

ENERGY

Following the demerger of Hydro's oil and gas operations, Energy was established as a separate business area in 2007. Energy is responsible for managing Hydro's captive hydro-power production in Norway and external power sourcing arrangements to the aluminium business. Energy is also engaged in developing Hydro's position within the solar energy industry.

Introduction

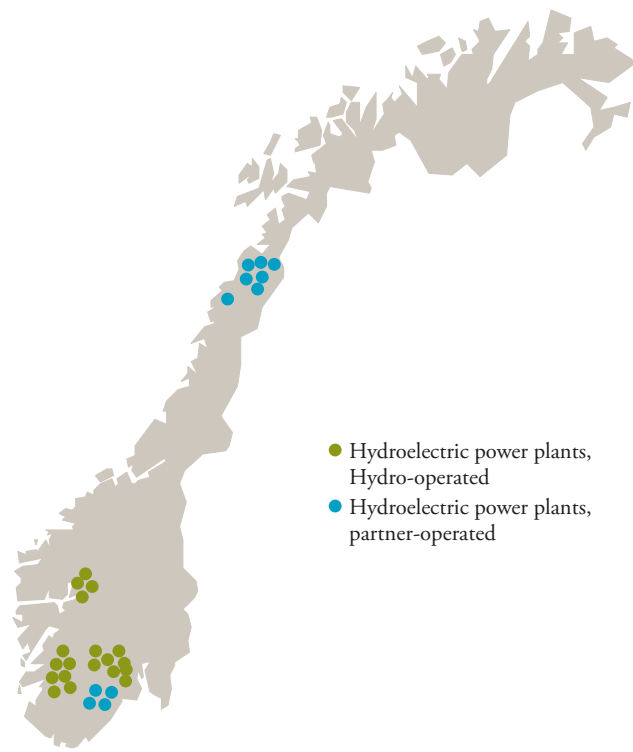
With more than 100 years of experience in hydropower, Hydro is the second largest power producer in Norway, and the largest privately owned producer. In 2007, our Energy business generated about NOK 6.5 billion in revenues, employing around 230 people, mainly in Norway.

Hydro operates 17 hydroelectric power plants in Norway with a normal annual production of approximately 9.0 TWh. Our annual hydropower production can vary by +/- 20 percent depending on variations in hydrological conditions. Our most important production facilities are located in Telemark, Rørdal-Suldal and Sogn. In addition to owned generation capacity, our power portfolio in Norway includes around 7 TWh purchased annually under long-term contracts, mainly with the Norwegian state-owned company, Statkraft. Our portfolio provides long-term power at predictable prices for our industrial operations in Norway.

In addition to sourcing power for our aluminium operations, Hydro's Energy business also provides an average of about 2 TWh of power externally, primarily related to concession power obligations and to contracts with our former fertilizer business, Yara International ASA. We balance our portfolio in the spot market at the NordPool power exchange.

Hydro invested approximately NOK 300 million in partnership shareholdings in the solar energy business. Our invest-

Power plants in Norway



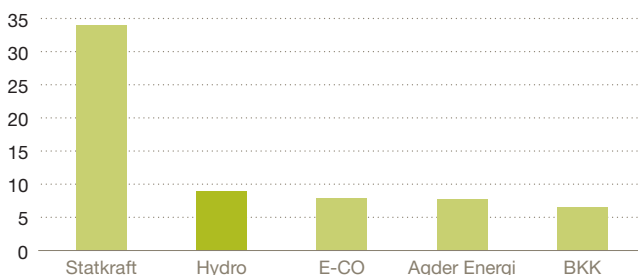
- Hydroelectric power plants, Hydro-operated
- Hydroelectric power plants, partner-operated

Hydro is the second largest power producer in Norway and operates 17 hydroelectric power plants.

ments include a 22 percent ownership interest in US-based Ascent Solar Technologies Inc., which has an advanced position in thin film technology. We also hold a 16 percent interest in NorSun AS, which is constructing an ingot pulling and wafering plant in Årdal, Norway, as well as a 49 percent interest in HyCore ANS, a partnership with Umicore SA of Belgium, for development of new cost-efficient solar-grade polysilicon manufacturing processes.

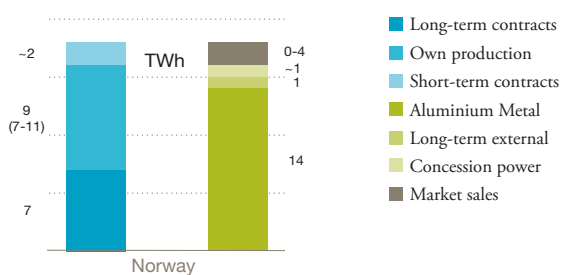
Norway's second largest power producer

Production TWh/year



Generation and industrial sourcing

Managed on net portfolio basis



Targets

2007 TARGETS

- Move focus in Energy business from oil and gas to aluminium
- Foothold in solar energy industry

2007 RESULTS

- Energy business with sourcing focus in aluminium company
- Investments in Ascent Solar and establishment of HyCore

2008

- Energy sourcing arrangements for aluminium growth
- Operational efficiency and improvement in safety of operations
- Technology development and startup of commercial operations in solar business

AMBITIONS

Our goal is to capitalize on our energy competence supporting the sourcing of power to our smelters on a global basis. We aim to develop our investments in solar power building on our initial, promising investments within this emerging high-growth industry.

