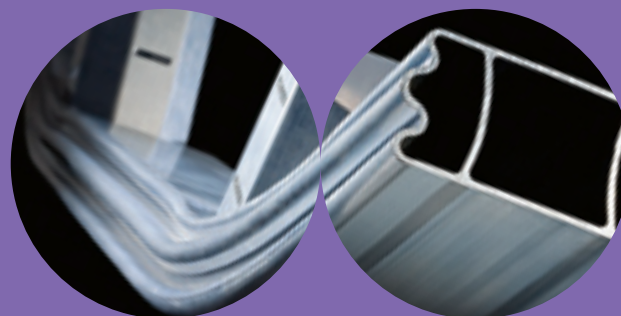


Risk management in Hydro is based on the principle that risk evaluation is an integral part of all business activities.

Indicative price and currency sensitivities 2008

NOK million	Income before tax	Net income	Change
Aluminium price per tonne	700	500	100 USD
Aluminium price per tonne excl. strategic hedges	800	600	100 USD
US dollar before financial items	3,800	2,700	1 NOK
US dollar financial items	(2,700)	(1,900)	1 NOK
US dollar Net income	1,100	800	1 NOK



HIGHLIGHTS

Commodity and currency exposure

Hydro's operating results are primarily affected by price developments of its main products, aluminium and power, in addition to foreign currency fluctuation of the most significant currencies, the US dollar and the Euro, against the Norwegian Krone. Hydro's main risk management strategy for its upstream operations is to accept exposure to aluminium and energy prices movements. Downstream and other margin-based operations are to a certain extent hedged to protect processing and manufacturing margins against raw material price fluctuations.

05:
*Risk
review*

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QUICK OVERVIEW

Hydro faces many risks and uncertainties within the global marketplace in which we operate. Changes in competitive and market conditions may affect margin and volume developments.

Complex projects are challenging in terms of timing and cost control. Our primary smelting operations are highly dependent on securing substantial amounts of energy and adequate supplies of alumina at competitive prices. We are exposed to increasing legislation on CO₂ emissions.

Hydro's main strategy for mitigating risk related to volatility in cash flows is to maintain a solid financial position and strong credit-worthiness.

RISK FACTORS

Hydro faces many risks and uncertainties within the global marketplace. Changes in competitive and market conditions affect margin and volume developments. Reported operating results and our competitive position are influenced by the declining US dollar. China is encouraging the production of more labour intensive semi-fabricated and fabricated products increasing the exposure of our downstream businesses. Our primary smelting operations are highly dependent on securing substantial amounts of energy and adequate supplies of alumina at competitive prices. We are exposed to increasing legislation on CO₂ emissions. Repositioning and restructuring activities are important in determining the viability of our future aluminium operations. It is challenging to complete large upstream projects on time and within budgets. Our business expansion is expected to take place increasingly in emerging and transitioning market areas heightening the risk related to unforeseen changes in the overall operating framework.

Below is a description of certain risks that may affect our business, financial condition and results of operations from time to time. You should carefully consider all the information in this report and, in particular, the risks described below.

