concerned, and as a supplier of extruded products to the automotive and construction industries. In addition, we are modernizing and expanding our aluminium production at Sunndalsøra, one of four wholly-owned production locations for metal in Norway, we are building new remelt plants in Europe and USA, expanding alumina capacity at Alunorte in Brazil as well as our production capacity for extruded auto components.

Hydro Aluminium now comprises these sectors:

- Primary Metal
- Metal Products
- Rolled Products
- Extrusion
- Automotive
- North America





Aluminium

In the course of 2002, two leading aluminium producers in Europe join forces. As one of the three majors in the world, Hydro Aluminium will be meeting its customers' needs on a global scale. The basis for a better cost position and the seamless integration of VAW has been established: We are streamlining our organization, and aiming to achieve cost reductions of NOK 1.6 billion and a big improvement in results.

Workforce reductions in the order of 1,100 man-years will be carried out in the course of 2002 and 2003.

A BROADER BASE

The merger makes Hydro Aluminium a leading player in rolled aluminium, an area where Hydro's state-of-the-art expertise in continuous sheet casting and recycling is combined with VAW's wide-ranging know-how, including experience gained in the world's largest rolling mills.

The company's position in extruded products has been further enhanced. By virtue of its acquisition, in January 2002, of the French company, Technal, with its 1,500 employees and a turnover of some NOK 2 billion, Hydro became the world's leading supplier of aluminium building systems.

Similarly, VAW's strength in cast engine parts, plus Hydro's position in extruded auto components, as well as in aluminium

and magnesium foundry alloys has broadened the company's base and given it more muscle as an auto industry supplier.

RECYCLING MAKES GOOD SENSE

Hydro's metal production in Norway and Slovakia, plus VAW's in Germany, Australia and Canada, gives a total capacity for primary metal production of 1.3 million tonnes. In addition, there is our total remelt capacity of 400,000 tonnes and long-term agreements with other primary metal producers. Hydro's extensive network of remelt facilities is to a large extent based on process scrap. The VAW acquisition literally gives us the opportunity to dig deeper into the scrap heap and extract a greater share, widening the scope of our partnership.

Altogether this provides a solid basis for further refining Hydro's metal supplier strategy, in which remelting plays a vital role. Life cycle analyses demonstrate that aluminium and magnesium excel in terms of recycleability. Less than five percent of the energy consumed, when the metal was originally produced, is needed to remelt it. Their light weight and excellent formability make these metals attractive for the transport industry, which achieves reduced fuel consumption and less pollution.

WEAKER BUSINESS CYCLE

Market developments, especially after 11 September, have resulted in an aggregate

six percent downturn in total Western World aluminium consumption in 2001 – the biggest reduction in 20 years. We are expecting firm growth in the long term, but do not expect any rapid improvements in the international market in 2002.

As a result of the dramatic structural changes in the magnesium market, Hydro's board of directors decided in autumn 2001 to terminate primary magnesium production at Herøya, Norway, in the course of the first quarter 2002. A new magnesium foundry was brought on stream in China.

A g r i

The world's population has just passed six billion. Millions go hungry to bed each night. We may hope that population growth will slow down, but it's not going to stop. A few areas of the world produce too much food. But one of the most important challenges is to produce more where the need is greatest.

This is why fertilizer is vital. More than 40 percent of the world's harvest comes from plants fed with nutrients from mineral fertilizer.

We discovered the first means of producing plant nutrition on a large scale early in the last century. Year by year, the work of our research scientists has brought us more knowledge of food plants and their nutritional needs. And our agronomists collaborate with leading experts at universities and agricultural colleges all over the world. This means that we can offer more information to food producers on how

they best can realize the natural growth potential of their crops. And we can be sure that the food we eat is of high quality, both with regard to taste and nutritional content.

Cultivating food, without putting the ability of the next generation to feed itself at risk, is a challenge throughout the world. Along with our fertilizer pellets, we spread our insights into plant nutrition on every continent. And we bring the results from research over many years to meet local challenges and needs.

In every country our efforts are the same – to create a more fertile soil and increase its nutrient content.

We can therefore hope that enough food will be produced to feed everybody when the world's population exceeds 10 billion.

Our contribution
to feeding
10 billion





Two thirds of the world's population are farmers. Many of them struggle to maintain the fertility of the soil.



We have turned the vessel around, a new course is set and we are now gathering speed. Our ambitions are far from modest and we are aiming for a position in the chemical industry's top league. With our leading global market position as a starting point, we shall improve our results and grow faster than our competitors. And increases in cash-flow will exceed growth in investments.

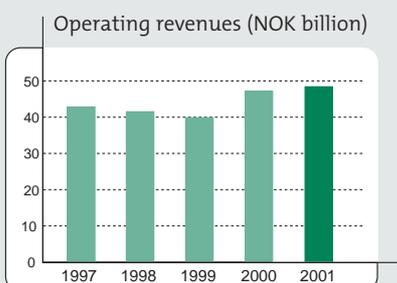


Thorleif Enger,
Chief Executive Officer of
Hydro Agri

AGRI

With a global market share of six percent, Hydro is the world's largest supplier of fertilizer and the only company with a strong presence in every part of the world. Our sales and market organizations in nearly 60 countries offer customers a unique range of products and services. We have modern production plants serving global and local markets. Our growth strategy strives to strike a good balance between our own production and access to products through partly-owned plants and strategic supply contracts. The European operation has been through an extensive restructuring process in recent years. In addition to plant nutrition, we also market industrial gases and chemicals, mostly in the form of upgraded by-products from fertilizer production.

Hydro Agri has nearly 10,000 employees and is made up of 12 market-oriented business units, most of which are rooted in and have responsibility for their region, together with a central staff and support network.





Agri

The global fertilizer market is our home ground. With an average market share of six percent, Hydro is unique in being able to offer a wide range of plant nutrition, as well as agronomic services on all five continents. In addition, our well-developed logistics system ensures delivery at the right time. A thorough knowledge of the use of plant nutrients helps farmers all over the world to achieve good harvests and a sound financial return for their efforts. With our starting point among the best in the fertilizer industry, we have ambitions of gaining a similar position in the global chemicals industry.

COSTS DOWN BY A THIRD

In 2001 we completed an extensive restructuring operation. We have literally turned around the organization and business processes, increased coordination through central support functions and have established deep-seated market responsibility in strong regional business areas. Focusing on core areas, we have reduced costs in a period of just over two years, to give an annual cost reduction of NOK 2.9 billion. At the same time, the workforce has been reduced by 3,750. Both reductions represent around a third of the 1998 level. In addition, a total of 30 large and small operations have been sold or wound up. The result is an increase in production per employee from 2,500 tonnes in the mid-1990s to 3,500 tonnes in 2001, and a 30 percent reduction in fixed costs per tonne.

MORE PARTLY-OWNED PLANTS

As a leading player we have been at the forefront of capacity reductions in the European fertilizer industry. The markets for nitrogen fertilizer are now in balance.

We sold around 20 million tonnes of fertilizer all over the world through our extensive distribution net in 2001. Of this around 11 million tonnes were produced at our own plants, primarily in Europe. We also sold considerable volumes from partly owned companies in Qatar, Trinidad and USA. We will increase the number of partly owned production plants in line with our future growth strategy.

GROWING TOGETHER ...

We are international leaders in the production, transport, trade and maritime storage of ammonia, which is the raw material for all nitrogen fertilizer. This ensures stable production.

Qatar Fertilizer Company, where Hydro has a 25 percent ownership interest and marketing agreements for major parts of its production, decided in 2001 to increase its production capacity for ammonia and urea by 700,000 tonnes and 1,120,000 tonnes respectively.

... IN ASIA AND LATIN AMERICA

The results from our turnaround operation have given us a new platform for developing attractive and stable results. In addition

to sharpening our appetite for further improvements. Future growth in fertilizer production will primarily take place in collaboration with others. Our ambitions are particularly directed towards growth markets that do not produce enough fertilizer for their own needs, mainly in Asia and Latin America.

FOCUS ON HIGHER MARGINS

We focus more on the products that give the best margins, specialty fertilizer and new industrial niche products based on the gas and chemicals formed in fertilizer production. Profitability and growth in the gas and chemicals sector have been good in recent years. In 2001 we entered into a specialty fertilizer partnership with the Chilean company Sociedad Quimica y Minera de Chile (SQM). Growth otherwise will be based on the company's strength in nitrogen.

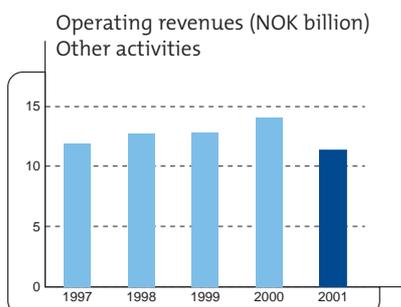
KORN- OG FODERSTOF-KOMPAGNIET (KFK),

a Danish company, which is 62 percent Hydro owned, delivers products and services to the Danish and Swedish agricultural sectors. It owns Biomar, the third largest fish feed company in the world. As a result of changes to the Danish fertilizer distribution system, the grounds for ownership in KFK in terms of market strategy are no longer present. Hydro has therefore decided to sell its interest in KFK.



OTHER ACTIVITIES

Other Activities are defined as lying outside of Hydro's three core areas Oil and Energy, Aluminium and Agri. With production in Norway, Sweden and England, Petrochemicals is a considerable supplier of the plastic material PVC. Pronova develops ideas and products that are later either returned to one of the three business areas or sold at the point of commercialization. Other Activities also include Hydro Business Partner, which delivers services within Hydro and to the external market, and the casualty insurance company Industriforsikring. Around 5,600 employees were employed in Other Activities in 2001.





Other Activities

PETROCHEMICALS

PVC is found in many of the products we have around us. This plastic material is utilized in life-saving equipment such as blood bags, disposable gloves and medical tubing. PVC forms part of the infrastructure that makes our lives more comfortable. It is used in water and drain pipes, as insulation for electrical cables, in window frames and flooring. And it is found in products that provide protection, such as waterproof jackets and rescue suits.

PVC has many good properties. It is flexible, water repellent, practically maintenance free, easy to mold and has a long lifetime. Durability, in addition to the low consumption of resources, are positive environmental qualities. In connection with Hydro's focus on sustainable development, Petrochemicals has adopted the methodology of the environmental program "The Natural Step" and will draw up an extensive overview of ecological and social principles for sustainable development.

With its basic production in Norway, Sweden and England, Petrochemicals is a major supplier of PVC in Northern Europe. Through alliances we are also present in Portugal, China, India and Qatar. With a 30 percent stake, Hydro is the second largest owner of Qatar Vinyl

Company, which started up a new production plant for ethylene chloride, vinyl chloride monomer, caustic soda and soda lye in 2001, with assistance from Hydro Technology and Projects. Major customers are registered from such countries such as Australia, India, Japan, Malaysia, Indonesia and Thailand.

Hydro's production plant for PVC products in Singapore was sold in 2001.

PRONOVA

New, non-core activities are developed in Pronova and new projects brought up to the point of commercialization. They are then returned to one of Hydro's business areas or sold. Pronova's activities are wide-ranging: natural solutions for the food and pharmaceuticals industries, advanced industrial packing systems, in addition to environmentally friendly cooling and heating systems in aluminium – based on advanced CO₂ technology.

One of our successful products is Omacor™, which achieved a breakthrough in 2001. This preparation has been approved as a drug in the UK, Germany, France and several other countries. Extensive studies show that Omacor™ reduces mortality in heart attack patients by 20 percent and sudden death by 45 percent. Omacor™, which is based

on Omega 3 fatty acids from marine oils, was first developed at Hydro's research center in Porsgrunn and is the first original therapeutic drug developed in Norway.

In collaboration with the Foundation for Scientific and Industrial Research at the Norwegian Institute of Technology (SINTEF), Hydro has developed a new heat pump system that uses CO₂ instead of environmentally harmful HFC gas. This system is marketed under the name Shecco™, and was nominated for the Financial Times Environmental Innovation of the Year award in 2001. Pronova has signed an agreement with the Japanese company Denso on the application of this technology in cars.

Hydro has developed its own formiate-based animal feed additive, Formi®. This product was approved by the EU authorities in 2001 as a growth enhancer in pig feed. Formi® is the only growth enhancer approved by the EU and is an alternative to the controversial antibiotic-based growth enhancers that have been used.



Report for 2001

Hydro strengthened its position in 2001 through the successful implementation of several strategic measures that together equip the company to meet the challenges facing its three core areas: Oil and Energy, Aluminium and Agri.

2001 was, however, a challenging year for Hydro in terms of meeting its targets. This was mainly due to weaker market conditions, particularly for aluminium, but also reflects a somewhat slower rate of improvement than forecast within certain operations. Sharp focus continued, therefore, to be directed to improvements throughout the company during the year. A number of measures were implemented which shall lead to better operations and lower costs in the future, but which resulted in non-recurring costs for 2001.

At the start of the 2001, Hydro was in a good position to improve its results and increase value creation.

During the course of 2001, preparations were made for the purchase of the German aluminium company VAW. An agreement was signed in January 2002, and take-over is expected to take place during March, on approval from the competition authorities. This acquisition will give the company a new and stronger role in the global market for aluminium and aluminium products. Hydro will be one of the world's top three aluminium companies and the largest player in the European market. The board is very satisfied that the acquisition will proceed within a frame-work that provides a firm basis for increased value creation.

The board will direct considerable attention during the coming year to the development of Hydro Aluminium so that planned cost and market synergies are realized, with appropriate consideration for the company's customers and employees.

Hydro Aluminium continues to develop its metal supplier concept. This business model meets customers' needs through supplies from a combination of its own plants, market positions and partnerships. During the course of the year, an extension of alumina production capacity was started in Alunorte in Brazil. Hydro also increased its ownership in Alunorte to approximately 32 percent. Extensive modernization and extension of the company's metal plant in Sunndalsøra was started, and a new remelt plant came into production in Spain. A decision was also taken to make a similar investment in a new remelt plant in Texas, USA. Downstream activities were enhanced through the board's decision in September to purchase the French company, Technal. Take-over occurred in January 2002, making Hydro the world leader in aluminium building systems.

Hydro's corporate assembly decided in October to close

”

During the course of 2001, preparations were made for the purchase of the German aluminium company VAW. The acquisition will give Hydro a new and stronger role in the world market for aluminium and aluminium products. The company will be one of the world's three leading aluminium producers and the largest player in the European home market.



Egil Myklebust, chairman



Borger A. Lenth, vice chairman



Elisabeth Grieg



Anne Cathrine Høeg Rasmussen



Håkan Mogren



Ingvild Myhre



Gudmund Per Olsen



Odd Semstrøm



Per Wold

Report for 2001

down production of primary magnesium in Porsgrunn as a result of the extremely difficult market situation and unprofitable operations. Hydro will, however, continue to be a leading player in the magnesium sector through its activities in Norway, Germany, Canada and China.

Difficult market conditions are the main reason for the lower results from Light Metals compared to the previous year. The board believes, however, that the purchase of VAW, market positioning and a number of improvement measures, place Hydro's aluminium activities in a position to deliver better results; notwithstanding, the market prospects for the first half of 2002 are weak.

Hydro Oil and Energy made considerable progress during the year in increasing its international activities. The results so far include promising positions in Angola, where Hydro plays a central role in the exploration and production of considerable resources in ultra deep water. Production started in Canada on the large Terra Nova field in January 2002, and Hydro is one of the first foreign companies that has been given the opportunity to take part in national exploration projects in Iran. In July, the board approved the purchase of a number of exploration licenses in the Gulf of Mexico from Conoco. It was also decided that Hydro's interests in oil and gas fields in Libya shall be further developed within the company. Exploration results from these interests have so far been very positive.

All in all, these represent significant steps in the internationalization of our oil and energy operations. This development is highlighted by the fact that in 2001 the company invested more in international exploration than in the Norwegian continental shelf for the first time. This trend is expected to increase in the next few years.

Like the other players on the Norwegian continental shelf, Hydro has had somewhat lower oil production than originally estimated. The Norwegian continental shelf will, however, remain a core area for the company in the years to come. In January 2002, Hydro therefore submitted an offer for certain parts of the State Direct Financial Interest in the Norwegian shelf that the government has offered for sale. These interests are expected to be awarded during the course of April 2002.

Hydro's Agri Turnaround process was concluded with a highly satisfactory result. Both costs and manning levels have

been reduced by over 30 percent since 1998, excluding purchased operations during this period. In addition, more than 30 production and market units have been sold or closed down. Throughout this process, Hydro has been a key player in the restructuring of the European fertilizer industry. At the same time, Agri has increased its business volume through interesting investments and partnership agreements in high growth markets outside Europe.

Hydro Agri's business model has resulted in a situation today where Hydro trades around 20 million tonnes of fertilizer on the world market, while its own production is around 11.5 million tonnes. The business model, which focuses on realizing gains throughout the entire plant nutrition value chain, provides considerable opportunity for optimizing value creation.

As a result of its position as the largest player in the global plant nutrition market, Hydro Agri was further strengthened during the year. Today Hydro Agri is one of the most profitable fertilizer companies in the world, and is in a good position for further developing the operation to give lasting and competitive profitability.

A key element in the company's strategy "Focus for the future", which was drawn up in 1999, was the disposal of non-strategic assets amounting to at least NOK 10 billion before the end of 2001. This target was reached earlier than expected, and disposals amounting to approximately NOK 16 billion had been carried out by the end of 2001.

The efforts to find a suitable purchaser for the Petrochemicals operation will continue as part of the disposal process. At the same time, Hydro will further develop Petrochemicals within the current organization until an appropriate solution is found. The company will also seek buyers for the Kornog Foderstofkompagniet and VAW's Flexible Packaging operation.

In 2000 the board decided to introduce rate of return targets based on cash return on gross investment (CROGI). In 2001, CROGI was 9.1 percent, while the equivalent figure for 2000 was 12.3 percent. The decline is mainly due to a considerably weaker market for aluminium products and lower oil prices. In addition, the 2000 result includes significant gains in connection with sales of operations.

In order to better monitor the development of underlying operations, we have also calculated CROGI on normalized prices for the most important products. In 2000, the board expressed the ambition of CROGI based on normalized prices of 9.5 percent for 2001 and 10 percent for 2002. On the basis of normalized prices, CROGI was 8 percent in 2001. The company is expected to achieve CROGI based on normalized prices of between 8 and 9 percent in 2002. The board is committed to its target of delivering CROGI of 10 percent over a business cycle.

The company's debt/equity ratio, calculated as long-term interest-bearing debt divided by equity was 0.27 at the end of 2001 after adjustments for excess cash and cash equivalents. Once the acquisition of VAW and the possible acquisition of SDFI shares are completed, the ratio is expected to increase to around 0.7. The board has set the target of bringing the debt/equity ratio back down to 0.5 before the end of 2003.

The board's work concentrates on strategic and portfolio issues. The improvement work, that has been carried out since "Focus for the future" was announced in 1999, has given Hydro a sound basis from which to take part in further industrial development within its three core areas. The board will continue to seek solutions that give increased value creation for the company and its shareholders, including solutions which may involve alterations to the current corporate structure.

The board continued in 2001 its work on strengthening Corporate Governance. New guidelines have been developed for distribution of work and responsibility between the board and the administrative management. The work that has been completed so far has aimed at bringing Hydro's management systems up-to-date in accordance with international practice. The board will follow up this work to ensure that Hydro has effective and transparent management systems.

The company places great importance on contributing to sustainable development. This work is described in more detail on pages 34-41. The company will remain in the top league in terms of consideration for the environment and society, ensuring the safety of our employees and contractors, and creating products and production processes that are sustainable in the long-term. Our ambition is to ensure that growth and acceptable rates of return also contribute

to solving environmental challenges and making positive contributions to the societies in which we operate. The board is, therefore, highly satisfied that Hydro is represented for the third year running in the Dow Jones Sustainability Index, and is also included in the new FTSE4Good index on the London Stock Exchange.

2001 FINANCIAL RESULTS

Norsk Hydro's net income after tax in 2001 was NOK 7,892 million, or NOK 30.50 per share, compared with NOK 13,981 million, or NOK 53.40 per share in 2000. Operating income of NOK 21,083 was roughly 26 percent below the record result in 2000. Income before tax and interest expense (EBITDA) fell by 19 percent. The results were affected by weaker markets and restructuring costs. The oil price was considerably lower than 2000, particularly towards the end of the year. In Light Metals, market conditions were difficult with reduced prices and volumes, especially in the second half of the year. Agri delivered good results, continuing to reduce costs while increasing market share.

The results for 2001 include gains from divestments, but on a lower scale than in the previous year. For 2001 these gains represented NOK 520 million after tax (NOK 2.00) per share. For 2000 they amounted to NOK 2,800 million after tax, or NOK 10.70 per share. The most significant amounts in 2001 relate to the sale of Hydro Seafood's UK operation, plus sales of electricity grid in Norway.

Earnings from non-consolidated investees were reduced by NOK 106 million to NOK 566 million, primarily as a result of foreign currency losses on alumina operations in Brazil, of which Hydro's share amounted to NOK 185 million.

Net financial expense was NOK 762 million, a reduction from NOK 2,158 million in 2000. The reduction reflects interest earned on the group's increased cash reserves plus somewhat lower currency losses than in the previous year.

The provision for current and deferred taxes was NOK 13,750 million, equivalent to approximately 64 percent of pretax income. The corresponding figures for 2000 were NOK 16,178 million and 54 percent. The increase in tax percentage is primarily due to the relative share of earnings generated by oil operations on the Norwegian continental shelf, where the marginal tax rate is 78 percent, being somewhat

Report for 2001

higher in 2001. In addition, tax expense for 2000 was largely influenced by gains from divestments.

Cash provided by operations amounted to NOK 26.2 billion, an increase of two percent compared to 2000. Net cash used for investment purposes was NOK 14.7 billion in 2001, compared with NOK 3.6 billion in 2000. Investments totaled approximately NOK 16 billion in both of these years, while cash flow in 2000 was positively impacted by the sale of operations and assets of NOK 12.7 billion.

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

For a more detailed description of the company's operations and their location, you are referred to the section on each core area.

REVIEW OF BUSINESS AREAS

OIL AND ENERGY

EBITDA in NOK million	2001	2000
Exploration and Production	25,768	28,656
Energy	1,721	1,745
Oil marketing	115	211
Eliminations	-	29
Total Hydro Oil and Energy	27,604	30,641

EBITDA for Oil and Energy was NOK 27,604 million, 10 percent lower than in 2000. The decline primarily results from average oil prices in Norwegian krone terms that were 12 percent lower than in 2000. The price of crude oil for the year averaged USD 24.2, compared with USD 28 in 2000. Hydro's production of oil and gas in 2001 was 421,000 barrels of oil equivalents per day, an increase from 416,000 barrels of oil equivalents in 2000. Hydro's remaining oil and gas reserves amounted to 2,073 million barrels of oil equivalents in 2001, compared with 2,040 million barrels of oil equivalents in 2000. Hydro's reserve replacement ratio in 2001 was approximately 122 percent. Power production in 2001 was somewhat lower than in 2000, but higher than in a normal year. Relatively high power prices compensated partially for lower volumes. The company's remaining electricity grid assets were sold, generating earnings of NOK 179 million. Lower refinery margins and volumes impacted negatively on results.

LIGHT METALS

EBITDA in NOK million	2001	2000
Aluminium Metal Products	2,414	3,744
Aluminium Extrusion	767	1,307
Other Light Metals	(672)	483
Eliminations	34	(33)
Total Hydro Light Metals	2,543	5,501

EBITDA for the Light Metals area was NOK 2,543 million, a fifty percent reduction compared to 2000. This business area experienced difficult market conditions, especially in the second half of the year. Pressured margins and total market volume reductions affected all parts of the operation. However the impact appeared first, and was most significant, in the extrusion sector and in automotive market supply. Continuing low prices for magnesium in Europe led to Hydro deciding to close down its primary magnesium production facility in Porsgrunn. This resulted in plant write-offs of NOK 261 million and other restructuring costs of NOK 700 million. Hydro also incurred losses on aluminium market options and futures in 2001. Total losses on these contracts amounted to NOK 545 million in 2001. There are currently no equivalent open positions and Hydro's policy has been amended so that such options will not be entered into in the future. Considerable improvement programs were implemented in Light Metals which, together with the synergies expected in connection with the VAW integration, are estimated to deliver a positive contribution to results towards the end of 2002 and in 2003.

AGRI

EBITDA in NOK million	2001	2000
Plant Nutrition	3,774	2,841
Gas and Chemicals	628	712
KFK	350	386
Eliminations	17	43
Total Hydro Agri	4,769	3,982

EBITDA for Agri was NOK 4,769 million, an increase of 20 percent compared to 2000. The increase occurred despite volume decreases as a result of seasonal variations between autumn 2000 and spring 2001, and the very special weather conditions in Europe in the spring of 2001 that led to lower total fertilizer consumption. The Hydro Agri Turnaround improvement program has brought about reduced costs and more efficient production, as the improved results clearly indicate. The workforce has been cut back by 3,750 persons

and cost levels reduced by more than 30 percent when compared to the level in 1998, adjusted for acquisitions made during the period.

OTHER ACTIVITIES

PETROCHEMICALS

EBITDA for Petrochemicals resulted in a reduction of 45 percent down to NOK 363 million. Rationalization costs and costs relating to the demolishing and clean-up of one obsolete plant, amounting to NOK 225 million, were charged to the 2001 result. Nonrecurring costs in 2000 were NOK 173 million. Excluding nonrecurring costs, underlying results declined for 2001 primarily as a result of lower S-PVC prices. This was partly offset by higher caustic soda prices.

ECONOMIC CONDITIONS

World wide economic development suffered a downturn in 2001 with lower growth in industrialized countries, especially during the second half of the year. Prospects for the first part of 2002 indicate a continuing weak development in Hydro's most important markets. The OECD is expecting improvement during the second half of the year, though there still remains much uncertainty regarding the extent and timing of a possible upturn. Growth forecasts for 2003 are relatively optimistic for most industrial countries.

The weak development in 2002 will involve continued difficult market conditions for Hydro Aluminium and Petrochemicals during the first half of the year. A possible upswing in the international business environment during the second half of the year may contribute to a more positive development in demand in these markets. For aluminium, the potential re-start of idled production capacity in the USA may soften the market effect of any growth in demand. A weak international economic development will also curtail demand for oil globally and the consumption of natural gas in Europe. Crude oil price developments will depend on both the rate of growth in demand and the production restrictions implemented by OPEC and other oil producers.

An improved balance in the European fertilizer market will support the fairly positive price development for nitrogen fertilizers in this market. For nitrogen products that are mainly used outside Europe, such as urea, prices are expected to reflect a continued overcapacity.

HEALTH, SAFETY AND ENVIRONMENT

Hydro continued its efforts during 2001 to implement systematic improvements in health, safety and environment (HSE). While improvements were made in several areas, they were not sufficient to fulfil Hydro's ambitions. The company is therefore intensifying the HSE improvement program. As an integrated part of this annual report, the company reports comprehensive information regarding the use of raw materials and energy, environmental emissions and waste, its products, and safety and the working environment. In addition, Hydro has prepared further information on environmental issues and conditions, which is published on the internet (www.hydro.com).

In 2001 five persons, three Hydro employees and two contractors, lost their lives in accidents. The accidents underscore the need to prioritize safety in all parts of the operation. Hydro's main safety performance indicator, the TRI-rate (total number of recordable injuries per million hours worked) reflected an improvement of 30 percent from 2000 to 2001, somewhat exceeding the 2001 target. For 2002 Hydro is aiming for a further improvement to the TRI-rate.

The number of lost-time injuries for contractors increased compared to 2000, following continuous improvements over several years. All measures to improve safety involve our own employees as well as contractors.

Sick leave was further reduced in 2001. The organization will in 2002 continue to focus on the conditions that are the cause of work-related illness, so that corrective measures can be more dedicated.

The number of major accidents remains at an unacceptable level, giving cause for concern. A particular focus will in 2002 be directed towards the reporting of near-misses in order to obtain an even better basis for preventing dangerous situations.

Most emissions and discharges from production were within the concession limits applicable. There were, however, some accidental emissions. The company will in 2002 also direct a special focus on accidental emissions.

Hydro is working systematically on life-cycle analyses for the company's products. These analyses examine the environmental impact throughout the entire value chain and

Report for 2001

will help the company to identify the use of resources at production plants, the environmental impact of production and product applications, and to what extent and how the products can be recycled.

Several of Hydro's production processes lead to considerable greenhouse gas emissions. The company is making efforts to reduce greenhouse gas emissions by better and more efficient operation, by adopting new solutions and technology, and by investing in research and development projects seeking further reductions in emissions.

EMPLOYEES

Restructuring, downsizing, projects, acquisitions and cost savings programs have demanded a lot in the form of flexibility and cooperation from Hydro's employees. Efforts to achieve results by organizational development aimed at harnessing the expertise and creativity of the company's employees represents substantial opportunities and continual challenges for the company. We extend our thanks to all employees for their contribution to Hydro's development,

and for the excellent cooperation we have enjoyed at a demanding time for the company.

NORSK HYDRO ASA

Norsk Hydro ASA (the parent company) had net income of NOK 13,687 million compared with 5,879 million in 2000. The board proposes that a dividend of NOK 10 per share be paid, totaling NOK 2,576 million. It is proposed that NOK 11,111 million be transferred to retained earnings. Distributable equity as of 31 December 2001 was NOK 21,129 million.

Oslo,
28 February, 2002

Egil Myklebust, chairman

Borger A. Lenth, vice chairman

Elisabeth Grieg

Anne Cathrine Høeg Rasmussen

Håkan Mogren

Ingvild Myhre

Gudmund Per Olsen

Odd Semstrøm

Per Wold

Eivind Reiten, president and CEO



Hydro's efforts to deliver the results required by shareholders shall be carried out in ways that also safeguard the interests of employees and society as a whole. We therefore strive to set targets for, and monitor our performance in, the areas of health, environment and safety, organization and corporate social responsibility, as we do when working to improve our economic performance.

The following pages give a brief overview of our work and our results in the above areas, in addition to an extensive overview of our financial results.

A more detailed report on our work within health, environment, safety and corporate social responsibility can be found on our website www.hydro.com. The website also gives an account of the criteria and underlying data for calculating eco-efficiency, comment on the discharge and emissions data for the year, and describe several of the projects we are working on.

our results

- 34 Environmental reporting
- 36 People and organization
- 37 Health and safety
- 40 Corporate responsibility
- 41 The global debate
- 42 Financial review
- 66 Consolidated financial statements US GAAP
- 68 Consolidated financial statements N GAAP
- 71 Notes to the consolidated financial statements
- 103 Financial statements of Norsk Hydro ASA
- 110 Operational data

Finding answers to global challenges in our day-to-day work

In our day-to-day work to meet the needs for food, energy and transport, we must find better solutions to several of the most important environmental challenges of our time: the use of non-renewable energy sources, emissions that contribute to global warming, the leaching of nutrients and other discharges of chemicals that can harm the environment.

We have a continuous focus on the challenges connected to our activities. Non-renewable energy will be utilized in the best possible way and with minimal impact on the environment, both in terms of production and consumption. Our ambition is to be among the best. We are strengthening our involvement in renewable energy, working systematically to promote the re-use and recycling of materials and effective use of plant nutrition.

INDUSTRY'S RESPONSIBILITY

Through the World Business Council for Sustainable Development, Hydro has contributed during the last decade to steering industry in a more sustainable direction. Industry both has responsibility for and can be part of the answer to the challenges of global warming. We endeavor to meet the frame conditions that follow from the Kyoto agreement. In addition to our work on reducing greenhouse gases from our own production, we also contribute to developing mechanisms that can trigger the innovation needed to meet these challenges in an efficient manner.

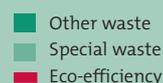
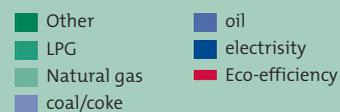
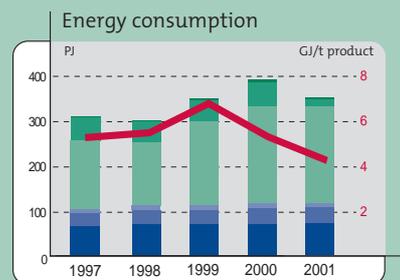
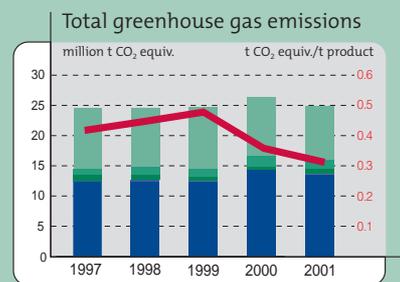
We carry out life-cycle analyses to assess environmental effects throughout the value chain. These analyses help us to map the consumption of resources at our production plants and the environmental impact stemming from use of our products, and to identify opportunities for reuse or recycling. We carry out extensive research to develop better solutions and increase our competitive edge, and as a major supplier of light metals, we have the ambition of taking a leading role in this area.

CONSUMPTION OF NATURAL RESOURCES

Hydro works in industries that meet essential needs in our modern world. At the same time we are aware of the dilemmas connected to growth and the consumption of non-renewable resources. In addition to energy, Hydro's most important raw materials for production are phosphate, potassium, aluminium oxide and aluminium fluoride, dolomite, magnesite and sodium chloride. As a leading industrial company, we believe it is essential to take a proactive approach: we shall develop technology and work processes to optimize the utilization of resources and minimize detrimental effects.

PRODUCTION

Our production of oil and gas in 2001 was somewhat higher than the year before. The production of mineral fertilizer in our own factories declined, while the light metals operation showed a slight increase.



Discharges of greenhouse gases from Hydro's production in 2001 were distributed as follows: 69 percent from Agri, 16 percent from Light Metals and 14 percent from Oil and Energy. In addition the use of our products – in particular CO₂ from burning oil and gas and the emission of nitrous oxide from the application of plant nutrients – cause emissions of greenhouse gases. On the other hand, the application of light metals in place of other metals will decrease the emissions of CO₂ during use.

Hydro is following several approaches to meet these challenges. We are developing new technology to reduce the formation of nitrous oxide during the production of nitric acid, and are working together with the agricultural sector on the environmentally correct use of plant nutrition. We have developed pre-bake technology for aluminium production that reduces specific emissions of greenhouse gases, fluorides and polyaromatic hydrocarbons. In addition to investing in renewable hydroelectric power, we are also working on technology to decarbonize fossil energy sources and are increasing our efforts to develop hydrogen as an energy carrier and to develop other renewable energy sources, including trial project for utilizing wind power.

EMISSIONS FROM OUR OWN PRODUCTION

Most of the emissions and discharges from Hydro's production were within the current concession limits. There were, however, some accidental emissions and discharges. Although these did not have any serious environmental consequences, we are intensifying our efforts to further improve our environmental work.

The work to meet the challenges in connection with greenhouse gases will be continued with increased force.

