




2006 – in brief

MAKING A HABIT
OF **BREAKING**
NEW GROUND
– WHY NOT?





Making the impossible possible has been our driving force for 101 years. This attitude is also underpinning the Ormen Lange gas field development, the **largest industrial project** ever conducted in Norway. Its numerous challenges required groundbreaking new solutions within technology as well as project management. All projections indicate that the NOK 66 billion project will be delivered **on time and on budget**.

HIGHLIGHTS 2006

RESTRUCTURING OF ALUMINIUM PRODUCTS

Restructuring of Aluminium Products continued with full force in 2006. We signed several agreements to divest parts of the automotive business.

FURTHER PROGRESS ON SAFETY

Total number of personal injuries per million hours worked was reduced by 25 percent from 2005, exceeding our goal of a 20 percent reduction.

RECORD RESULTS IN ALUMINIUM METAL

High aluminium prices and a more cost efficient smelter portfolio contributed to the best ever financial results in Aluminium Metal.



ORMEN LANGE/LANGELED ON TRACK

The huge Ormen Lange/Langeled development project is proceeding on time and budget. Gas exports started through the southern leg of the Langeled pipeline on 1 October 2006, and gas production will start in 2007.



HYDRO + STATOIL

In late 2006, a strategic decision was made to propose a merger between Hydro's oil and gas activities and Statoil, creating the world's largest offshore operator with a strengthened platform for future growth. Hydro continues as a focused aluminium and power company.

WHY NOT?



In 2007 we are entering **a new chapter in Hydro's history** – with a stronger basis than ever before. Part of what makes us particularly optimistic about Hydro's future developments, are the good results from the aluminium business, President and CEO Eivind Reiten writes in his letter.

Defying conventional thinking is a corporate instinct in Hydro. This was the mindset we were founded on. It will also be the mindset that **brings us ahead**.

Read our 2006-stories inside of how we replace “impossible” with **“why not?”**.



Aluminium is a bank of energy. **Hydro's plant in Sunndal** demonstrates how this bank can yield premium returns when the funds are managed with excellence.



Ormen Lange is the largest industrial development project ever conducted in Norway. Next stop for our project execution competence is Qatar.

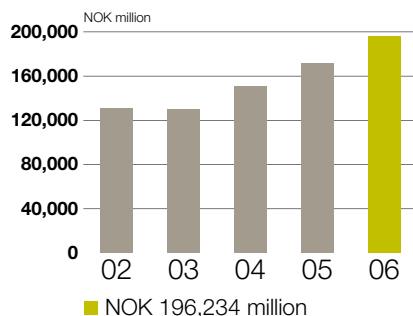


Aluminium window systems from Hydro are furnishing one of the most prestigious buildings now being erected in preparation for the 2008 Olympics in Beijing.

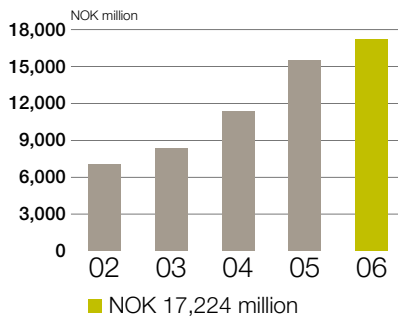


Intense competition forced Hydro to close down its world-class **magnesium plant in Bécancour, Canada**. Management and employees agreed that the wind-down process should be world-class too.

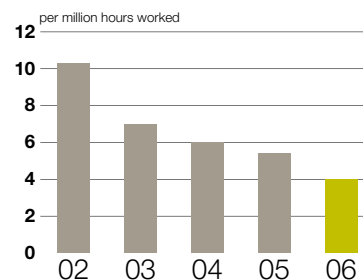
Operating revenues



Net income from continuing operations



Total recordable injuries



KEY FIGURES 2006

NOK million unless other unit indicated	2006	2005	2004
Operating revenues	196,234	171,231	151,026
Operating income Oil & Energy	46,253	43,451	31,144
Operating income Aluminium Metal	6,362	2,694	785
Operating income Aluminium Products	(83)	(370)	1,072
Operating income Other Activities	1,277	(2)	312
Operating income Corporate and Eliminations	(1,584)	464	(1,517)
Operating income Hydro	52,224	46,237	31,796
Net income ¹⁾	17,224	15,542	11,394
Return on average capital employed (RoACE), percent	14,9	16,6	12,9
Investments	26,713	41,110	19,464
Total assets	233,993	227,195	200,243
Share price year-end, NOK	193,50	138,60	95,40
Dividend per share, NOK	5.0 ²⁾	4.4 ³⁾	4.0 ³⁾
Number of employees, average	33,218	33,695	36,938
Recordable injuries, per million hours worked	4.0	5.4	6.0
Greenhouse gas emissions, million tonnes CO ₂ e	7.5	8.2	8.9

¹⁾ Income from continuing operations before cumulative effect of change in accounting principle.