- Virtually all aluminium end-use markets, including the building, transportation and packaging industries, are cyclical. There is uncertainty concerning developments in supply and demand, in particular relating to overall economic developments. These factors, among others have a significant impact on developments in aluminium prices. Active trading by financial investors and investment funds on the London Metal Exchange (LME) have increased volatility in aluminium prices.
- We have a significant participation in the highly competitive downstream aluminium markets where our competitiveness depends on our cost position and innovative capabilities.
- China has in recent years imposed duties to reduce the export of aluminium metal, but has encouraged production of the more labour intensive semi-fabricated and finished aluminium products. This development has increased the exposure of our metal products business to competitive imports from China.
- Our rolled products activities within the Euro-zone are increasingly exposed to competition from US dollar-based producers or producers in countries with strong currency links to the dollar such as China.
- Major investment projects are an important element of Hydro's strategy. The execution of such projects is subject to the risk of delays, cost increases and other complications. We may fail to develop the Qatalum project on a timely basis or achieve sufficient speed for other development processes.
- Emerging or transitioning market countries with abundant natural resources, low cost labor and energy and lower environmental and other standards have posed, and will continue to pose, a competitive threat to our business.
- Hydro is exposed to increasing legislation on reducing CO₂ emissions. Hydro's smelter operations are to a large degree located in Europe. The European Union has proposed new emissions regulations which are more onerous than regulations in other regions of the world. The regulations would effect our operations in Norway and in the EU from 2013 onwards and could have a relatively high impact on our competitive position.
- Aluminium prices are denominated in US dollars while our production is located outside of the US. Furthermore, our operating results are reported in Norwegian kroner. Accordingly, reported operating results will, in general, decline when the value of the US dollar weakens against other currencies and against the Norwegian krone.
- In 2007 the EU reduced its duty on unalloyed aluminium. Any further reductions or cancellation of these duties could result in increased imports of primary aluminium to the EU market from sources such as Russia and the Middle East.
- Our aluminium operations, and in particular our smelters, are dependant upon large volumes of energy. Our position could be materially adversely affected by:
 - Significant increases in the costs of short term energy supplies
 - Inability to replace on competitive terms our long term energy supply contracts when they expire or our own equity production to the extent that concessions revert to the Norwegian state
 - Negative developments within energy tax regimes, particularly in the EU and Norway. Our operations in Germany (Neuss) which depend on short-term contracts are exposed to the impact on electricity prices from the imposition of CO₂ quotas and related trading regimes. Our Norwegian smelters are also exposed to the impact of CO₂ quotas but to a lesser extent in the short to medium term since most of the electricity consumption in Norway is covered under long-term supply contracts
 - Interruption in the energy supplies. Power failure to a smelter for more than six to eight hours could lead to the metal solidifying in the pots which would result in significant costs and reduced income.

- We may not succeed in our efforts toward repositioning our smelter portfolio or gain access to further competitive growth projects within alumina and primary metal production.
- Our aluminium business is dependent on securing competitive supplies of alumina to develop and grow our upstream primary metal business. We have secured approximately 70 percent of our long-term planned alumina needs through equity investments in alumina plants, and we rely on medium and long term contracts for the remainder of our alumina needs.
- New primary smelter-, alumina- and bauxite capacity is expected to be mainly located in countries characterized by emerging and transitioning markets. Legal, fiscal and regulatory systems may be less stable and have a lower degree of transparency, making investment evaluation more difficult.
- Increasing investments as a minority partner in jointly controlled entities reduces Hydro's ability to manage and control its growth portfolio. Such investments entail a risk of diverging interests between business partner(s), which could impede Hydro's ability to repatriate funds from such entities and the ability for Hydro to achieve full compliance with its standards, controls and objectives.
- We may not succeed in developing technological solutions to support our growth strategies. Being at the forefront in technological development is important to remain competitive. Hydro is engaged in the development of new "next generation" cell and smelter technology together with key suppliers. Certain technical aspects of these initiatives are unproven and the costs and benefits impact on future earnings and results are uncertain.
- Certain of our operations are located in close proximity to sizable communities. Major accidents due to human error, system failures, extreme weather or deliberate sabotage, while considered remote, could result in loss of life or extensive damage to the environment or communities.
- Hydro's results could be negatively affected by criminal or civil legal proceedings related to, but not limited to product liability, environment, health and safety, commercial disputes with suppliers, customers or other third parties. Hydro's share value could be adversely impacted by legal proceedings and investigations regarding alleged breaches of integrity legislation or standards.
- Laws and regulations regarding the protection of the environment and the promotion of health and safety impose increasingly more stringent standards and requirements. Violation of applicable environmental, health and safety laws and regulations could result in substantial fines or penalties, remedial costs and, in rare instances, the suspension or shutdown of our operations.
- Environmental laws may impose cleanup liability on owners and occupiers of contaminated property, including past or divested properties, regardless of whether the owners and occupiers caused the contamination, or whether the activity that caused the contamination was lawful at the time it was conducted. Many of our present and former operations are and were located on properties with a long history of industrial use.
- We may be subject to claims made for damage to property or injury, including adverse health effects, to employees and other persons resulting from the environmental, health or safety effects of our operations or past contamination. While we are not presently the subject of any material claims in this regard, there can be no assurance that such claims will not be made.
- Exercise of shareholder rights such as voting and preferential subscription rights may not be available to beneficial shareholders whose shares are not registered in their own names with the VPS.
- Beneficial owners of Hydro's shares registered in a nominee account, such as through brokers, dealers or other third parties (e.g. ADR holders), may not vote such shares unless their ownership is re-registered in their own names with the Norwegian Central Securities Depository, Verdipapirsentralen (the VPS), prior to Hydro general meetings. We cannot guarantee that beneficial owners of our shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their shares.
- Similarly, in a share issue, beneficial shareholders who are not registered in their own name in the VPS may not be able to receive, trade or exercise preferential subscription rights for such new shares.
- We are organized under the laws of the Kingdom of Norway. It may be difficult for investors to effect service of process outside Norway upon us or our directors and executive officers or to enforce against us or our directors and executive officers judgments obtained in other jurisdictions. Norwegian courts are unlikely to apply other than Norwegian law when deciding on civil liability claims under securities laws.