ECO-EFFICIENCY

The concept of eco-efficiency was developed by the World Business Council for Sustainable Development (WBCSD) in 1992, and is widely recognized by industry. It merges the essential ingredients of economic and ecological progress that are necessary for securing efficient use of natural resources, lower emissions and economic prosperity.

Hydro was involved in the development of reporting systems for eco-efficiency in the World Business Council for Sustainable Development. In 1999 and 2000, Hydro reported eco-efficiency based on the economic value of our products. In 2001 we reviewed our use of eco-efficiency indicators and found it appropriate to report eco-efficiency based on product volume as value indicator.

With the exception of waste, all our eco-efficiency indicators showed an improvement for 2001. The improvements show that we:

- produce more with less energy
- produce more with lower emissions of greenhouse and acidifying gases.

The negative development for waste is due to the acquisition of a fertilizer plant that also produces gypsum as part of its process.

Hydro's complete environmental report for 2001 is published on our internet site, www.hydro.com. Here we give a full presentation of this area of our work. We account for the criteria and basic data used to calculate eco-efficiency, comment on the year's emissions and discharge data and describe several projects we are working on.



Challenges and opportunities for a motivated organization

The objective of our People Policy is to strengthen Hydro's competitiveness. We promote a dynamic, diverse and energized organization, where all managers and employees contribute to innovation, performance improvements and first-class results. Accordingly we wish to attract talented people and to release and utilize the full potential of both our employees and the organization.

As a global company engaged in several activities, our ambition is to continually align the organization to the competitive challenges and needs of each of our business areas. In doing so, we aim to conduct an open and active dialog with employees and local communities.

COMPENSATION

In 2001 we have amended our compensation systems to reflect Hydro's performance drive and focus on shareholder value:

- We introduced performance related pay in a large number of business units, ensuring a focus on and increasing motivation to meet operational goals contributing to overall group performance.
- We introduced a bonus and option plan, designed to give key executives incentives better aligned with shareholder interests.
- We linked existing share purchase arrangements for employees more closely to the development of the share price. Around one third of employees were shareholders at the beginning of 2002.

ORGANIZATIONAL CHANGES

We have aligned our organization in accordance with our concentration on three core areas:

- We have moved from 12 divisions into three business areas for strategic thrust, more efficient support functions and better utilization of resources.
- Hydro Business Partner is restructuring a fragmented group of shared services into customer focused and competitive businesses.

RESTRUCTURING

For the third year in a row we have undertaken significant restructuring aiming to improve the competitiveness of our core businesses:

- Hydro's largest industrial site in Porsgrunn, Norway, reduced its workforce by 550 man years in a general

productivity drive within the Agri, Business Partner, Petrochemicals and Magnesium businesses early in 2001. In October 2001 the decision was also made to close the magnesium plant, leading to the loss of an additional 600 jobs. To reduce the impact on the employees and the community, Hydro has cooperated with external companies in creating 200 new jobs. In addition we have awarded severance payments and are actively developing new business opportunities in the service sector through Hydro Business Partner.

- Hydro Aluminium has announced extensive cost reduction plans to achieve world class competitiveness. The reorganization will result in a reduction of around 1,100 jobs. These reductions will affect a large number of operations, and measures for those affected will vary according local practice and needs.
- In 2001 Hydro Agri assessed the effect that plant closures in Europe during the previous two years had on the employees involved. While no plant closure or downsizing is welcomed, the findings are that the processes have been handled responsibly and that most employees are satisfied with the support they were given. External consultants were engaged in the UK and France to find alternative jobs and most of the affected employees received job offers. We are impressed with the professionalism and loyalty of employees and their representatives in connection with the closures.

EMPLOYEES IN NORSK HYDRO

(by country)*

■ Hydro total	35 563
■ Norway	15 209
■ USA	2 508
■ Denmark	2 399
■ France	1 867
■ Sweden	1 730
■ UK	1 591
■ Germany	1 565
■ Italy	1 163
■ Brazil	1 073
■ The Netherlands	804

* as of 31 December, 2001



Health and safety efforts

Our most important safety performance indicator, the number of recordable registered injuries, showed a significant improvement in 2001. We acknowledge that the results are not satisfactory, and must be further improved.

A safe working environment and measures to take care of employees' health and safety are important in themselves. For the company these are also part of the basis for fulfilling our business ambitions. When serious accidents take place despite this, we try actively to learn from the accidents and use this experience to improve our safety work.

More systematic work within in health, environment and safety over the years have given considerably better results, and we made significant progress in 2001.

FATAL ACCIDENTS

Despite strong efforts and considerable improvements in many areas, there were five fatal accidents in 2001. Three of the five persons who died were Hydro employees in Norway, Benin

and Italy. Two were contractor employees – in Norway and Brazil. In the previous year, five people were killed in accidents at work, and seven in 1999.

REPORTING OF ACCIDENTS AND NEAR-MISSES

Our reporting of incidents is not good enough. However between one and two major incidents are reported each week. This causes concern and we are sharpening our focus on incident reporting, actions and follow-up, in order to improve this situation. All accidents are investigated in order to determine the cause and measures are taken to prevent similar accidents in the future.

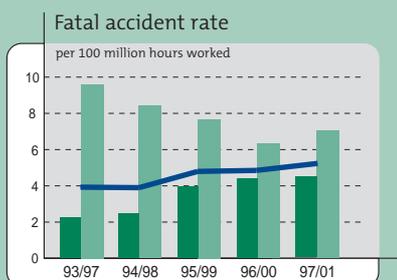
In order to reduce the number of dangerous situations that can result in accidents, great emphasis is placed on better reporting of near-misses.

PERSONAL SAFETY

The number of total recordable injuries per million hours worked (TRI-rate) is our main performance indicator for safety. TRI covers the total number of lost time injuries, injuries that led to alternative work and injuries that required medical treatment. We achieved a considerable improvement in 2001, with a TRI value of 9.5, compared to 13.7 in 2000 and 12.9 in 1999. The target for 2002 is to bring the TRI-rate down to 7.5, which will be an improvement of an additional 20 percent.

The LTI-rate (lost time injuries per million working hours) for Hydro employees was 3.1 in 2001, compared with 4.6 and 4.0 the two previous years. The number of lost time injuries for Hydro employees was 191 in 2001, compared with 296 in 2000 and 264 in 1999.

The number of injuries that led to alternative work was 107, compared to 166 and 148 in the two previous years. There were also 295 cases (423 in 2000 and 433 in 1999) where



■ Contractors
■ Hydro employees
■ Combined



■ Contractors
■ Hydro employees



medical treatment was needed. In these cases the employees were able to return to their normal work.

Unfortunately the lost time injury rate for contractors had a negative development in 2001, and the LTI rate was 3.8, compared to 2.8 and 5.3 the two previous years. We have the same requirements for our contractors as for our own employees, and our safety precautions include everyone who works in and for Hydro.

HEALTH AND WORKING ENVIRONMENT

The sick leave rate was 3.2 percent in 2001, compared to 3.9 percent in 2000 and 3.8 percent in 1999.

Several units use regular surveys to assess the psychosocial working environment as the basis for improvement measures. The company has initiated a project to find better parameters for measuring working environment and health other than sick leave.

SECURITY

Developments in society have increased the need to improve the security level for our employees and technical installations. Hydro works continuously to develop threat and vulnerability analyses and emergency preparedness plans, in addition to audits of security levels for physical installations and data.

INSURANCE PAYMENTS

Insurance claim settlements by offshore and land-based activities as a result of physical damage and consequential loss amounted to NOK 177 million, compared to NOK 538 million in 2000 and 365 million in 1999.

THE PRESIDENT'S SAFETY AWARD

As an extra incentive in preventing accidents and injuries, Hydro introduced the President's Safety Award in 1995. The winner of the award in 2000 was Hydro Agri Sweden, while Hydro Polymers AS received the award for 2001.

Management and regulatory requirements

MANAGEMENT SYSTEMS

Health, environment and safety, social responsibility, dialog and communication are all integrated line responsibility elements in Hydro. The corporate directive on health, environ-

ment and safety was revised in 2000 and stipulates the requirement that all major production units must be certified in accordance with standards for international environment management systems. At the end of 2001, 23 units were certified in accordance with ISO 14001 or EMAS, compared with 25 the year before. The decline is mainly due to alterations in ownership structure. Hydro's Agri operations use the internal system SHE-RS, which was developed together with Det Norske Veritas. Most of these operations meet the ISO-14001 requirements and are working towards certification.

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 polluted. In note 21 to the accounts, which provide a more comprehensive description, it is stated that the provision for future corrective measures amounted to NOK 268 million as of 31 December 2001, compared with NOK 263 million as of 31 December 2000.

Environmental measures undertaken for corrective action at our plant locations take the form of special projects alongside normal operations. Environmental improvements are often an integrated part of our investments and operation with the result that it is impossible to segregate costs relating to such improvements. As a result, the company discontinued reporting the environmental component of total investments and costs.

CONCESSION LIMITS

The majority of emissions and discharges from Hydro's plants were within concession limits. Certain accidental emissions and discharges did however occur without serious environmental consequences.

STATEMENT BY THE ENVIRONMENTAL AUDITOR

In accordance with the terms of their assignment, Deloitte & Touche has reviewed the routines and procedures the company has applied in order to obtain the basic data needed to present the HES information on pages 34-39 of our annual report, and which also provides the basis for the Internet presentations. The report of our environmental auditors is available as part of the electronic version of the annual report on the internet.

Corporate Social Responsibility a prerequisite for good business operations

Industrial operations have considerable spillover effects on people, society and the environment. Hydro's corporate responsibility includes the obligation to systematically manage the social and cultural sides of our operations. This is seen as essential for good business management and contributing to value creation. Our ambition is to make a positive contribution to the quality of life for those who are directly and indirectly affected by our operations.

Social issues tend to be complex and difficult to quantify. New skills are required and dilemmas arise that must be taken into consideration. These included combining emphasis on universal standards and respect for local culture and development, delineation of responsibility between companies, the authorities and civil society, and reconciliation of social responsibility with competitiveness.

Hydro's corporate social responsibility (CSR) takes both a short-term and long-term approach. To generate momentum, we have established a dedicated corporate staff group together with CSR support functions within the business areas. We have developed guidelines for managing social issues in local communities affected by the company's industrial activities, and we foster openness and transparency.

Hydro's ambition of being a responsible player in society is also reflected in our engagement with non-governmental organizations (NGOs). Our dialog with NGOs is based on openness, and we enter into co-operation and alliances where we perceive mutual benefits to the community, NGOs, and the company. We are therefore engaging in partnerships with organizations with expertise and areas of operation that complement our own. We have chosen three areas for social investment: education, human rights and health.

PARTNERSHIP WITH UNITED WORLD COLLEGES

Hydro has entered into an agreement with United World Colleges (UWC), a global provider of education at pre-university level, through its affiliate, the Norwegian UWC Foundation. The UWC offers educational courses at senior high-school level combined with extensive social programs which include the rescue services, community care, agriculture and the arts.

The agreement is designed to enable young people from low-income countries where Hydro is engaged to participate in this unique study opportunity which runs over two years.

HIV/AIDS PROGRAM IN SOUTH AFRICA

Hydro's subsidiary Kynoch Fertilizer in South Africa has launched an information program on HIV/Aids. Until recently, there was little information about the disease circulating in public channels, so awareness of the dangers of HIV is still perilously low. The Kynoch HIV information campaign aims to create basic understanding and dispel widely held myths about the disease. Through dialog with employees, the HIV support group encourages safer and more responsible behavior, thus reducing the extent of the disease among employees and the local community.

SOCIAL PROGRAMS IN BRAZIL

By virtue of our ownership stake, Hydro is involved in the development of social guidelines and programs at two alumina plants in Brazil: Alunorte (32 percent ownership) and MRN, which is Alunorte's main supplier (5 percent Hydro owned).

While MRN has managed the environmental challenges of operating in the rain forest satisfactorily over a number of years, more attention is now directed to conditions for the local inhabitants.

Alunorte is also developing social development programs in five local villages with more than 500 inhabitants. A board of experts from the authorities and the plant is monitoring these programs. To take the work with social issues further, a task force has been set up to develop specific CSR guidelines for the plant.

We are engaged in the global debate

There are many global initiatives that direct attention to issues connected to corporate social responsibility and sustainability. Hydro views it as crucial to participate in this work, both to gain access to expertise and to engage in the shaping of CSR thinking.

The company is a member of the following organizations and initiatives relating to sustainable development:

THE UNITED NATIONS GLOBAL COMPACT was initiated by the UN Secretary-General Kofi Annan in 1999 and addresses the three areas of human rights, labor standards and environmental protection. The Global Compact is made up of several hundred companies from the whole world, including many of the largest. Hydro has taken part since its inception.

THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT was established in 1992 with Hydro among the founding companies, and is made up of 150 international companies from different industries. These work to develop closer collaboration between the business sector, the authorities and organizations that are concerned with environment and sustainable development.

CSR EUROPE is made up of 50 international companies, including some of the largest in Europe, and supports companies in their work to achieve profitable, sustainable growth and

social development through giving corporate social responsibility a key position in business practice. Hydro joined in 2001.

PRINCE OF WALES INTERNATIONAL BUSINESS LEADERS

FORUM is an international network of companies and top executives. The organization was established in 1990 to stimulate social responsible business practice. Hydro has been a member since 1992.

THE GLOBAL MINING INITIATIVE brings together many of the world's largest mining and minerals companies. This leadership program aims to ensure that the industry is responsive to global needs and challenges.

BUSINESS PARTNERS FOR DEVELOPMENT is a project-based initiative made up of international companies and NGOs divided into four different sectors. Business Partners for Development studies and markets good examples of partnership in social and economic development all over the world. The Utkal Alumina Project in Orissa, India, has been the subject of discussion for several years. In 2001 Hydro decided to withdraw from the Utkal Project.

TRANSPARENCY INTERNATIONAL is an international organization dedicated to curbing corruption. Hydro is a member of the Norwegian section of Integrity Initiative, a group that develops anti-corruption rules for multinational companies.



Financial review

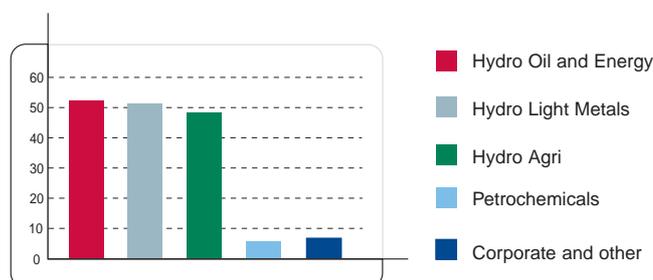
This discussion should be read in conjunction with the information contained in the Company's consolidated financial statements and the related notes included in this annual report.

NOK million	2001	2000	1999
Operating revenues	152,835	156,861	111,955
Operating costs and expenses	(131,752)	(128,395)	(104,220)
Operating income	21,083	28,466	7,735
Non-consolidated investees	566	672	339
Interest income and other			
financial income	2,847	1,747	1,504
Other income, net	578	3,161	1,350
Earnings before interest			
expense and taxes (EBIT)	25,074	34,046	10,928
Interest expense and foreign			
exchange gain/(loss)	(3,609)	(3,905)	(3,055)
Income before taxes and			
minority interest	21,465	30,141	7,873
Income tax expense	(13,750)	(16,178)	(4,337)
Minority interest	177	18	(90)
Income before cumulative			
effect of change in			
accounting principle	7,892	13,981	3,446
Cumulative effect of change			
in accounting principle	-	-	(30)
Net income	7,892	13,981	3,416
Earnings per share (NOK)	30.50	53.40	13.80

2001 COMPARED TO 2000

Hydro's operating revenues and earnings in 2001 reflect a variety of economic and other external factors of relevance to some or all of its business operations. Following exceptionally strong results in 2000 reflecting a robust worldwide business environment, 2001 was characterized by a significant downturn in many major markets. In particular, lower crude oil prices and weak market conditions in all sectors of the aluminum business impacted the Company's results. Notwithstanding these challenging conditions, Hydro took important strategic steps that have and will continue to boost the Company's position in each of its three main business areas - Oil and Energy, Light Metals and Agri. In 2001, Oil and Energy increased production and expanded its portfolio of international exploration and development operations. Agri delivered improved results and made substantial progress in consolidating its leading position within the fertilizer industry. Within its Light Metals business area, Hydro took a major stride towards its strategic goal of growing its aluminum business by entering into an agreement in January, 2002 to acquire the German company VAW.

Total operating revenues for 2001 by area in NOK billion



Operating Results and EBITDA *)

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

EBITDA for 2001	37,757
EBITDA for 2000	46,609
Change in EBITDA	(8,852)
Prices and currency, E & P ¹⁾	(3,090)
Margin	(760)
Volume	(35)
Production and exploration costs, E & P ¹⁾	(119)
Fixed costs	325
Trading and price hedging, Aluminium Metal Products	(1,255)
Restructuring costs	(825)
Non-recurring items ²⁾	(1,225)
Non-consolidated investees	(104)
Interest income and other financial income	1,104
Other income ³⁾	(2,583)
Other	(285)
Total change in EBITDA	(8,852)

- 1) Exploration and Production.
- 2) Includes one time (positive) effect related to pension costs of NOK 470 million in 2000 and effects of charges for rationalization and improvement programs in 2001 and 2000.
- 3) Including the effects of divestment of subsidiaries and non-consolidated investees.

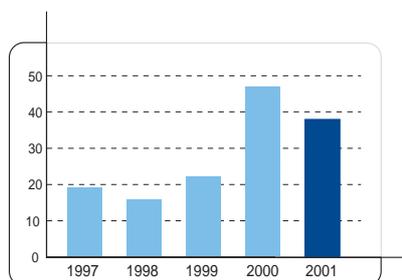
*) See below for a description of EBITDA and a reconciliation to income before taxes and minority interest.

Hydro's operating revenues in 2001 decreased approximately 3 percent to NOK 152,835 million from NOK 156,861 million in 2000.

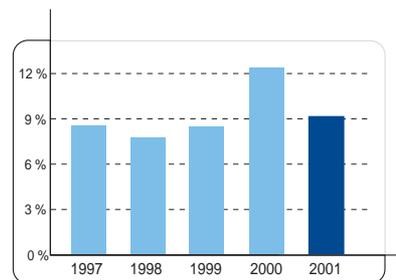
In the Oil and Energy area, operating revenues declined approximately 6 percent to NOK 52,016 million from NOK 55,123 million in the prior year, primarily as a result of lower crude oil prices. However, average production of oil and gas increased by approximately one percent compared to 2000. Oil production outside the Norwegian Continental Shelf increased toward the end of the year as the Girassol field in Angola came on stream.

In the Light Metals area, 2001 operating revenues of NOK 51,083 million were essentially flat compared to NOK 51,130 mil-

EBITDA – in NOK billion



CROGI – Total Hydro



lion in the prior year. The downturn in the business cycle in the second half of 2001 resulted in lower prices and lower margins for both primary aluminum and all fabricated products. Results from aluminium trading activities declined sharply in 2001 reflecting strong alumina trading results in the previous year as well as contract losses and bad debt write-offs in the US market during 2001. Losses on option contracts relating to the Company's price hedging program further dampened results. Light Metals' 2001 results also reflect the Company's decision to close production of primary magnesium in Norway resulting in restructuring charges.

Hydro Agri's operating revenues increased in 2001 to NOK 48,190 million compared to NOK 46,966 million in the prior year, an increase of approximately 3 percent. The increase in operating revenues reflects improved fertilizer prices and increased sales outside of Europe offsetting lower sales volumes in Europe. Agri completed its extensive turnaround program achieving a substantially improved competitive position and enhanced profitability. Restructuring in the European nitrogen fertilizer industry has resulted in improved capacity utilization which positively influenced results.

Other income, which consists of pretax gains on divestment of businesses, decreased to NOK 578 million in 2001 compared to NOK 3,161 million in the prior year. The after-tax effects of these gains were in the amounts of NOK 520 million (NOK 2.00 per share) for 2001 and NOK 2,800 million (NOK 10.70 per share) for 2000. See Note 9 of the notes to the consolidated financial statements for a detailed description of these items.

Net financial expenses in 2001 were NOK 762 million compared to NOK 2,158 million in 2000. The decrease reflects the Company's increased cash balances which resulted in increased interest earnings. Currency losses were somewhat lower than the previous year notwithstanding losses of approximately NOK 130 million relating to the devaluation of the Argentine peso at the end of 2001. Net interest bearing debt at the end of 2001 was NOK 21.1 billion, a reduction of NOK 8.6 billion from the end of the previous year.

The provision for current and deferred taxes for 2001 amounted to NOK 13,750 million, representing 64 percent of pretax income. The corresponding figure for 2000 was NOK 16,178 million, equivalent to 54 percent of pretax income. The tax percentage for 2000 was influenced by the gains on the

sales of operations included in Other income, which were taxed at a lower rate. Excluding the effects of these gains, the tax percentage would have been approximately 59 percent for 2000. The increase in the effective tax rate for 2001 results from the relatively larger share of earnings from oil and gas activities in Norway, which are taxed at a marginal tax rate of 78 percent.

As a result of amendment to regulations relating to distribution of financial expenses between Norwegian Continental Shelf and land based operations, a higher effective taxation of oil and gas activities in Norway is forecast for 2002 of approximately NOK 400 million, assuming equivalent market conditions as for 2001. The acquisition of VAW will, however, affect the relative distribution of earning between the oil and gas activities and other areas which may reduce to some extent the total effective tax rate for the Group.

EBITDA and reconciliation to income before taxes and minority interest

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

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

Another cash flow-based indicator being used by Hydro to measure its performance is cash return on gross investment (CROGI). CROGI is defined as gross cash flow after taxes, divided by average gross investment. "Gross cash flow" is defined as

EBITDA less total tax expense. "Gross investment" is defined as total assets (exclusive of deferred tax assets) plus accumulated depreciation and amortization, less all short-term interest-free liabilities except deferred taxes and taxes payable. CROGI in 2001 was 9.1 percent compared with 12.3 percent in 2000. Based on normalized prices, CROGI in 2001 was approximately 8 percent compared to approximately 9 percent in 2000. The normalized prices used are: an oil price of US dollar 18 per barrel, an aluminum price (London Metal Exchange) of US dollar 1,500 per tonne, a CAN 27 fertilizer price of US dollar 113 per tonne and a US dollar - Norwegian kroner exchange rate of 8.00.

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

EBITDA NOK million	2001	2000	1999
Hydro Oil and Energy	27,604	30,641	13,579
Hydro Light Metals	2,543	5,501	3,760
Hydro Agri	4,769	3,982	1,141
Other	2,841	6,485	3,464
Total EBITDA	37,757	46,609	21,944
Depreciation	(12,273)	(12,538)	(10,494)
Write-down	(261)	-	(444)
Amortization of goodwill			
of non-consolidated investees	(149)	(25)	(79)
Interest expense	(3,721)	(4,045)	(3,405)
Capitalized interest expense	685	1,029	839
Net foreign exchange loss (gain)	(416)	(655)	(304)
Other financial items	(157)	(234)	(184)
Income before tax and minority interest	21,465	30,141	7,873

Business Segment Information

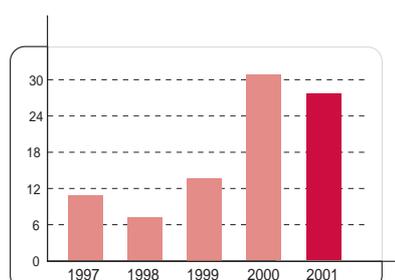
Hydro's operating segments consist of the three core business areas Oil and Energy, Light Metals and Agri. Each business area is divided into sub-segments representing different parts of the value chain follows:

Oil and Energy:	Exploration and Production, Energy, Oil Marketing
Light Metals:	Aluminium Metal Products, Aluminium Extrusion and Other Light Metals
Agri:	Plant Nutrition, Gas and Chemicals and A/S Korn- og Foderstof Kompagniet

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

HYDRO OIL AND ENERGY

EBITDA in NOK billion



NOK million	2001	2000	1999
Operating Revenues	52,016	55,123	28,355
Operating Income	19,178	21,804	6,962
EBITDA	27,604	30,641	13,579
Gross Investment	128,672	120,668	123,471
CROGI	13.0%	14.4%	9.7%
Number of employees	3,891	3,912	4,348

Hydro Oil and Energy, which consists of Exploration and Production, Energy and Oil Marketing, had an EBITDA of NOK 27,604 million in 2001. This represented a decrease of NOK 3,037 million or approximately 10 percent compared to 2000.

EXPLORATION AND PRODUCTION

NOK million	2001	2000	1999
Operating Revenues	33,282	35,494	17,406
Operating Income	17,813	20,108	5,840
EBITDA	25,768	28,656	11,971
Gross Investment	118,494	111,038	113,811
CROGI	13.1%	14.5%	9.4%
Number of employees	2,724	2,628	2,806

EBITDA for Exploration and Production was 10 percent lower in 2001 than in 2000. The change in EBITDA and the most important items affecting the change follow:

EBITDA for 2001	25,768
EBITDA for 2000	28,656
Change in EBITDA	(2,888)
Prices and currency	(3,090)
Volume	750
Production costs	(420)
Exploration costs	301
Non-recurring items	160
Other Income ¹⁾	(387)
Other	(202)
Total change in EBITDA	(2,888)

1) Gain on sale of UK oil and gas assets in 2000.

Revenues and market conditions

Exploration and Production's operating revenues in 2001 decreased to NOK 33,282 million from NOK 35,494 million in 2000, a decline of approximately 6 percent, primarily due to lower crude oil prices. In 2001, Hydro realized an average crude oil price of US dollar 24.20 per barrel compared to US dollar 28.00 per barrel in 2000. The average realized oil price in Norwegian kroner was NOK 217 per barrel in 2001 which was approximately 12 percent lower than in 2000. In 2001, the Brent Blend crude oil price reached its highest level in February (US dollar 30.60 per barrel). In the fourth quarter of 2001, crude oil prices fell sharply compared to the first nine months of the year. The average crude oil price realized by Hydro during the last three months of 2001 was US dollar 18.90 per barrel, the lowest quarterly average price realized since 1999. When measured in Norwegian kroner, the corresponding amount was NOK 168 per barrel. Price developments for crude oil were driven primarily by global recession and OPEC's production policy in 2001. The growth in global oil demand for 2001 was the weakest since 1985. Additionally, the terrorist attacks in the US on September 11, 2001 increased uncertainty, causing a further reduction in demand for crude oil.

The decline in operating revenues was partly offset by higher gas prices in 2001. Hydro's average realized gas price in 2001 of NOK 1.21 per standard cubic meter was approximately 23 percent higher than the average realized gas price in 2000 of NOK 0.98, reflecting the lag (normally about 6 months) in gas prices which are generally keyed off the price of crude oil.

Exploration and Production sells most of its oil and liquid gas production to Energy. In addition, Energy also markets Exploration and Production's gas production on a commission basis. Total internal sales amounted to NOK 25,434 million in 2001 compared to NOK 26,058 million in 2000, a decrease of approximately 2 percent. Internal sales to Energy represented 76 percent of Exploration and Production's operating revenues in 2001 compared to 73 percent in 2000. Sales of wet and dry gas and transportation tariffs, in addition to some external oil sales, accounted for the remaining 24 percent of Exploration and Production's operating revenues in 2001.

Exploration and Production's total production of oil and gas in 2001 was 421,000¹⁾ barrels of oil equivalents per day (boed) which was higher than the 416,000¹⁾ boed in 2000. Oil and gas production in the fourth quarter of 2001 averaged 451,000 boed, representing an increase over the corresponding period of the prior year primarily due to increased gas off-take. The growth in oil production in 2001 compared with the prior year was mainly attributable to increased production from the Oseberg East,

1) All volumes are calculated based on the Norwegian Petroleum Directorate's current conversion factors. The conversion factor for NGL changed in 2001. The conversion factor had been 1 ton = 1.3 standard cubic meters; it is currently 1.9 standard cubic meters. The volumes of prior periods have been restated for comparability. The prior conversion factor would have resulted in a production level of 416,000 boed and 413,000 boed for 2001 and 2000, respectively.

Oseberg South and Norne fields, as well as commencement of production on the new field, Snorre B. In addition, oil production at the Girassol field in Angola started in December, 2001 with average daily production of 56,500 boe. Hydro has a 10 percent interest in the Girassol field. Oil production accounted for 78 percent of the total production in 2001, the same percentage as in 2000. Gas production increased slightly to 14.9 million standard cubic meters per day in 2001 compared to 14.2 million standard cubic meters in 2000.

Ninety-six percent of Hydro's oil and gas production in 2001 was from Norwegian-based activities, with the remainder produced from the international fields in which Hydro has an interest. The portion from fields outside of Norway decreased in 2001 due to the sale of assets on the British Continental Shelf in August of 2000.

Operating costs

Hydro's average production cost, defined as the cost of operating fields and transportation facilities, including CO₂ emission tax, insurance, gas purchased for injection and lease costs for production installations, but excluding transportation tariffs and depreciation, was NOK 26 per boe in 2001, compared to NOK 25 per boe in 2000.

Hydro's total expenditures for exploration of oil and gas and appraisal of discoveries amounted to NOK 2,018 million in 2001 compared to NOK 1,799 million in 2000, an increase of approximately 12 percent. The increase was primarily attributable to higher international exploration activity reflecting Hydro's strategy to expand its international oil and gas portfolio. In 2001, Hydro's exploration expenditures were, for the first time in the Company's history, higher internationally than on the Norwegian Continental Shelf. International exploration expenditures were NOK 1,090 million, representing 54 percent of the Company's total exploration expenditures, with the balance of expenditures of NOK 928 million for Norwegian-based activities. In 2001, the major part of Hydro's international exploration expenditures was allocated to Angola, Canada and the Gulf of Mexico. Of the total exploration expenditures, Hydro expensed NOK 1,400 million in 2001 compared to NOK 1,701 million in 2000. The decline reflects higher write-offs of previously capitalized exploration costs toward the end of 2000 from wells deemed of no commercial value compared to higher capitalization in 2001 resulting from several new commercial discoveries.

Depreciation, including provisions for abandonment and well closure costs, averaged NOK 51 per boe in 2001 compared to NOK 53 per boe in 2000.

Operating income and EBITDA

Exploration and Production's operating income in 2001 was NOK 17,813 million, down NOK 2,295 million, or 11 percent, from NOK 20,108 million in the prior year. Exploration and Production's EBITDA in 2001 was NOK 25,768 million, down NOK 2,888 million, or 10 percent, from NOK 28,656 million in the prior year.

EBITDA for 2000 was positively influenced by a gain of NOK 387 million relating to the sale of UK oil and gas operations. In addition, EBITDA for both 2000 and 2001 was influenced by nonrecurring pension charges of NOK 366 million and NOK 206 million, respectively.

Outlook

Hydro expects its oil and gas production to increase by 5 - 6 percent as an annual average during the period 2001-2005. In 2002, Hydro's total estimated production of oil and gas is expected to be approximately 430,000 boed including the effects of production curtailments imposed by the Norwegian government. The Girassol and Terra Nova fields are expected to contribute to the increase in 2002.

Hydro will continue to focus on cost performance and strive to maintain its position as an efficient operator and low cost producer on the Norwegian Continental Shelf. One of Hydro's objectives in 2002 is to maintain its operating cost per barrel of oil and gas production, notwithstanding that some of its major fields, e.g., Oseberg, Gullfaks and Troll B, are currently in the decline phase of production. Exploration continues to be an important part of Hydro's growth strategy. The Company expects total expenditures related to exploration activities to increase from approximately NOK 2.0 billion in 2001 to approximately NOK 2.4 billion in 2002. Approximately 75 percent of the planned exploration expenditures will be allocated to international activities.

The outlook for the global oil market in 2002 remains heavily influenced by OPEC and the world economy. During the fourth quarter of 2001, OPEC agreed to reduce its oil production by 1.5 millions boed with a condition that non-OPEC producers (primarily Russia, Mexico and Norway) jointly curtail production by 500,000 boed. In December 2001, the Norwegian government agreed to cut oil production by 150,000 boed to stabilize oil prices. Accordingly, Hydro's target of production growth for 2002 is expected to be reduced by approximately 15,000 boed for the first six months of 2002. Focusing on the global economy, and its effect on petroleum product demand, the International Energy Agency's demand forecast for 2002 is 76.5 million barrels per day, a 600,000 barrels per day increase over 2001. Consensus forecasts suggest a rebound in the global economy in the second half of 2002 as a result of the global move towards lower interest rates and inventory reductions.

Crude oil prices in 2002 will, to a large extent, depend on how effectively OPEC manages seasonal swings and regulates production to meet the underlying demand for oil, without inventory refilling. Present forward prices indicate that Brent Blend crude oil prices are expected to recover in 2002 from the lower levels experienced in the last two months of 2001. However, oil prices are expected to be impacted by the added uncertainty of the strength of the US and world economies.

ENERGY

NOK million	2001	2000	1999
Operating Revenues	43,074	44,591	20,365
Operating Income	1,397	1,614	944
EBITDA	1,721	1,745	1,148
Gross Investment	6,648	6,004	6,508
CROGI	17.3%	17.5%	12.1%
Number of employees	438	375	481

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

EBITDA for 2001	1,721
EBITDA for 2000	1,745
Change in EBITDA	(24)
Margin	(50)
Volume	(20)
Fixed costs	(215)
Other income ¹⁾	179
Other	82
Total change in EBITDA	(24)

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

Revenues and market conditions

Energy's operating revenues in 2001 declined by approximately 3 percent to NOK 43,074 million compared with NOK 44,591 million in 2000. The decrease is primarily attributable to declining crude oil and refined products prices and lower power production. A breakdown of the percentage of 2001 operating revenues represented by each of Energy's business activities is as follows:

Oil Trading and Refining	84%
Gas Sourcing and Marketing	10%
Power Sourcing and Marketing	6%

Internal sales to other business segments within Hydro in 2001 (all such sales being at market transfer prices) amounted to NOK 7,349 million compared to NOK 7,842 million in 2000. Internal sales were mainly to Oil Marketing (NOK 3,565 million), Aluminium Metal Products (NOK 1,878 million) and Plant Nutrition (NOK 1,541 million).

The Oil Trading and Refining unit acts as a principal in marketing the equity oil production of Exploration and Production, purchasing essentially all of Exploration and Production's oil production for resale. As a result, operating revenues from such activity in any given year are largely a function of Exploration and Production's production level and the level of prevailing market prices for crude oil. In addition, Oil Trading and Refining derives revenues from the sale of non-equity crude oil, gas liquids and refined products.

The Gas Sourcing and Marketing unit sells Exploration and Production's gas production on an agent/fee basis. Consequently, the income and costs effects of Exploration and Production's gas production and sales do not affect Energy's operating results. In addition, Gas Sourcing and Marketing derives operating revenues from gas trading activities. Operating results from gas trading activities in 2001 were positively influenced by a growing and more diversified portfolio of customers. However, overall trading results were somewhat lower than in 2000 due to more limited arbitrage opportunities between the UK and European continental gas markets. European gas markets are expected to become increasingly integrated as a result of the European Union's gas directive. Hydro expects that the liberalization of European gas markets will further limit arbitrage opportunities in the future and result in downward pressure on margins. However, Hydro is positioning itself, through further growth and diversification of its gas portfolio, to pursue the opportunities created by a more flexible and liquid European gas market.