²⁾ 2006: Proposed dividend.

³⁾ Adjusted to reflect the 5-for-1 stock split effective 10 May 2006.



17,224

Net income
NOK million

573

Oil and gas
production
1,000 barrels
of oil equivalent
per day

1,799

Primary
aluminium
production
1,000 tonnes

4.0

Recordable
injuries
per million
hours worked



A strong start to a **new chapter**

The trend continued in 2006 – we delivered record results, yet again. The deal to merge our oil and gas business with Statoil sent Hydro's share price rocketing to historic levels. The prospect of a future concentrating fully on aluminium and power is applauded by our employees and the financial markets alike.

In 2006 we made a fundamental strategic decision for Hydro. In 2007 we will deliver the results: our oil and gas division is to become part of a new, leading international offshore company. Hydro will continue as one of the world's largest aluminium companies, and Hydro Polymers will be listed on the stock exchange or sold to become a leading European plastics company in its own right. Furthermore, we are leaving the magnesium business at the same time as parts of our aluminium manufacturing business for the car industry are to find a new home outside Hydro. These are major changes, but they are part of a planned development of the company. In 2007 we enter a new chapter in Hydro's history – with a stronger foundation than ever before. We have been through significant changes before, and come out strengthened. It's been seven years since Saga Petroleum was acquired and integrated into Hydro. It was a challenging, but successful process. Four years ago we took over the French aluminium company Technal and the major German aluminium company VAW. The year after, Hydro's original enterprise, the fertilizer business, was divested. Our former colleagues brought with them our traditional Viking ship and a solid Hydro culture into Yara International. With that as a starting point, they have developed a focused, listed fertilizer company enjoying great success.

In the same way, I am confident that Statoil and Hydro together will create a new energy company with particular strengths in technology and expertise that will make it highly competitive in a tough international marketplace.

Why not?

In our 101st year we delivered record results from our oil business and aluminium production. Returns from Oil & Energy in the form of RoaCE (Return on Average Capital Employed) were 17.4 percent, in spite of writedowns after disappointing production results from the Front Runner field in the Gulf of Mexico and a strong increase in exploration for oil and gas. For Aluminium Metal, RoaCE was an impressive 18.7 percent, while RoaCE for Aluminium Products was negative 1.3 percent.

We dared to ask the question “Why not?” when skeptics dominated the arena. And we intend to carry on doing so as we concentrate on aluminium and power

The strong results from our aluminium operations make us particularly optimistic about Hydro's future. The improvements in metal production and the restructuring of our downstream activities have started to show results. Our international production of cast engine components has been sold with a profit of NOK 900 million, and in recent years we have turned Hydro Polymers around to become extremely profitable. Hydro employees deserve credit for constructive contributions, not only to increasing production, but also for having carried out challenging restructuring measures, not least in Bécancour in Canada, where we decided to close production at the world's most modern and environmentally friendly magnesium plant, because of tough competition from China.

At the same time, Hydro is becoming a safer employer. In 2006, safety measured as total number of personal injuries per million hours worked, improved by 25 percent from 5.4 in 2005 to 4.0 in 2006. And indeed, so it should! The correlation between effective operation and a high degree of safety is clear. And we can still improve. In 2006 we lost a colleague in a work-related accident, illustrating that we cannot afford to relax in this area. We will do even more to ensure that each one of our employees leaves work unscathed every single day in 2007. In all areas and in all parts of the world we take great honor in acting with respect for people, society and the environment. In line with our values, we have endorsed the UN's Global Compact initiative.

The coming years will be strong ones for Hydro as a leading aluminium and power company

The coming years will be strong ones for Hydro as a leading aluminium and power company. Our production is going well, we have control of our costs, and production of aluminium will increase significantly in 2010 when we intend to have a new and efficient aluminium plant in operation in Qatar – the largest ever built in a single operation. The world market demands more aluminium than ever before, and prices for supply several years forward were at historic high levels throughout 2006. These developments give us reason to be optimistic, both in the short and long term. The reverse side of the coin is that the costs of input factors are also on the rise, emphasizing the importance of cost control.

