

Join us on our journey

To develop and thrive in a changing world requires expertise, innovative skill and foresight – and not least the will and ability to change and adapt. The certainty that Hydro possesses these important prerequisites gives me confidence, even when there is turbulence on all sides.

Hydro has been through some major changes, and the biggest of them all took place in 2007. Five years ago Hydro was an industrial conglomerate with three main business areas. We then listed the world's biggest fertilizer company – Yara. The merger of Hydro's oil and gas operations with Statoil last fall created a new global energy company – StatoilHydro – which has emerged stronger and with greater opportunities. After the divestment of Hydro Polymers was finalized on February 1 2008, an extensive restructuring was completed.

Hydro is still Hydro, but we are now an aluminium company.

These changes demonstrate our will and ability to respond to challenges and grasp opportunities. It is people who create progress. Our shareholders should first and foremost thank our employees for the solid returns they are enjoying. By processing natural resources in innovative and efficient ways, Hydro has helped to create more viable societies for more than a century. We will continue to do so as an aluminium company. Aluminium is the metal of the future and Hydro's future is in aluminium.

Aluminium is steadily attracting new supporters and areas of application by virtue of its properties and usability. We are expecting demand to grow by 5 percent annually, not least as a result of the high level of activity in major economies like China and India. Markets will fluctuate, but I believe that the economic dynamism, which is now improving the lives of millions of people throughout the world, will continue. Aluminium is one of the input factors in a modern and more affluent society.

Aluminium's popularity is also good news for the environment. Aluminium can make buildings more energy efficient, prolong the shelf-life of foodstuffs and make transport less energy intensive. Best of all: Aluminium can be recycled and used time and time again, while expending only a fraction of the energy required for its primary production. No wonder why the future look so bright, knowing that the material we produce lasts for ever.

Turning challenges to our advantage

Heavy global growth has created bottlenecks and cost inflation. It is challenging to secure access to power and raw materials, reliable subcontractors and to win the battle for the most

talented people. Even more important are our own strategy and the ways in which we operate, innovate and cooperate.

Hydro is ready to take part in further growth; we have a new structure, we are profitable and financially robust. Our operations are close to markets and customers. We are working systematically to secure raw materials supply and now cover 70 percent of our alumina requirements from plants where we have equity interests. This proportion will continue to increase. We utilize our own in-house developed technology while enhancing it further. Many of our competitors face demanding electrical power negotiations. In Hydro we face a similar challenge, but we cover 35 percent of our power needs through our own hydroelectric resources. The remainder we obtain from long-term contracts.

The entire industry is finding it difficult to identify suitable locations for major new plants. In Hydro we have made good headway here. Our long-term, international partnerships make us an attractive partner for new projects. In Qatar we are constructing the biggest aluminium plant ever built in a single phase – with its own power supply. An outstanding team with experience gained on other complex mega-projects will ensure that Qatalum is able to supply its first metal in late 2009. Meanwhile, we are busy planning where our next big expansion project will be located.

Closer to the future

More ambitious climate targets mean that we must find solutions to demanding challenges. The CO₂ quota market in Europe has already had a considerable impact on energy prices. In Hydro we do not view environmental considerations as obstacles, but as a basis for all economic activity. Tough demands inspire us. We believe they give us the opportunity to forge ahead and develop new, forward-looking solutions.

Through our research and technology development we are seeking to minimize the environmental impact of aluminium production. The result is steadily increasing aluminium production per kilowatt hour, lower greenhouse gas emissions per tonne, and the development of new aluminium products, such as the integration of solar cells into aluminium building facades. Through our engagement in solar energy we are using our materials, process and industrial expertise to develop the solutions

of tomorrow. The more aluminium is used, the better will it be for the climate, energy efficiency and society at large. That is a great vision for our industry.

In all areas, and in every corner of the world, it is a pledge of honor for us to act with great respect towards people, societies and the environment. In accordance with our values we have joined the UN Global Compact initiative. For several years we have met the criteria to be included in the Dow Jones' Sustainability Index (DJSI). For two years running Hydro has in fact topped the ranking for our industry in this widely acknowledged index.

Even though we have made continuous progress over many years, we were unable to improve our safety performance in 2007. Two fatal accidents in 2007 and one in February 2008 are enormous tragedies that affect us all greatly. Any accident is one too many. For 2008 we have set ourselves ambitious targets and are working on measures to achieve them.

Come closer

The consolidation of our industry poses both challenges and opportunities. Hydro has emerged more visibly and clearly in this new landscape. We are comfortable with our portfolio and our development opportunities, and we can see definite advantages in mastering the entire value chain.

We are proud of Hydro, the aluminium company. We have faith in the future and are confident our projects will bring us further. In this report we intend to show you who we are, where we stand and where we are heading. We believe that by inviting you in and showing you everything, you will also want to join us on our journey.



Eivind Reiten
President and CEO