The Power Sourcing and Marketing unit sources Hydro's power requirements, in part from Energy's owned generation facilities, for Hydro industrial facilities. Power Sourcing and Marketing's 2001 operating results were adversely affected by the decline in electricity production in Norway of 1.7 TWh (approximately 15 percent) compared to the prior year's production (i.e., 9.8 TWh in 2001 compared to 11.5 TWh in 2000). The decline in production is primarily attributable to decreased inflow into water reservoirs, reflecting the return to a more historically normal level of precipitation in 2001. Higher prices in 2001 offset the effects of the lower production. In 2001, average spot prices increased significantly to 18.7 øre/kWh compared to 10.3 øre/kWh in 2000. The higher prices reflect a tightened supply/demand balance, attributable to increased power consumption and reduced production.

Operating costs

Refining costs per barrel, comprised of both fixed and variable processing costs, increased from NOK 12.28 in 2000 to NOK 13.02 in 2001 as a result of the reduced throughput caused by a five week refinery outage in one of the processing units at the Scanraff refinery, Hydro's partly-owned refinery located in Sweden.

Power plant operating costs increased to NOK 612 million in 2001, compared to NOK 553 million in 2000, primarily due to increased maintenance on power plant facilities.

Energy's other fixed costs in 2001 increased by NOK 150 million compared to the prior year, primarily as a result of an increase in staffing to prepare for Company based sales of gas and the transfer of responsibility for R&D projects from Corporate staff.

Operating income and EBITDA

Energy's operating income in 2001 of NOK 1,397 million represents a decrease of NOK 217 million (13.4 percent) compared

to the prior year. EBITDA for Energy was NOK 1,721 million in 2001 compared to NOK 1,745 million in 2000, a decline of approximately 1 percent. EBITDA for 2001 included a NOK 179 million gain on sale of electricity grid assets. In 2001, Energy sold its remaining Norwegian power grid assets as part of the Company's strategy to divest non-core activities.

Operating income for the Oil Trading and Refining unit was NOK 575 million in 2001 compared to NOK 689 million in the prior year, a decline of approximately 17 percent. Operating income derived by refining operations was NOK 264 million in 2001 compared to NOK 596 million in the prior year, a decline of NOK 332 million (approximately 56 percent). The 2001 figure includes inventory losses of approximately NOK 44 million reflecting the average decrease in crude oil prices of approximately US dollar 4 per barrel in 2001. Average refining margins for 2001 were US dollar 3.76 per barrel, approximately 23 percent lower than in 2000. The Scanraff outage further depressed operating income by approximately NOK 65 million. Other oil trading and refining activities, consisting of crude oil sales, gas liquids trading and shipping, generated operating income in 2001 of NOK 303 million compared to NOK 119 million in 2000. The improvement resulted primarily from high utilization of oil and gas liquids tankers.

Operating income for Energy's Gas Sourcing and Marketing unit decreased to NOK 158 million in 2001 compared to NOK 184 million in 2000, reflecting the more limited arbitrage opportunities between the UK and the European continental gas markets.

For the reasons described above under Revenues and market conditions, operating income derived by Energy's Power Sourcing and Marketing was essentially flat in 2001 at NOK 845 million compared to NOK 842 million in 2000.

Outlook

Refining margins dropped significantly at the end of 2001 to a level of approximately US dollar 1 per barrel. Global demand for refined products remained weak in early 2002 due to the general economic slowdown. This situation has been aggravated by mild weather conditions in the early winter season. Average refining margins are expected to be lower in 2002 compared to 2001 due to lower crude oil price forecasts and the weaker price outlook for the key products, gasoline and diesel.

Water reservoir levels were at a normal level, based on a long-term average, at the end of 2001. Based on the forward market, no major change is expected in spot prices. Energy presently estimates a production level in 2002 somewhat above a historically normal level of 8.5 TWh.

OIL MARKETING

NOK million	2001	2000	1999
Operating Revenues	3,729	4,094	2,652
Operating Income	(32)	55	169
EBITDA	115	211	451
Gross Investment	3,581	3,682	3,152
CROGI	3.2%	5.5%	13.0%
Number of employees	240	233	235

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

EBITDA for 2001	115
EBITDA for 2000	211
Change in EBITDA	(96)
Margin	(105)
Fixed costs	15
Non-consolidated investees	(6)
Total change in EBITDA	(96)

Revenues and market conditions

Oil Marketing's operating revenues decreased to NOK 3,729 million in 2001 from NOK 4,094 million in 2000, a decrease of 9 percent. The primary reason for this decrease was lower refined petroleum product prices, particularly in the second half of 2001. The demand for gasoline in the Swedish retail fuel market remained relatively unchanged in 2001. Diesel consumption increased approximately by 2 percent. However, consumption of heating oil declined by approximately 3 percent due to mild weather.

Based on information obtained from the Swedish Statistics Bureau (SCB), Hydro's total market share in Sweden for gasoline, diesel and heating oil of approximately 13 percent remained virtually unchanged in 2001 compared to the prior year. Hydro's gasoline market share of approximately 12 percent represents a slight reduction over the prior year. Hydro's market share for gasoil increased to approximately 15 percent.

Hydro participates in the retail gasoline and gasoil markets through its 50 percent ownership interest in Hydro Texaco. Hydro Texaco's market share in Norway for gasoline and gasoil improved in 2001 to approximately 20 percent and 16 percent, respectively.

Hydro Texaco's market share in Denmark for both gasoline and gasoil remained unchanged in 2001 at approximately 16 and 20 percent, respectively.

Operating costs

Total operating costs, consisting primarily of product variable costs of refined oil products, decreased in 2001, as a result of lower oil prices. In addition, fixed and other variable costs were approximately 3 percent lower in 2001 than in 2000. Oil Marketing executed an improvement program in 2001 resulting in cost reductions compared to the previous year.

Operating income and EBITDA

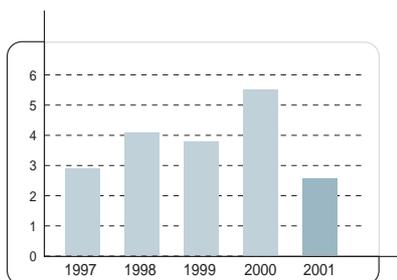
Operating income/(loss) for Oil Marketing in 2001 was NOK (32) million compared to NOK 55 million in the prior year. EBITDA of NOK 115 million, including NOK 15 million representing Hydro's share of net income in Hydro Texaco was down NOK 96 million or approximately 45 percent, from the prior year. The drop in refined product prices resulted in inventory losses in 2001 of NOK 113 million based on a first in, first out (FIFO) method of inventory accounting. EBITDA in 2000 included positive inventory adjustments of NOK 112 million. Excluding inventory effects, 2001 operating results improved by NOK 138 million. The improved underlying operating results reflect better margins and reduced fixed costs compared to 2000.

Outlook

The long term economic outlook for the Scandinavian region continues to be stable. However, the recent downturn in Europe's economy is currently having an adverse impact in the Scandinavian economies. In 2002, the demand for motor fuels is expected to be stable in the Scandinavian retail market while the demand for diesel, which is taking market share from gasoline, is expected to grow by approximately 2-3 percent. However, consumption of heating oil is expected to decline by approximately 2 percent annually as a result of competition from complementary energy sources, electricity and natural gas products in which Hydro is actively involved. Hydro's earnings from Oil Marketing activities will continue to be strongly affected by international oil prices and competitive conditions in the Scandinavian and Baltic retail markets.

HYDRO LIGHT METALS

EBITDA in NOK billion



NOK million	2001	2000	1999
Operating Revenues	51,083	51,130	39,480
Operating Income	185	3,336	2,179
EBITDA	2,543	5,501	3,760
Gross Investment	42,996	45,169	38,246
CROGI	4.7%	10.6%	8.3%
Number of employees	16,244	16,794	15,219

Hydro Light Metals consists of the segments Aluminium Metal Products, Aluminium Extrusion and Other Light Metals. Other Light Metals consists of Aluminium Rolled Products, Automotive Structures and Magnesium. In 2001, EBITDA for Hydro Light Metals was NOK 2,543 million representing a decrease of approximately 54 percent compared to 2000.

ALUMINIUM METAL PRODUCTS

NOK million	2001	2000	1999
Operating Revenues	34,442	33,534	24,540
Operating Income	1,456	2,821	1,357
EBITDA	2,414	3,744	2,016
Gross Investment	21,178	21,977	18,071
CROGI	9.2%	14.5%	9.2%
Number of employees	3,707	3,611	3,651

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

EBITDA for 2001	2,414
EBITDA for 2000	3,744
Change in EBITDA	(1,330)
Margin	(450)
Volume	185
Fixed costs	(225)
Trading and price hedging	(1,255)
Non-recurring items	285
Other	130
Total change in EBITDA	(1,330)

Revenues and market conditions

Aluminium Metal Products' operating revenues increased slightly to NOK 34,442 million in 2001 from NOK 33,534 million in 2000. Operating revenues from the sale of Hydro's production of aluminium cast house products (i.e., aluminum ingot, sheet ingot, wire rod and foundry alloy) increased by 3 percent in 2001 to NOK 16,465 million compared to NOK 15,976 million in the prior year. The increase was due to higher volumes from new remelt capacity which came on stream in late 2000 and early 2001.

Internal sales to other segments within Hydro were slightly lower than in 2000 at NOK 6,252 million. Internal sales were mainly to Aluminium Extrusion. Internal sales are effected at market prices.

Hydro's total virgin primary aluminum production in 2001 was 768,000 tonnes, including its share of production from the part owned company Sørval (49.9 percent). Shipments of primary aluminum in the Western world in 2001 of approximately 19.1 million tonnes reflected a decrease of roughly 6 percent compared with the prior year. This represented the largest year-to-year decline since 1981. The downturn was particularly pronounced in the US, where the decline was approximately 10 percent, while shipments declined in Asia and Europe by approximately 7 percent and 2 percent, respectively. Registered inventories increased by about 350,000 tonnes during the year. Inventory levels relative to consumption were 45 - 50 days, which is low compared to historical levels. The total decline in shipments worldwide was approximately 1.2 million tonnes or 2.5 - 3 percent compared to 2000. The decline in the West was only partly offset by strong positive developments in China (11 percent) and the CIS (Commonwealth of Independent States) (12 percent). Reductions in consumer inventories represented approximately 60 percent of the total decline in shipments.

In view of these market developments, the average three-month price for primary aluminum on the London Metal Exchange (LME) decreased by approximately 7 percent to US dollar 1,454 per tonne in 2001 compared to US dollar 1,567 per tonne in 2000. Hydro realized average prices in 2001, in Norwegian kroner, that were marginally higher than in 2000. Slightly lower average prices, in US dollars, were offset by a stronger US dollar-Norwegian kroner exchange rate. The overall premium of cast house products above the LME price was unchanged compared to the prior year.

Operating costs

In 2001, the total operating costs of Hydro's smelters increased by approximately 7 percent compared to the prior year. The biggest component of total operating costs is the cost of raw materials and energy for primary aluminum production, consisting principally of alumina, electricity and carbon anode (consumed in the smelting process). Raw material and energy costs, per tonne of primary aluminum produced, increased by approximately 8 percent in 2001 compared to the prior year. The increase related primarily to increased electricity costs (up 6

percent) and the costs of carbon anodes (up 24 percent, due to increases in the price of pitch and coke, raw materials for carbon production). The alumina cost per tonne stated in NOK remained largely unchanged in 2001 compared to 2000.

Declines in the market price of alumina were offset by a stronger US dollar - Norwegian kroner exchange rate.

Cast house costs in 2001 were essentially unchanged from the prior year. Cast house costs include the cost of energy, other raw materials, alloys, processing costs and overhead.

Fixed costs increased by NOK 225 million (approximately 4 percent) in 2001 compared to the prior year, excluding the effects of a one-time pension charge of NOK 365 million in 2000. The increase in 2001 primarily reflects startup of new remelt capacity and costs relating to bad debt write-offs.

Operating income and EBITDA

Aluminium Metal Products' operating income in 2001 was NOK 1,456 million, compared to NOK 2,821 million in the prior year, a decline of 48 percent. EBITDA in 2001 was NOK 2,414 million compared to NOK 3,744 million in the prior year, representing a decline of 36 percent. The decline in operating results was largely attributable to the deterioration in market conditions, particularly in the second half of 2001. In addition, results for aluminum and alumina trading activities declined sharply in 2001. The decrease in 2001 also includes losses on options contracts and a hedging strategy of NOK 545 million.

Operating income from aluminum trading activities decreased by NOK 860 million in 2001 compared to the prior year. A large part of the decrease was attributable to unusually good results in 2000 from alumina trading. In 2000, spot prices for alumina increased dramatically as a result of temporary shortages due to a production accident at a major US producer. As a consequence of Hydro's new investment interest in Alunorte, a Brazilian alumina refiner, Hydro had a large temporary long alumina position, which resulted in a large positive contribution to trading results. In addition, trading results in 2001 were further reduced as a result of contract losses and bad debt write-offs in the US market, as well as a general weakening in margins reflecting the significant economic downturn.

In connection with the Company's price hedging program, Hydro entered into LME futures for a portion of expected sales volume for 2001 to 2003 at a price of approximately US dollar 1,550 per tonne. In addition, Hydro purchased call options to benefit from anticipated higher aluminum price. Production capacity cutbacks in the US, Canada and Brazil established a possibility for a strong aluminum price increase. Hydro also bought call options with the intention to offset the effects of backwardation (LME spot price higher than the LME three month forward price). To offset the cost of the call options, Hydro sold put options. Towards the end of 2001, Hydro terminated this hedging strategy neutralizing the LME futures and at the same time terminate the options. Total losses relating to

option contracts and the hedging strategy for the year were NOK 545 million. Because the LME futures were designated as cash flow hedges, deferred gains relating to the program will be reflected in earnings for 2002 and 2003 of NOK 81 million and NOK 46 million respectively. Hydro's policy has been changed so that similar options will not be used in the future.

EBITDA includes Aluminium Metals Products' share of net income from affiliated companies, which in 2001 declined by approximately 17 percent from the prior year to NOK 196 million. The 2001 result includes a loss related to Hydro's interest in Alunorte of NOK 185 million due to the decline in the value of the Brazilian real against the US dollar which is the predominant financing currency for the operations.

Outlook

The economic slowdown beginning in the US has spread to Europe and Asia accompanied by declining consumer and business confidence. The terrorist attacks in the US on September 11 generated a high degree of uncertainty and led to a deeper downturn and delayed recovery. Substantial cutbacks were announced by major aluminum consuming industries including the aerospace, building and transport sectors. As a result, a high degree of uncertainty underlies expectations for 2002. However, shipments can be expected to increase if economic recovery in the second half of 2002 materializes.

By the end of 2001, about 1.5 million tonnes of US production capacity had been idled reflecting serious structural power supply problems in the US Northwest region. This represents approximately 35 percent of US capacity and 8 percent of capacity in the Western world. Currently, no significant portion of this capacity has been restarted. However, the US West Coast power market has normalized to some extent and restarts may take place at aluminium price levels of approximately US dollar 1,500 per tonne. In Brazil, curtailments of 15 to 25 percent of capacity were implemented during the year due to nationwide energy rationing. Two smelters, however, are expected to restart their idled capacity toward the end of the first quarter in 2002, adding approximately 175,000 tonnes of annual capacity.

During the early months of 2002, the LME price, expressed in US dollar, is expected to remain at levels experienced at the end of 2001. The LME price as of year-end 2001 was US dollar 1,355 per tonne. In the first few weeks of 2002, LME prices have been fluctuating between US dollar 1,330 and US dollar 1,430. Prices are expected to improve in the second half of the year. Inventories are expected to increase during 2002 by approximately 300,000 tonnes with increases during the first half of 2002 followed by reductions during the second half of the year.

At the beginning of 2002, Hydro had sales contracts in place for approximately 20 percent of its expected annual primary metal production at an expected price of US dollar 1,360

per tonne. A major part of the presold metal is tied to normal customer pricing and these contracts do not qualify for hedge accounting treatment. As a result, changes in the LME price can result in significant fluctuations in earnings due to marked-to-market adjustments.

In connection with the expansion project at the Sunndal Metal Plant, Hydro expects increased production beginning in 2003. To secure a price for part of the Company's total production for the period 2003 - 2007, approximately 490,000 tonnes have been sold forward at a price of approximately NOK 14,000 per tonne. This hedging program is designated as a cash flow hedge against production. As a result, changes in the fair value of these contracts are included in Other Comprehensive Income. At December 31, 2001, the unrealised gain on this program was NOK 26 million. Gains and losses on these contracts included in Other Comprehensive Income will be included in operating revenues for the periods 2003 - 2007 when the underlying designated production is sold in the market place.

In 2001, Hydro decided to discontinue its participation in the alumina project in Orissa, India (the Utkal project). In January 2002, Hydro agreed to sell its 45 percent interest to the parties involved in developing the project.

ALUMINIUM EXTRUSION

NOK million	2001	2000	1999
Operating Revenues	15,554	15,881	12,081
Operating Income	142	691	649
EBITDA	767	1,307	1,071
Gross Investment	9,253	9,475	7,099
CROGI	7.8%	13.0%	11.9%
Number of employees	8,839	9,452	7,871

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

EBITDA for 2001	767
EBITDA for 2000	1,307
Change in EBITDA	(540)
Margin	(310)
Volume	(115)
Fixed costs	110
Other	(225)
Total change in EBITDA	(540)

Revenues and market conditions

Aluminium Extrusion's operating revenues in 2001 decreased slightly to NOK 15,554 million compared to NOK 15,881 million in the previous year. Operating revenues in 2000 reflected the inclusion of Hydro Aluminum Wells for only the ten-month period

from its acquisition in March 2000. A breakdown of the percentage of 2001 operating revenues generated by each of Extrusion's business units is as follows:

Extrusion Europe	53%
Extrusion North America	13%
Building Systems	16%
Heat Transfer	15%

Sales of general (i.e., not targeted to any specific industry segment) aluminum extrusions outside Europe and North America accounted for the remaining 3 percent.

For Extrusion Europe, operating results in 2001 reflected a drop off in volumes in the European market of 5 percent. The general extrusion market in Europe, which can be characterized as relatively fragmented, experienced a decline in 2001 of approximately 7 percent. Consumption of extrusions declined sharply beginning in the third quarter of 2001 and remained low through year-end. Hydro's volume of shipments in December 2001 was quite low, although historically volumes in the month of December are low. Notwithstanding the market downturn, new extrusion presses continued to come on stream (e.g., in Germany, Italy and Spain) with few compensating closures, contributing to market over capacity. In view of these market conditions, Extrusion Europe's margins declined throughout the second half of the year.

Extrusion North America's operating results in 2001 reflected the deteriorating economic conditions experienced in the US, which contributed to a 20 percent reduction in total extrusion consumption and in the general extrusion market. This was exacerbated by the terrorist attacks on September 11. The decline was particularly steep in the second half of the year. For the entire year, Extrusion North America's shipments fell by just over 10 percent. Actions undertaken by the industry in the US to reduce capacity eased pressure on prices for much of the year, though increased price competition prevailed toward the end of the year. Given the market conditions, Extrusion North America's margins held up fairly well and there was some gain in market share.

Building Systems finished 2001 on the same level as the previous year with stable margins throughout the year. Certain geographic markets (e.g., France, the UK, Italy and Spain) were stronger than others (e.g., Germany). In November 2001 Hydro signed an agreement to acquire the Technal group based in Toulouse, France, for a price of EUR 73 million (NOK 580 million) and the assumption of NOK 307 million in debt. Following receipt of all regulatory approvals, the acquisition was completed in January 2002. The acquisition makes Hydro the market leader within the building systems market.

Heat Transfer experienced a decline in volumes in the US market of approximately 20 percent in 2001, reflecting, in part, the permanent closure of Hydro's welded tube activities. Volumes in European markets were on a similar level as in 2000.

Heat Transfer experienced volume increases outside Europe and the US, mainly in China.

Operating costs

Responding to the market conditions (most notably, the declining demand) in 2001, Hydro implemented several measures aimed at reducing production volumes and saving costs. During the year, Extrusion reduced its European and US extrusion press capacity by approximately 10 percent. This was accomplished primarily by temporary measures such as adjusting factory shifts and reducing staffing. In addition, local market conditions and cost considerations led to the complete shut down of two presses. Related workforce reductions during 2001 represented approximately 300 man years.

Extrusion's Europe's overall operating costs (excluding metal cost) decreased by 5 percent in 2001 compared to 2000. Extrusion Europe achieved improvements in overall productivity, in terms of two key internal benchmarks: average net kilograms produced per hour and operating costs per kilogram produced. These improvements were achieved notwithstanding the reduced volumes.

In 2000 Extrusion initiated a program to improve the manufacturing productivity of Extrusion North America by transferring best practices from its European extrusion system. That program continued in 2001, although the scale of the program was (and the resultant productivity improvements were) limited because of the difficult market conditions.

Costs within the Heat Transfer business area in 2001 were higher than the prior year, mainly due to continued startup problems relating to new capacity for welded tubes at the Company's Canton, Mississippi operations. Extrusion determined to terminate this activity during the year because of reduced and lost contracts, in part due to certain customers relying on their in-house welded tube capacities. This resulted in write-downs and cost accruals of approximately NOK 77 million. In addition, further write downs relating to the Company's operations in Pucket, Mississippi (i.e., the production of manifolds for automobile air conditioners) of approximately NOK 37 million were recorded as a result of market volume declines.

Operating income and EBITDA

As a result of the very difficult market conditions during much of the year and other developments described above, operating income for Aluminium Extrusion in 2001 of NOK 142 million was down NOK 549 million (or 79 percent) from the prior year. EBITDA for Aluminium Extrusion declined in 2001 by 41 percent compared with the prior year. EBITDA for Extrusion Europe declined approximately 22 percent in 2001 compared to the previous year. EBITDA for Extrusion North America declined approximately 64 percent. For Building Systems, EBITDA declined by NOK 50 million (approximately 24 percent compared to 2000) primarily as a result of loss provisions relating

to an investment in Poland. EBITDA for Heat Transfer was approximately 37 percent lower in 2001 than the previous year.

Outlook

Declining volumes and margins are expected to continue well into 2002 for the extrusion industry as a whole. Market assumption for the year are expected to be flat with the potential for a depressed first half year with an upturn during the second half. Activity for Europe is expected to be at the same level as 2001. Margins are expected to remain low during the first half of the year and improve slightly in the second half. Currently there are no signs of improvement in the North American extrusion market. Activities within Building Systems are expected to remain at the same level as 2001 but there is some risk of a slow down during the second half of 2002 due to a reduction of the number of new projects initiated within the commercial building sector.

OTHER LIGHT METALS

NOK million	2001	2000	1999
Operating Revenues	7,603	8,226	7,716
Operating Income	(1,446)	(143)	216
EBITDA	(672)	483	717
Gross Investment	12,645	13,831	13,159
CROGI	(5.1%)	3.6%	5.1%
Number of employees	3,698	3,731	3,697

Operating income and EBITDA for Magnesium were negative in 2001 as a result of continued price pressure from Chinese magnesium producers and difficult international market conditions. Sales volumes were off 4 percent compared to 2000 reflecting low demand levels throughout the year in the automotive and aluminum alloying sectors in all major regions. However, Hydro improved its total market share slightly compared to the previous year. Prices stabilized to some extent in the second half of the year but remained weak overall.

Reacting to the intense competition from Chinese producers, Hydro decided to close down its primary magnesium production in Porsgrunn in southeast Norway. Approximately 600 employees will be affected by the decision. Operating results for 2001 include NOK 700 million representing closure costs and costs for workforce reductions. In addition, NOK 261 million of fixed assets were written off during the year. Further costs of roughly NOK 100 million relating to workforce reductions are expected during the first half of 2002.

Hydro's primary metal operations are now centered at its Becancour plant in Canada, with a total annual production capacity of 45,000 tonnes of primary metal; the capacity is expected to be increased to 48,000 tonnes during the year 2002. The plant also has recycling capacity up to 22,000 tonnes per year depending of the production scenario.

In January 2002, Hydro announced the decision to maintain the original foundry as a magnesium remelt plant at the site of the closed primary metal facility in Norway. The operation will utilize certain parts of the plant and equipment, and expertise formerly engaged in the production of primary metal and will employ approximately 60 people.

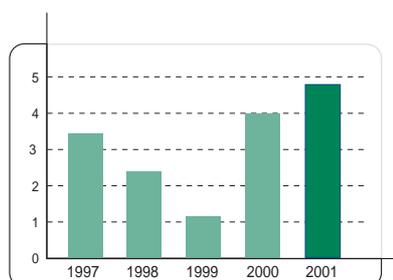
The trend of increasing demand for magnesium die casting in motor vehicles is expected to continue, and will be the principal driver of growth for the foreseeable future. Based on announced projects and general interest from new potential entrants, the industry is considered likely to be adequately supplied to support anticipated growth. Hydro has completed the construction of a 10,000 tonnes per year facility in Xi'an, China to convert locally available pure magnesium to high quality alloy ingot for export to its traditional markets for die casting alloys. This new capacity will help Hydro serve customer needs while at the same time increase the Company's competitive position as a low cost producer. The new foundry is now in start up phase with commercial production expected to begin in early 2002. Hydro expects to produce approximately 6,000 tonnes of high quality alloys and 150 tonnes of anodes in 2002. If successful Hydro would expect to expand upon its magnesium activities in China.

Operating Income and EBITDA for Aluminium Rolled Products declined slightly in 2001 compared to 2000. Production was on the same level as in the prior year while margins declined primarily as a result of poor market conditions.

Operating Income and EBITDA for Automotive Structures was negative in 2001 largely as a result of reduced volumes and margins. In addition, results were influenced by a NOK 60 million charge for nonrecurring cost relating to workforce reductions and rationalization measures.

HYDRO AGRI

EBITDA in NOK billion



NOK million	2001	2000	1999
Operating Revenues	48,190	46,966	39,658
Operating Income	2,106	1,303	(1,671)
EBITDA	4,769	3,982	1,141
Gross Investment	44,887	47,788	45,605
CROGI	8.7%	7.4%	2.0%
Number of employees	9,865	11,238	11,479

EBITDA for Hydro Agri, which consists of the sub-segments, Plant Nutrition, Gas and Chemicals and A/S Korn- og Foderstof Kompagniet (KFK), was NOK 4,769 million representing an increase of approximately 20 percent compared to the previous year.

PLANT NUTRITION

NOK million	2001	2000	1999
Operating Revenues	34,392	33,744	26,799
Operating Income	1,752	990	(2,239)
EBITDA	3,774	2,841	(119)
Gross Investment	32,879	35,161	34,738
CROGI	9.2%	7.0%	(0.3)%
Number of employees	6,584	8,020	7,802

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

EBITDA for 2001	3,774
EBITDA for 2000	2,841
Change in EBITDA	933
Margin	505
Volume	(410)
Fixed costs	490
Restructuring costs	135
Non-recurring items	360
Other	(147)
Total change in EBITDA	933

Revenues and market conditions

Plant Nutrition's operating revenues in 2001 of NOK 34,392 million were NOK 648 million higher (approximately 2 percent) than the prior year. A breakdown of the year-to-year amounts and changes in Plant Nutrition's operating revenues for each of its principal business activities is as follows:

NOK million	Operating revenues		
	2001	2000	Change
Fertilizer activities			
Europe	16,246	17,103	(857)
Outside Europe	14,801	13,534	1,267
Ammonia & Shipping	3,345	3,108	237

The decrease in operating revenues for European fertilizer activities reflects the net effect of price increases and a decline in volume of 18 percent. European nitrogen fertilizer prices increased by approximately 10 percent in 2001 compared to 2000, reflecting the improved market balance following the industry restructuring and plant closures in 2000, including Hydro's closure of 1,000,000 tonnes of nitrate fertilizer production capacity and 500,000 tonnes of NPK production capacity. Total fertilizer sales in Europe in 2001 amounted to 10.2 million tonnes, compared to 12.5 million tonnes in the prior year.

Despite the decline in sales volumes, Hydro's overall European market share increased by 1 percent in 2001. The decline in volumes was due to several factors, most notably the wet weather conditions during the Spring 2001 planting season (which led to lower consumption of fertilizer) and the advance sale in 2000 of volumes intended for Spring 2001 application. In Europe, fertilizer is mainly applied during the spring, but the manner in which Agri's sales are spread over the season, July to June, depends on customers' price expectations. If price increases are expected through the season, sales are earlier, as happened during the 2000/2001 season. In addition, a removal of the fertilizer tax in Norway effective in 2000 resulted in increased sales in 2000 for the 1999/2000 season.

Outside of Europe, Hydro's fertilizer sales totaled 10.0 million tonnes, compared to 9.6 million tonnes in the prior year. The increase in sales can be attributed to higher volumes in Latin America, including sales from Trevo (acquired by Hydro in July 2000) and in Asia.

The average Middle East urea price remained unchanged in 2001. Increased demand in Asia, combined with a supply reduction primarily from Indonesia (as a result of the inability of two plants to access natural gas as a result of civil unrest), offset downward pressure on prices resulting in lower natural gas prices in the US and capacity additions in Argentina and Venezuela.

Operating costs

Raw material costs per tonne in 2001 for ammonia and fertilizer production increased compared to the prior year,

reflecting higher average energy prices. Natural gas is the most important raw material for the production of ammonia and nitrogen fertilizer. In Europe, prices of natural gas are closely linked to developments in the price of crude oil. In 2001 average gas prices in Europe, stated in US dollars, increased by approximately 15 percent compared to 2000 notwithstanding declining crude oil prices due to the normal time lag in fixing prices with suppliers. Prices for phosphate and potassium, which are also used in the production of complex fertilizer, remained basically at the same level as in 2000.

The Hydro Agri Turnaround program was completed at the end of 2001 achieving total manning reductions of approximately 3,750 people (excluding the effects of new companies acquired) and annual cost reductions of approximately NOK 2,900 million compared to the 1998 level (approximately NOK 200 million is cost savings related to Gas and Chemicals). As a result, both cost and manning levels have been reduced by more than 30 percent. Efforts to achieve further improvements are ongoing. Plant Nutrition's operating results in 2001 included approximately NOK 300 million in redundancy and other costs related to the staffing reductions compared to NOK 460 million in the previous year.

Operating income and EBITDA

Plant Nutrition's operating income in 2001 was NOK 1,752 million compared to NOK 990 million in 2000, an increase of approximately 77 percent. EBITDA in 2001 was NOK 3,774 million compared to NOK 2,841 million in the prior year, an increase of approximately 33 percent. EBITDA for 2001 and 2000 included nonrecurring charges of NOK 239 million and NOK 731 million, respectively.

Outlook

Population growth and national wealth development have created and are expected to create sustainable growth in fertilizer consumption for the foreseeable future. The International Fertilizer Association (IFA), has forecast a medium term global nitrogen fertilizer growth rate of approximately 3 percent per annum. The main growth in consumption of nitrogen fertilizers has been and is expected to continue to be in Latin America.

Fertilizer consumption in Western Europe is expected to increase to normal historical levels following the substantial volume losses from the exceptionally wet conditions experienced in the spring of 2001. The set aside rate in the EU is currently at 10 percent and is expected to remain at this level. Global consumption of nitrogen fertilizers is expected to provide a basis for continued productivity gains in Hydro's restructured global sales and distribution network.

The supply/demand balance for urea is expected to improve over the next 2-3 years, as consumption is expected to continue to grow, and few new urea plants are under construction. However, low urea prices and high energy costs,

combined with the political unrest in certain areas have led to temporary closures. As this capacity is brought back on stream, a downward pressure on prices may result during 2002. Consumption in China is likely to act as a small buffer, with China importing up to 1.3 million tons in 2002 (its WTO-quota) if international urea prices are low, but exporting significant volumes if prices increase. India is not expected to import significant volumes in 2002, but will likely be forced to increase imports in the following years.

Plant closures by European fertilizer companies during the previous year have reduced nitrate capacity by approximately 3 million tonnes, including approximately 1 million tonnes of Hydro capacity. This represents a reduction of approximately 20 percent of Western European capacity.

These measures contributed to an improved market balance during 2001 (notwithstanding the level of imports into Western Europe) and are expected to have a similar effect in 2002. Prices of nitrate fertilizer are expected to remain firm in 2002. However, Hydro expects pressure on NPK prices due to continuing over-capacity within this product group. DAP prices fell in 2001 and are expected to be low in 2002. There is a significant over-capacity of DAP globally.

GAS AND CHEMICALS

Gas and Chemicals markets numerous industrial products which mainly have their origin in Hydro's ammonia and fertilizer production. The main products are industrial gases such as carbon dioxide (CO₂), nitrogen, oxygen and argon, and nitrogen-based products. The most important nitrogen-based products are technical ammonium nitrates for civil explosives, Nutriox™ for the treatment of municipal and industrial waste water, and Reduktan™ for the removal of nitrogen oxide (NO_x) from the emission gases of power plants, waste incinerators and larger vessels.

NOK million	2001	2000	1999
Operating Revenues	4,649	4,776	4,718
Operating Income	362	313	349
EBITDA	628	712	760
Gross Investment	4,146	5,147	4,591
CROGI	11.4%	12.6%	14.3%
Number of employees	1,257	1,144	1,568

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

EBITDA for 2001	628
EBITDA for 2000	712
Change in EBITDA	(84)
Margin	(5)
Volume	(75)
Fixed costs	30
Other	(34)
Total change in EBITDA	(84)

Revenues and market conditions

Gas and Chemicals' operating revenues in 2001 were NOK 4,649 million compared to NOK 4,776 million in the prior year, reflecting a decline of NOK 127 million (approximately 3 percent). The decrease in operating revenues is attributable primarily to reductions in volume relating to disposals and internal transfers between Gas and Chemicals and Plant Nutrition. Excluding the effects of transfers and disposals, operating revenue grew by approximately 14 percent in 2001.

Operating revenues derived from all nitrogen chemicals combined were NOK 2,833 million in 2001, representing an increase of approximately 21 percent compared to the preceding year. The increase in operating revenues is attributable primarily to increased sales volumes and improved prices. Sales volumes of nitrogen chemicals increased by approximately 12 percent in 2001 compared to 2000. The volume increase was particularly strong for environmental chemicals.

Operating revenues derived from the sale of technical ammonium nitrates for civil explosives were NOK 769 million in 2001, an increase of approximately 12 percent compared to the prior year. In 2001, global coal production (which accounts for roughly 70 percent of technical ammonium nitrate demand) increased significantly, generating higher demand and improving the market supply-demand balance. In addition, the serious explosion at a competitor's factory in Toulouse, France, together with several plant closures, contributed to Hydro's volume increase.