In one of the largest construction projects in the Northern hemisphere, both progress and costs are reassuringly under control. The development of the giant gas field Ormen Lange in the Norwegian Sea was honored as the Global Energy Project of the Year 2006 by the American journal Platts. Praise recognizing to our ability to carry out major and demanding development projects makes us proud. This award is also rightful recognition of the strength and creativity in the Norwegian offshore supplies industry. In 2006 we began gas deliveries to Great Britain through Langeled, the world's longest undersea gas pipeline and an important part of the Ormen Lange project. In the 1980s and 1990s it was claimed that it would be impossible to recover oil from the Troll field. In 2006, we increased our estimates for recoverable oil from Troll by 30 percent, and Ormen Lange also demonstrates our ability to make the impossible possible. In 2007 we will start gas production from one of the most challenging projects we have ever carried out.

We dared to ask the question “Why not?” when skeptics dominated the arena. And we intend to carry on doing so as we concentrate on aluminium and power, whether we are working on major development projects, further optimizing our operations, innovating together with our customers, reducing the number of work-related injuries or developing viable future solutions to meet environmental challenges – for example, through new, creative uses of aluminium and the development of solar energy.

Eivind Reiten
Eivind Reiten, President and CEO



EVEN GREATER RETURNS FROM THE ENERGY BANK

Lower energy consumption. More aluminium. Lower emissions. Those are the targets we set when many of our leading researchers and most competent technologists apply their expertise to improving our production technology. For example, at Europe's largest and most modern aluminium works in Sunndal. When this new facility was opened in 2004, we established a new standard for aluminium production. Since then we have improved the plant still further. Step by step we have optimized the process and increased the amperage. Today, production is running 15 percent higher than the plant was designed for, with 25 percent better energy utilization than the old Söderberg technology.

It costs to be a technology leader. But the cost is low compared with the rewards. That's why we continue to develop aluminium technology so that our planned aluminium plant in Qatar will not only be the world's largest built in a single step, but also the most energy efficient. When production starts in 2010, the facility will be an important contributor to a better environment and even more effective storage of energy.





Because aluminium is actually a bank. An energy bank. The returns over time can be good if it is effectively managed. Inputs in the form of energy are considerable, amounting to some 30 percent of the metal's value. In return, the use of aluminium can give great savings when used in buildings, cars and other transportation. What's more, this light metal is energy efficient to remelt – without loss of quality. Aluminium is the answer to many of the greatest challenges of our age.

That's why demand for aluminium is on the increase. One of our challenges is to make the equation even better, both for our customers, for society and for ourselves. We are developing new and better products together with our customers, and building on our leading position in metallurgy. And we are working on getting even more out of the energy that is needed to produce new metal.



**Learn more about Sunndal
and other related stories at
www.hydro.com/reports**

NEXT STOP QATAR

The Norwegian Sea. Storms are raging, the challenges are extreme. 2,500 meters below the sea's wind-tossed surface, 1,500 meters below the rocky seabed, lies the Ormen Lange gas field. Seemingly out of reach. But in the autumn of 2007, the first gas will be supplied to Britain; enough to meet 20 percent of demand for the next 30 years. And at this point, we can take 102 years of project expertise with us to our next challenge – the largest aluminium plant ever built in a single operation. Under scorching sun in the sands of Qatar.

From one extreme to the other.

The world's longest. Deepest. Steepest. The development of Ormen Lange has presented us with an entire spectrum of challenges. How to prevent the water that accompanies the gas from freezing in the 1,200 kilometer-long pipeline when the surrounding water temperature is below zero? How to build a pipeline across a rugged sea floor from Norway to Britain? The answers have been courageous, innovative and at the very edge of the technically feasible.



The development in the Norwegian Sea and on the Norwegian west coast with branches to England is one of the largest construction projects currently under way in the western world, and the largest in Norway, ever. The undersea gas pipeline is the world's longest. Nearly 6,000 engineers and construction workers from more than 50 nations have taken part. The opening will take place 100 years after we delivered our first giant project – Europe's largest hydropower station and the world's first successful facility for the production of mineral fertilizer.

Much has happened since 1907, but some things remain unchanged: the importance of a well-defined project, a strong project organization and competent cooperation partners. This time too, we are planning to deliver on time and on budget. We think it's a good tradition to build on.



Learn more about Ormen Lange and Qatalum at www.hydro.com/reports



A photograph showing a view of the Beijing skyline through a window frame. The window frame is white and has a small blue heart-shaped sticker on the top right corner. The skyline is hazy and includes several tall buildings, some with satellite dishes on their roofs. The sky is a pale blue.