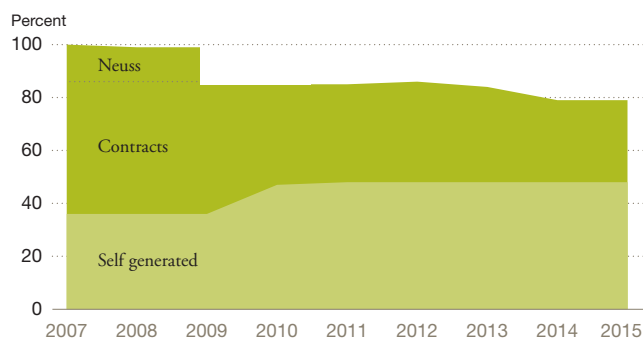
Strategy

Hydro's Energy business is playing a leading role in identifying and developing power sourcing arrangements for continued growth in our aluminium smelter capacity. Power is a critical input factor for primary aluminium production, representing more than 30 percent of production costs. Access to competitive power supplies under predictable long-term arrangements is a critical factor for growing our primary aluminium capacity.

Competitive energy sourcing

While Hydro is well covered with captive power, and long-term contracts for the next decade, further growth will require new sourcing arrangements. We are engaged in a number of initiatives to secure competitive energy supplies for Hydro's aluminium business, covering the full range of needs: short-term and long-term, in Norway and internationally, for growth projects and for continued operations. We intend to build on our long experience and our competence and knowledge of global, regional and local energy markets. We will also be actively engaged in energy related policy and framework issues.

Power coverage



Effective power portfolio management and operational excellence

We are making continuous efforts to exploit our power portfolio expertise and management capabilities in order to minimize the cost of industrial sourcing and maximize the value of our production assets. Investments in our hydropower production facilities will primarily be focused on efficient maintenance and improvements within existing concession areas.

Operational efficiency is a key priority. We have made significant cost and safety improvements in our hydropower plant operations during the last decade and will continue to focus on operational excellence as a basis for further performance improvements.

Develop our positions in solar energy

Significant technological developments, efficiency increases and improved regulatory incentive programs in key countries such as Germany, Spain and the US, have supported annual growth rates of more than 30 percent in the solar energy industry over the last five years. The industry expects continued high growth up to 2020, with significant opportunities across different technologies and along the value chain.

Based on our competence in materials technology, our strong project execution skills and experience from industrializing new technologies and processes, we intend to develop a competitive position within the solar industry together with our partnership companies. Our main focus for the coming years will be on further developing technology and on establishing commercial operations for the production facilities currently under construction. Hydro's position as a leading supplier of advanced building systems provides an excellent platform for innovative integration of solar energy into new building facade designs.



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Overview 2007

Hydro's energy business delivered an underlying EBIT of NOK 1,184 million, decreasing from the underlying EBIT of NOK 1,464 million in 2006.

The Nordic electricity market was characterized by record high hydropower production and depressed prices during the summer months of 2007, particularly in Southern-Norway where Hydro's hydropower plants are located. Driven by the expectation of increased CO₂ emission costs and high generation fuel prices on the European Continent, Nordic spot prices recovered later in the year averaging NOK 224 per MWh for the full year 2007. Hydro's hydropower production totalled 11.0 TWh in 2007, 22 percent higher than normal.

Hydro is leveraging its experience and competence in energy markets to secure competitive power supplies for the company's primary aluminium capacity. We are working to explore opportunities to support growth ambitions for our aluminium operations in Norway and on a world-wide basis.

Building on its long-standing experience in metallurgy, electrolysis and industrialization of new technologies, Hydro is working together with external partners to develop new technologies and manufacturing processes in the solar energy industry. In 2007, Hydro acquired a 22 percent ownership interest in the US-based thin-film company Ascent Solar Tech-

nologies Inc. and formed the HyCore ANS partnership with Umicore SA of Belgium for development of a new manufacturing process for solar-grade polysilicon. Since late 2006, Hydro also holds a 16 percent interest in NorSun AS. Climate change and security of supply are important drivers for our new solar business activities. Market demand and government incentives are expected to result in fast growing markets for photovoltaic Solar energy solutions.

Nordic system power price