Operating revenues derived from the sale of environmental process chemicals (i.e., Nutriox for water treatment and Reduktan for removal of NO_x emissions) were NOK 573 million in 2001, an increase of 21 percent over the prior year, reflecting, in part, the effects of the adoption of more stringent environmental regulations to reduce emissions.

Gas and Chemicals' industrial gases business is a regional business, focused mainly on Europe. Operating revenues derived from industrial gases, including CO₂, were NOK 1,604 million in 2001, representing an increase of 4 percent compared to the prior year. European sales increased by 3 percent. In Asia, carbon dioxide sales increased by 6 percent. The increase in sales of CO₂ is perceived to be attributable, in part, to the

increased quality demands of the food industry. Sales volumes of industrial gases increased 2 percent overall in 2001 compared to the prior year.

Operating costs

Ammonia and natural gas are the main raw materials for nitrogen chemicals. Natural gas prices increased sharply in 2001 compared to the previous year. The average ammonia price increased only slightly, although there was a sharp decline in price during 2001 from the exceptionally high level at year-end 2000. Gas and Chemicals sources its ammonia requirements exclusively from Plant Nutrition.

Underlying margins improved overall in 2001. However, price improvements were offset to some extent by variable cost increases. Average margins on the sale of nitrogen chemicals increased approximately 12 percent in 2001, reflecting the positive effects of declining ammonia prices during the year, as well as price increases. Contract prices for this product group tend to be fixed annually and reflect the level of ammonia prices at the time of renewal. Margins realized on CO₂ sales were lower, primarily as a result of the higher cost of purchased gas from a primary internal supplier.

Fixed costs were reduced by 9 percent in 2001 compared to 2000 after excluding the effects of internal transfers of operations. The improvement primarily reflects the effects of the Agri turnaround efforts as well as the ongoing program of continuous cost improvement.

Costs in 2001 include losses and write downs totaling approximately NOK 126 million relating to the disposal of Oleochemicals and other non-core business activities.

Operating income and EBITDA

Gas and Chemicals' operating income in 2001 was NOK 362 million compared to NOK 313 million in the prior year, an increase of approximately 16 percent. Gas and Chemicals' EBITDA in 2001 was NOK 628 million compared to NOK 712 million in the prior year, a decrease of NOK 84 million or approximately 12 percent. Positive underlying operating results in 2001 were negatively influenced by losses on disposal of Oleochemicals and other non-core activities. Excluding the effects of these items, EBITDA was relatively unchanged.

Outlook

Based on the present product portfolio, sales of nitrogen products are expected to continue their present growth rate. Margins are dependent on the cost of ammonia and natural gas. Due to the lag in price development compared to raw material costs, declining prices for ammonia and natural gas result in a positive effect on margins. In 2002, the ammonia price is expected to be considerably lower than the average for 2001 primarily as a result of lower gas prices in the US. Average ammonia prices in 2002 are expected to be close to the long-term normal price level.

A continued high growth rate is expected for environmental process chemicals for water treatment and NO_x abatement. In addition, new developments within the environmental, food and transport application areas are expected to generate the greater part of volume increases in the coming year.

Overall sales volumes of industrial gases are expected to increase due to market growth and new applications. Increased competition in Asia combined with the uncertain political and economic outlook for Sri Lanka makes continued growth in this area more uncertain.

KFK

NOK million	2001	2000	1999
Operating Revenues	11,000	10,638	9,756
Operating Income/(Loss)	(26)	(44)	233
EBITDA	350	386	515
Gross Investment	7,867	7,499	6,331
CROGI	4.3%	5.0%	6.8%
Number of employees	2,024	2,074	2,109

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

EBITDA for 2001	350
EBITDA for 2000	386
Change in EBITDA	(36)
Margin	20
Volume	(5)
Fixed costs	30
Other	(81)
Total change in EBITDA	(36)

Revenues and market conditions

Operating revenues for KFK increased slightly to NOK 11,000 million in 2001 from NOK 10,638 million in 2000. Sales volumes of animal feed increased by 9 percent compared to the previous year. Volumes for Biomar, KFK's fish feed operations, were slightly lower in 2001 compared to 2000. Volumes on grain trading decreased approximately 22 percent due to high stock levels.

Operating costs

Raw material costs, representing approximately 80 percent of total operating costs, increased by approximately 4 percent in 2001 compared to 2000 reflecting increased sales volumes.

Results for KFK have reflected negative developments in recent years. As a result, an improvement program was initiated in 2001 in order to reverse this trend and improve results. During 2001, KFK closed 30 sales outlets, two animal feed production plants and a seed production plant as part of this improvement program. Staffing levels in the grain and feed

business in Denmark and Sweden were reduced by 185 employees (approximately 11 percent). The underlying fixed cost level was reduced by NOK 80 million in 2001 while related nonrecurring costs of NOK 38 million negatively impacted EBITDA. Annual cost savings related to the improvement program are expected to be approximately NOK 110 million.

Operating income and EBITDA

KFK's operating income/(loss) in 2001 was NOK (26) million compared to NOK (44) million in 2000. EBITDA decreased by approximately 9 percent from NOK 386 million in 2000 to NOK 350 million in 2001. The decline in EBITDA reflects the positive effect of NOK 89 million relating to disposals included in operating results for 2000.

The improvement in underlying operating results in 2001 reflects generally higher margins on KFK's products, lower costs and higher financial income. Margins in the Danish and Swedish markets increased by 13 percent with substantial increases in the second half of the year.

Outlook

The strong competition in the grain and feed stuff business is expected to continue. Accordingly, KFK will continue to focus on improving administrative and operational processes to reduce costs and gain efficiencies. In addition, KFK will shift its focus to higher margin business sectors. As an initial step, KFK acquired all of the outstanding shares in Dansk Primær Landbrug A/S (DPL) in October, 2001. In addition, KFK expanded its fish feed operations with a new production joint venture in Chile, new production facilities in Greece and an upgrade of existing facilities in the UK. An expansion of KFK's fish feed production capacity at the Karmøy plant in Norway is planned for 2002.

As part of Hydro's continued focus on its core business activities, a decision was taken in January 2002 to prepare for divestment of the Company's 62 percent interest in KFK.

PETROCHEMICALS

NOK million	2001	2000	1999
Operating Revenues	5,374	6,270	5,346
Operating Income/(Loss)	(101)	265	113
EBITDA	363	662	855
Gross Investment	8,900	10,197	9,460
CROGI	3.8%	5.9%	7.3%
Number of employees	1,690	1,877	1,973

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

EBITDA for 2001	363
EBITDA for 2000	662
Change in EBITDA	(299)
Margin	(540)
Volume	15
Fixed costs	20
Non-recurring items	(50)
Other Income ¹⁾	59
Other ²⁾	197
Total change in EBITDA	(299)

1) Gain on sale of Singapore Polymer Corporation in 2001.

2) Includes Hydro's share of net income in non-consolidated investee of NOK 48 million.

Revenues and Market Conditions

Petrochemicals' operating revenues decreased by approximately 14 percent in 2001 compared to 2000. The reduction is primarily due to lower average product prices, particularly suspension polyvinyl chloride (S-PVC) prices. Hydro's average realized price for S-PVC was approximately 26 percent lower in 2001 than in 2000 as a result of a decline in demand.

Global demand for polyvinyl chloride (PVC) was stable during the year. The total West European consumption of PVC was also stable. While consumption decreased in North America by approximately 4 percent, demand in Asia increased by approximately 7 percent reflecting a substantial increase in demand in China.

Caustic soda prices in 2001 were almost twice the level in 2000. Production of S-PVC declined in 2001 as a result of lower demand in Europe and high energy costs in the US. This negatively affected production of caustic soda. The lower supply of caustic soda, combined with the unchanged demand, resulted in a sharp increase in prices. In addition, higher production at Hydro's Rafnes plant in Norway during 2001 contributed to the positive development.

Noretyl, in which Hydro's share was reduced to 50 percent with effect from January 1, 2001, is now reported as a non-consolidated investee. As a result, earnings from non-consolidated investees were higher and operating income was lower compared to 2000.

Hydro sold its shares in Singapore Polymer Corporation (SPC) in October 2001. Hydro had previously supplied vinyl chloride monomer (VCM) to SPC for its PVC production. However, the PVC plant in Singapore was closed in December 1999. Accordingly, SPC was no longer of strategic importance to Hydro's Petrochemicals operations.

Operating costs

Total raw material costs for Petrochemicals were at a similar level compared to the previous year.

Total fixed costs (excluding a one time pension adjustment in 2000 and other non-recurring costs) were reduced in 2001 compared to 2000 reflecting reduced staffing and improved work processes. Focus on fixed cost reduction will continue to further enhance the competitiveness of the segment.

Operating income and EBITDA

Petrochemicals' operating income/(loss) in 2001 was NOK (101) million compared to NOK 265 million in the prior year. EBITDA was NOK 363 million in 2001 compared to NOK 662 million in the prior year, a decrease of 45 percent. EBITDA for 2001 was negatively affected by non-recurring items in the amount of approximately NOK 225 million relating to the costs of staffing reductions (NOK 150 million) and demolition and cleanup costs for the Porsgrunn, Norway facility (NOK 75 million). This was partly offset by a gain of NOK 59 million on the sale of Singapore Polymer Corporation (SPC). Non-recurring costs in 2000, mainly relating to pensions, were around NOK 173 million.

Excluding non-recurring costs, underlying results declined in 2001 primarily as a result of lower S-PVC prices. This was partly offset by higher caustic soda prices.

Outlook

Global demand for PVC is expected to increase by 2 to 3 percent in 2002 versus 2001. In general, growth in PVC demand tends to follow growth in GDP.

Global PVC margin is projected to improve slightly during the second half of 2002 due to a more balanced demand/supply situation. However, PVC margins in 2002 are expected to be below the historical average because the global capacity additions during 2000 and 2001 will put pressure on prices. Non-integrated vinyl companies will experience lower margins, while integrated companies such as Hydro are expected to improve their margins slightly because of improved chlor-alkali margins. The average price for S-PVC in 2002 is expected to be slightly higher than prices achieved towards the end of 2001. The higher caustic soda prices experienced in 2001 are not expected to be sustainable in 2002. Petrochemicals expects caustic soda prices to return to normal levels.

OTHER ACTIVITIES

Other Activities include Pronova, the industrial casualty insurance company, Industriforsikring, Hydro Business Partner and Hydro Technology and Projects.

EBITDA for Other activities was NOK 499 million, a decline of NOK 1,397 million compared to 2000. At the end of 2000, the Company sold Hydro Seafood resulting in a gain of NOK 1,609

million. Hydro Seafood's British operations were sold in 2001 resulting in a gain of NOK 418 million. The results for 2000 were also positively influenced by Hydro Seafood's operating results up to the time of sale. In 2001, staffing reductions at the Company's Grenland industrial site in Norway resulted in a nonrecurring charge of NOK 300 million. Nonrecurring charges in the previous year relating to pension cost adjustments and cost reduction programs were approximately NOK 400 million. Underlying operating results improved by approximately NOK 40 million excluding the effects of the divestment of Hydro Seafood and the non-recurring charges described above.

EBITDA for Corporate Activities in 2000 included earnings on the divestment of Hydro's ownership stake in Dyno which generated a profit of NOK 954 million. In addition, EBITDA was heavily influenced by a positive one-time effect relating to the change in method of allocating pension costs in the total amount of NOK 2,007 million.

LIQUIDITY AND CAPITAL RESOURCES

NOK million	2001	2000	1999
Cash flow provided by			
(used for):			
Operations	26,172	25,626	14,744
Investments	(14,681)	(3,630)	(8,366)
Financing	(5,990)	(8,129)	(1,233)
Increase in cash and cash equivalents	5,382	14,331	5,499
Return on Shareholders' equity	11%	21%	6%
CROGI	9.1%	12.3%	8.4%
Long-term debt/equity ratio	0.27¹⁾	0.39 ¹⁾	0.69

1) Adjusted for excess cash and cash equivalents over what is considered a normal level of NOK 10 billion.

Cash flow

Hydro has historically financed its operations primarily through cash generated by operating activities. Cash provided by operating activities in 2001 was NOK 26,172 million an increase of 2 percent above the level in 2000 notwithstanding the exceptionally strong operating results in 2000 and the generally lower prices and margins experienced in 2001. Despite a reduction of approximately 44 percent in the Company's net income in 2001, lower operating capital requirements had a favorable effect on the Company's cash flow to the extent of NOK 5.3 billion. Lower receivables and inventories levels generated cash of approximately NOK 3.6 and 1.9 billion, respectively, in 2001.

Cash used for investing activities in 2001 was NOK 14,681 million compared to NOK 3,630 million in 2000. Total investments in each of 2001 and 2000 were approximately NOK 16 billion. However, cash used for investing activities in 2000 was positive-

ly influenced by sales of businesses and assets of NOK 12.7 billion. (See Note 2 in Notes to the consolidated financial statements for a detailed description of acquisitions and disposals for 2001 and 2000). See "Capital Expenditures" below for an analysis of expenditures for property, plant and equipment and long-term investments.

In 2001, NOK 5,990 million was used in financing activities. By comparison NOK 8,129 million was used in 2000. The decrease in 2001 was primarily due to lower bank loan repayments compared to the previous year. Repayments of loans totaled NOK 2,865 million in 2001, and NOK 6,328 million in 2000.

Short and long term borrowings

Short-term bank loans and the current portion of long-term debt decreased to NOK 10,424 million at the end of 2001 from NOK 11,297 million at the end of 2000.

Hydro's long-term interest bearing debt at the end of 2001 was NOK 37,853 million, compared to NOK 40,174 million at the end of 2000. During 2001, Hydro repurchased its long-term debentures in the aggregate principal amount of NOK 664 million. In addition, the Company repaid long term loans of NOK 2,201 million.

Long-term debt is denominated principally in US dollars. Weighted average interest rates range from 5.5 percent to 8.3 percent. The maturity of the Company's outstanding long-term debt varies, with approximately 18 percent falling due within the next five years and the remainder thereafter. (See Note 19 in Notes to the consolidated financial statements for more comprehensive information on the composition of long-term debt.) Substantially all unsecured debt agreements and indentures contain provisions restricting the pledging of assets to secure future borrowings without granting equivalent status to existing lenders. Certain of such agreements allow for early redemption at the outstanding principal amounts or specified premiums above such amounts, plus accrued and unpaid interest.

Net interest bearing debt (short- and long-term interest bearing debt, including the current portion of long-term debt, less cash and cash equivalents) at the end of 2001 was NOK 21.1 billion, compared to NOK 29.7 billion at the end of 2000. In 2001, net cash generated by the Company's operations of approximately NOK 26.2 billion was more than adequate to fund its investing and financing activities of approximately NOK 18.3 billion. The residual cash balance of approximately NOK 7.9 billion was utilized to reduce the Company's net interest bearing debt.

In January 2002, Hydro entered into an agreement to purchase all of the outstanding shares of the German group VAW Aluminium AG, a leading aluminum company in Europe. The total consideration to be paid in the transaction is estimated to be EUR 2,645 million (NOK 21.2 billion), including net interest bearing debt of EUR 757 million (NOK 6.1 billion). The acquisition is subject to approval by competition authorities in some countries and by the European Union. Additionally, Hydro completed its purchase of the French building systems group, Technal, in January

2002 for a price of EUR 73 million (NOK 580 million) and the assumption of NOK 307 million in debt. Hydro also expects to acquire a modest interest in the Norwegian State's Direct Financial Interest (SDFI). Hydro anticipates that its cash holdings as of 31 December, 2001 of approximately NOK 27 billion and credit facilities described below will be sufficient to finance these investments.

In addition, Hydro anticipates that cash from operations and short-term credit facilities will be sufficient to meet its planned capital expenditures and operational requirements in 2002. Hydro's capital expenditures for 2002, excluding the acquisition cost of VAW and potential purchase of SDFI assets are estimated to be approximately NOK 19 billion.

As of 31 December 2001, Hydro had committed and unused short-term credit facilities totaling approximately NOK 3,140 million. The Company also has agreements for long-term stand-by credit facilities totaling US dollar 2,000 million. There were no borrowings under these agreements as of 31 December, 2001. There are no substantial restrictions on the use of borrowed funds under Hydro's material credit and debt facilities.

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

Contractual obligations In NOK million	Payments Due by Period				
	Less than Total	1-3 1 year	4-5 years	There- after	
Long-term debt	39,645	1,932	3,424	1,572	32,717
Capital lease obligations	174	34	78	44	18
Operating lease obligations	6,924	1,374	2,517	1,699	1,334
Unconditional purchase obligations	38,170	3,396	4,944	4,174	25,656
Total contractual cash obligations	84,913	6,736	10,963	7,489	59,725

In addition, Hydro's other commercial commitments include guarantees and contractual commitments for future investments. Guarantees including letters of credit, stand-by letters of credit and performance bonds as of 31 December, 2001 amounted to NOK 6.8 billion. Contractual commitments for investments in property, plant and equipment, and other future investments as of 31 December, 2001 amounted to NOK 15.9 billion.

The Company's long-term debt/equity ratio was 0.27 at the end of 2001 after adjusting for cash above what is considered a normal level. It is expected that the long-term debt/equity ratio will be approximately 0.70 after the acquisition of VAW and the potential purchase of SDFI assets. Hydro anticipates that cash from operations and the proceeds from planned divestments of approximately NOK 10 billion will improve the ratio to 0.5 by the end of 2003.

Hydro continues to maintain its sound credit ratings following its planned acquisitions described above. Both of the Company's rating agencies, Moody's Investors Services and Standard & Poor's affirmed that the company has the financial capacity to make these acquisitions within its current rating. Moody's has, in addition, changed the Company's rating outlook to negative.

Minority interest and Shareholders' equity

Minority interest decreased by approximately 26 percent to NOK 1,051 million in 2001. Shareholders' equity was NOK 74,793 million at the end of 2001, an increase of 5 percent compared to 2000.

Capital Expenditures

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

In 2000, Hydro invested NOK 8,322 million in new and

existing fields and transportation systems. Snorre 2, Oseberg South, Terra Nova and Åsgard were the four most important development projects in 2000. The largest investments for Aluminium Metal Products in 2000 was the construction of a new remelt plant in Kentucky and the acquisition of an ownership interest in Alunorte in Brazil. Investments for Aluminium Extrusion related primarily to the acquisition of Wells Aluminum Corporation, the establishment of Hydro Aluminium Wuxi and the addition of four new extrusion presses in France, Spain and Italy. Magnesium investments in 2000 related to a new facility in China for conversion of local magnesium to high quality alloy ingots. A significant part of the 2000 investment for Plant Nutrition related to the acquisition of Trevo in Brazil.

Investments relating to exploration and production activities in 1999 were NOK 7,051 million excluding the effects of the Saga acquisition. Terra Nova, Snorre 2, Åsgard and Oseberg South were the most important development projects in 1999. For Aluminum Metal Products, the upgrade of the Årdal Carbon plant and the increase in cast house capacity in the Årdal Metal plant, were the largest investment projects in 1999. Capital expenditures for Aluminum Extrusion included significant upgrading of manufacturing facilities at six plants as well as increasing ownership of Building Systems' operations in Austria, the Czech Republic and Hungary and acquiring a new company in Switzerland. A new welded tube plant was also opened in the US in 1999. Investments in Plant Nutrition for 1999 concentrated on maintenance of existing plants and upgrading of the ammonia plants in Le Havre, France and Porsgrunn in Norway.

Investments ¹⁾

Amounts in NOK million	2001	%	2000	%	1999	%
Exploration and Production	9,618	59	8,322	50	7,051 ²⁾	57
Energy	366	2	123	1	93	1
Oil Marketing	106	1	63	-	88	1
Eliminations	-	-	29	-	-	-
Hydro Oil and Energy	10,090	62	8,537	52	7,232	59
Aluminium Metal Products	1,900	12	2,561	15	983	8
Aluminium Extrusion	710	4	1,962	12	558	5
Other Light Metals	917	6	552	3	590	5
Hydro Light Metals	3,527	22	5,075	31	2,131	18
Plant Nutrition	657	4	1,093	7	1,267	10
Gas and Chemicals	140	1	240	1	259	2
A/S Korn- og Foderstof Kompagniet	684	4	548	3	476	4
Hydro Agri	1,481	9	1,881	11	2,002	16
Petrochemicals	347	2	540	3	555	4
Other Activities ³⁾	341	2	474	3	431	4
Segments	15,786	97	16,507	100	12,351	100
Corporate	542	3	83	-	(26)	-
Eliminations	-	-	(25)	-	-	-
Total	16,328	100	16,565	100	12,325	100

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

2) Excluding effects of Saga acquisition of approximately NOK 40,700 million.

3) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance, Hydro Business Partner and Technology and Projects.

Material commitments for capital expenditures

Contract commitments for investments in property, plant and equipment relating to land-based activities and oil and gas field activities and transport systems at the end of 2001 were NOK 3,943 million and NOK 10,339 million respectively. Additional authorized future investments representing projects formally approved by the Board of Directors or management were NOK 3,150 million relating to land-based activities and NOK 2,564 million relating to oil and gas field activities and transport systems. Hydro expects that cash flow from operations and normal financing activities will be adequate to fund these expenditures.

RESEARCH AND DEVELOPMENT

Hydro engages in research and development (R&D) in order to maintain its competitive position and to develop new products and processes. Hydro spent approximately NOK 796 million, NOK 898 million, and NOK 1,043 million during 2001, 2000, and 1999 respectively, on such activities. As part of its R&D activities, Hydro continues to focus on ecological issues including life cycle analyses and energy efficiency studies relating to products produced by the Company.

Hydro maintains major research centers in Porsgrunn and Bergen in Norway, with a combined staff of approximately 455 as well as smaller research groups in several other locations. In February 2001, Hydro divided the Porsgrunn facility into four units, of which three are dedicated to support the Company's main business areas. The Bergen facility is dedicated to the Group's oil and gas activities. Research centers for Hydro Aluminium are located at Karmøy, Årdal, Raufoss and Sunndal in Norway, and in Tønder, Denmark and in Michigan, US. The following highlights major contributors to total R&D costs incurred in 2001.

Hydro Oil and Energy incurred R&D costs in 2001 totaling approximately NOK 149 million, mainly by Exploration and Production. The amount incurred was primarily aimed at exploration technology, virtual reality, increased oil recovery, multiphase transportation, well technology, deep water technology, subsea solutions and health, safety and environment with the purpose of reducing field development and operating costs. Hydrogen as a future energy carrier as well as reduction of emissions of carbon dioxide is included in Hydro's R&D programs.

Hydro Light Metals incurred a total of NOK 372 million in R&D costs in 2001. Aluminium Metal Products incurred NOK 109 million relating to work on core technologies, new products and processes. NOK 90 million was incurred by Aluminium Extrusion focusing on metallurgy and die technology. Other Light Metals incurred NOK 173 million in 2001. Automotive Structures incurred NOK 129 million of this total. Activities were primarily focused on improvements of material and production processes, as well as development of new products in order to be an attractive partner to the automotive industry. Magnesium incurred

NOK 22 million aimed at increasing productivity and product quality. Activities at the Porsgrunn facility relating to magnesium have been reduced following the decision to terminate the production of primary magnesium in Porsgrunn. The Hydro Light Metals research center in Porsgrunn works closely with magnesium market development personnel in Detroit, Bottrop, Brussels and Tokyo to promote and develop applications for magnesium, particularly in the automotive industry. Aluminium Rolled Products incurred NOK 22 million in research and development costs in 2001.

R&D costs for the Agri business area were NOK 142 million in 2001 including NOK 130 million for Plant Nutrition and NOK 12 million relating to Gas and Chemicals. R&D activities relating to Plant Nutrition included process and technology development aimed at optimization and cost reduction as well as product R&D targeting new, innovative products and strategies for customers in selected markets. Activities relating to Gas and Chemicals have been focused on application and product development including projects relating to environmental issues.

Petrochemicals incurred NOK 36 million in research and development costs in 2001. The main research and development areas are process improvements in VCM and PVC technology, aiming at higher productivity and lower costs and PVC formulation developments with a view to minimizing the environmental impact of the PVC life cycle. More radical research and development includes new technology for the production of multimodifier particles for PVC as well as an alternative process for large scale magnetization of natural gas by converting gas to olefins via methanol.

RISK MANAGEMENT

The following discussion about Hydro's risk management activities and the estimated amounts generated from the sensitivity analyses are "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected due to actual developments in the global markets. The methods used by Hydro to analyze risks discussed below should not be considered projections of future events or losses. Hydro also faces risks that are either non-financial or non-quantifiable. Such risks are not represented in the following analyses.

Hydro maintains risk management control systems to monitor the market risk arising from:

- Commodity price risks, arising mainly from fluctuations in the prices of crude oil, aluminium, natural gas, electricity, and fertilizers;
- Foreign currency risk, due to the fluctuations of the Norwegian kroner against other currencies, primarily the US dollar; and
- Interest rate risk

Total company

Hydro's policy is to manage its total risk based on a portfolio view in order to take advantage of offsetting positions and to manage risk on a net exposure basis. Hydro's Corporate Risk Management Board establishes guidelines for managing risks related to commodity prices, currencies and interest rates. Within these guidelines the operating units enter into derivative financial and commodity instruments aimed at reducing Hydro's total cash flow risk. Hydro's trading and use of various derivative commodity instruments is subject to the continuous oversight and control by line management and is periodically reviewed by the Corporate Risk Management Board and Corporate Management. Policies are set to govern the limit for exposure to derivatives in terms of amount, duration, and quantities as well as providing "stop-loss."

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

futures:	crude oil, aluminium, electricity
forwards:	crude oil, aluminium, electricity, natural gas, foreign currency
options:	crude oil, aluminium, electricity, foreign currency
swaps:	crude oil, aluminium, NGLs, foreign currency, interest rate

Hydro considers all significant derivative financial and commodity instruments to be held for purposes of managing commodity price, foreign exchange and interest rate exposures. For accounting purposes, unless otherwise disclosed below, derivative financial and commodity instruments are marked-to-market with the resulting gain or loss reflected in income since most of such instruments do not meet the criteria for hedge accounting. This can result in volatility in earnings as the associated gain or loss on the related transactions may be reported in earnings in different periods.

Commodity price risk

A substantial portion of Hydro's revenues are derived from the sale of commodities such as crude oil aluminium and fertilizers. Hydro also purchases and sells natural gas and electricity. The prices of these commodities can be volatile, creating significant market risk exposures. Hydro uses commodity derivatives, such as commodity futures and forwards, options and swaps, to manage unfavorable price fluctuations and to participate in limited speculative trading within strict limits defined by management. The following highlights Hydro's main commodity price risks.

Oil. Hydro produces and sells crude oil and refined petroleum products. Hydro utilizes futures, physical and financial swaps and options with international oil and trading companies. These instruments are used to mitigate unwanted price exposure for a

portion of its crude oil portfolio production and certain inventories of oil or petroleum products at its partly owned refinery in Sweden. As of 31 December, 2001, these instruments were recorded at fair value as an asset of NOK 9 million and a liability of NOK 13 million. Hydro has purchased average rate put options (Asian options) for crude oil for the period 1 July, 2001 to 31 December, 2002 for the purpose of protecting against the risk of low oil prices. The notional volume of the contracts is 45 million barrels of oil with an average strike price of US dollar 15.5 per barrel for the entire 18 month period. In addition, Hydro has purchased average rate put options (Asian options) to sell 10 million barrels of oil in the first half of 2003 for an average strike price of US dollar 17 per barrel. The options described in this paragraph have been recorded as an asset at fair value of NOK 114 million, with gains and losses recorded in earnings.

Natural gas. Hydro is a producer, consumer, buyer and seller of natural gas. Through 31 December, 2001, the production from the Norwegian Continental Shelf was sold through the Gas Negotiating Committee ("GNC"). As of 1 January, 2002 the GNC was dismantled, resulting in each stakeholder on the Norwegian Continental Shelf being individually responsible for natural gas commercial activities. The consumption of natural gas is mainly sourced through long-term contracts with major producers and distributors. Hydro is mainly involved in physical over-the-counter forward contracts traded bilaterally in the UK and on the European continent where there exists a liquid market for such contracts. The main purpose of this activity is to secure natural gas for Hydro's own production and deliveries to Hydro's customers, to reduce the risk in the natural gas portfolio against unfavorable fluctuations in price, and to participate in limited speculative trading within strict limits defined by management. Hydro's natural gas contracts, recorded on the balance sheet as of 31 December, 2001 as assets of NOK 585 million and liabilities of NOK 532 million, were split almost equally between short-term and long-term contracts. Activities qualifying as energy trading contracts under EITF 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" and contracts qualifying as derivatives under Statement of Financial Accounting Standards (SFAS) No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) are marked-to-market with the related adjustments reflected in operating income.

Electricity. Hydro is a producer, consumer, buyer and seller of electricity. In Norway, Hydro's consumption of electricity exceeds its production. In Europe, only small scale production exists and consumption is considerably higher. This deficit is principally covered through long-term purchase contracts with other producers and suppliers. Hydro's demand and supply balance can also be affected by other factors, such as seasonal variations in the level of its production, which is influenced

by precipitation and reservoir levels. Hydro utilizes derivative instruments, such as futures, forwards and options, and physical contracts that are traded either bilaterally or over electricity exchanges such as the Nordic power exchange, Nord Pool. The main purpose of this activity is to secure electricity in the market for Hydro's own consumption and delivery commitments, to reduce the risk in the electricity portfolio against unfavorable fluctuations in price, and to participate in limited speculative trading within strict limits defined by management. As of 31 December, 2001 approximately half of Hydro's electricity contracts recorded on the balance sheet matured within one year, while the other half were more long-term. They were recorded as assets of NOK 180 million and liabilities of NOK 207 million. Activities qualifying as energy trading contracts under EITF 98-10, and contracts qualifying as derivatives under SFAS 133 are marked-to-market with the related adjustments reflected in operating income.

Aluminium. Hydro is a leading producer of primary aluminium and fabricated aluminium products. Hydro also has considerable activities related to physical aluminium and raw material trading aimed at extending Hydro's role as a reliable and long-term supplier of raw materials and aluminium products. The objective of this trading is to optimize logistical costs and strengthen market positions by providing customers with flexibility in pricing and sourcing. In addition, Hydro also has considerable activities relating to remelting and long-term commercial agreements to secure sourcing of casthouse products.

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

In addition, Hydro engages in speculative trading within strict limits as defined by management. Volatility from market adjustments on speculative positions will not have offsetting effects from other transactions.

As a result of the expansion project at the Sunndal metal plant, Hydro's exposure to commodity prices and foreign currency exchange rates has increased. Accordingly, Hydro has entered into short positions using LME future contracts and US dollar forward contracts to secure an average aluminium price of approximately NOK 14,000 per tonne of forecasted sales of primary metal production per year for the period 2003 to 2007. As of 31 December, 2001 Hydro had sold forward approximately

490,000 tonnes of primary aluminium at an average LME price of about US dollar 1,500 per tonne. Simultaneously, Hydro secured the US dollar - NOK exchange rate at about NOK 9.3 for the same tonnage in the same period. This hedging strategy meets certain hedging criteria in accordance with SFAS 133, and has therefore been designated as a cash flow hedge. As of 31 December, 2001 the effective hedge portion after tax, amounting to a deferred gain of NOK 18 million, was recorded to Other Comprehensive Income. The fair value of the LME future contracts was recorded as an asset of NOK 254 million and a liability of NOK 36 million. The fair value of the currency forward contracts was recorded as a liability of NOK 192 million.

In addition, in 2001 Hydro entered into short positions using LME future contracts, designating such contracts as cash flow hedges under SFAS 133 against the risk of lower aluminium prices for forecasted sales of primary metal production for the period 2001 to 2003. In connection with this cash flow hedge, Hydro bought call options on aluminium to benefit from anticipated higher aluminium prices. Production capacity cutbacks in 2001 in the US, Canada and Brazil established a possibility for a strong aluminium price increase. In addition Hydro bought call options with the intent to offset the effects of backwardation (i.e., LME spot price is higher than the LME three-month forward price). The premium on these call options was financed by simultaneously selling put options on aluminium. A significant drop in aluminium prices in the latter half of 2001 resulted in losses on these options. Consequently, in the beginning of October 2001, the options were terminated, and the LME futures were neutralized and dedesignated as hedges. These options did not qualify for hedge accounting and were marked-to-market. These options, combined with the hedging strategy, generated a total pre-tax loss of NOK 545 million that was recognized in 2001. Deferred gains after tax recorded to Other Comprehensive Income relating to the LME futures as of 31 December, 2001 amounted to NOK 117 million. Hydro expects to reclassify an after tax gain of NOK 65 million and NOK 52 million from Other Comprehensive Income to operating revenues in 2002 and 2003, respectively. Hydro's risk management policy has been changed so that similar options will not be used.

Hydro also has a 10 year commitment with Aluvalle to purchase a fixed tonnage of remelt ingot per year. At the end of 2001, Hydro had entered into short positions using LME futures to hedge against the fluctuations in the fair value of the purchase commitment due to changes in the LME price of aluminium over the period of 2002 - 2006. The fair value of the futures contracts designated as fair value hedges was recorded as an asset of NOK 22 million as of 31 December, 2001.

Foreign currency exchange rate risk

Prices of many of Hydro's most important products, mainly crude oil, aluminium, natural gas and magnesium, are either denominated in US dollars or are influenced by local currency rates against the US dollar. The cost of raw materials, including natural gas, NGLs and alumina, are affected by the US dollar price of crude oil, and fluctuations in the US dollar against local currencies. Hydro's primary foreign currency risk is tied to local currency fluctuations against the US dollar. To reduce the long-term effects of fluctuations in US dollar exchange rates, Hydro incurs most of its debt in US dollars (approximately 68 percent of Hydro's long-term debt is US dollar denominated). The remaining long-term debt is denominated in Norwegian kroner, Euro, Swedish kroner, and British pounds. Hydro's pre-tax operating income would most likely increase when the US dollar appreciates against European currencies, whereas financial expense, including interest expense and net foreign currency losses, is likely to be negatively affected. In addition, the effects of translation of local currency financial statements of subsidiaries outside of Norway into Norwegian kroner can influence comparative results of operations.

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

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

Interest rate risk

Hydro is exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and fund its business operations. Management's strategy is to have debt with long average life and stable interest payments. Hydro maintains a high ratio of long-term, fixed-rate debt, as a proportion of its total debt, with an even debt repayment schedule and adequate resources to allow for financial flexibility. Hydro periodically uses derivative financial instruments such as foreign currency and interest rate swaps to minimize its exposure to interest rate risks.

As of 31 December, 2001, Hydro had two interest rate swaps with offsetting terms. These swaps represented an asset and liability of NOK 30 million, respectively. Furthermore, Hydro has a sold swaption contract whereby the counterparty has a right to enter into an interest rate swap under which Hydro will receive interest at a fixed rate while paying interest at a variable rate. The contract was recorded as a liability of NOK 16 million.