DEFINING THE FACE OF **THE BEIJING** **OLYMPICS**

At the Morgan Center in Beijing, the construction workers are working shifts. Night and day. All week long. They don't have an hour to waste if everything is to be finished in time for the opening of the summer Olympics in 2008. And it will be! Most of the buildings have already reached their full height. 1,900 enormous window constructions have been hoisted into position, each of them up to 11 square metres in size. The contours of what will be the framework around next year's summer games are starting to appear against the grey-blue sky.

Competition to arrange the Olympics is intense. There is tremendous prestige associated with hosting the games. But the Chinese have more than an impressive new Olympic stadium to show off. For many years on end, the Chinese economy has grown by more than 10 percent per year. The level of building activity in the Chinese capital and other cities bears witness to a society and an economy undergoing rapid development.





Here, only the best is good enough. One of the few seven-star hotels in the world will be built here at Morgan Centre. There will also be a huge shopping centre and a vast array of fashionable apartments. For Wicona, one of Hydro's three strong brand names in aluminium building systems, there was enormous prestige attached to the contract, which Hydro won in the face of stiff competition from leading Chinese and international suppliers.

Top quality, high levels of energy efficiency and good design are key criteria when architects and builders choose their suppliers. Requirements are on the increase in all markets, and continuous product development is necessary to be in the running when the most attractive contracts are awarded. The 17,200 square metres of window systems supplied to the Morgan Center is Wicona's first major contract in China. A better shop window for our products is hard to imagine.



Learn more about Aluminium Products and building systems in China at www.hydro.com/reports



A JOB APPLICATION TO BE PROUD OF

For several years, Hydro's management and the 360 employees at the company's magnesium factory in Bécancour battled side by side – with their backs to the wall. In the autumn of 2006, there was nowhere to run and hide. The world's most modern magnesium factory would have to close. Ever since, the management and employees in Bécancour have remained standing shoulder to shoulder. They have an informal agreement: "together we have run a magnesium factory to be proud of – together we will close the operation in a way we can be proud of." For the 300 staff now hunting for new jobs, it's probably the best group job application they could send.

The factory was environmentally friendly, well run and well kept. The employees were hand picked. Many had worked at the plant in the Canadian province of Quebec since the opening nearly 20 years ago. Together they took pride in developing a business culture to be proud of – as befits a production company among the best in the world. Then came the full impact of competition from China.



With low wages, simple technology and few environmental requirements inside or out, Chinese exporters ensured that prices for the light light metal fell like a stone. The market showed no mercy. It didn't help that we produced magnesium in a more environmentally friendly way than anyone else. It didn't help that we had done everything in our power to increase productivity even further. We were no longer competitive.

Sometimes there is no way around the inevitable. But increases in productivity and, at worst, plant closures are not the only ways in which we meet the competition from China. Thanks to successful product development and advanced technology there is a stream of products going from Hydro's operations in Europe to customers in Asia. Competence is an unbeatable competitive edge. And, for western producers, there is one more: it isn't difficult to find ships with the capacity for freighting aluminium products against the flow.

→ Learn more about our focus on social commerce at www.hydro.com/reports

Another **record** year for Hydro

Continued high oil and gas prices, aluminium prices at historic levels and solid operational performance contributed to the annual result, providing a strong foundation for Hydro going forward.

Hydro delivered record results for 2006. Results for the year reflected sustained high oil and gas prices together with substantially higher aluminium prices. However, production interruptions on partner operated fields on the Norwegian Continental Shelf (NCS), together with shortfalls from fields in our international portfolio, caused average production to be lower than target for the year. Results for 2006 were also impacted by an impairment write-down of the Front Runner and nine other fields in our Gulf of Mexico. Operating income for the full-year 2006 rose to NOK 52,224 million, up 13 percent compared with 2005.

Oil & Energy

In 2006, we completed 51 wells with a success rate of 50 percent of commercial discoveries. We drilled 13 wells on the NCS achieving six discoveries. Outside Norway we discovered hydrocarbons in 20 of the 38 wells that were drilled during 2006. We opened the southern leg of Langeled gas pipeline. This was a major milestone for the Ormen Lange/Langeled project. Ormen Lange/Langeled, which is expected to begin producing gas during 2007, will secure an important new strategic position in the European gas market.

Aluminium Metal.