MARKET AND COMMERCIAL RISK

Risk management in Hydro is based on the principle that risk evaluation is an integral part of all business activities. The main responsibility for risk management is therefore placed with the business areas and coordinated by staff units at the corporate level. Policies and procedures have been established to manage risk.

Hydro's main strategy for mitigating risk related to volatility in cash flows is to maintain a solid financial position and strong credit worthiness, as expressed by our adjusted net interest bearing debt/equity target of not exceeding a ratio of 0.55, and to maintain a ratio of funds from operations to adjusted net interest bearing debt above a level of 0.40.

We maintain guidelines for liquidity reserves and for the instalment payment profile on its debt portfolio. The financial position at the end of 2007 was well within the established guidelines.

Hydro's operating results are primarily affected by price developments of its main products, aluminium and power, in addition to foreign currency fluctuation of the most significant currencies, the US dollar and the Euro, against the Norwegian krone. Hydro's main risk management strategy for its upstream operations is to accept exposure to aluminium and energy price movements. Downstream and other margin-based operations are to a certain extent hedged to protect processing and manufacturing margins against raw material price fluctuations.

In order to mitigate the exposure to US dollar currency fluctuations, Hydro has established currency forward contracts selling US dollar mainly against Norwegian krone.

Hydro has also entered into forward contracts in other currencies to hedge revenue and cost positions.

An indication of the sensitivities regarding prices and foreign currency fluctuations for 2008 is provided in the table below. The table illustrates the sensitivity of earnings, before and after tax, to changes in these factors and is provided to supplement the sensitivity analysis required by IFRS, included in note 41 to the Consolidated Financial Statements.

In addition to the above sensitivities, the revaluation of derivative instruments and contracts classified as derivatives may influence reported earnings. For accounting purposes, derivative financial and commodity instruments are recognized at fair value with changes in the fair value impacting earnings unless specific hedge criteria are met. This can result in volatility in earnings since the associated gain or loss on the related physical transactions may be reported in earnings in different periods. Please see note 41-42 to the Consolidated Financial Statements for a detailed description of Hydro's commercial and financial risk exposures and hedging activities related to such exposures.

In accordance with IFRS requirements, Hydro has chosen to provide information about market risk and potential exposure to hypothetical loss from its use of derivative financial instruments and other financial instruments and derivative commodity instruments through sensitivity analysis disclosures. Please see note 41 to the Consolidated Financial Statements for more information and additional information on these disclosures.

Indicative price and currency sensitivities 2008 ¹⁾

NOK million	Income before tax	Net income	Change
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Aluminium price per tonne excl. strategic hedges ²⁾	800	600	100 USD
US dollar before financial items ³⁾	3,800	2,700	1 NOK
US dollar financial items ⁴⁾	(2,700)	(1,900)	1 NOK
US dollar Net income	1,100	800	1 NOK

1) Based on following prices: LME 2,500, NOK/USD 5.50.

2) LME sensitivity excludes unrealized effects related to operational hedging.

3) USD sensitivity includes both USD revenues and USD costs.

4) Total USD sensitivity for financial items is based on financial positions 31 December 2007 and consist mainly of USD derivative positions.

LEGAL PROCEEDINGS

Hydro is involved in or threatened with various legal and tax 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.

Hydro and StatoilHydro are, in close cooperation with Norwegian and US authorities, conducting parallel investigations in order to clarify whether payments in connection with Hydro's (now StatoilHydro's) operations in Libya have been in conflict with applicable anti-corruption regulations.