Credit risk

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

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

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

Sensitivity analysis

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

The sensitivity analysis depicted in the tables below reflects the hypothetical loss in fair values assuming a 10 percent change in rates or prices and no changes in the portfolio of instruments as of 31 December, 2001 and 31 December, 2000, respectively. Hydro's management cautions against relying on the information presented. This is due to the arbitrary nature of assumptions involved, the inability of such a simple analysis to model reality, continuous changes to Hydro's portfolio and the exclusion of certain of Hydro's positions necessary to reflect the net market risk of the Group. Accordingly, the information does not represent management's expectations about probable future losses. The most significant limitations on the figures provided are as follows:

- The tables only include the effects of the derivative instruments discussed above and of certain financial instruments (see Footnote 2 below). It does not include all related physical positions, contracts, and anticipated transactions that many of the derivatives instruments are meant to secure. A rate or price change of 10 percent will often result in a corresponding effect to the fair value of the physical or underlying position such that the resulting gains and losses would offset.
- As allowed by the SEC regulations, Hydro has excluded accounts payable and accounts receivable from the presentation which may have had a significant effect on the foreign exchange risk figures provided.
- The computations, which provide the most negative effect to Hydro of either a 10 percent increase or decrease in each rate or price, do not take into account correlations which would be expected to occur between the risk exposure categories. For example, the effect that a change in a foreign exchange rate may have on a commodity price is not reflected in the tables.
- It is not probable that all rates or prices would simultaneously move in directions that would have negative effects on Hydro's portfolio of instruments.

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

As depicted in the tables below, in 2001 Hydro's exposure to foreign currency risk decreased compared to the prior year, with a corresponding decrease in the hypothetical losses in the fair value of these financial instruments. The reasons for the change include the following:

- During 2001, Hydro repurchased its long-term debentures in the aggregate principal amount of NOK 664 million. In addition, the Company repaid long term loans of NOK 2,201 million. Consequently, Hydro's long-term debt position was reduced compared with the previous year.
- Hydro's level of cash and cash equivalents increased by approximately NOK 5,400 million.
- During the course of 2001, the Norwegian kroner devalued against the US dollar as compared to the prior year.

The tables above also reflect that Hydro's exposure to commodity price risks increased in 2001 as compared to the prior year. This is attributable to Hydro's positions in certain aluminium and electricity contracts, combined with changes in market prices. These effects resulted in an increase in the hypothetical losses in the fair value of Hydro's derivative commodity instruments. The remaining activities for 2001 have not materially impacted the other hypothetical losses in the fair value for the year ended 31 December, 2001.

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

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

As of 31 December, 2000 Hypothetical loss from +/- 10% change in:

NOK million (unaudited)	Fair value as of 31 December, 2000 ¹⁾	Interest rates	Foreign currency exchange rates	Commodity prices	Volatility	Other
Derivative instruments related to:						
Commodities	139	-	23	426	-	-
Other ²⁾	(116)	17	1,122	-	-	-
Financial instruments ³⁾	(29,611)	2,041	3,847	-	-	91

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

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

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

CONSOLIDATED INCOME STATEMENTS

Year ended 31 December, Amounts in million (except per share amounts)	Notes	2001 (NOK)	2001 (EURO)*	2000 (NOK)	1999 (NOK)
Operating revenues	5	152,835	19,184	156,861	111,955
Raw materials and energy costs		94,537	11,866	94,082	70,707
Payroll and related costs	7, 20	17,237	2,164	14,852	14,051
Depreciation, depletion and amortization	5, 16	12,273	1,541	12,538	10,494
Other		6,744	846	6,788	8,336
Restructuring costs	6	961	121	135	632
Operating costs and expenses	7	131,752	16,538	128,395	104,220
Operating income before financial items and other income	5	21,083	2,646	28,466	7,735
Equity in net income of non-consolidated investees	5, 14	566	71	672	339
Interest income and other financial income	8, 24	2,847	357	1,747	1,504
Other income, net	5, 9	578	73	3,161	1,350
Earnings before interest expense and taxes (EBIT)		25,074	3,147	34,046	10,928
Interest expense and foreign exchange gain (loss)	8, 24	(3,609)	(453)	(3,905)	(3,055)
Income before taxes and minority interest		21,465	2,694	30,141	7,873
Income tax expense	10	(13,750)	(1,725)	(16,178)	(4,337)
Minority interest		177	22	18	(90)
Income before cumulative effect of change in accounting principle		7,892	991	13,981	3,446
Cumulative effect of change in accounting principle		-	-	-	(30)
Net income	26	7,892	991	13,981	3,416
Earnings per share before change in accounting principle	3	30.50	3.83	53.40	13.90
Earnings per share	3	30.50	3.83	53.40	13.80

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME **)

Net income		7,892	991	13,981	3,416
Net unrealized gain (loss)					
on securities available-for-sale	3	41	5	(3)	2
Minimum pension liability adjustment	3	(397)	(50)	(95)	(8)
Net investment hedge	3	89	11	(412)	36
Cash flow hedges	3	136	17	-	-
Net foreign currency translation adjustments	3	(794)	(99)	1,010	(559)
Total other comprehensive income (loss), net of tax	3	(925)	(116)	500	(529)
Comprehensive income, net of tax		6,967	875	14,481	2,887

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2001, which was 7.9667.

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

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

CONSOLIDATED BALANCE SHEETS

31 December, Amounts in million	Notes	2001 (NOK)	2001 (EURO) ^{*)}	2000 (NOK)
ASSETS				
Cash and cash equivalents		27,148	3,408	21,766
Other liquid assets	11	2,421	304	2,491
Accounts receivable, less allowances of 1,138 and 970		23,372	2,934	27,555
Inventories	12	15,794	1,982	18,738
Prepaid expenses and other current assets		9,482	1,190	9,563
Current deferred tax assets	10	2,106	265	1,682
Current assets	5	80,323	10,083	81,795
Non-consolidated investees	14	9,687	1,216	7,211
Property, plant and equipment, less accumulated depreciation, depletion and amortization	16	95,277	11,959	95,025
Prepaid pension, investments and other non-current assets	13, 15, 20	11,636	1,461	10,983
Deferred tax assets	10	999	125	1,340
Non-current assets	5	117,599	14,761	114,559
Total assets	5	197,922	24,844	196,354
LIABILITIES AND SHAREHOLDERS' EQUITY				
Bank loans and other interest-bearing short-term debt	17	8,458	1,062	9,088
Current portion of long-term debt	19	1,966	247	2,209
Other current liabilities	18	32,245	4,047	33,171
Current deferred tax liabilities	10	324	41	258
Current liabilities		42,993	5,397	44,726
Long-term debt	19	37,853	4,752	40,174
Accrued pension liabilities	20	4,215	529	2,735
Other long-term liabilities	21	5,912	742	4,686
Deferred tax liabilities	10	31,105	3,904	31,387
Long-term liabilities		79,085	9,927	78,982
Minority shareholders' interest in consolidated subsidiaries		1,051	132	1,419
Share capital	3	5,332	669	5,332
Additional paid-in capital	3	15,070	1,892	15,059
Retained earnings	3	57,070	7,164	51,647
-Treasury stock	3	(3,167)	(398)	(2,224)
Accumulated other comprehensive income	3	488	61	1,413
Shareholders' equity	3, 26	74,793	9,388	71,227
Total liabilities and shareholders' equity		197,922	24,844	196,354

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2001, which was 7.9667.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 31 December, Amounts in million	Notes	2001 (NOK)	2001 (EURO)*	2000 (NOK)	1999 (NOK)
Operating activities:					
Net income		7,892	991	13,981	3,416
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, depletion and amortization	5	12,273	1,541	12,538	10,494
Restructuring costs	6	961	121	135	632
Equity in net income of non-consolidated investees	5, 14	(566)	(71)	(672)	(339)
Dividends received from non-consolidated investees	14	472	59	398	550
Cumulative effect of accounting changes	1	-	-	-	30
Deferred taxes	10	(313)	(39)	2,467	784
Gain on sale of non-current assets		(937)	(118)	(3,162)	(1,282)
Loss on foreign currency transactions	8	416	52	655	304
Net sales (purchases) of trading securities		(112)	(14)	(115)	374
Other		773	97	377	28
Working capital changes that provided (used) cash:					
Receivables		3,627	455	(3,149)	(2,823)
Inventories		1,854	233	(2,461)	(948)
Prepaid expenses and other current assets		(355)	(45)	(616)	(3,374)
Other current liabilities		187	23	5,250	6,898
Net cash provided by operating activities		26,172	3,285	25,626	14,744
Investing activities:					
Purchases of property, plant and equipment		(14,348)	(1,801)	(11,943)	(13,029)
Acquisition of Saga Petroleum ASA	2	-	-	-	719
Purchases of other long-term investments		(1,663)	(209)	(4,348)	(907)
Net sales (purchases) of short-term investments		42	5	(15)	32
Proceeds from sales of property, plant and equipment		629	79	1,334	1,956
Proceeds from sales of other long-term investments		659	83	11,342	2,863
Net cash used in investing activities		(14,681)	(1,843)	(3,630)	(8,366)
Financing activities:					
Loan proceeds		408	51	993	21,707
Principal repayments		(2,865)	(360)	(6,328)	(19,626)
Ordinary shares purchased	3	(1,155)	(145)	(763)	(1,599)
Ordinary shares issued		92	12	63	3
Dividends paid	3	(2,470)	(310)	(2,094)	(1,718)
Net cash used in financing activities		(5,990)	(752)	(8,129)	(1,233)
Foreign currency effects on cash flows		(119)	(15)	464	354
Net increase in cash and cash equivalents		5,382	676	14,331	5,499
Cash and cash equivalents at beginning of year		21,766	2,732	7,435	1,936
Cash and cash equivalents at end of year		27,148	3,408	21,766	7,435
Cash disbursements were made for:					
Interest (net of amount capitalized)		357	45	1,460	887
Income taxes		14,006	1,758	8,027	1,868

*) Presentation in euro is a convenience translation based on the exchange rate at 31.12.2001, which was 7.9667.

1) There are no material differences between consolidated statements of cash flows according to US GAAP and Norwegian accounting principles (N GAAP). The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS

Year ended 31 December,

Amounts in NOK million

	Notes	2001	2000	1999
Operating revenues	5	152,969	156,861	111,955
Raw materials and energy costs		93,990	95,146	70,666
Change in inventories of own production		547	(1,064)	41
Payroll and related costs	7, 20	17,237	14,852	14,051
Depreciation, depletion and amortization	5, 16	12,273	12,538	10,494
Other		6,924	6,773	8,317
Restructuring costs	6	961	135	632
Operating costs and expenses	7	131,932	128,380	104,201
Operating income	5	21,037	28,481	7,754
Equity in net income of non-consolidated investees	5, 14	566	672	339
Interest income and other financial income	8, 24	2,847	1,747	1,504
Other income, net	5, 9	578	3,161	1,350
Earnings before interest expense and taxes (EBIT)		25,028	34,061	10,947
Interest expense and foreign exchange gain (loss)	8, 24	(3,609)	(3,905)	(3,055)
Income before taxes and minority interest		21,419	30,156	7,892
Income tax expense	10	(13,733)	(16,188)	(4,343)
Net income		7,686	13,968	3,549
Minority interest		177	18	(90)
Net income after minority interest	26	7,863	13,986	3,459

Oslo 28 February, 2002

Egil Myklebust, chairman

Borger A. Lenth, vice chairman

Elisabeth Grieg

Anne Cathrine Høeg Rasmussen

Håkan Mogren

Ingvild Myhre

Gudmund Per Olsen

Odd Semstrøm

Per Wold

Eivind Reiten, President and CEO

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 26 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

CONSOLIDATED BALANCE SHEETS

31 December,

Amounts in NOK million

	Notes	2001	2000
ASSETS			
Deferred tax assets	10	1,892	1,562
Other intangible assets	15	2,051	2,171
Intangible assets		3,943	3,733
Property, plant and equipment	16	95,277	95,025
Non-consolidated investees	14	9,687	7,211
Prepaid pension, investments and other non-current assets	13, 15, 20	9,166	8,812
Financial non-current assets		18,853	16,023
Inventories	12	15,794	18,738
Accounts receivable, less allowances of 1,138 and 970		23,372	27,555
Prepaid expenses and other current assets		9,321	9,504
Other liquid assets	11	2,421	2,491
Cash and cash equivalents		27,148	21,766
Current assets		78,056	80,054
Total assets	5	196,129	194,835
LIABILITIES AND SHAREHOLDERS' EQUITY			
Share capital	3	5,332	5,332
- Treasury stock		(179)	(132)
Premium paid-in capital		15,055	15,055
Other paid-in capital		15	4
Total paid-in capital		20,223	20,259
Retained earnings incl. treasury stock	3	54,726	50,541
- Treasury stock		(2,988)	(2,092)
Total retained earnings		51,738	48,449
Minority shareholders' interest in consolidated subsidiaries		1,051	1,419
Shareholders' equity	3, 26	73,012	70,127
Accrued pension liabilities	20	4,215	2,735
Deferred tax liabilities	10	30,120	30,175
Other long-term liabilities	21	5,684	4,686
Long-term liabilities		40,019	37,596
Long-term debt	19	37,853	40,174
Bank loans and other interest-bearing short-term debt	17	8,458	9,088
Current portion of long-term debt	19	1,966	2,209
Dividends payable		2,576	2,470
Other current liabilities	18	32,245	33,171
Current liabilities		45,245	46,938
Total liabilities and shareholders' equity		196,129	194,835

The accompanying notes are an integral part of the consolidated financial statements in accordance with Norwegian accounting principles (N GAAP). See Note 26 for a reconciliation and explanation of differences in accounting principles between US GAAP and N GAAP.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries (Hydro) prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) are included on pages 66 to 68. The consolidated financial statements prepared in accordance with accounting principles generally accepted in Norway (N GAAP) are located on pages 68 to 70. Financial statement preparation requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates.

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

Note 26 provides a reconciliation and explanation of the differences between net income and shareholders' equity for US GAAP and N GAAP.

Consolidation

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

Investments in companies (non-consolidated investees) in which Hydro has a substantial ownership interest of 20 to 50 percent of voting shares and exercises significant influence are accounted for using the equity method. Participation in joint ventures are accounted for using the equity method, except for participation in joint ventures in the upstream oil- and gas business, which are accounted for using the pro rata method.

Business Combinations

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

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

Foreign Currency Translation

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

Foreign Currency Transactions

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

Revenue Recognition

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

Revenues from the production of oil and gas are recognized on the basis of the company's net working interest, regardless of whether the production is sold (entitlement method).

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

Cash and Cash Equivalents

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

Other Liquid Assets

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

Inventories

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

Investments

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

For N GAAP, investments are valued at the lower of historical cost or market value. [Note 26].

Property, Plant and Equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation, depletion and amortization. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If necessary, a write-down (impairment) to fair value is recorded based upon the criteria in Statement of Financial Accounting Standards (SFAS) No. 121.

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

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

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

Environmental Expenditures Environmental expenditures which increase the life, capacity, or result in improved safety or efficiency of a facility are capitalized. Expenditures that relate to an existing condition caused by past operations are expensed. Liabilities are recorded when environmental assessments or

clean-ups are probable and the cost can be reasonably estimated.

Exploration and Development Costs of Oil and Gas

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

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

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

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

Intangible Assets

Intangible assets and deferred charges with a defined and measurable relationship to future revenues, such as software and patents, are capitalized. When a business is acquired, fair value of significant contracts, customer relationships, technology and other rights that can be valued, either separately or as a group, and which is controlled by Hydro, are valued and capitalized. When a business is acquired, purchase price in excess of the identified fair value of assets and liabilities is accounted for as goodwill. Goodwill and other intangible assets are amortized on a straight line basis over the lesser of their benefit period or 10 years. For intangible assets resulting from acquisitions after 1 July 2001, see FAS 142 described on page 74 applies.

Oil and Gas Royalty

Oil and gas revenue is recorded net of royalties payable.

Shipping costs

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

Research and Development

Research and development costs are expensed as incurred.

Other Income (Expense), net

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

Income Taxes

Deferred income tax expense is calculated using the liability method in accordance with SFAS No. 109. Under this method, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis which are considered temporary in nature. Deferred income tax expense represents the change in deferred tax asset and liability balances during the year except for deferred tax related to items charged directly to equity. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective.

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

For N GAAP, Hydro follows the NRS' (The Norwegian Accounting Standards Board) standard which, like SFAS No. 109, is based on the liability method. [Note 26].

Derivative Instruments

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

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

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

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

Derivative Commodity Instruments Instruments that do not qualify for hedge accounting under SFAS 133 ("Accounting for Derivative Instruments and Hedging Activities") are marked-to-market with their fair market value recorded in the balance sheet as either assets or liabilities. Adjustments for changes in the fair market value of the instruments are reflected in the current period's revenues and/or operating costs.

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

Contracts that qualify as energy trading activities under EITF 98-10 "Accounting for Contracts Involved in Energy Trading and Risk Management Activities" are accounted for under the mark-to-market method. Unrealized gains and losses are recognized in current period earnings. Energy contracts are valued based on quoted market prices. For some contracts in less liquid markets, valuation is based on internally developed models which estimate the forward price curve. Since illiquidity is primarily a result of distance from market hubs, the models are ultimately connected to quoted market prices adjusted for transportation costs and other reserves.

For N GAAP, cash flow hedges with derivative instruments are not recognized on the balance sheet or income statement under N GAAP, until the underlying hedged transactions actually occur. Unrealized gains and losses for commodity derivative instruments that are not exchange traded are netted for each portfolio and net unrealized gains are not recognized. [Note 26].

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

Stock-based Compensation

Hydro accounts for stock based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25 and

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

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

Employee Retirement Plans

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

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

Accounting Changes

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

For N GAAP there is no change in accounting principles related to SFAS 133. As result of a change in the Norwegian Accounting Act, quoted commodity instruments are marked to their market value as from 2001. Changes in fair market value is recorded in income. There were no implementation effects from this change

In 1999, Hydro implemented SOP (Statement of Position) 98-5 from the AICPA (American Institute of Certified Public Accountants) requiring all startup costs to be expensed as incurred. Previously capitalized costs were expensed in 1999.

For N GAAP, the effect of this is recorded to equity.

Reclassifications

Certain amounts in previously issued consolidated financial statements were reclassified to conform with the 2001 presentation.

In 2000, Hydro changed the presentation of revenues for certain trading activities. Revenues and related cost for these activities were previously presented net reflecting only the related margins in revenues. These activities are now presented on a gross basis. This change resulted in an increase of Operating revenues and Raw materials of NOK 12.7 billion in 2000 and NOK 9.5 billion in 1999 compared to former presentations. The change has no impact on results or equity.

New Pronouncements

Business Combinations, Goodwill and Intangible Assets

In July 2001, the Financial Accounting Standards Board (FASB) issued Statement No. 141 (SFAS 141), "Business Combinations" and Statement No. 142 (SFAS 142), "Goodwill and Other Intangible Assets".

SFAS 141 requires the use of the purchase method to account for business combinations, eliminating the pooling of interest method. The Statement also provides guidance on the initial recognition and measurement of goodwill and intangible assets. The provisions of SFAS 141 are effective for business combinations initiated after June 30, 2001.

SFAS 142 requires the discontinuation of goodwill amortization, reallocation of all existing goodwill among the Company's reporting units based on specified criteria. In addition, the standard requires an initial impairment test of the value of the goodwill in each reporting unit by applying a fair value based test.

SFAS 142 is effective beginning on January 1, 2002 and any impairment at this initial adoption date shall be recognized as a change in accounting principle. Subsequently, goodwill must be tested for impairment at least on an annual basis. SFAS 142 continues the requirement to amortize intangible assets over their estimated useful life. However, if the useful life is determined to be indefinite, no amortization is recorded and the value of the intangible asset is assessed for impairment similar to goodwill. The useful life of intangible assets recognized prior to the adoption of SFAS 142 must be reassessed. At the end of 2001 total net goodwill and intangible assets was NOK 1,265 million and NOK 786 million, respectively. Amortization of goodwill and intangible assets in 2001 was NOK 138 million and NOK 162 million, respectively. Hydro does not expect the adoption of SFAS 142 to materially impact the Group's results of operations and financial position related to any of the Group's previous business combinations.

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

Asset Retirement Obligations In June 2001, FASB issued SFAS 143, "Accounting for Asset Retirement Obligations". This Statement requires significant changes in the accounting treatment for asset retirement obligations such as decommissioning

of oil and gas production platforms, facilities and pipelines. Specifically, it requires that the fair value of a liability for an asset retirement obligation be recorded in the period it is incurred. Related asset retirement costs are to be capitalized as part of the carrying value of the long-lived asset. Furthermore, the liability is to be accreted for the change in its present value each reporting period, and the associated asset retirement costs are to be depreciated over the useful life of the related long-lived asset. Hydro will adopt this Statement on January 1, 2003 and has not yet determined the impact of this Statement on the Group's future results of operations and financial position.

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

Impairment or Disposal of Long-Lived Assets In October 2001, FASB issued SFAS 144, "Accounting for Impairment or Disposal of Long-Lived Assets". This Statement supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". SFAS 144 applies to all long-lived assets, including discontinued operations, thus, it amends APB 30, "Reporting Results of Operations – Reporting the Effects of Disposal of a Segment of a Business". SFAS 144 sets forth one accounting model that is based on the framework established in SFAS 121 for long-lived assets to be disposed of by sale. It requires that these types of assets be measured at the lower of book value or fair value less cost to sell. In addition, it expands the scope for the presentation of discontinued operations to include all components of an entity with operations that are distinguishable and will be eliminated in a disposal transaction. Hydro will adopt SFAS 144 on January 1, 2002. The impact of this Statement on the Group's future results of operations and financial position will not be significant.

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

2. BUSINESS COMBINATIONS AND DISPOSITIONS

Subsequent to and during the three years ended 31 December, 2001, Hydro entered into the following significant business combinations and dispositions.

2002 Acquisitions In January, 2002, Hydro entered into an agreement to purchase all the outstanding shares of the German group VAW aluminium AG, a leading aluminium company in Europe. VAW has operations in more than 20 countries. The major part of these activities are located in the EU in addition to important operations located in North America and the Pacific region.

The consideration for all outstanding shares amounts to EUR 1,888 million (NOK 15 billion). In addition, interest bearing

debt of EUR 757 million (NOK 6 billion) and pension commitments of approximately EUR 450 million (NOK 3.6 billion) is assumed. The acquisition is being financed by Hydro's cash holdings and credit facilities. The acquisition is subject to approval by competition authorities in some countries and by the European Union. Hydro anticipates that such approvals will be forthcoming and the final terms of the acquisition, and payment for the VAW shares, can be completed in the first quarter of 2002. Alcan, the Canadian aluminium company, has asserted that it has a pre-emptive right, triggered by a change of control of VAW, for VAW's 50% interest in the Alu-Norf rolling mill located in Germany. Alcan has initiated legal proceedings against VAW in Germany. VAW disputes that such a pre-emptive right exists, and Hydro supports this position. VAW will be included in Hydro's accounts from completion of the acquisition.

Assets acquired and liabilities assumed in the VAW acquisition will be accounted for at fair value. Pro forma information is based on preliminary estimates for fair value of assets and liabilities in VAW. The preliminary allocation of purchase price does not indicate major intangible assets. Excess values are for the most part allocated to tangible fixed assets. The preliminary allocation does not indicate goodwill in the transaction.

Amounts in NOK million

Preliminary allocation of purchase price	
External cash and cash equivalents	191
Other current assets	12,684
Property, plant and equipment	21,510
Other non-current assets	3,753
Short-term liabilities	(7,855)
Long-term liabilities	(14,717)
Minority interests	(327)
Estimated fair value of net assets of VAW	15,239

Purchase price allocation may be changed after takeover of the business.

In November, an agreement was signed to purchase the French building systems group Technal for a price of EUR 73 million (NOK 580 million) and the assumption of approximately NOK 307 million in debt. The acquisition was completed 25 January, 2002.

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

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

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

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

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

1999 Acquisitions Hydro and Den norske stats oljeselskap a.s (now Statoil ASA) jointly acquired all the outstanding ordinary shares of Saga, an independent oil and gas exploration and production company. The consideration paid by Hydro consisted of a cash payment and one ordinary share for every three shares of Saga. The aggregate value of the payment per Saga share was NOK 135. All of Saga's outstanding ordinary shares were acquired, representing a total value of NOK 20.2 billion.

As part of the agreement, certain of Saga's oil and gas production licenses having a market value of NOK 8.4 billion were transferred to Statoil in exchange for all of Statoil's shares in Saga and a cash payment of NOK 4,361 million. The transfer to Statoil was made with effect from 1 July, 1999.

Hydro's acquisition cost was NOK 16.3 billion. The purchase was executed by the issuance of 37.5 million ordinary shares and a cash payment of NOK 4,629 million. Saga was included in Hydro's consolidated financial statements beginning 1 July, 1999 and the assets and liabilities acquired were recorded at their fair value. The fair value allocated to Saga's oil and gas production licenses and certain pipelines was NOK 11.6 billion after adjustments recorded in 2000.

1999 Dispositions Hydro disposed of the following significant subsidiaries or ownership interests for aggregate proceeds of NOK 2.4 billion, resulting in a pre-tax gain of NOK 1,408 million:

Company	Location	Business
Mabo activities	Norway	Petrochemicals
Hydro Coatings	United Kingdom	Petrochemicals
Pronova Biopolymer a.s activities	Norway	Alginates

Hydro and 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.

Pro Forma Information (Unaudited)

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

Amounts in NOK million	31 December, 2001
Assets	222,427

Amounts in NOK million	Year 2001
Operating revenues	180,567
Operating income	22,732
EBITDA	40,628
Net income	8,225
Earnings per share in NOK	31.80

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

Pro forma adjustments are made for fair value adjustments for assets and liabilities, depreciation and amortization of these adjustments, finance cost of the acquisition price, and deferred tax related to the above mentioned adjustments. Significant sales and receivables between the companies are eliminated.

The effect of the remaining acquisitions and dispositions for 2001 and 2000 is not significant.

3. CONSOLIDATED SHAREHOLDERS' EQUITY

Amounts in NOK million except number of shares in thousands	Ordinary Shares issued		Additional paid-in capital	Total paid-in capital	Retained earnings	Treasury Stock		Accumulated other compre- hensive income	Total shareholders' equity ¹⁾
	Norsk Hydro ASA Number	Amount				Norsk Hydro ASA Number	Amount		
Balance 31 December, 1998	229,073	4,581	4,203	8,784	38,065	-	-	1,442	48,291
Net income 1999					3,416				3,416
Dividend declared and paid (NOK 7.50 per share)					(1,718)				(1,718)
Common shares issued in Saga acquisition	37,524	751	10,852	11,603					11,603
Net unrealized gain on securities								2	2
Minimum pension liability								(8)	(8)
Hedge of net investment								36	36
Purchase of treasury stock						(5,000)	(1,599)		(1,599)
Treasury stock reissued to employees					(2)	109	35		33
Foreign currency translation								(559)	(559)
Balance 31 December, 1999	266,597	5,332	15,055	20,387	39,761	(4,891)	(1,564)	913	59,497
Net income 2000					13,981				13,981
Dividend declared and paid (NOK 8.00 per share)					(2,094)				(2,094)
Net unrealized loss on securities								(3)	(3)
Minimum pension liability								(95)	(95)
Hedge of net investment								(412)	(412)
Purchase of treasury stock						(2,041)	(763)		(763)
Treasury stock reissued to employees			4	4	(1)	322	103		106
Foreign currency translation								1,010	1,010
Balance 31 December, 2000	266,597	5,332	15,059	20,391	51,647	(6,610)	(2,224)	1,413	71,227
Net income 2001					7,892				7,892
Dividend declared and paid (NOK 9.50 per share)					(2,470)				(2,470)
Net unrealized gain on securities								41	41
Minimum pension liability								(397)	(397)
Hedge of net investment								89	89
Cash flow hedges								136	136
Purchase of treasury stock						(2,959)	(1,155)		(1,155)
Treasury stock reissued to employees			16	16		351	122		138
Treasury stock reissued for acquisition of shares in Hydro Asia Pacific			(5)	(5)		256	90		85
Foreign currency translation					1			(794)	(793)
Balance 31 December, 2001	266,597	5,332	15,070	20,402	57,070	(8,962)	(3,167)	488	74,793

1) See note 26 for a reconciliation to N GAAP equity.

Components of Accumulated Other Comprehensive Income and Related Tax Effects

Amounts in NOK million	31 December, 2001			31 December, 2000			31 December, 1999		
	Pretax	Tax	Net	Pretax	Tax	Net	Pretax	Tax	Net
Unrealized gain on securities	58	(17)	41	-	-	-	5	-	5
Less: Reclassification adjustment	-	-	-	(3)	-	(3)	(3)	-	(3)
Net unrealized gain (loss) on securities	58	(17)	41	(3)	-	(3)	2	-	2
Net investment hedge	124	(35)	89	(574)	162	(412)	50	(14)	36
Net cash flow hedge	188	(52)	136	-	-	-	-	-	-
Minimum pension liability adjustment	(553)	156	(397)	(132)	37	(95)	(11)	3	(8)
Foreign currency translation	(671)	-	(671)	1,328	-	1,328	(576)	-	(576)
Loss(gain) on companies sold	(123)	-	(123)	(318)	-	(318)	17	-	17
Net foreign currency translation	(794)	-	(794)	1,010	-	1,010	(559)	-	(559)
Total accumulated other comprehensive income	(977)	52	(925)	301	199	500	(518)	(11)	(529)

Norsk Hydro ASA had authorized and issued 266,596,650 ordinary shares having a par value of NOK 20 per share for the years ended 31 December, 2001, 2000, and 1999. As of 31 December, 2001, 8,962,478 shares were treasury stock resulting in 257,634,172 outstanding ordinary shares (for 2000 259,986,070 outstanding ordinary shares). For N GAAP, the amount for the treasury stock of NOK 3,167 million was comprised of NOK 179 million for share capital and NOK 2,988 million for retained earnings. In 2001, Hydro acquired 2,958,554 of the company's own shares for a market price of NOK 1,155 million. The share repurchase was authorized at the Annual General Meeting. The shares may be used as consideration in connection with commercial transactions or share schemes for the employees and representatives of the Corporate Assembly and the Board of Directors. In July and August 2001, Hydro sold 350,997 shares of its treasury stock to employees for a price of NOK 138 million. In December 2001, Hydro used 255,659 treasury shares with a fair value of NOK 85 million as consideration to Seletar Investments Pte. Ltd. in exchange for Seletar's 35 percent shareholding in Hydro Asia Pacific Pte. Ltd. The weighted average number of outstanding shares for the year ended 31 December, 2001 was 258,434,202. As of 31 December, 2001, the Kingdom of Norway's ownership interest in Norsk Hydro ASA was 45.3 percent adjusted for treasury stock. The share capital and paid-in premium in Norsk Hydro ASA's balance sheet are not available for dividend purposes.

4. STOCK-BASED COMPENSATION

Hydro has three stock-based compensation plans, a plan initiated in 1999 (the 1999 Plan), the Executive Share Option Plan 2001 established in 2001 and a subsidized share purchase plan for permanent employees.

The 1999 Plan is a fixed award that authorized the award of options to corporate officers and to certain key employees to be exercised in the period from 1 January, 2001 to 31 December, 2002. The employee must retain 50 percent of the shares

acquired under the plan for at least one year after the exercise date. The options expire if the employee voluntarily leaves the company before exercising the options and are generally non-transferable.

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

During 1999, 165,000 options were granted under the 1999 Plan at an exercise price of NOK 367.50. There were no options exercised or cancelled during 1999. During 2000 there were no options granted, exercised or canceled. Activity for 2001 is as follows:

Options outstanding	Number of shares	Strike price (in NOK)	Fair value per share (in NOK)
1 January, 2001	165,000	367.50	42
Granted	92,000	390.40	82
Exercised	3,500	367.50	-
31 December, 2001	253,500	375.80	-
Options exercisable:			
31 December 1999	-	-	-
31 December 2000	-	-	-
31 December, 2001	161,500	367.50	-

The grant date fair value of the options granted in 1999 and 2001 was NOK 42 and NOK 82 per option respectively which approximated the market price on the grant date. There was no

compensation expense recognized during 1999, 2000 or 2001 related to these awards.

As of 31 December, 2001, 161,500 options related to the 1999 Plan with an exercise price of NOK 367.50 were outstanding and exercisable with a remaining contractual life of 1 year. In addition, 92,000 options related to the Executive Share Option Plan 2001 with an exercise price of NOK 390.40 were outstanding with a remaining contractual life of 4.3 years, none of which were exercisable.

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

At 31 December 2001, it was not considered probable that the 12 percent performance target would be met for the 2001-2002 measurement period, consequently the expected rebate for this award will be NOK 1,500 or 20 percent. Compensation expense recognized in 2001 related to this award amounted to approximately NOK 14 million.

Pro Forma Information (Unaudited)

Statement of Financial Accounting Standards (SFAS) No. 123 requires disclosure of certain pro forma information based on the estimated fair value of the options granted if the intrinsic value method is used to measure compensation expense (See Note 1). Under the fair value method defined by SFAS No. 123, compensation expense is measured by using estimated fair value of the options at the date of the grant. For the pro forma disclosure, the estimated fair value is amortized from the date of the grant until the options become exercisable. The following unaudited pro forma information is presented as if the fair value method of accounting for stock-based compensation had been used.

In NOK millions, except for earnings per share

(unaudited)	2001	2000	1999
Pro forma net income	7,890	13,974	3,416
Pro forma earnings per share	30.50	53.40	13.80

Hydro uses valuation model based on the Black-Scholes option-pricing model. The weighted average assumptions used in the model for the 1999 plan are: expected life of 2 years, expected volatility of 31 percent, and a risk-free interest of 5.9 percent and a dividend yield of about 2.5 percent.

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

5. OPERATING AND GEOGRAPHIC SEGMENT INFORMATION

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

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

Hydro Oil and Energy consists of Exploration and Production, Energy and Oil Marketing. Exploration and Production is responsible for Hydro's oil and gas exploration, field development, and operation of production and transportation facilities. Energy produces and sells electricity generated at hydro-electric power stations in Norway, primarily for use in Hydro's own production facilities. Energy also handles trading of crude oil, natural gas liquids (NGL) and refined oil products as well as trading activities in the Norwegian, Swedish and UK markets. Oil Marketing markets and distributes gasoline and other oil products.

Hydro Light Metals consists of Aluminium Metal Products, Aluminium Extrusion and Other Light Metals. Aluminium Metal Products' activities include the production of primary aluminium, remelting of metal, and the international trading of alumina, aluminium and aluminium products. Aluminium Extrusion is involved in the manufacture and sale of extruded aluminium products. Other Light Metals consist of Aluminium Rolled Products, Automotive Structures and Magnesium.