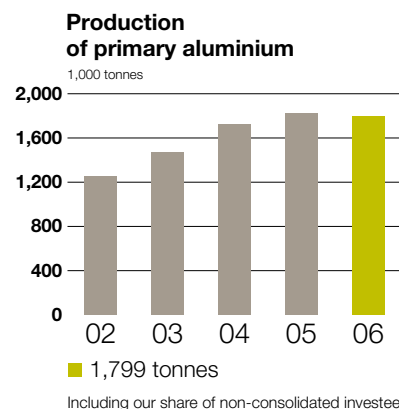
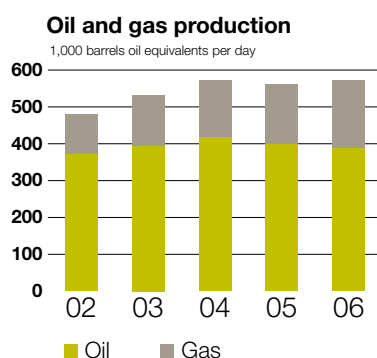
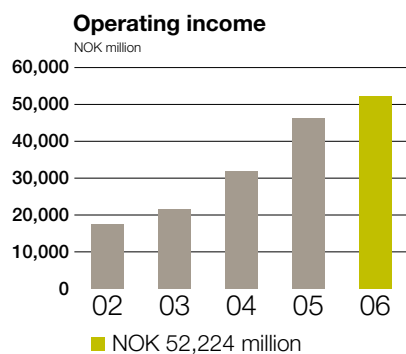
Efforts to reposition our upstream aluminium operations are on track. During 2005 and 2006, we closed down 110,000 mt of high-cost annual primary production capacity. This was partly replaced by new, low-cost capacity from the expansion of the Alouette smelter in Canada (Hydro share 20 percent) and incremental increases at other plants in our smelter system. We expect to complete the closure of an additional 70,000 mt of annual capacity during 2007. Preparations for the Qatalum primary aluminium plant in Qatar (Hydro share 50 percent) continued during 2006. The Qatalum project is a major element in our strategy for growth and repositioning our primary production aimed at increasing capacity in a location with long-term competitively priced energy and attractive logistics for primary metal.

Aluminium Products

As part of our drive to increase the profitability of our downstream operations, we have decided to exit the automotive castings businesses. In November 2006, we announced the sale of our automotive castings business. The sale was finalized on 1 March 2007 resulting in a gain of about NOK 900 million. We plan to continue to restructure and improve the financial performance of our aluminium products portfolio during 2007. At the end of 2007, our portfolio should consist of businesses well positioned to deliver viable returns.

Polymers

Operating income increased substantially for the year. Stable operations provided record production levels at all sites during 2006 and good market conditions contributed to higher prices and volumes, partly offset by increased raw materials costs as a result of high energy prices. In December



2006, Hydro announced that a divestment or possible public listing of Hydro Polymers was under consideration. We believe it is an appropriate time to create new opportunities for Polymers by re-exploring options for new ownership.

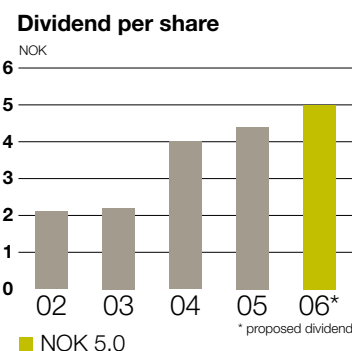
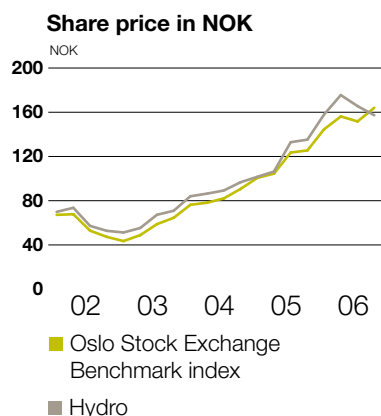
Viability performance

2006 brought encouraging results in important areas related to viability, including safety and environmental impact. The year also reflected that restructuring processes continue to require significant attention.

Total number of injuries per million hours worked was reduced by 25 percent from 2005, exceeding our goal of a 20 percent reduction. Although this is positive, it is overshadowed by the fatal accident in our plant in Birtley, UK. We are content to have achieved a higher share of non-Norwegians in top management, but realize that a lot of work remains to reach our ambitious goals related to workforce diversity. Environmental performance achievements included a further reduction in total greenhouse-gas emissions from our operations, mainly due to the introduction of new production technology in our aluminium plants.

To secure responsible restructuring processes, important initiatives were carried out in 2006 to support local communities in western Norway, Stade in Germany and Bécancour in Canada. The sale of Automotive Castings was concluded in close cooperation with employees and local communities.

Implementation of Hydro's Integrity Program continued, to prevent corruption and human rights violations connected to our activities.