Hydro Agri consists of Plant Nutrition, Gas and Chemicals and A/S Korn og Foderstof Kompagniet. Plant Nutrition's main activities are the production and sale of ammonia and fertilizer products, including nitrate fertilizer, complex fertilizer and urea. Most of the production takes place in Europe while trading is done worldwide. Gas and Chemicals markets numerous products which mainly have their origin in Hydro's ammonia and fertilizer production. A/S Korn og Foderstof Kompagniet is primarily engaged in the production and sale of animal and fish feed, as well as the trading of grain, feedstuffs, fertilizers and other agricultural related products. Petrochemicals is a producer of the plastic raw material polyvinyl chloride (PVC) in Scandinavia and in the UK.

Operating Segment Information

Hydro's steering model referred to as value-based management, reflects management's focus on cash flow-based performance indicators, before and after taxes. EBITDA¹⁾ (defined as income/loss before tax, interest expense, depreciation, amortization, write-downs and certain other financial items) is an approximation of cash flow from operations before taxes. EBITDA is considered an important measure of performance for the company's operational areas and operating segments. EBITDA, in addition to operating income includes financial income, results from non-consolidated investee companies as well as gains and losses on sales of activities classified as "Other Income, net" in the income statement. It excludes depreciation, write-downs and amortization, as well as amortization of excess values and goodwill in non-consolidated investee companies.

Hydro also uses cash return on gross investment (CROGI) as a measure of annual rate of return on assets employed. CROGI is defined as gross cash flow after taxes, divided by average gross investment²⁾, while gross cash flow is defined as EBITDA less total tax expense, gross investment is defined as total assets plus accumulated depreciation, amortization and write-downs, minus short-term interest-free 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 tax liabilities and taxes payable are not deducted from gross investment.

Amounts in NOK million	External revenues			Internal revenues			Total operating revenues ¹⁾		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Exploration and Production	7,848	9,436	6,996	25,434	26,058	10,410	33,282	35,494	17,406
Energy ¹⁾	35,725	36,749	16,128	7,349	7,842	4,237	43,074	44,591	20,365
Oil Marketing	3,725	4,088	2,648	4	6	4	3,729	4,094	2,652
Eliminations	-	-	-	(28,069)	(29,056)	(12,068)	(28,069)	(29,056)	(12,068)
Hydro Oil and Energy	47,298	50,273	25,772	4,718	4,850	2,583	52,016	55,123	28,355
Aluminium Metal Products ¹⁾	28,190	27,157	19,331	6,252	6,377	5,209	34,442	33,534	24,540
Aluminium Extrusion	15,384	15,763	11,974	170	118	107	15,554	15,881	12,081
Other Light Metals	7,368	7,887	7,442	235	339	274	7,603	8,226	7,716
Eliminations	-	-	-	(6,516)	(6,511)	(4,857)	(6,516)	(6,511)	(4,857)
Hydro Light Metals	50,942	50,807	38,747	141	323	733	51,083	51,130	39,480
Plant Nutrition	32,295	31,187	24,776	2,097	2,557	2,023	34,392	33,744	26,799
Gas and Chemicals	4,513	4,569	4,521	136	207	197	4,649	4,776	4,718
A/S Korn- og Foderstof Kompagniet	10,967	10,412	9,558	33	226	198	11,000	10,638	9,756
Eliminations	-	-	-	(1,851)	(2,192)	(1,615)	(1,851)	(2,192)	(1,615)
Hydro Agri	47,775	46,168	38,855	415	798	803	48,190	46,966	39,658
Petrochemicals	5,321	6,211	5,221	53	59	125	5,374	6,270	5,346
Other Activities ²⁾	1,426	3,288	3,194	4,561	4,553	4,254	5,987	7,841	7,448
Segments	152,762	156,747	111,789	9,888	10,583	8,498	162,650	167,330	120,287
Corporate	73	114	166	448	285	192	521	399	358
Eliminations	-	-	-	(10,336)	(10,868)	(8,690)	(10,336)	(10,868)	(8,690)
Total	152,835	156,861	111,955	-	-	-	152,835	156,861	111,955

Amounts in NOK million	Depreciation, depletion and amortization			Other operating expenses			Operating income (loss) before fin. and other income		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Exploration and Production	7,791	8,046	6,072	7,678	7,340	5,494	17,813	20,108	5,840
Energy ¹⁾	119	127	214	41,558	42,850	19,207	1,397	1,614	944
Oil Marketing	110	113	140	3,651	3,926	2,343	(32)	55	169
Eliminations	-	2	-	(28,069)	(29,085)	(12,077)	-	27	9
Hydro Oil and Energy	8,020	8,288	6,426	24,818	25,031	14,967	19,178	21,804	6,962
Aluminium Metal Products ¹⁾	582	622	537	32,404	30,091	22,646	1,456	2,821	1,357
Aluminium Extrusion	686	537	391	14,726	14,653	11,041	142	691	649
Other Light Metals	482	486	576	8,567	7,883	6,924	(1,446)	(143)	216
Eliminations	-	-	-	(6,549)	(6,478)	(4,814)	33	(33)	(43)
Hydro Light Metals	1,750	1,645	1,504	49,148	46,149	35,797	185	3,336	2,179
Plant Nutrition	1,275	1,286	1,246	31,365	31,468	27,792	1,752	990	(2,239)
Gas and Chemicals	295	354	396	3,992	4,109	3,973	362	313	349
A/S Korn- og Foderstof Kompagniet	266	257	211	10,760	10,425	9,312	(26)	(44)	233
Eliminations	-	-	-	(1,869)	(2,236)	(1,601)	18	44	(14)
Hydro Agri	1,836	1,897	1,853	44,248	43,766	39,476	2,106	1,303	(1,671)
Petrochemicals	353	395	383	5,122	5,610	4,850	(101)	265	113
Other Activities ²⁾	292	293	307	5,913	7,568	6,867	(218)	(20)	274
Segments	12,251	12,518	10,473	129,249	128,124	101,957	21,150	26,688	7,857
Corporate ³⁾	22	25	26	571	(1,414)	461	(72)	1,788	(129)
Eliminations	-	(5)	(5)	(10,341)	(10,853)	(8,692)	5	(10)	7
Total	12,273	12,538	10,494	119,479	115,857	93,726	21,083	28,466	7,735

- 1) Presentation of income from certain trading activities has been changed from net presentation of margin to gross presentation as operating revenues and raw materials. This includes metal trading within Aluminium Metal Products and trading of petroleum products within Energy. Prior periods have been reclassified to to be presented on a consistent basis.
- 2) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance, Technology and Projects and Hydro Business Partner.
- 3) Corporate's operating income (loss) includes a net periodic pension credit of NOK 421 million, NOK 2,263 million and NOK 470 million in 2001, 2000 and 1999, respectively. In 2000, Hydro changed the way it allocates pension costs to its Norwegian operations. Previously costs were determined based on the number of years of service resulting in a concentration of the total costs towards the end of the service period. The change resulted in non-recurring charges to the segments with a corresponding credit of NOK 2,007 million reflected in Corporate, which is included in Corporate's net periodic pension credit. Part of these costs have been charged to external parties resulting in a positive effect to the Company of NOK 470 million.

Amounts in NOK million	Equity in net income non-consolidated investees			Other income, net			EBITDA		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Exploration and Production	35	21	(13)	-	387	-	25,768	28,656	11,971
Energy	17	(6)	(9)	179	-	-	1,721	1,745	1,148
Oil Marketing	15	21	117	-	-	-	115	211	451
Eliminations	(2)	-	-	-	-	-	-	29	9
Hydro Oil and Energy	65	36	95	179	387	-	27,604	30,641	13,579
Aluminium Metal Products	196	237	62	-	-	-	2,414	3,744	2,016
Aluminium Extrusion	(61)	10	12	(25)	50	-	767	1,307	1,071
Other Light Metals	(17)	16	(89)	-	72	(58)	(672)	483	717
Eliminations	-	-	-	-	-	-	34	(33)	(44)
Hydro Light Metals	118	263	(15)	(25)	122	(58)	2,543	5,501	3,760
Plant Nutrition	326	316	210	-	-	-	3,774	2,841	(119)
Gas and Chemicals	4	33	5	(53)	-	-	628	712	760
A/S Korn- og Foderstof Kompagniet	2	-	-	-	89	-	350	386	515
Eliminations	-	-	-	-	-	-	17	43	(15)
Hydro Agri	332	349	215	(53)	89	-	4,769	3,982	1,141
Petrochemicals	48	1	(26)	59	-	383	363	662	855
Other Activities ¹⁾	1	19	19	418	1,609	1,025	499	1,896	2,170
Segments	564	668	288	578	2,207	1,350	35,778	42,682	21,505
Corporate ²⁾	2	4	51	-	954	-	1,976	3,919	426
Eliminations	-	-	-	-	-	-	3	8	13
Total	566	672	339	578	3,161	1,350	37,757	46,609	21,944

Amounts in NOK million	Gross Cash Flow after Tax			Gross Investment			CROGI		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Exploration and Production	15,010	16,309	8,428	118,494	111,038	113,811	13.1 %	14.5 %	9.4 %
Energy	1,093	1,096	770	6,648	6,004	6,508	17.3 %	17.5 %	12.1 %
Oil Marketing	115	188	394	3,581	3,682	3,152	3.2 %	5.5 %	13.0 %
Eliminations	-	20	7	(51)	(56)	-	-	-	-
Hydro Oil and Energy	16,218	17,613	9,599	128,672	120,668	123,471	13.0 %	14.4 %	9.7 %
Aluminium Metal Products	1,975	2,895	1,603	21,178	21,977	18,071	9.2 %	14.5 %	9.2 %
Aluminium Extrusion	727	1,079	871	9,253	9,475	7,099	7.8 %	13.0 %	11.9 %
Other Light Metals	(672)	483	662	12,645	13,831	13,159	(5.1) %	3.6 %	5.1 %
Eliminations	23	(32)	(31)	(80)	(114)	(83)	-	-	-
Hydro Light Metals	2,053	4,425	3,105	42,996	45,169	38,246	4.7 %	10.6 %	8.3 %
Plant Nutrition	3,139	2,456	(119)	32,879	35,161	34,738	9.2 %	7.0 %	(0.3) %
Gas and Chemicals	530	615	653	4,146	5,147	4,591	11.4 %	12.6 %	14.3 %
A/S Korn- og Foderstof Kompagniet	327	347	424	7,867	7,499	6,331	4.3 %	5.0 %	6.8 %
Eliminations	13	31	(16)	(5)	(19)	(55)	-	-	-
Hydro Agri	4,009	3,449	942	44,887	47,788	45,605	8.7 %	7.4 %	2.0 %
Petrochemicals	363	582	706	8,900	10,197	9,460	3.8 %	5.9 %	7.3 %
Other Activities ¹⁾	442	1,431	1,630	5,798	6,506	9,065	7.2 %	18.4 %	18.5 %
Segments	23,085	27,500	15,982	231,253	230,328	225,847	10.0 %	12.1 %	8.0 %
Corporate ²⁾	1,394	2,760	329	80,506	92,723	58,578	1.6 %	3.6 %	0.7 %
Eliminations	(473)	171	1,296	(45,224)	(62,844)	(49,156)	-	-	-
Total	24,006	30,431	17,607	266,535	260,207	235,269	9.1 %	12.3 %	8.4 %

1) Other Activities consists of the following: Seafood, Pronova, Industrial Insurance, Technology and Projects and Hydro Business Partner.

2) Corporate's EBITDA includes a net periodic pension credit of NOK 421 million, NOK 2,263 million and NOK 470 million in 2001, 2000 and 1999, respectively. In 2000, Hydro changed the way it allocates pension costs to its Norwegian operations. Previously costs were determined based on the number of years of service resulting in a concentration of the total costs towards the end of the service period. The change resulted in non-recurring charges to the segments with a corresponding credit of NOK 2,007 million reflected in Corporate, which is included in Corporate's net periodic pension credit. Part of these costs have been charged to external parties resulting in a positive effect to the Company of NOK 470 million.

Amounts in NOK million	Current assets ³⁾		Non-current assets		Assets ³⁾	
	2001	2000	2001	2000	2001	2000
Exploration and Production	8,546	9,888	70,760	68,861	79,306	78,749
Energy	5,048	5,061	3,937	3,606	8,985	8,667
Oil Marketing	1,751	1,913	1,506	1,582	3,257	3,495
Eliminations	(2,220)	(2,586)	(53)	(58)	(2,273)	(2,644)
Hydro Oil and Energy	13,125	14,276	76,150	73,991	89,275	88,267
Aluminium Metal Products	9,178	10,542	9,018	7,423	18,196	17,965
Aluminium Extrusion	4,708	5,340	4,478	4,682	9,186	10,022
Other Light Metals	3,637	3,516	5,285	5,117	8,922	8,633
Eliminations	(1,142)	(1,315)	-	-	(1,142)	(1,315)
Hydro Light Metals	16,381	18,083	18,781	17,222	35,162	35,305
Plant Nutrition	13,124	14,917	10,420	11,525	23,544	26,442
Gas and Chemicals	1,516	2,128	1,576	2,033	3,092	4,161
A/S Korn- og Foderstof Kompagniet	4,254	4,501	2,331	1,951	6,585	6,452
Eliminations	(187)	(1,011)	(2)	(2)	(189)	(1,013)
Hydro Agri	18,707	20,535	14,325	15,507	33,032	36,042
Petrochemicals	1,554	2,318	3,554	3,424	5,108	5,742
Other Activities ¹⁾	4,224	4,620	1,186	1,241	5,410	5,861
Segments	53,991	59,832	113,996	111,385	167,987	171,217
Corporate	32,542	59,342	50,820	36,209	83,362	95,551
Eliminations	(6,210)	(37,379)	(47,217)	(33,035)	(53,427)	(70,414)
Total	80,323	81,795	117,599	114,559	197,922	196,354

Amounts in NOK million	Non-consolidated investees, investments and advances		Segment debt ⁴⁾		Investments ⁵⁾	
	2001	2000	2001	2000	2001	2000
Exploration and Production	625	91	5,508	5,779	9,618	8,322
Energy	578	429	4,230	4,549	366	123
Oil Marketing	867	882	893	1,061	106	63
Eliminations	25	-	(2,219)	(2,585)	-	29
Hydro Oil and Energy	2,095	1,402	8,412	8,804	10,090	8,537
Aluminium Metal Products	2,603	1,702	4,516	4,311	1,900	2,561
Aluminium Extrusion	57	99	2,906	3,138	710	1,962
Other Light Metals	628	697	1,886	1,465	917	552
Eliminations	-	-	(1,085)	(1,234)	-	-
Hydro Light Metals	3,288	2,498	8,223	7,680	3,527	5,075
Plant Nutrition	2,419	2,241	5,424	6,309	657	1,093
Gas and Chemicals	100	153	696	910	140	240
A/S Korn- og Foderstof Kompagniet	129	2	1,028	1,199	684	548
Eliminations	(2)	(2)	(186)	(999)	-	-
Hydro Agri	2,646	2,394	6,962	7,419	1,481	1,881
Petrochemicals	1,168	576	950	1,123	347	540
Other Activities ¹⁾	1	4	1,417	1,243	341	474
Segments	9,198	6,874	25,964	26,269	15,786	16,507
Corporate	489	337	2,567	2,778	542	83
Eliminations	-	-	(3,983)	(3,537)	-	(25)
Total	9,687	7,211	24,548	25,510	16,328	16,565

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

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

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

Amounts in NOK million	Assets		Long-lived assets		Investments	
	2001	2000	2001	2000	2001	2000
Europe:						
Norway	115,838	113,375	80,871	79,931	8,630	8,080
EU:						
Great Britain	6,563	6,754	1,826	2,114	200	464
Germany	3,028	3,121	1,260	1,258	141	63
France	6,221	9,260	1,531	1,595	272	122
Sweden	7,394	7,364	1,949	1,985	477	256
Denmark	8,516	8,391	3,428	3,054	1,000	651
Italy	3,153	3,125	749	790	50	120
Spain	920	732	300	160	197	89
The Netherlands	6,396	6,612	1,126	2,093	439	1,113
Other	4,567	4,671	551	588	110	111
Total EU	46,758	50,030	12,720	13,637	2,886	2,989
Other Europe	848	885	210	258	28	37
Total Europe	163,444	164,290	93,801	93,826	11,544	11,106
Outside Europe:						
USA	7,681	8,137	2,102	2,179	312	1,678
Asia	5,012	4,386	2,891	2,266	805	456
Other Americas	6,584	5,785	4,286	2,742	770	1,334
Africa	6,126	4,164	4,176	2,484	1,874	881
Canada	8,908	9,454	7,149	7,446	987	1,078
Australia and New Zealand	167	138	144	105	36	32
Total outside Europe	34,478	32,064	20,748	17,222	4,784	5,459
Total	197,922	196,354	114,549	111,048	16,328	16,565

Amounts in NOK million	Operating revenues		
	2001	2000	1999
Europe:			
Norway	12,595	14,238	10,745
EU:			
Great Britain	20,787	19,311	12,063
Germany	18,942	18,503	11,572
France	12,155	16,538	11,104
Sweden	11,425	13,494	10,024
Denmark	7,262	7,256	6,729
Italy	6,801	6,562	5,624
Spain	3,757	3,751	2,693
The Netherlands	3,291	3,163	2,533
Other	9,088	8,139	6,015
Total EU	93,508	96,717	68,357
Switzerland	6,063	5,550	3,792
Other Europe	5,529	5,434	4,056
Total Europe	117,695	121,939	86,950
Outside Europe:			
USA	16,584	16,849	11,721
Asia	6,479	7,377	5,854
Other Americas	6,035	5,099	3,330
Africa	4,156	3,811	2,204
Canada	1,419	1,231	1,520
Australia and New Zealand	467	555	376
Total outside Europe	35,140	34,922	25,005
Total	152,835	156,861	111,955

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

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

6. RESTRUCTURING COSTS

In October of 2001 Hydro decided to discontinue production of primary magnesium in Norway. Hydro will close down the Porsgrunn production facilities, dismantle the buildings, and carry out the necessary clean up of the area. Production is expected to end during the first quarter of 2002. Dismantling and clean-up work are expected to begin immediately after production ends and to be completed during 2003. Restructuring costs of NOK 961 million were recorded in 2001. Of this amount, NOK 261 million was charged as an impairment loss on the plant facilities. The remaining NOK 700 million of restructuring costs included termination costs for customer and supplier agreements, workforce reduction costs, and dismantling and clean-up costs. Of this NOK 419 million included in other short-term debt, the remaining amount is included in Long-term liabilities. Additional cost of approximately NOK 100 million are expected in first quarter 2002 associated with voluntary employee termination.

On 17 December, 1999, Hydro announced a restructuring program in the Plant Nutrition segment. The program involved reductions in Hydro's fertilizer activities in Europe by eliminating one million tonnes of nitrate fertilizer capacity. The reduction of production capacity was to be accomplished by the closure of three and dismantlement of two plant facilities in Europe. The plant facilities were shut down in the second half of year 2000. As part of the closure of the plant facilities, restructuring costs of NOK 632 million and NOK 135 million respectively were recorded in 1999 and 2000. The restructuring costs of NOK 767 million included an impairment loss of NOK 444 million. The restructuring costs also included an accrual of NOK 323 million for costs to discontinue the activities described above, including dismantling. The major part of the activities are completed. The remaining accrual for costs to discontinue activities as of 31 December, 2001 amounted to NOK 25 million and is included in other short-term debt. Cash outlay in 2001 was NOK 88 million.

7. OPERATING COSTS AND EXPENSES

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

Amounts in NOK million	2001	2000	1999
Research and development expense	796	898	1,043
Operating lease expense: ¹⁾			
Drilling rigs, ships, office space	1,488	1,636	1,133
Office space leased from Hydro's independent pension trust	212	200	156
Total	1,700	1,836	1,289
Payroll and related costs:			
Salaries	13,306	12,023	11,314
Social security costs	1,927	1,609	1,600
Social benefits	503	486	517
Net periodic pension cost (Note 20)	1,501	734	620
Total	17,237	14,852	14,051

Estimating earnings relating to research and development costs incurred is considered impracticable for the years ended 31 December 2001, 2000, 1999. See also financial review page 61.

1) Total minimum future rentals of NOK 6,924 million are due under non-cancelable operating leases as follows (in NOK million): 2002 - 1,374; 2003 - 1,316; 2004 - 1,201; 2005 - 948; 2006 - 751; and thereafter - 1,334.

8. FINANCIAL INCOME AND EXPENSE

Amounts in NOK million	2001	2000	1999
Interest income	2,762	1,803	1,022
Net gain (loss) on securities	(113)	(168)	379
Dividends received	198	112	103
Interest income and other financial income	2,847	1,747	1,504
Interest expense	(3,721)	(4,045)	(3,405)
Capitalized interest	685	1,029	839
Net foreign exchange loss	(416)	(655)	(304)
Other, net	(157)	(234)	(185)
Interest expense and foreign exchange gain (loss)	(3,609)	(3,905)	(3,055)
Net financial expense	(762)	(2,158)	(1,551)

9. OTHER INCOME AND EXPENSE

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

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

10. INCOME TAXES

Amounts in NOK million	2001	2000	1999
Income before taxes and minority interest:			
Norway	18,763	26,341	8,276
Other countries	2,702	3,800	(403)
Total	21,465	30,141	7,873
Current taxes:			
Norway	13,631	12,892	2,909
Other countries	432	819	644
Current income tax expense	14,063	13,711	3,553
Deferred taxes:			
Norway	(576)	2,131	1,458
Other countries	263	336	(674)
Deferred tax expense	(313)	2,467	784
Total income tax expense	13,750	16,178	4,337

Components of deferred income tax expense

Amounts in NOK million	2001	2000	1999
Deferred tax expense, excluding items below	(230)	2,567	671
Benefits of tax loss carryforwards	2	(58)	142
Tax expense (benefit) allocated to other comprehensive income	52	199	(11)
Effect of tax law changes	78	38	43
Net change in valuation allowance	(215)	(279)	(61)
Deferred tax expense - US GAAP	(313)	2,467	784

Adjustments to N GAAP:

Tax effects of differences

between US GAAP and

N GAAP (Note 26)

	(17)	10	6
Deferred tax expense - N GAAP	(330)	2,477	790

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Amounts in NOK million	2001	2000	1999
Expected income taxes at statutory tax rate ¹⁾	6,010	8,439	2,205
Petroleum surtax ²⁾	8,915	8,665	2,904
Uplift benefit ²⁾	(800)	(720)	(829)
Hydro-electric power surtax ³⁾	190	155	171
Tax law changes	78	38	43
Losses and other deductions with no tax benefit	549	417	776
Non-deductible expenses and amortization of goodwill	101	178	186
Foreign tax rate differences	62	117	(41)
Tax free income	(395)	(481)	(384)
Dividend exclusion	(22)	(22)	(10)
Losses and other benefits not previously recognized	(637)	(962)	(853)
Other, net	(301)	354	169
Income tax expense - US GAAP	13,750	16,178	4,337
Effective tax rate - US GAAP	64.1%	53.7%	55.1%
Tax effect of differences between US GAAP and N GAAP (Note 26)	(17)	10	6
Income tax expense - N GAAP	13,733	16,188	4,343
Income before taxes - N GAAP	21,419	30,156	7,892
Effective tax rate - N GAAP	64.1%	53.7%	55.0%

1) Norwegian nominal statutory tax rate is 28 percent.

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

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

The tax effects of temporary differences and tax loss carryforwards giving rise to deferred tax assets and liabilities were as follows as of 31 December, 2001 and 2000.

Amounts in NOK million	US GAAP Deferred Tax			
	Assets 2001	Liabilities 2001	Assets 2000	Liabilities 2000
Short-term:				
Marketable securities	18	(25)	11	-
Inventory valuation	104	(291)	115	(768)
Accrued expenses	1,452	(453)	1,289	(223)
Unrealized exchange (gains) losses	35	(61)	54	(35)
Uplift benefit	817	-	823	-
Other	1	(14)	-	(21)
Long-term:				
Marketable securities	45	(54)	-	-
Unrealized exchange (gains) losses	58	(2)	119	(4)
Depreciation	1,590	(25,075)	2,007	(24,852)
Capitalized interest	-	(3,619)	-	(4,003)
Exploration drilling costs	-	(2,802)	-	(2,816)
Other non-current assets	1,235	(530)	1,046	(547)
Accrued expenses	1,391	(642)	1,160	(574)
Pensions	887	(1,317)	550	(1,293)
Deferred (gains) losses on sales	238	(1,570)	321	(1,368)
Uplift benefit	1,528	-	1,679	-
Other	163	(1,391)	378	(1,441)
Total tax loss carryforwards	2,265	-	2,494	-
Subtotal	11,827	(37,846)	12,046	(37,945)
Total valuation allowance	(2,305)	-	(2,724)	-
Gross deferred tax assets and liabilities	9,522	(37,846)	9,322	(37,945)
Adjustments for N GAAP:				
(Note 26)				
Short and long-term:				
Unrealized gains	-	96	-	10
Gross deferred tax assets and liabilities, N GAAP	9,522	(37,750)	9,322	(37,935)
Net - N GAAP	1,892	(30,120)	1,562	(30,175)

Deferred income taxes have not been provided for on undistributed earnings of foreign subsidiaries, amounting to NOK 9,759 million, since those earnings are considered to be indefinitely invested. No deferred income taxes have been recognized on undistributed earnings of Norwegian subsidiary which can be remitted tax-free as dividends.

At the end of 2001, Hydro had tax loss carryforwards of NOK 6,944 million, primarily in Germany, Canada, Italy, France, Jamaica, Brazil and Trinidad. Carry forward amounts expire as follows:

Amounts in NOK million	
2002	300
2003	200
2004	370
2005	190
2006	277
After 2006	1,277
Without expiration	4,330
Total tax loss carryforwards	6,944

11. OTHER LIQUID ASSETS

Amounts in NOK million	2001	2000
Bank time deposits	10	33
Marketable equity securities	869	907
Debt securities and other	1,542	1,551
Total other liquid assets	2,421	2,491

The net change in unrealized gains on securities for the years ended 31 December 2001, 2000 and 1999 was a net loss of NOK 22 million, a net loss of NOK 358 million and a net gain of NOK 36 million, respectively. Total cost of marketable equity securities and debt securities and other was NOK 2,484 million and NOK 2,501 million as of 31 December, 2001 and 2000, respectively.

12. INVENTORIES

Amounts in NOK million	2001	2000
Finished goods	10,023	11,525
Work in progress	773	1,288
Raw materials	4,998	5,925
Total inventories	15,794	18,738

13. AVAILABLE-FOR-SALE SECURITIES

As of 31 December, 2001 and 2000, available-for-sale securities at cost amounted to NOK 4 million and NOK 0 million, respectively. Unrealized holding gain as of 31 December, 2001 was NOK 58 million.

14. NON-CONSOLIDATED INVESTEEES

	Hydro Texaco	Scanraff	Alunorte	Søral	Meridian	Qafco	Farmland	Noretyl	Other	Total
Amounts in NOK million										
Balance 01.01.2000	907	344	-	362	629	841	345	-	3,538	6,966
Investments (sale), net		(11)	709						(1,006)	(308)
Change in long-term advances, net									(57)	(57)
Transfers (to) from other investments									(4)	(4)
Hydro's share of net income (loss)	20		53	188	64	152	3		217	697
Amortization and write-down			(21)		(44)				40	(25)
Dividends received by Hydro	(71)			(47)		(51)			(229)	(398)
Foreign currency translation and other	13	(1)	48		48	91	37		104	340
Balance 31.12.2000	869	332	789	503	697	1,033	385	-	2,603	7,211
Changes in 2001:										
Investments (sale), net			300		(13)	96			417	800
Change in long-term advances, net		(19)							197	178
Transfers (to) from other investments								462	986	1,448
Hydro's share of net income (loss)	14		31	197	26	167	(14)	50	244	715
Amortization and write-down			(28)		(42)				(79)	(149)
Dividends received by Hydro	(1)			(100)	(15)	(45)			(311)	(472)
Foreign currency translation and other	(28)	(16)	78		(25)	15	7		(75)	(44)
Balance 31.12.2001	854	297	1,170	600	628	1,266	378	512	3,982	9,687

Specification of Non-consolidated Investees

Amounts in NOK million, except ownership	Percentage owned by Hydro 2001	Investments in		Hydro's current receivable	
		and advances to investees 2001	2000	(payable), net with investees 2001	2000
Hydro Texaco	50.0%	854	869	(45)	(120)
Scanraff	21.5%	297	332	(8)	(5)
Alunorte	32.3%	1,170	789	(55)	(65)
Søral	49.9%	600	503	(121)	(132)
Meridian	49.0%	628	697	(57)	10
Qafco	25.0%	1,266	1,033	42	(55)
Farmland Hydro	50.0%	378	385	-	-
Noretyl	50.0%	512	-	(64)	-
Others	-	3,982	2,603	346	246
Total		9,687	7,211	38	(121)

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

Hydro Texaco a.s operates 916 gasoline stations and 162 diesel stations in Norway, Denmark and the Baltics. Hydro and ChevronTexaco Corp. each own 50 percent in the joint venture. Hydro sells and purchases oil related products with the joint venture at market prices. Sales from Hydro Texaco to Hydro amounted to NOK 558 million, NOK 900 million and NOK 660 million in 2001, 2000 and 1999, respectively. Sales from Hydro to Hydro Texaco amounted to NOK 1,194 million, NOK 969 mil-

lion and NOK 628 million in 2001, 2000 and 1999, respectively.

Skandinaviska Raffinaderiet AB (Scanraff) and Skandinaviska Kracker AB (Scancracker) operate the Scanraff refinery and adjacent cracking facilities in Sweden. Hydro paid processing fees to Scanraff for refining of its oil of NOK 224 million, NOK 232 million and NOK 225 million in 2001, 2000 and 1999, respectively. The other partner is an unaffiliated company.

Alumina do Norte do Brasil S.A. (Alunorte) is an alumina refinery located in Brazil. Hydro's owner share is at present 32.3 percent, an increase from 26.7 percent in 2000. Hydro purchased alumina from Alunorte amounting to NOK 734 million and NOK 703 million in 2001 and 2000, respectively.

Sør-Norge Aluminium AS (Søral) is a Norwegian primary aluminium manufacturer. Søral sells 50 percent of its production to each major owner at current market prices. The other 50 percent owner of Søral is an unaffiliated company. Sale of aluminium from Søral to Hydro amounted to NOK 1,018 million, NOK 1,026 million and NOK 811 million in 2001, 2000 and 1999, respectively. Sales from Hydro to Søral amounted to NOK 350 million, NOK 405 million and NOK 266 million in 2001, 2000 and 1999, respectively.

Meridian Technologies Inc. (Meridian) is a Canadian company owned 51 percent by Teksid S.p.A. (a subsidiary of the Fiat group) and 49 percent by Hydro. In 2001, Meridian divested its aluminium die casting division. As a result Meridian now provides only magnesium die-casting products to the automobile industry. Meridian purchases alloyed magnesium from Hydro. Operating revenues in 2001 from sales to Meridian were not material to the Other Light Metals segment as a whole.

Qatar Fertiliser Company S.A.Q. (Qafco) owns and oper-

ates a fertilizer complex for which Hydro provides marketing support and technical assistance. The remaining 75 percent of Qafco is owned by the State of Qatar. In 2001, the Board of Qafco approved an expansion. Qafco also signed a new marketing agreement with Hydro which will further strengthen Hydro's position in markets outside Europe. Hydro purchased urea from Qafco amounting to NOK 876 million, NOK 1,030 million, NOK 670 million in 2001, 2000 and 1999, respectively.

Hydro's ownership interest in Farmland Hydro LP entitles the company to act as the worldwide agent for sales of its phosphate fertilizers. The other partner is an unaffiliated company. Sales from Hydro to Farmland Hydro amounted to NOK 451 million, NOK 383 million and NOK 293 million in 2001, 2000 and 1999, respectively.

In 2000 Hydro and Borealis, owners of Noretyl ANS (51-49 percent ownership, respectively), entered into an agreement establishing Noretyl AS as a joint venture (50-50 percent). As of January 1, 2001, Noretyl AS has been reported as a non-consolidated investee. Hydro paid processing fees to Noretyl for refining NGL of NOK 250 million in 2001.

Non-consolidated investees – 100 percent basis

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

Income Statement Data

Amounts in NOK million (unaudited)	2001	2000	1999
Operating revenues	36,772	41,080	35,729
Operating income	6,507	5,714	2,567
Income before taxes and minority interest	3,475	3,065	1,779
Net income	2,771	2,435	1,083
Hydro's share of net income	714	697	418

Balance Sheet Data

Amounts in NOK million (unaudited)	2001	2000	1999
Current assets	17,205	16,408	16,841
Non-current assets	40,066	30,610	29,275
Assets	57,271	47,018	46,116
Current liabilities	11,589	12,246	13,560
Non-current liabilities	15,321	14,150	12,740
Minority interest	27	30	422
Shareholders' equity	30,334	20,592	19,394
Liabilities and shareholders' equity	57,271	47,018	46,116
Hydro's investments and advances	9,687	7,211	6,966

15. PREPAID PENSION, INVESTMENTS AND NON-CURRENT ASSETS

Amounts in NOK million	2001	2000
Goodwill ¹⁾ for consolidated subsidiaries, less accumulated amortization	1,265	1,363
Intangible assets ²⁾ , less accumulated amortization	786	808
Total intangible assets	2,051	2,171
Prepaid pension (Note 20)	4,599	4,488
Available-for-sale securities at fair value	62	-
Other investments at cost	1,868	1,967
Non-current assets	3,056	2,357
Total prepaid pension, investments and non-current assets	9,585	8,812
Total - US GAAP	11,636	10,983
Total prepaid pension, investments and non-current assets	9,585	8,812
Adjustments ³⁾ (Note 26)	(419)	-
Total prepaid pension, investments and non-current assets - N GAAP	9,166	8,812

1) Original cost for 2001 was NOK 2,268 million and for 2000 NOK 2,274 million. Amortization of goodwill amounted to NOK 138 million and NOK 173 million for 2001 and 2000 respectively.

2) Original cost for 2001 was NOK 2,140 million and for 2000 NOK 2,167 million. Amortization of intangible assets amounted to NOK 162 million and NOK 159 million for 2001 and 2000 respectively.

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

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 31.12.2000	1,091	56,948	16,748	1,668	772	107,469	184,696
Additions at cost	20	2,049	402	2,773	-	9,568	14,812
Retirements	(175)	(5,265)	(999)	(131)	-	(1,063)	(7,633)
Transfers	6	966	149	(1,121)	-	-	-
Foreign currency translation	(30)	(815)	(221)	(40)	-	(277)	(1,383)
Balance 31.12.2001	912	53,883	16,079	3,149	772	115,697	190,492
Depreciation:							
Balance 31.12.2000	-	(38,955)	(9,066)	-	(222)	(41,428)	(89,671)
Depreciation, depletion and amortization ²⁾	-	(3,525)	(618)	-	(41)	(7,423)	(11,607)
Retirements	-	4,186	523	-	-	651	5,360
Foreign currency translation and transfers	-	546	101	-	-	56	703
Balance 31.12.2001	-	(37,748)	(9,060)	-	(263)	(48,144)	(95,215)
Net Book Value:							
Balance 31.12.2000	1,091	17,993	7,682	1,668	550	66,041	95,025 ³⁾
Balance 31.12.2001	912	16,135	7,019	3,149	509	67,553	95,277 ³⁾

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

2) Impairment losses for 2001, 2000 and 1999 were NOK 396 million, NOK 141 million and NOK 295 million, respectively. In 2001 and in 1999 additional impairment losses of NOK 261 million and NOK 444 million was recorded as restructuring cost. The fair value of the impaired asset was generally estimated by discounting the expected future cash flows of the individual assets. During the three years ended 31 December 2001, impairment was generally indicated as the result of current period cash flow losses, combined with a history of losses, or a significant change in the manner in which the asset is to be used.