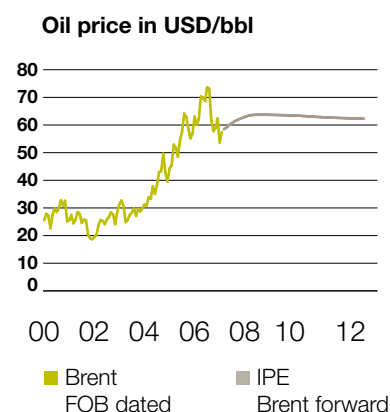
Shareholder information

Hydro's share price increased from NOK 138.60 at the end of 2005 to NOK 193.50 at the end of 2006. Including dividends of NOK 4.40 per share, the total return for 2006 was NOK 59.30 or 43 percent. Due to our strong operating results in 2006 the Board of Directors has proposed a dividend of NOK 5.00 per share for approval by the Annual General Meeting on 8 May 2007. During 2006 we repurchased 25,271,685 shares for NOK 3.9 billion, corresponding to approximately 2 percent of the shares outstanding. To further increase the liquidity of our shares, we executed a five for one share split effective 10 May 2006 for our ordinary shares and 25 May 2006 for our American Depositary Shares (ADSs).

Following the completion of the proposed merger of our oil and gas activities and Statoil, Hydro will continue its existing dividend policy with an average payout of 30 percent of net earnings. Share buybacks or extraordinary dividends will supplement dividends during periods of strong financials, due consideration being given to the commodity cycle and capital requirements for future growth. The payout should reflect Hydro's aim to give its shareholders competitive returns benchmarked against alternative investments in comparable companies.

Oil & Energy

Last year's record result was driven by high oil and gas prices, combined with strong operational performance. The process to plan the integration of Hydro's oil and gas activities with Statoil is on track.



Exploration and Production

Hydro is the second largest operator on the Norwegian Continental Shelf (NCS). In 2006, we produced an average of 861,000 barrels of oil equivalents (boe) per day from our 11 operating fields: Oseberg, Oseberg Øst (East), Oseberg Sør (South), Brage, Tune, Njord, Troll Oil (Troll B and C), Heimdal, Vale, Grane and Fram. We are also the operator for the development phase of the Ormen Lange gas field, including the Langeled pipeline to the UK, the largest industrial project ever in Norway. In 2006, 90 percent of our average daily equity production of 573,000 boe was from the NCS. Internationally, we are building on our experience as an operator of oil and gas producing fields in the demanding Norwegian offshore environment. We have producing fields in Canada, Angola, Russia, Libya, and in the US Gulf of Mexico (GoM), and we continue to focus on developing our international oil and gas business. Our technological competence, including the application of leading edge reservoir and field development solutions, is making an important contribution to our international expansion.

Energy and Oil Marketing

We are a substantial producer of natural gas and power and active trader in the continental European and UK markets. We have an interest in all of the major natural gas fields on the NCS and hold substantial equity interests in the Gassled pipeline system, including the new Langeled pipeline that will transport gas from Ormen Lange, and pipelines and transportation systems connecting other fields on the NCS. We are the third largest natural gas producer on the NCS and the second largest in terms of delivery to the market. In 2006, our equity natural gas production amounted to 10.7 billion cubic meters (bcm), an increase of 14 percent, compared with the previous year. This represented 12 percent of total natural gas production from the NCS in 2006. Our reserve life for natural gas is estimated to be 17 years. Hydro is the second largest producer of electric power in Norway, with a normal annual production from hydroelectric facilities of approximately 9.0 terrawatt hours (TWh).

2006 results

Operating income increased by 6 percent to NOK 46,253 million in 2006 mainly due to the higher oil and gas prices. However, results for the year were heavily impacted by an impairment write-down of the Front Runner and nine shelf fields in the GoM, amounting to USD 836 million (NOK 5,240 million) before tax. We realized average oil prices of US dollar 63.10 in 2006, up 19 percent from 2005. Our average realized oil price measured in Norwegian kroner increased by 18 percent in 2006 compared with 2005. Average realized gas prices in 2006 were NOK 1.93 per standard cubic meter, up 27 percent from 2005. In 2006 we achieved an average daily production of 573,000 boe per day, up approximately 2 percent, compared with 2005 production. Exploration costs charged to expense amounted to NOK 4,986 million, up from NOK 1,839 million in 2005. Costs expensed in 2006 included NOK 1,949 million relating to exploration activity in the GoM including NOK 364 million related to the write-down of the Front Runner field's prospects. Costs in 2006 also included NOK 525 million related to the acquisition of seismic data under licenses held by Spinnaker.