3) Includes NOK 176 million and NOK 287 million related to capital leases for 2001 and 2000 respectively.

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

Amounts in NOK million	Weighted Average Interest Rates		2001	2000
	2001	2000		
Bank loans and overdraft facilities	6.5 %	7.4 %	3,428	4,550
Commercial paper	3.8 %	5.3 %	8	-
Other	4.2 %	6.1 %	5,022	4,538
Total bank loans and other interest-bearing short-term debt			8,458	9,088

As of 31 December, 2001, Norsk Hydro ASA had committed and unused short-term credit facilities with various banks totalling approximately NOK 3,140 million. The interest rate for withdrawals under these facilities is based on the interbank interest rate for the relevant currency plus a margin depending on the currency.

18. OTHER CURRENT LIABILITIES

Amounts in NOK million	2001	2000
Accounts payable	12,190	13,019
Income taxes payable	7,697	7,661
Payroll and value added taxes	2,622	3,004
Accrued liabilities	8,578	8,088
Other liabilities	1,158	1,399
Total other current liabilities	32,245	33,171

19. LONG-TERM DEBT

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

Long-term debt payable in various currencies

Amounts in NOK million	Weighted Average Interest Rates	Denominated Amount	Balance in NOK	
		2001	2001	2000
Unsecured debenture bonds:				
USD	7.4 %	2,939	26,462	27,894
NOK	8.3 %	3,830	3,830	4,646
GBP	7.5 %	325	4,243	4,289
EURO	6.3 %	400	3,192	3,299
Total			37,727	40,128
Unsecured bank loans:				
USD	5.7 %	21	193	322
SEK	5.5 %	1,000	860	955
DKK	7.0 %	60	64	2
Other			222	239
Total			1,339	1,518
Capital lease obligations			174	203
Mortgage loans			171	107
Other long-term debt			408	427
Outstanding debt			39,819	42,383
Less: Current portion			(1,966)	(2,209)
Total long-term debt			37,853	40,174

As of 31 December, 2001 the fair value of long-term debt, including the current portion, was NOK 42,297 million and the carrying value was NOK 39,819 million.

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

Payments on long-term debt fall due as follows

Amounts in NOK million	Debentures	Bank-loans	Capital lease and other	Total
2002	1,650	212	104	1,966
2003	1,906	134	135	2,175
2004	1,158	54	116	1,328
2005	500	475	76	1,051
2006	500	17	48	565
Thereafter	32,013	447	274	32,734
Total	37,727 ¹⁾	1,339 ²⁾	753	39,819

1) Of which Norsk Hydro ASA is responsible for NOK 37,569 million.

2) Of which Norsk Hydro ASA is responsible for NOK 1,054 million.

Norsk Hydro ASA has entered into long-term committed stand-by credit facility agreements with several international banks for a total amount of USD 2,000 million. Of this amount, USD 1,875 million expires at various dates through 2007, and the remainder in 2008. There are no borrowings under these facilities as of 31 December, 2001. Average commitment fee on these facilities is 0.12 percent.

20. EMPLOYEE RETIREMENT PLANS

Pension Benefits

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

Net periodic pension cost

Amounts in NOK million	2001	2000	1999
Defined benefit plans:			
Benefits earned during the year, net of participants' contributions	543	528	434
Interest cost on prior period benefit obligation	1,087	1,004	765
Expected return on plan assets	(1,373)	(1,412)	(1,132)
Recognized net gain	(11)	(69)	(11)
Amortization of prior service cost	151	258	141
Amortization of net transition asset	(57)	(57)	(56)
Curtailement loss	117	19	13
Settlement loss (gain)	1	(48)	(2)
Net periodic pension cost	458	223	152
Defined contribution plans	57	51	52
Multiemployer plans	8	14	31
Termination benefits and other	978	446	385
Total net periodic pension cost	1,501	734	620
Change in the additional minimum pension liability included within other comprehensive income	553	132	11

Change in projected benefit obligation (PBO)

Amounts in NOK million	2001	2000
Projected benefit obligation at beginning of year	(15,660)	(12,528)
Benefits earned during the year	(560)	(543)
Interest cost on prior period benefit obligation	(1,087)	(1,004)
Actuarial loss	(1,058)	(451)
Plan amendments	(178)	(1,735)
Benefits paid	728	730
Curtailement gain (loss)	(10)	34
Settlements	58	91
Special termination benefits	-	(57)
Business combinations	-	(80)
Divestments	57	-
Foreign currency translation	90	(117)
Projected benefit obligation at end of year	(17,620)	(15,660)

Change in pension plan assets

Amounts in NOK million	2001	2000
Fair value of plan assets at beginning of year	18,372	18,117
Actual return on plan assets	(755)	691
Company contributions	69	59
Plan participants' contributions	17	15
Benefits paid	(640)	(653)
Settlements	(50)	(79)
Business combinations	-	89
Divestments	(61)	-
Foreign currency translation	(76)	133
Fair value of plan assets at end of year	16,876	18,372

Status of pension plans reconciled to balance sheet

Amounts in NOK million	2001	2000
Defined benefit plans:		
Funded status of the plans at end of year	(744)	2,712
Unrecognized net loss (gain)	1,903	(1,287)
Unrecognized prior service cost	1,708	1,797
Unrecognized net transition asset	(64)	(131)
Net prepaid pension recognized	2,803	3,091
Termination benefits and other	(1,388)	(913)
Total net prepaid pension recognized	1,415	2,178

Amounts recognized in the balance sheet

consist of:		
Prepaid pension	4,599	4,488
Accrued pension liabilities	(4,215)	(2,735)
Intangible asset	251	198
Accumulated other comprehensive income	780	227
Net amount recognized	1,415	2,178

Weighted-average assumptions at end of year:

	2001	2000
Discount rate	7.0 %	7.1 %
Expected return on plan assets	8.0 %	8.0 %
Rate of compensation increase	3.0 %	3.1 %

Plans in which the accumulated benefit obligation exceeds plan assets:

Amounts in NOK million	2001	2000
Projected benefit obligation	4,800	2,408
Accumulated benefit obligation (ABO)	3,847	1,770
Plan assets	1,281	17

In 2001, Hydro's Norwegian activities incurred termination benefit costs of NOK 654 million and a curtailment loss of NOK 116 million. These charges include costs in connection with the process to improve competitiveness for the Grenland operations, and curtailment loss resulting from the decision to terminate primary production of magnesium.

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

Other Retirement Benefits

Hydro has unfunded retiree medical and life insurance plans for certain of its employees outside Norway. The net periodic post retirement cost was NOK 46 million in 2001. In 2000 the net periodic post retirement income was NOK 11 million, as a result of a curtailment gain related to employees in Great Britain, while the cost for 1999 was NOK 22 million. The post retirement liability was NOK 266 million and NOK 242 million as of 31 December, 2001 and 2000, respectively.

21. CONTINGENCIES AND OTHER LONG-TERM LIABILITIES

Hydro is subject to changing environmental laws and regulations that in the future may require the company to modernize technology to meet more stringent emissions standards or to take actions for contaminated areas. As of 31 December, 2001 and 2000, Hydro had accrued NOK million 268 and NOK 263 million, respectively, for corrective environmental measures.

The corresponding expense was NOK 58 million in 2001 compared to NOK 46 million and NOK 10 million in 2000 and 1999, respectively. Hydro's share of the estimated total future cost of decommissioning and abandonment relating to off-shore installations is NOK 3,805 million. As of 31 December, 2001, Hydro had accrued NOK 2,110 million for decommissioning and abandonment costs using the unit-of-production method. The accrual was NOK 1,965 million as of 31 December, 2000.

Decommissioning and abandonment expense were NOK 365 million, NOK 450 million and NOK 542 million in 2001, 2000 and 1999, respectively. Hydro's future expenses for these corrective environmental measures are affected by a number of uncertainties including, but not limited to, the method and extent of corrective action. Due to uncertainties inherent in the

estimation process, it is at least reasonably possible that such estimates could be revised in the near term. In addition, conditions which could require future expenditures may be determined to exist for various sites, including Hydro's major production facilities and product storage terminals. The amount of such future costs is not determinable due to the unknown timing and extent of corrective actions which may be required.

In 2001, the European Union competition authorities issued a "Statement of Objections" to Hydro and all other gas producers on the Norwegian Continental Shelf. The authorities claimed that the sale of gas through the Gas Negotiation Committee (GNC) contravenes EU legislation related to competition. The sale of Norwegian gas through the GNC, primarily under long-term contracts, to the European continent has been conducted in accordance with the Norwegian governmental authorities' regulations. The system is now abolished by the Norwegian Government. The EU's competition authorities have threatened to impose fines for past conduct, and in addition, warned that the EU want to see potential restrictive effects residing in contracts concluded with third parties under the previous sale system now eliminated. Hydro, together with all the other companies affected, is vigorously opposing the claims of the EU authorities.

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

Amounts in NOK million	2001	2000
Other long-term liabilities:		
Insurance premiums and loss reserves	846	732
Accruals abandonment costs offshore	1,127	1,064
Accruals decommissioning costs offshore	983	901
Postretirement benefits other than pension	266	242
Derivatives	621	-
Other	2,069	1,747
Total US GAAP	5,912	4,686
Adjustment to N GAAP		
Cash Flow hedge (Note 26)	(228)	-
Total N GAAP	5,684	4,686

22. SECURED DEBT AND GUARANTEES

Amounts in NOK million	2001	2000
Amount of secured debt	255	138
Assets used as security:		
Plant and equipment, etc.	131	203
Buildings	679	292
Other	16	16
Total	826	511
Guarantees (off-balance sheet):		
Contingency for discounted bills	144	78
Guarantees of debt	905	713
Indirect guarantees	5,757	6,083
Total	6,806	6,874

Hydro provides guarantees arising in the ordinary course of business including stand-by letters of credit, letters of credit, performance bonds and various payment or financial guarantees.

Following the asset exchange between Hydro and Petro-Canada in 1996, Hydro guaranteed that the total recoverable reserves attributable to Petro-Canada's working interest in the Veslefrikk field shall not be less than a certain quantified amount of crude oil. If less, Hydro has an obligation to deliver indemnity volumes to Petro-Canada. The guarantee does not apply in cases of force majeure, the failure of the operator to comply with good oil field practices, etc. Petro-Canada has made a claim emphasizing that the field reserves must be evaluated in accordance with the agreement. As of 31 December, 2001, the remaining guaranteed volume was 1.5 million Sm³ of crude oil, equivalent to approximately NOK 1,594 million.

23. CONTRACTUAL AND OTHER COMMITMENTS FOR FUTURE INVESTMENTS AND OPERATIONS

As of 31 December, 2001:	Investments		
Amounts in NOK million	2002	Thereafter	Total
Contract commitments for			
investments in property, plant and equipment:			
Land based	2,468	1,475	3,943
Oil and gas fields and transport systems	3,844	6,495	10,339
Total	6,312	7,970	14,282
Additional authorized future			
investments in property, plant and equipment:			
Land based	984	2,166	3,150
Oil and gas fields and transport systems	1,065	1,499	2,564
Total	2,049	3,665	5,714
Contract commitments for			
other future investments:	1,327 ¹⁾	296	1,623

1) The amount does not include the acquisition of VAW Aluminium AG

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

Hydro has entered into take-or-pay and long-term contracts providing for future payments to secure pipeline and transportation capacity, processing services, raw materials and electricity and steam. In addition, Hydro has entered into long-term sales commitments to deliver goods. This principally relates to obligations to deliver gas from fields on the Norwegian Continental Shelf for a total amount of NOK 165.4 billion.

The non-cancelable future fixed and determinable obligation as of 31 December, 2001 is as follows:

Take-or-pay and Long-term contracts

Amounts in NOK million	Transport and Other	Raw materials	Energy related	Sale commitments
2002	332	1,850	1,214	(9,526)
2003	292	1,205	1,173	(10,080)
2004	289	887	1,098	(9,370)
2005	288	713	1,085	(8,878)
2006	292	713	1,083	(9,199)
Thereafter	3,110	2,499	20,047	(128,615)
Total	4,603	7,867	25,700	(175,668)

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

In addition, Hydro has contracted to purchase 28,0 million tonnes of alumina over the next 12 years with variable prices referenced to the London Metal Exchange quoted prices.

The total purchases under the take-or-pay agreements and long-term contracts were as follows (in NOK million):

2001 – 2,687; 2000 – 2,523 and 1999 – 2,932.

24. DERIVATIVE INSTRUMENTS AND RISK MANAGEMENT

Effective 1 January, 2001, Hydro adopted SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all derivative instruments be reported on the balance sheet at fair value. Changes in the fair values of derivative instruments are recorded to earnings unless specific hedge criteria are met. The cumulative effect of adopting SFAS 133 did not result in a material impact to Hydro's income statement or to Other Comprehensive Income (OCI).

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

Commodity Price Risk Exposure

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

Oil

Hydro utilizes futures, physical and financial swaps and options with international oil and trading companies to mitigate unwanted price exposure for a portion of its crude oil portfolio. As of 31 December, 2001 these instruments were recorded at fair value as an asset of NOK 9 million and a liability of NOK 13 million. Hydro has purchased average rate put options (Asian options) for crude oil for the period 1 July, 2001 to 31 December, 2002 for the purpose of protecting against the risk of low oil prices. The notional volume of the contracts is 45 million barrels of oil with an average strike price of US dollar 15.5 per barrel for the entire 18 month period. Hydro has also purchased

average rate put options (Asian options) for a notional volume of 10 million barrels in the first half of 2003 with an average strike price of US dollar 17 per barrel. These options were not designated as hedging instruments and were recorded as an asset of NOK 114 million fair value with gains and losses recorded in earnings.

Aluminium

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

In 2001, Hydro entered into LME futures contracts and designated them as cash flow hedges of forecasted primary aluminium sales in 2001-2003. In connection with this cash flow hedge the Company bought call options on aluminium to benefit from anticipated higher aluminium price. In addition the Company bought call options on aluminium for the purpose of offsetting the effects of backwardation (spot price is higher than the three-month forward price). In order to finance the premium on the call options, Hydro simultaneously sold put options on aluminium. A significant decline in the aluminium price in the third quarter resulted in losses on these options. Consequently Hydro terminated the options and neutralized and dedesignated the LME futures as hedges. This resulted in a loss before tax of NOK 545 million for 2001. The gains, after tax, deferred in OCI at the time of termination of NOK 117 million will remain in OCI until the forecasted sales of primary aluminium are recognized. A gain after tax of NOK 65 million is expected to be reclassified from OCI into earnings during the period ending 31 December, 2002. In 2003 a corresponding gain, after tax, of NOK 52 million will be reclassified from OCI into earnings. Hydro's risk management policy has been changed and similar options will no longer be used.

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

Hydro has significant trading activities related to aluminium. The risk related to these trading activities are managed on a portfolio basis and Hydro periodically uses aluminium futures to provide an economic hedge of net exposure. Hydro engages in some speculative trading within strict limits set by management. The fair value of these future contracts was recorded as assets and liabilities of NOK 187 million and NOK 10 million respectively.

Other

Hydro uses forward and future contracts to provide an economic hedge of exposures commodity price risk related to purchases and sales of natural gas and electricity. These contracts provide an economic hedge for net exposures, but do not qualify for hedge accounting. Contracts related to natural gas were recorded as assets of NOK 585 million and liabilities of NOK 532 million and gains and losses were recorded in earnings. The electricity contracts' fair value was recorded as an asset of NOK 180 million and a liability of NOK 207 million. Hydro also engages in a limited amount of speculative trading.

Foreign Currency Risk Exposure

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

Aluminium

Hydro has entered into currency forward contracts to sell US dollar and buy NOK as part of a cash flow hedge of forecasted US dollar revenues on the sale of primary aluminium in the period from 2003 - 2007. The notional amount of the contracts is approximately US dollar 750 million at a rate of NOK 9.3 per US dollar. These contracts are entered into in combination with selling aluminium future contracts, as discussed in the preceding section "Commodity Price Risk", in order to lock in the price in NOK of about NOK 14,000 per tonne on future primary aluminium sales. The gains or losses on these derivatives are recorded

to OCI and subsequently reclassified into operating revenues to match recognition of the forecasted sales in 2003 - 2007. The critical terms of the currency forward contracts and the forecasted transactions are substantially similar, so no ineffectiveness has been recorded in earnings in 2001. No reclassification is expected from OCI to earnings in the next twelve months. As of 31 December, 2001 the maximum length of time over which the entity is hedging its exposure to the variability in cash flows is six years. The fair value of the contracts were recorded as a liability of NOK 192 million.

Net Investment Hedging

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

Other

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

The following forward currency contracts listed below were outstanding as of 31 December, 2001. All amounts represent the fair market value of the contracts in the respective currencies. Forward currency contracts that are designated as hedging instruments in cash flow hedges are not included.

Amounts in million	In currency		In NOK	
	Buy	Sell	Buy	Sell
USD	412	(22)	3,820	(201)
NOK	3,110	-	3,110	-
EUR	64	(70)	513	(559)
GBP	34	-	449	-
SEK	55	(575)	47	(495)
DKK	-	(1,168)	-	(1,259)
CAD	-	(590)	-	(3,361)
Other	-	-	25	(1,915)
Total			7,964	(7,790)

Interest Rate Exposures

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

As of 31 December, 2001, Hydro had two interest rate swaps with offsetting terms. These swaps represented at fair market value, an asset and a liability of NOK 30 million, respectively. Furthermore, Hydro has a sold swaption contract whereby the counterparty has a right to enter into an interest rate swap under which Hydro will receive a fixed interest while paying a variable interest rate. The contract was recorded as a liability of NOK 16 million.

Credit Risk

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

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

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

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

Amounts in NOK million	2001
Assets:	
Currency forwards and swaps	247
Interest rate swap	30
Put options, crude oil	114
Swaps and futures, crude oil	9
Electricity contracts	180
Natural gas contracts	585
Aluminium futures, swaps and options	349
Fair value hedging instruments, aluminium	22
Cash flow hedging instruments, aluminium	254
Total	1,790

Amounts in NOK million	2001
Liabilities:	
Currency forwards and swaps	63
Interest rate swap	30
Swaption contract	16
Electricity contracts	207
Natural gas contracts	532
Swaps and futures, crude oil	13
Aluminium futures, swaps and options	10
Cash flow hedging instruments, aluminium	36
Cash flow hedging instruments, currency	192
Total	1,099

25. SUPPLEMENTARY OIL AND GAS INFORMATION (Unaudited)

Costs Incurred on Oil and Gas Properties

Exploration costs and costs related to property acquisition

Amounts in NOK million	Norway			International			Total		
	2001	2000	1999 ¹⁾	2001	2000	1999	2001	2000	1999
Capitalized at beginning of year	874	1,158	856	309	254	174	1,183	1,412	1,030
Costs incurred during the year	928	916	796	1,090	883	702	2,018	1,799	1,498
Acquisition cost ²⁾	-	9	362	1,234	-	-	1,234	9	362
Expensed	(770)	(934)	(671)	(630)	(767)	(531)	(1,400)	(1,701)	(1,202)
Transferred to development	(52)	(275)	(185)	(125)	(61)	(50)	(177)	(336)	(235)
Disposals	(3)	-	-	(124)	(8)	(41)	(127)	(8)	(41)
Foreign currency translation	-	-	-	(5)	8	-	(5)	8	-
Capitalized at end of year	977	874	1,158	1,749	309	254	2,726	1,183	1,412

1) 1999 figures include Saga.

2) 2001 mainly related to Africa and USA. 1999 represents exploration costs acquired from Saga. See Note 2.

Costs related to Development, Transportation Systems and Other

Amounts in NOK million	Norway			International			Total		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Net book value at beginning of year	58,472	62,324	28,688	6,360	9,650	2,451	64,832	71,974	31,139
Cost incurred during the year ¹⁾	5,591	6,058	6,765	2,172	1,868	1,668	7,763	7,926	8,433
Acquisition cost ²⁾	-	(2,383)	32,360	-	1,125	5,803	-	(1,258)	38,163
Transferred from exploration cost	52	275	185	125	61	50	177	336	235
Amortization	(7,098)	(6,883)	(4,938)	(326)	(711)	(594)	(7,424)	(7,594)	(5,532)
Disposals ³⁾	(306)	(919)	(736)	1	(6,370)	(146)	(305)	(7,289)	(882)
Foreign currency translation	-	-	-	(215)	737	418	(215)	737	418
Net book value at end of year	56,711	58,472	62,324	8,117	6,360	9,650	64,828	64,832	71,974

1) In 2001, NOK 903 million, NOK 742 million and NOK 441 million of development costs related to activities in Angola, Canada and Russia respectively. In 2000, NOK 966 million and NOK 627 million of development costs related to activities in Canada and Angola respectively. In addition, NOK 100 million and NOK 93 million related to activities in the UK and Russia. In 1999, NOK 924 million, NOK 624 million and NOK 44 million related to activities in Canada, Angola and Russia, respectively.

2) 2000 includes adjustment to the allocation of purchase price for Saga of NOK (1,275) million. 1999 included the acquisition of Saga's fields and transportation systems in Norway and in the UK and Ireland.

3) 2000 included the disposals of Hydro's activities on the British Continental Shelf. In 1999, the disposals related to Saga's Varg ship and fields in Indonesia.

Results of Operations for Oil and Gas Producing Activities

As required by SFAS 69, the revenues and expenses included in the following table reflect only those relating to the oil and gas producing operations of Hydro. In addition to these operations, Exploration and Production in Note 5 reflects revenues and expenses relating to petroleum transportation operations.

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

Amounts in NOK million	Norway			International			Total		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Sales to unaffiliated customers	5,486	5,581	4,687	1,133	2,468	1,085	6,619	8,049	5,772
Intercompany transfers	24,915	25,791	10,320	-	-	-	24,915	25,791	10,320
Total revenues	30,401	31,372	15,007	1,133	2,468	1,085	31,534	33,840	16,092
Operating costs and expenses:									
Production costs	3,798	3,402	2,696	207	307	171	4,005	3,709	2,867
Exploration expenses	770	934	670	630	767	531	1,400	1,701	1,201
Depreciation, depletion and amortization	7,344	7,186	5,327	360	768	673	7,704	7,954	6,000
Total expenses	11,912	11,522	8,693	1,197	1,842	1,375	13,109	13,364	10,068
Results of operations before taxes	18,489	19,850	6,314	(64)	626	(290)	18,425	20,476	6,024
Current and deferred income tax expense	(14,281)	(15,356)	(4,576)	(59)	(228)	93	(14,340)	(15,584)	(4,483)
Results of operations	4,208	4,494	1,738	(123)	398	(197)	4,085	4,892	1,541

Proved Reserves of Oil and Gas

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

Proved Developed and Undeveloped Reserves of Oil and Gas

	Norway			International			Total		
	Oil mboe ¹⁾	Natural gas billion Sm ³	billion cf ²⁾	Oil mboe ¹⁾	Natural gas billion Sm ³	billion cf ²⁾	Oil mboe ¹⁾	Natural gas billion Sm ³	billion cf ²⁾
As of 31 December, 1998 ⁶⁾	546	121.9	4,312	92	-	-	638	121.9	4,312
Revisions of previous estimates ³⁾	22	1.0	37	1	-	-	23	1.0	37
Purchase (sale)/exchange of reserves in place ⁴⁾	229	42.7	1,511	56	6.3	222	285	49.0	1,733
Extensions and new discoveries ⁵⁾	131	5.8	207	10	-	-	141	5.8	207
Production for the year	(91)	(3.9)	(139)	(6)	(0.3)	(11)	(97)	(4.2)	(150)
As of 31 December, 1999 ⁶⁾	837	167.5	5,928	153	6.0	211	990	173.5	6,139
Revisions of previous estimates ³⁾	49	4.9	173	(1)	0.1	7	48	5.0	180
Purchase (sale)/exchange of reserves in place ⁴⁾	12	0.6	22	(39)	(5.7)	(203)	(27)	(5.1)	(181)
Extensions and new discoveries ⁵⁾	32	1.4	48	52	-	-	84	1.4	48
Production for the year	(110)	(4.7)	(167)	(9)	(0.4)	(15)	(119)	(5.1)	(182)
As of 31 December, 2000 ^{6) 7)}	820	169.7	6,004	156	-	-	976	169.7	6,004
Revisions of previous estimates ³⁾	87	0.3	11	16	-	-	103	0.3	11
Purchase (sale)/exchange of reserves in place ⁴⁾	(1)	-	-	-	-	-	(1)	-	-
Extensions and new discoveries ⁵⁾	33	4.6	162	27	-	-	60	4.6	162
Production for the year	(114)	(5.4)	(191)	(6)	-	-	(120)	(5.4)	(191)
As of 31 December, 2001 ^{6) 7)}	825	169.2	5,986	193	-	-	1,018	169.2	5,986
Proved developed reserves:									
As of 31 December, 1998	358	57.0	2,015	17	-	-	375	57.0	2,015
As of 31 December, 1999	500	69.1	2,444	74	6.0	211	574	75.1	2,655
As of 31 December, 2000	555	103.0	3,644	33	-	-	588	103.0	3,644
As of 31 December, 2001	564	103.7	3,669	62	-	-	626	103.7	3,669

1) Includes crude oil and NGL/Condensate. All volumes are calculated based on the Norwegian Petroleum Directorate's current conversion factors. The conversion factor for NGL changed in 2001. The conversion factor had been 1 ton = 8,177 boe or 1.3 Sm³; it is currently 11,951 boe or 1.9 Sm³.

2) cf: cubic feet

3) The revision of previous estimates relates to new information from current year's drilling operations and additional data which is now available.

4) In 2001 the decrease was due to the sale of Glitne in Norway. In 2000, the decrease in oil reserves outside Norway was due to the sale of the UK portfolio. The increase in Norway was due to increased ownership interest in the Grane field and purchase of reserves in the Tune field. In 1999, the increase in reserves was due to the inclusion and increase in ownership interest from the Saga acquisition.

5) In 2001, extensions and new discoveries for oil were related to the Kristin, Mikkel and Sigyn fields in Norway, Rosa/Lirio and Jasmin in Angola. Extensions and new discoveries for gas were also related to the Kristin, Mikkel and Sigyn field in Norway. In 2000, extensions and new discoveries for oil were related to the Fram, Glitne and STUJ fields (a neighboring structure to the Tordis field), and the Dalia field in Angola. Extensions and new discoveries for gas were related to the Fram and STUJ fields (a neighboring structure to the Tordis field). In 1999, extensions and new discoveries for oil were related to the Grane and Borg fields. Extensions and new discoveries for gas were related to the Kvitbjørn and Tune fields. The Kharyaga field in Russia comprised the international extensions and new discoveries for oil.

6) Reserve estimates in Norway are made before royalties of approximately 2.1, 3.8 and 8.8 million barrels of oil equivalents for 2001, 2000 and 1999, respectively.

7) In 2001, reserve estimates included 193 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. In 2000, reserve estimates included 156 million barrels of oil equivalents (boe) outside the Norwegian Continental Shelf, in Canada, Angola, Russia and Libya. The decrease in gas reserves outside Norway was due to the sale of the UK portfolio. The increase in Norway was due to the purchase of reserves in the Tune field.

US GAAP Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves

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

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

Standardized Measure of Discounted Future Net Cash Flows

Amounts in NOK million	Norway			International			Total		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Future cash inflows	308,600	364,200	274,800	31,200	30,900	32,300	339,800	395,100	307,100
Future production costs	(58,100)	(58,100)	(48,800)	(9,400)	(7,100)	(8,100)	(67,500)	(65,200)	(56,900)
Future development costs	(22,800)	(21,400)	(21,200)	(7,700)	(6,600)	(4,800)	(30,500)	(28,000)	(26,000)
Future income tax expense	(162,100)	(210,800)	(140,200)	(3,200)	(4,300)	(5,300)	(165,300)	(215,100)	(145,500)
Future net cash flows	65,600	73,900	64,600	10,900	12,900	14,100	76,500	86,800	78,700
Less: 10% annual discount for									
...estimated timing of cash flows	(27,800)	(27,900)	(25,400)	(4,700)	(4,900)	(5,100)	(32,500)	(32,800)	(30,500)
Standardized measure of discounted future net cash flows	37,800	46,000	39,200	6,200	8,000	9,000	44,000	54,000	48,200

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

Amounts in NOK million	2001	2000	1999
Net changes in prices and production costs	(29,900)	43,000	45,600
Sales and transfers of oil and gas produced, net of production costs	(27,300)	(30,300)	(13,300)
Extensions, unitizations, discoveries and improved recovery, net of related costs	5,700	8,400	13,100
Purchase/Exchange of interests in fields	-	1,500	38,400
Sale/Exchange of interests in fields	(200)	(5,800)	-
Changes in estimated development costs	(7,900)	(6,700)	(11,900)
Development costs incurred during the year	7,500	6,400	6,000
Net change in income taxes	30,200	(19,900)	(48,200)
Accretion of discount	4,700	3,100	800
Revisions of previous reserve quantity estimates	7,000	6,100	6,000
Other	200	-	(100)
Total change in the standardized measure during the year	(10,000)	5,800	36,400

Average Sales Price and Production Cost per Unit

The following table presents the average sales price (including transfers) and production costs per unit of crude oil and natural gas, net of reductions in respect of royalty payments:

Amounts in NOK	Norway			International			Total		
	2001	2000	1999	2001	2000	1999	2001	2000	1999
Average Sales Price									
...crude oil (per barrel)	217.32	248.80	143.90	215.03	219.60	157.70	217.20	246.40	144.70
...natural gas (per Sm ³)	1.21	1.00	0.58	-	0.78	0.55	1.21	0.98	0.58
Average production cost									
...(per boe)	25.60	24.50	22.60	38.00	25.90	19.00	26.10	24.60	22.40

26. SUMMARY OF DIFFERENCES IN ACCOUNTING POLICIES AND RECONCILIATION OF US GAAP TO N GAAP

The financial statements prepared in accordance with accounting principles generally accepted in Norway presented on pages 68-70, differ in certain respects from US GAAP. Currently the differences are immaterial for Norsk Hydro. A reconciliation of net income and shareholders' equity from US GAAP to Norwegian principles (N GAAP) and a description of these differences follow. The lines with a note reference reflect the variance between the US GAAP balance in that note and the N GAAP balance.

Reconciliation of US GAAP to N GAAP

Net income:

Amounts in NOK million	Notes	2001	2000	1999
Operating revenues US GAAP		152,835	156,861	111,955
Adjustments for N GAAP:				
Unrealized losses (gains) commodity derivative instruments		134	-	-
Operating revenues N GAAP		152,969	156,861	111,955
Operating costs and expenses US GAAP		131,752	128,395	104,220
Adjustments for N GAAP:				
Unrealized gains (losses) commodity derivative instruments		180	(13)	(19)
Other adjustments		-	(2)	-
Operating income before financial and other income – N GAAP		21,037	28,481	7,754
Equity in net income of non-consolidated investees		566	672	339
Interest income and other financial income		2,847	1,747	1,504
Other income, net		578	3,161	1,350
Earnings before interest expense and taxes (EBIT)		25,028	34,061	10,947
Interest expense and foreign exchange gain (loss)		(3,609)	(3,905)	(3,055)
Income before taxes and minority interest – N GAAP		21,419	30,156	7,892
Current income tax expense		(14,063)	(13,711)	(3,553)
Deferred income tax expense US GAAP		313	(2,467)	(784)
Adjusted to N GAAP deferred tax	10	17	(10)	(6)
Net income - N GAAP		7,686	13,968	3,549
Minority interest		177	18	(90)
Net income after minority interest - N GAAP		7,863	13,986	3,459
Shareholders' equity:				
Amounts in NOK million	Notes	2001	2000	1999
Shareholders' equity for US GAAP		74,793	71,227	59,497
Unrealized gains commodity derivative instruments – current and long-term (a)		(106)	(59)	(79)
Cash Flow hedge – current and long-term (a)		(188)	-	-
Unrealized gain on securities (b)	13	(58)	-	(4)
Deferred tax assets and liabilities – current and long-term (c)	10	96	10	24
Dividends payable (d)		(2,576)	(2,470)	(2,094)
Minority Interest (e)		1,051	1,419	1,323
Shareholders' equity for N GAAP		73,012	70,127	58,667

Explanation of major differences between N GAAP and US GAAP

(a) Derivative commodity contracts: Under N GAAP, *unrealized gains and losses for commodity derivative instruments that are not hedge designated, and that are not exchange traded, are netted for each portfolio and net unrealized gains are not recognized.* For US GAAP, unrealized gains and losses are recorded to operating revenue for sales contracts or operating cost for purchase purchase contracts. The instruments are accounted for as assets or liabilities at fair value.

For N GAAP, cash flow hedges with derivative instruments are not recognized on the balance sheet or income statement, until the underlying hedged transactions actually occur. Under US GAAP, such instruments are accounted for as assets or liabilities as appropriate, at their fair value. Gains and losses on the hedging instruments are deferred in Other Comprehensive Income until the underlying transaction is recognized in earnings

(b) Unrealized holding gain (loss) on securities: *Under N GAAP, Hydro's long-term marketable equity and debt securities are carried at the lower of historical cost or market value.* Under US GAAP, securities are carried at fair value (market) and unrealized holding gains or losses are included in Other comprehensive income, net of tax effects, for available-for-sale securities.

(c) Deferred taxes: Under N GAAP, deferred taxes are recorded based upon the liability method similar to US GAAP. Differences occur primarily because items accounted for differently under US GAAP also have deferred tax effects. *Under N GAAP, deferred tax assets and liabilities for each tax entity are netted and classified as a long-term liability or asset. A reconciliation of the current and long-term temporary differences giving rise to the N GAAP deferred tax asset and liability is provided in Note 10.*

Classification between current and long-term for US GAAP is determined by the classification of the related asset or liability giving rise to the temporary difference. For each tax entity, deferred tax assets and liabilities are offset within the respective current or long-term groups and presented as a single amount.

(d) Dividends payable: *For N GAAP, dividends proposed at the end of the year which will be declared and paid in the following year are recorded as a reduction to equity and as debt.* For US GAAP, equity is reduced when dividends are declared.

(e) Minority Interest: *For N GAAP shareholders' equity is presented including minority interest.* In US GAAP shareholders' equity is presented excluding minority interest.

(f) Cumulative effect of change in accounting principle: In 1999 Hydro changed its accounting principles regarding start-up costs. *For N GAAP this is recorded to equity.* In US GAAP this is recorded in the income statement.