Environmental performance was subject to continued strong attention during the year. We achieved our target of zero discharges from our oil and gas installations in March 2006. Overall, the quality of our efforts was confirmed by the Norwegian Pollution Control Authority (SFT), who in their review of our reports for 2006 concluded that both the status and our further plans were satisfactory.



Operating income (loss)

NOK million	2006	2005	2004
Exploration and production	41,352	40,594	28,363
Energy and Oil Marketing	3,578	3,575	2,650
Eliminations	1,323	(719)	132
Total	46,253	43,451	31,144

Aluminium Metal

Our efforts to reposition primary aluminium operations are progressing and are expected to significantly improve our smelter cost position.

Hydro is the world's third largest integrated aluminium company. We are a major world-wide supplier of value-added casthouse products, including extrusion ingots, sheet ingots and foundry alloys. Our 2006 operating revenues were approximately NOK 68 billion, generated by around 5,300 employees in 20 countries. We produced approximately 1.8 million metric tons (mt) of primary metal in 2006 at plants located in Australia, Canada, Germany, Norway and Slovakia. In total, 3.28 million mt were delivered to the market, including 1.2 million mt of remelted and recycled metal. We believe our competitive position is improving as we continue to reposition our primary metal capacity toward modern, cost-efficient production facilities. In 2007, we expect to make a final decision for Qatalum, a major new primary metal facility in Qatar. Our 50 percent ownership share in Qatalum is expected to add additional capacity of approximately 290,000 mt a year of highly competitive liquid metal by the end of 2010. We are targeting approximately 1.7 million mt of primary metal production in 2007 and 2.0 million mt in 2009. Alumina, power and labor are the three most important smelter cost elements for the industry. We have ownership interests in alumina refineries providing approximately 54 percent of our alumina needs (Alunorte in Brazil and Alpart in Jamaica). The most important of these interests, Alunorte, is the world's largest alumina refinery and, we believe, one of the most cost-efficient. Our remaining alumina supply requirements are covered through medium to long-term contracts. Long-term power contracts in Norway provide roughly 90 percent of the energy needs of our Norwegian smelters after the closure of the Karmøy Søderberg line in 2009.

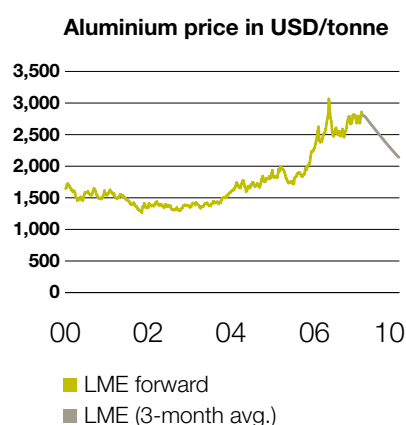
2006 results

Operating income amounted to NOK 6,362 million for the year, heavily influenced by a substantial increase in aluminium prices. However, results for the year were negatively impacted by increased costs and special charges. In addition, operating results for the year were influenced by realized and unrealized gains and losses relating to strategic and operational hedge programs. Realized prices measured in Norwegian kroner increased 30 percent for 2006, compared with 2005, contributing about NOK 6,200 million to operating income. Raw material and energy costs related to primary production increased by approximately NOK 3,100 million for the year compared with 2005. Our average cash cost of equity alumina production increased from USD 167 per mt in 2005 to approximately USD 195 per mt in 2006 due to high energy prices, currency effects and high bauxite



Operating income

NOK million	2006	2005	2004
Aluminium Metal	6,362	2,694	785



prices resulting from the increased LME prices. In addition, costs relating to the closures of the Stade metal plant in Germany and the Søderberg production lines in the Norwegian plants in Årdal and Høyanger amounted to NOK 560 million for 2006, compared with NOK 200 million in 2005. Costs of about NOK 150 million related to the Qatalum project were expensed in 2006, while NOK 70 million was expensed over the years 2004 and 2005. Unrealized losses on power contracts amounting to NOK 290 million also impacted the result for 2006. Primary aluminium production, including production from partly owned companies, decreased slightly to 1,799,000 mt in 2006 from 1,826,000 mt in 2005, due to closures of the Hamburger Aluminium Werk (HAW) smelter in Germany and the Søderberg production line at Høyanger. The reduced capacity was mostly offset by increased production from the expansion of the Alouette plant in Canada and record production levels for other plants in our smelter system.