Amounts in NOK million Notes **2001** 2000

INCOME STATEMENTS

Operating revenues		4,496	8,377
Raw materials and energy costs		3,100	5,390
Change in inventories of own production		(28)	23
Payroll and related costs	2, 3	623	592
Depreciation, depletion and amortization	4	74	34
Other		1,674	2,448
Total operating costs and expenses		5,443	8,487
Operating income		(947)	(110)
Financial income, net	5	14,478	4,785
Other income	5	-	2,193
Income before taxes		13,531	6,868
Current tax expense	6	(174)	(1,184)
Deferred tax benefit	6	330	195
Net income		13,687	5,879
Appropriation of net income and equity transfers:			
Dividend proposed		(2,576)	(2,470)
Distributable equity		(11,111)	(3,409)
Total appropriation		(13,687)	(5,879)

STATEMENTS OF CASH FLOWS

Net income		13,687	5,879
Depreciation, depletion and amortization		74	34
Deferred taxes		(330)	(195)
Loss (gain) on sale of non-current assets		38	(2,203)
Other adjustments		(5,036)	1,158
Net cash provided by operating activities		8,433	4,673
Investments in subsidiaries		(693)	(195)
Sale of subsidiaries		(20)	2,420
Net sales (purchases) of other investments		(225)	123
Net cash provided by (used in) investing activities		(938)	2,348
Dividends paid		(2,470)	(2,094)
Other financing activities, net		852	11,558
Net cash provided by (used in) financing activities		(1,618)	9,464
Foreign currency effects on cash flow		(19)	396
Net increase in cash and cash equivalents		5,858	16,881
Cash and cash equivalents 01.01		19,382	2,501
Cash and cash equivalents 31.12		25,240	19,382

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

Amounts in NOK million Notes **2001** 2000

BALANCE SHEETS

ASSETS

Intangible assets		3	32
Property, plant and equipment	4	260	223
Shares in subsidiaries	7	49,430	48,689
Intercompany receivables		29,819	25,227
Non-consolidated investees	8	975	777
Prepaid pension, investments and other non-current assets	2, 9	4,976	4,914
Total financial non-current assets		85,200	79,607
Inventories	9	238	216
Accounts receivable, less allowances of 54 and 41		168	508
Intercompany receivables		34,397	35,980
Prepaid expenses and other current assets		2,137	4,294
Cash and cash equivalents		25,240	19,382
Current assets		62,180	60,380
Total assets		147,643	140,242

LIABILITIES AND SHAREHOLDERS' EQUITY

Paid-in capital:			
Share capital 266,596,650 at NOK 20	11	5,332	5,332
Treasury stock 8,962,478 at NOK 20		(179)	(132)
Paid-in premium		15,055	15,055
Other paid-in capital		15	4
Retained earnings:			
Retained earnings		21,541	10,430
Treasury stock		(2,988)	(2,092)
Shareholders' equity		38,776	28,597
Deferred tax liabilities	6	998	1,331
Other long-term liabilities		1,944	700
Long-term liabilities		2,942	2,031
Intercompany payables		106	142
Other long-term interest-bearing debt		36,843	39,065
Long-term debt		36,949	39,207
Bank loans and other interest- bearing short-term debt	9	3,511	5,067
Dividends payable		2,576	2,470
Intercompany payables		58,101	56,771
Current portion of long-term debt		1,779	1,978
Other current liabilities		3,009	4,121
Current liabilities		68,976	70,407
Total liabilities and shareholders' equity		147,643	140,242

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Norsk Hydro ASA are prepared in accordance with accounting principles generally accepted in Norway (N GAAP).

Hydro's general accounting policies are presented in Note 1 to the consolidated financial statements on pages 71-76. See Note 26 on pages 101 and 102 for an additional clarification of the major differences in accordance with N GAAP compared with US GAAP.

Shares in subsidiaries and non-consolidated investees are in Norsk Hydro ASA's financial statements presented according to the cost method. Group relief received is included in dividends from subsidiaries.

Movements in paid-in capital is described in Note 3 to the consolidated financial statements.

For information about risk management in Norsk Hydro ASA see Note 24 in Notes to the consolidated financial statements and the Risk Management discussion in the Operating and Financial Review and Prospects section of this report. The information given in Note 19 in Notes to the consolidated financial statements on payments on long-term debt also applies to Norsk Hydro ASA.

Norsk Hydro ASA provides financing to most of the subsidiary companies in Norway as well as abroad. All employees working for Norsk Hydro Produksjon AS are employed by Norsk Hydro ASA.

The principles for charging payroll costs to subsidiaries are changed in 2001. The charge for these costs is accounted for on a net basis, reducing Payroll and related cost. The information for 2000 is reclassified to be comparable. As a result, Operating revenues and Payroll and related cost for 2000 is reduced with NOK 5,006 million.

2. EMPLOYEE RETIREMENT PLANS**Net periodic pension cost**

Amounts in NOK million	2001	2000
Defined benefit plans:		
Benefits earned during the year	334	269
Interest cost on prior period benefit obligation	540	477
Actual return on plan assets	(707)	(276)
Net amortization and deferral	84	(402)
Curtailment loss	116	-
Net periodic pension cost	367	68
Termination benefits and other	442	42
Total net periodic pension cost	809	110

Assumptions at end of year

	2001	2000
Discount rate	7.5 %	7.5 %
Expected return on plan assets	8.5 %	8.5 %
Rate of salary increase	3.5 %	3.5 %
Rate of pension increase	2.5 %	2.5 %

See Note 20 in Notes to the consolidated financial statements for further information.

Status of pension plans reconciled to balance sheet

	Plan assets exceed ABO	ABO exceeds plan assets		
Amounts in NOK million	2001	2000	2001	2000
Defined benefit plans:				
Projected benefit obligation (PBO)	(6,199)	(5,544)	(2,310)	(1,429)
Plan assets at fair value	8,085	9,005	-	-
Plan assets in excess of (less than) PBO	1,886	3,461	(2,310)	(1,429)
Unrecognized prior service cost and other	1,555	83	1,481	842
Prepaid pension (accrued pension liabilities)	3,441	3,544	(829)	(587)
Termination benefits and other	-	-	(792)	(264)
Total prepaid pension (accrued pension liabilities) on balance sheet	3,441	3,544	(1,621)	(851)

3. REMUNERATIONS AND OTHER

Remuneration of the members of the corporate assembly and the board of directors was NOK 353,500 and NOK 2,158,000, respectively. The president's salary and other benefits inclusive of remuneration as member of the board totaled NOK 3,935,000 in 2001 and NOK 4,093,000 in 2000. The president is entitled to retire at 62 years of age with a pension benefit representing 65 percent of his salary. The company's employment contract with the president provides that, in the event that employment terminates, he has the right to salary and the accrual of pension rights for a three year period. The company's obligation is reduced by salary received or pension rights accrued from other sources. In May 2001, Egil Myklebust retired as president but continued to be employed by the Company and accordingly forfeited the right to receive severance pay. In May 2001, Eivind Reiten assumed the position as president, but not as a member of the Board of Directors. Remuneration to president includes remuneration to Egil Myklebust as member of the Board for 2000 and the first four months of 2001.

In March 2001, the Board approved a new stock option plan for corporate officers and certain key employees, in addition to expanding the existing subsidized share-purchase plan for employees. Refer to note 4 in Notes to the consolidated financial statements for a description of stock based compensation. In addition, it is established a stronger element of performance rewards in Hydro's compensation system: a bonus linked to achieving performance goals in the business plans for various units in Hydro. The bonus is limited to a maximum of one month's salary per year for employees. For approximately 200 managers with substantial responsibility for performance, the bonus is limited to a maximum of two months salary. For top management – around 30 persons – the bonus is limited to a maximum of three months salary. Performance goals established eliminates effects of price variations of the company's main products and foreign exchange fluctuations. It is the actual improvements of Hydro's activities that will be measured and rewarded.

Partners and employees of Hydro's appointed independent auditors, Deloitte & Touche AS, own no shares in Norsk Hydro ASA or any of its subsidiaries. Fees in 2001 to Deloitte & Touche AS for ordinary audit were NOK 3,370,000 for Norsk Hydro ASA and NOK 12,178,000 for Norwegian subsidiaries. Fees for audit-related services were NOK 1,311,000 for Norsk Hydro ASA and NOK 864,000 for the Norwegian subsidiaries. Fees for other services were NOK 625,000 for Norsk Hydro ASA and NOK 4,884,000 for the Norwegian subsidiaries. Deloitte Consulting AS, an affiliate company of Deloitte & Touche AS in Norway, has provided services to Hydro in the amount of NOK 16,272,000 of which NOK 189,000 was allocated to Norsk Hydro ASA and the remaining amount for the subsidiaries.

For 2001, the estimated adjustment to the tax basis (consolidated RISK) of shares for shareholders in Norsk Hydro ASA is a positive amount of NOK 16.90 per share.

Members of the board of directors are elected for two year terms. Their rights and obligations as board members are solely and specifically provided for in the company's articles of association and Norwegian law. The company has no significant contracts in which a board member has a material interest.

In 2001, the average number of employees in the Group was 36,867, compared to 37,575 for 2000. The corresponding figure for the parent company was 9,148 employees in 2001 versus 9,181 in 2000. A substantial part of the employees in Norsk Hydro ASA are engaged in activities for other Group companies. The costs for these employees are accounted for on a net basis reducing Payroll and related costs.

Amounts in NOK million	2001	2000
Payroll and related costs:		
Salaries	4,888	4,820
Social security costs	713	589
Social benefits	43	79
Net periodic pension cost (Note 2)	809	110
Internal invoicing of payroll related costs	(5,830)	(5,006)
Total	623	592

Total loans to the company's employees, members of the corporate assembly and board of directors as of 31 December, 2001 are NOK 895 million. All loans are given in accordance with general market terms. Loans given to members of the Board and their number of shares owned as of 31 December, 2001 are:

	Loans outstanding ¹⁾	Number of shares
Egil Myklebust	4,624	3,715
Borger A. Lenth	-	144
Gudmund Per Olsen	51	762
Anne Cath. Høeg Rasmussen	-	1,014
Odd Semstrøm	20	46
Per Wold	-	829

Members, observers and deputy members of the corporate assembly owning ordinary shares as of 31 December, 2001 are:

	Number of shares
Erna Flattum Berg	253
Åse Bjøntegård	300
Roy Brenden	92
Sjur Bøyum	829
Jan Einar Forsmo	60
Solveig Frøynes	76
Kjell Furseth	205
Westye Høegh	10,212
Oddvar Karlsen	155
Leena Marjatta Klaveness	82
Kari Kveseth	50
Kjell Kvinge	116
A. Sylvi Lem	152
Peter Lorange	413
Jon-Arne Mo	147
Jarle Molde	110
Geir Nilsen	1
John-Arne Nilsen	124
Nils-Egel Nilsen	7
Roy Rudberg	60
Rune Strande	91
Sven Ullring	26
Morten Ødegård	110
Ingar Aas-Haug	36
Svein Aaser	1,872

Loans to senior management as of 31 December, 2001 and their ownership of shares and options (see Note 4, page 78) are:

	Loans outstanding ¹⁾	Number of shares	Options
Eivind Reiten	-	4,758	13,500
Alexandra Bech ²⁾	-	593	2,000
Thorleif Enger	755	15,809	14,000
Leiv L. Nergaard	365	12,679	14,000
John O. Ottestad ³⁾	-	8,155	5,000
Jon-Harald Nilsen	267	187	10,000
Tore Tørvund	457	474	14,000

Outstanding loan particulars: ⁴⁾	Interest	Loans Repayment	Amount ¹⁾
Thorleif Enger	7.0%	7-15 years	755
Leiv L. Nergaard	6.5 - 7.0%	15 years	365
Jon-Harald Nilsen	7.0%	5-15 years	267
Tore Tørvund	7.0%	5-15 years	457

1) Amounts in NOK thousands

2) Executive Vice President as of 15 January, 2002

3) Executive Vice President as of 1 March, 2002

4) Each member of senior management has, in addition, interest-free loans for shares and/or PC equipment, in accordance with the company's terms for employees.

4. PROPERTY, PLANT AND EQUIPMENT

Amounts in NOK million	Machinery, etc	Buildings	Plant under construction	Other	Total
Cost 31.12.2000	264	234	13	7	518
Additions at cost	61	-	50	12	123
Retirements	(24)	(46)	-	-	(70)
Transfers	5	-	(5)	-	-
Accumulated depreciation					
31.12.2001	(188)	(123)	-	-	(311)
Net book value 31.12.2001	118	65	58	19	260
Depreciation in 2001	(43)	(3)	-	-	(46) ¹⁾

1) Amortization of intangibles amounts to NOK 28 million.

5. FINANCIAL INCOME AND EXPENSE, AND OTHER INCOME

Amounts in NOK million	2001	2000
Dividends from subsidiaries	14,934	4,018
Dividends from non-consolidated investees	56	60
Interest from group companies	4,183	3,979
Other interest income	1,880	868
Interest paid to group companies	(3,584)	(2,600)
Other interest expense	(3,161)	(3,117)
Other financial income, net	170	1,577
Financial income, net	14,478	4,785

In 2000 Hydro sold its subsidiary Hydro Seafood AS. The sale resulted in a pre-tax gain of NOK 2,193 million, included in "Other income". There was no other income in 2001.

6. INCOME TAXES

The tax effect of temporary differences resulting in the deferred tax assets (liabilities) and the change in temporary differences are:

Amounts in NOK million	Temporary differences			
	Tax effected	2000	Change	2001
Short-term items	84	60	(381)	167
Write-down on shares	(652)	(647)	(17)	(3)
Prepaid pension	(964)	(992)	59	(13)
Pension liabilities	454	238	1,037	256
Other long-term	80	10	14	289
Deferred tax liabilities	(998)	(1,331)		
Change for year			712	696

Change in temporary differences for 2001 includes the effect of the liquidation of a subsidiary in Great Britain.

Reconciliation of nominal statutory tax rate to effective tax rate

Amounts in NOK million	2001	2000
Income (loss) before taxes	13,531	6,868
Expected income taxes at statutory tax rate	3,789	1,923
Tax free income	(42)	(47)
Non-deductible expenses	5	5
Dividend exclusion	(3,583)	(845)
Affect of liquidation subsidiary	(139)	-
Other, net	(194)	(55)
Hydro-electric power surtax	8	8
Income tax expense	(156)	989
Effective tax rate	(1.15%)	14.40 %

See Note 10 in Notes to the consolidated financial statements for further information

7. SHARES IN SUBSIDIARIES

Company name:	Percentage of shares owned by Norsk Hydro	Total share capital of the company (1,000's)	Book value 31.12.2001 (in NOK 1,000's)
Oil and Energy: Saga Holding AS	100	NOK 12,035	16,246,324
Norsk Hydro Kraft OY	100	FIM 200	269
AS Svælgfos	100	NOK 800	800
Norsk Hydro E&P Americas AS	100	NOK 20,000	511,600
Norsk Hydro Technology Ventures AS	100	NOK 150	150
Norsk Hydro Electrolysers AS	100	NOK 4,000	4,300
Light Metals: Hydro Aluminium AS	100	NOK 2,167,001	4,866,019
Norsk Hydro Magnesiumgesellschaft GmbH ¹⁾	2	EUR 511	179
Agri: Algea AS	100	NOK 1,000	16,679
Hydro Agri Hellas S.A.	100	GRD 90,000	2,277
AS Djupvasskaia	100	NOK 1,000	8,800
Hydro Agri Argentina S.A.	100	ARS 33,012	275,199
Hydro Agri Colombia Ltda.	100	COP 4,304,128	16,749
Hydro Agri Russland AS	100	NOK 3,200	21,200
Hydro Agri Uruguay S.A.	100	UYU 18	7,231
Hydro Agri Venezuela C.A.	60	VEB 363,000	125
Hydro Nordic, S.A.	70	GTQ 8,500	14,110
Hydroship a.s	100	NOK 280,000	280,000
Hydroship Services AS	100	NOK 1,039	1,039
Norensacados C.A.	100	VEB 15,000	140
Norsk Hydro Chile S.A.	100	CLP 878,668	13,071
Norsk Hydro (Far East) Ltd.	100	HKD 50	60
Ceylon Oxygen Ltd.	70.85	LKR 90,000	29,575
Okledyh Management AS	93.2	NOK 139	9,565
Hydro Wax AS	100	NOK 3,750	3,750
Hydro Gas and Chemicals AS	100	NOK 15,050	49,416
Other activities: Hydro Pronova AS	100	NOK 59,644	846,634
Industrial Insurance Ltd.	100	NOK 10,000	10,000
Industriforsikring AS	100	NOK 20,000	20,000
Norsk Bulk AB	100	SEK 102	2,551
Retroplast AS	100	NOK 50	18,826
Grenland Industriutvikling AS	100	NOK 1,750	10,950
Hydro Porsgrunn Eiendomsforvaltning AS	100	NOK 2,500	5,500
Corporate: Norsk Hydro Plastic Pipe AS	100	NOK 10,000	156,472
Norsk Hydro Asia Pte. Ltd.	100	SGD 218,145	1,005,787
Norsk Hydro Brasil Ltda.	100	BRL 33,268	123,893
Norsk Hydro Danmark AS	100	DKK 1,002,000	4,515,523
Norsk Hydro Deutschland GmbH	100	EUR 56,242	736,299
Norsk Hydros Handelsselskap AS	100	NOK 1,000	1,000
Norsk Hydro Produksjon AS	100	NOK 200,000	18,811,324
Norsk Hydro Russland AS	100	NOK 19,000	19,000
Norsk Hydro Sverige AB	100	SEK 585,000	557,692
Norsk Hydro Americas, Inc.	100	USD 30,000	209,917
Total			49,429,995

The foreign currency designation indicates country of domicile.

Percentage of shares owned equals percentage of voting shares owned.

A number of the above-mentioned companies also own shares in other companies as specified in their annual reports.

1) The company is owned 98 percent by Norsk Hydro Deutschland GmbH and 2 percent by Norsk Hydro ASA.

regulation § 4-4 to the law on energy (in NOK million)	2001	2000
Operating revenues	-	2
Operating costs	-	2
Operating income (loss)	-	-
Fixed asset base	-	4
Return on capital	-	11.6

The energy distribution network in Norsk Hydro ASA was sold with effect from 1 February, 2001 and figures in the accounts for the year include only activities of the month of January.

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, 2001	Long-term advances	Total
Compania Industrial de Resinas Sinteticas - CIRES SA	26.2%	Portugal	100		100
Phosyn Plc.	35.0%	Great Britain	79		79
Hydro Agri Trade Maroc	50.0%	Marocco	71		71
Suzhou Huasu Plastics Co. Ltd.	31.8%	China	67	81	148
Qatar Fertilizer Company (S.A.Q.)	25.0%	Qatar	43		43
Scanraff ¹⁾	21.5%	Sweden	-	203	203
Other			122	209	331
Total			482	493	975

1) Indirectly owned by Norsk Hydro ASA.

9. SPECIFICATION OF BALANCE SHEET ITEMS

Amounts in NOK million	2001	2000
Prepaid pension, investments and other non-current assets:		
Other investments	397	445
Prepaid pension	3,441	3,544
Other non-current assets	1,138	925
Total	4,976	4,914
Inventories:		
Raw materials	157	125
Finished goods	81	91
Total	238	216
Bank loans and other short-term interest-bearing debt:		
Bank overdraft	1,042	907
Other interest-bearing debt	2,469	4,160
Total	3,511	5,067

10. GUARANTEES

Norsk Hydro ASA provides guarantees arising in the ordinary course of business including stand-by letters of credit, letters of credit, performance bonds and various payment or financial guarantees.

Amounts in NOK million	2001	2000
Guarantees (off-balance sheet):		
Guarantees of debt	1,577	1,545
Indirect guarantees	4,513	3,201
Total	6,090	4,746

11. NUMBER OF SHARES OUTSTANDING, SHAREHOLDERS, ETC.

The share capital of the company is NOK 5,331,933,000. It consists of 266,596,650 ordinary shares at NOK 20 per share. As of 31 December, 2001 the company had purchased 8,962,478 treasury stocks at a cost of NOK 3.2 billion. For further information on these issues see Note 3 in Notes to the consolidated financial statements.

Shareholders holding one percent or more of the total 257,634,172 shares outstanding as of 31 December, 2001 are according to information in the Norwegian securities' registry system (Verdipapirsentralen):

Name	Number of shares
Ministry of Trade and Industry	116,832,770
Morgan Guaranty Trust Co. of NY ¹⁾	16,693,951
State Street Bank & Trust ²⁾	11,789,827
JP Morgan Chase Bank ²⁾	10,652,552
Folketrygdfondet	9,135,200
JP Morgan Chase Bank ²⁾	5,360,000
JP Morgan Chase Bank ²⁾	3,600,000
Vital forsikring ASA	3,511,511
Sicovam ²⁾	3,367,081
Gjensidige NOR Sparebank	2,760,786

1) Representing American 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 2001, showing a profit of NOK 13,687 million for the parent company and a profit of NOK 7,686 million for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income. Financial statements comprise the balance sheet, the statement of income, the statement of cash flows, the accompanying notes and the group accounts. These financial statements, which are presented in accordance with accounting principles generally accepted in Norway, are the responsibility of the Company's Board of Directors and the Company's President. Our responsibility is to express an opinion on these financial statements and on certain other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and auditing standards generally accepted in Norway. Auditing standards generally accepted in Norway require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards generally accepted in Norway, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements, as shown on page 68-70 and page 103, are prepared in accordance with the law and regulations and present fairly, in material respects, the financial position of the Company as of 31 December 2001 and the results of its operations and its cash flows for the period, in accordance with accounting principles generally accepted in Norway;
- the Company's management has fulfilled its duty to maintain the Company's accounting process in such a proper and well-arranged manner that the accounting process is in accordance with the law and accounting practices generally accepted in Norway; and
- the information in the Board of Directors' report, as shown on page 26-32, concerning the financial statements, the going concern assumption, and the proposal for the allocation of net income is consistent with the financial statements and complies with the law and regulations.

Oslo, Norway, 28 February, 2002

DELOITTE & TOUCHE AS

Ingebret G. Hisdal - State Authorized Public Accountant, (Norway)

To the annual general meeting of Norsk Hydro ASA

INDEPENDENT AUDITORS' REPORT FOR US GAAP FINANCIAL STATEMENTS

We have audited the consolidated balance sheets of Norsk Hydro ASA and subsidiaries as of December 31, 2001 and 2000, and the related consolidated income statements, statements of comprehensive income, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements on pages 66-68 present fairly, in all material respects, the financial position of the Company as of December 31, 2001 and 2000, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

Oslo, Norway, 28 February, 2002

DELOITTE & TOUCHE AS

Ingebret G. Hisdal - State Authorized Public Accountant, (Norway)

STATEMENT OF THE CORPORATE ASSEMBLY TO THE ANNUAL GENERAL MEETING OF NORSK HYDRO ASA

The board of directors' proposal for the financial statements for the financial year 2001 and the Auditors' report have been submitted to the corporate assembly. The corporate assembly recommends that the directors' proposal regarding the financial statements for 2001 for the parent company, Norsk Hydro ASA, and for Norsk Hydro ASA and its subsidiaries be approved by the annual general meeting, and that the net income for 2001 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, Norway, 28 February, 2002

Sven Ullring

CORPORATE ASSEMBLY

The following were members of Norsk Hydro's corporate assembly at the end of 2001:

Sven Ullring (chairman)	Jon-Arne Mo	Deputy members: Ellen Holager Andenæs Erna Flattum Berg Roy Brenden Sjur Bøyum Jan Einar Forsmo Solveig Frøynes Geir Hansen Leena Marjatta Klaveness Idar Kreutzer Hans E. Krokan Sylvi A. Lem Roy Rudberg Morten Ødegård
Svein Steen Thomassen (vice chairman)	Jarle Molde	
Åse Bjøntegård	Geir Nilsen	
Kjell Furseth	John-Arne Nilsen	
Aase Gudding Gresvig	Rune Strande	
Westye Høegh	Sigurd Støren	
Kari Kveseth	Siri Teigum	
Kjell Kvinge	Kjell Aamot	
Frøydis Langmark	Svein Aaser	
Jørgen Lindegaard	Observers:	
Peter Lorange	Ingar Aas-Haug	
Gisèle Marchand	Oddvar Karlsen	
	Nils-Egel Nilsen	

EXPLORATION AND PRODUCTION

Proved reserves as of 31 December, 2001 (SEC definition)

Field	Block	Operator	Hydro %-interest	Hydro's share				Prod. start up
				Total mill. boe	Oil/NGL mill. boe	Gas bill. cf	Gas bill. Sm ³	
Oseberg fields	30/6, 30/9	Norsk Hydro	19.60 - 32.02	270	124	810	22.9	1988
Gulfaks fields	34/10, 33/12	Statoil	9.00	60	34	139	3.9	1986
Ekofisk fields	2/4, 2/5, 2/7	Phillips Petroleum	5.81 - 6.65	111	93	95	2.7	1971
Snorre fields	34/4, 34/7, 33/9	Norsk Hydro ¹⁾	5.98 - 17.65	151	141	53	1.5	1992
Brage	31/4, 30/6, 31/7	Norsk Hydro	23.20 - 24.44	4	3	1	-	1993
Troll	31/2, 31/3, 31/5, 31/6	Norsk Hydro / Statoil	9.78	649	74	3,342	94.4	1995 1996
Sleipner fields	15/6, 15/9, 16/7	Statoil	8.85 - 10.00	66	17	265	7.5	1993
Njord	6407/7, 10	Norsk Hydro	22.50	10	10	-	-	1997
Norne	6608/10, 6508/1	Statoil	8.10	26	20	31	0.9	1997
Visund	34/8, 34/7	Norsk Hydro ¹⁾	20.30	87	43	251	7.1	1999
Åsgard	6407/2, 6506/11,12, 6507/11	Statoil	9.60	157	67	504	14.2	1999
Grane	25/11	Norsk Hydro	24.40	127	127	-	-	2003
Tune	30/8, 30/5, 30/6	Norsk Hydro	30.00	24	5	106	3.0	2002
Kvitebjørn	34/11	Statoil	15.00	50	13	194	5.5	2004
Fram Vest	35/11	Norsk Hydro	25.00	23	19	22	0.6	2003
Vale	25/4	Norsk Hydro	28.53	6	3	16	0.5	2002
Kristin	6406/2, 6506/11	Statoil	12.00	40	24	92	2.6	2005
Mikkel	6407/5,6	Statoil	10.00	17	7	57	1.6	2003
Other fields				2	1	8	0.3	
Total Norway				1,880	825	5,986	169.2	
Hibernia	Grand Banks, Canada	HMDC ³⁾	5.00	15	15	-	-	1997
Terra Nova	Grand Banks, Canada	Petro-Canada	15.00	36	36	-	-	2002
Girassol	Block 17, Angola	TotalFinaElf	10.00	41	41	-	-	2001
Dalia	Block 17, Angola	TotalFinaElf	10.00	36	36	-	-	2005
Jasmin	Block 17, Angola	TotalFinaElf	10.00	4	4	-	-	2003
Rosa/Lirio	Block 17, Angola	TotalFinaElf	10.00	23	23	-	-	2005
Kharyaga	Timan Pechora, Russland	TotalFinaElf	40.00	28	28	-	-	1999
Mabruk	Sirte basin, Libya	TotalFinaElf	25.00	10	10	-	-	1995
Total International ²⁾				193	193	-	-	
Total				2,073	1,018	5,986	169.2	

2001 production of oil and gas

Field	Operator	Hydro's %-interest	Hydro's share				Remaining Prod. Period	License Period
			Total mill. boe	Oil/NGL mill. boe	Gas bill. cf	Gas bill. Sm ³		
Oseberg fields	Norsk Hydro	19.60 - 32.02	36	31	30	0.9	2012-2018	2017-2031
Gulfaks fields	Statoil	9.00	9	8	5	0.1	2014	2016
Frigg fields	TotalFinaElf	6.05 - 19.99	2	-	9	0.3	2003	2015
Ekofisk fields	Phillips Petroleum	5.81 - 6.65	10	8	9	0.2	2024	2028
Brage	Norsk Hydro	23.20 - 24.44	4	4	1	-	2004	2017
Snorre fields	Norsk Hydro	5.98 - 17.65	25	23	6	0.2	2009-2020	2015-2024
Sleipner fields	Statoil	8.85 - 10.00	12	5	39	1.1	2008-2014	2014-2018
Troll	Norsk Hydro / Statoil	9.78	25	13	74	2.1	2030	2030
Njord	Norsk Hydro	22.50	4	4	-	-	2007	2021-2023
Norne	Statoil	8.10	6	6	3	0.1	2014	2026
Visund	Norsk Hydro	20.30	3	3	-	-	2021	2023
Varg	Norsk Hydro	35.00	3	3	-	-	2002	2011
Åsgard	Statoil	9.60	9	6	14	0.4	2026	2027
Heimdal	Norsk Hydro	9.70	-	-	1	-	2002	2021
Yme	Statoil	25.00	-	-	-	-	2001	2001
Total Norway			148	114	191	5.4		
Hibernia	HMDC ³⁾	5.00	3	3	-	-	2015	2085
Kharyaga	TotalFinaElf	40.00	2	2	-	-	2030	2031
Mabruk	TotalFinaElf	25.00	1	1	-	-	2028	2028
Girassol	TotalFinaElf	10.00	-	-	-	-	2022	2027
Total International			6	6	-	-		
Total			154 ⁴⁾	120	191	5.4		

¹⁾ As part of the Saga transaction, it was agreed that Statoil will take over as operator for Snorre TLP, Snorre B, Tordis and Vigdis which are part of the Snorre complex as well as Visund effective 1 January, 2003.

²⁾ Reserves under PSA contracts are shown net of Royalties and Government's share of Profit Oil ³⁾ HMDC: Hibernia Management Development Company

⁴⁾ Average production in 2001 was 421,000 boed.

ENERGY

	2001	2000	1999
Total power available (Terrawatt hours TWh):	20.4	19.8	18.5
From own power stations	9.6	11.3	10.2
Lease production	0.2	0.2	0.2
Average spot price NOK/kWh	0.187	0.103	0.112
Oiltrading and refining (thousand tonnes):			
Crude oil/NGL	17,507	16,307	11,927
Oil products	2,912	2,795	2,660
Oiltrading	20,419	19,102	14,587
Gasoline	841	956	969
Medium distillates	897	915	880
Heavy fuel oil	440	516	476
Other	66	59	59
Refining	2,244	2,447	2,384

OIL MARKETING

Marketing (Sales 1,000 m ³) ¹⁾	2001	2000	1999
Gasoline	1,500	1,534	1,486
Gasoil	2,084	2,042	2,218
Market share 2001 ¹⁾	Sweden	Denmark	Norway
Gasoline	11.6 %	15.5 %	19.9 %
Gasoil	14.6 %	19.7 %	16.1 %

1) Includes 100 percent of Hydro Texaco.

ALUMINIUM

Tonnes	2001	2000	1999
Production of alumina	1,002,000	898,000	530,000
Production of primary aluminium:			
Karmøy	272,000	270,000	267,000
Årdal	206,000	204,000	201,000
Sunndal	156,000	154,000	149,000
Høyanger	71,000	72,000	71,000
Sørøra (Hydro's ownership interest 49.9 percent)	62,000	62,000	58,000
Total	767,000	762,000	746,000
Total business volume (incl. trading and external sources)	2,256,906	2,153,000	1,885,000
Remelting	425,000	387,000	300,000
Semi-fabricating:			
Extruded products	442,000	448,000	376,000
Rolled products	133,000	134,000	127,000
Wire rod and other	60,000	82,000	80,000
Primary aluminium London Metal Exchange 3-month price US dollar/tonne (avg.)	1,454	1,567	1,387

MAGNESIUM

Tonnes	2001	2000	1999
Production and remelting of primary magnesium	102,000	109,900	113,400

AGRI

Thousand tonnes	2001	2000	1999
Consumption of raw materials:			
Rock phosphate	1,200	1,200	1,200
Potassium	800	800	900
Oil and gas (million toe)	3.6	3.8	3.5
Production of Ammonia (NH ₃):			
Hydro's own production	3,950	4,000	3,300
Hydro's share of non-consolidated investees' production	840	830	780
Production Fertilizer			
Hydro's own production	11,400	12,200	11,500
Hydro's share of non-consolidated investees' production	1,300	1,200	1,200
Sales including third-party products:	20,200	22,100	20,900
Europe	10,200	12,500	12,200
Outside Europe	10,000	9,600	8,700
Prices for fertilizer products – average monthly quotations :			
CAN - cif Germany US dollar/tonne	119	103	85
DAP - FOB Gulf of Mexico US dollar/tonne	147	154	178
Urea - FOB Middle East US dollar/tonne	109	110	79
NH ₃ - FOB Carrabien US dollar/tonne	137	148	91

PETROCHEMICALS

Production in tonnes	2001	2000	1999
Base products:			
VCM	591,000	536,000	539,000
Caustic soda	279,000	271,000	272,000
PVC	537,000	521,000	519,000
S-PVC	465,000	445,000	451,000
P-PVC	72,000	76,000	68,000
PVC-compounds	143,000	154,000	161,000
Average prices Western Europe			
Ethylene – DEM/tonne delivered	1,205	1,301	829
VCM – Spot Export FOB US dollar/tonne	345	562	418
S-PVC – DEM/kg delivered	1.28	1.68	1.22

Source: ICIS/LOR

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 Thursday, 2 May, 2002 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, 26 April, 2002:

Den norske Bank
Verdipapirservice
Stranden 21, N-0021 Oslo
Telephone: +47 22 48 35 84
Fax.: +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 at the annual general meeting. Provided the proposal is approved, dividends will be sent on Wednesday 22 May, 2002, to persons listed in the register of shareholders of the Norwegian Registry of Securities (VPS) on 2 May, 2002, or who are authorized by the shareholder to receive the dividend. In case of a 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 Friday, 3 May, 2002, and on the New York Stock Exchange from and including Tuesday, 30 April, 2002.

Quarterly results

Hydro issues quarterly financial reports. The dates for publication of the quarterly results in 2002 are:

1st quarter:	29 April
2nd quarter:	22 July
3rd quarter:	21 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 the 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
Fax.: +47 22 53 27 25
E-mail: corporate@hydro.com
Telex: 78350 hydro n

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

Photos: Jarle Ree (cover, p. 2-3, 5, 8-9, 10-11, 12-13, 14-15, 16-17, 18-19, 20-21, 22-23, 25, 26-27, 33, 35, 41)
PhotoDisc (p.1, 6, 24), Terje S. Knudsen (p. 2, 38)
Design and production: Hydro Media (25435/03.2002)
Print: PDC Tangen

Norsk Hydro
N-0240 Oslo

Tel.: +47 22 53 81 00
Fax.: +47 22 53 27 25
e-mail: corporate@hydro.com
Internet: www.hydro.com

Norsk Hydro 2001