We considerably improved energy efficiency in our aluminium operations during 2006, using an average of 14.0 kWh electricity to produce one kilogram of aluminium, vs 14.2 kWh in 2005. The plan is to reduce this figure to 13.5 kWh by 2011. Greenhouse-gas emissions were also further reduced in 2006. Other viability issues in 2006 included the closure of our plant in Stade in Germany and the Søderberg production lines in Høyanger, and the preparation for the closure of the Søderberg production lines in Årdal in 2007. At all locations, significant resources are spent to secure responsible restructuring processes.

Aluminium Products

Good progress has been made on the restructuring, but results were heavily impacted by the related impairments and other costs.

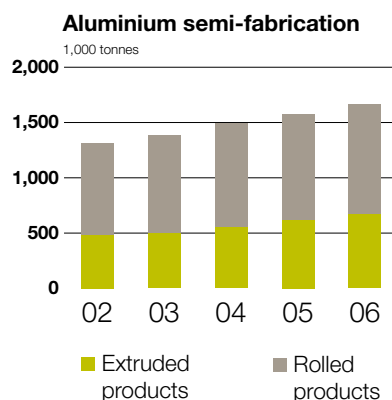
Hydro is an industry leader for a range of downstream aluminium products and markets, in particular the transportation, building, packaging and lithographic market sectors. Our ambition is to be a high quality and value-adding supplier of aluminium products and solutions, with strong positions in markets that provide opportunities for good financial returns. We are currently working to improve the financial performance and cash generation of our downstream operations.

Our extrusion operations consist mainly of general soft alloy extruded products and building systems for facades, wall partitions, doors and windows. About 70 percent of our total extrusion revenues in 2006 came from our general extrusion businesses and 30 percent came from building systems. We are the second largest producer in the European rolling industry in terms of market share and hold leading positions within high value-added rolled products segments such as lithographic (printing) plates and aseptic foil. In 2006, we shipped just above one million mt of rolled products from our six European plants and our Malaysian plant. Our automotive business comprises precision tubing, structures, automotive castings and our primary and remelt magnesium production. In 2006, we announced further measures to divest or close under-performing units, and we signed a contract to divest our automotive castings operations which we completed in early 2007. We are also evaluating alternative opportunities relating to the divestment our automotive structures business. During 2006, we also decided to exit the magnesium business and announced the closure of our primary magnesium plant in Bécancour, Canada and the plan to divest our remaining magnesium remelters in China and Germany.



Operating income (loss)

NOK million	2006	2005	2004
Rolled products	782	754	626
Extrusion	231	275	606
Automotive	(1,006)	(1,579)	(400)
Other and eliminations	(90)	180	241
Total	(83)	(370)	1,072



2006 results

Aluminium Products incurred an operating loss amounting to NOK 83 million for 2006, compared with an operating loss of NOK 370 million in 2005. In December 2005, we announced plans to restructure our aluminium products business. Following a thorough review of the downstream portfolio, measures were taken to implement these plans, including divestments, closures and significant plant rationalizations. We made good progress in 2006 on the restructuring, but results were heavily impacted by the related impairments and rationalization costs amounting to about NOK 890 million for the year as well as a UK pension fund contribution of NOK 380 million. 2005 results included losses of about NOK 1,450 million related to impairments in our magnesium and rolled products operations and closure costs in our automotive castings operations in the UK. Overall market conditions for extrusion and rolled products improved during 2006 contributing to an improved underlying financial performance. However, the automotive business sector continued to suffer challenging market conditions and declining margins.

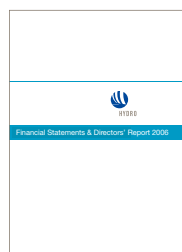
Several major restructuring processes took place during 2006, including the sale of Automotive Castings, the planned sale of Automotive Structures, the closure of magnesium operations in Bécancour, Canada and Porsgrunn, Norway and the divestment of other businesses. Included in these processes were a number of initiatives to ensure responsible behaviour in relation to the communities affected.

Where we are and what we are striving to achieve

2006 TARGETS	<ul style="list-style-type: none"> • 615,000 barrels of oil equivalents per day • 1,720,000 tonnes primary aluminium after closures • Initiate restructuring of Aluminium Products business portfolio 	<ul style="list-style-type: none"> • No fatal accidents. Total recordable injuries per million hours down by 20 percent • Effective restructuring carried out with respect for employees and their communities
2006 RESULTS	<ul style="list-style-type: none"> • 573,000 barrels of oil equivalents per day • 1,799,000 tonnes primary aluminium • Signed agreements to divest Automotive Castings and 49 percent stake in Meridian Technologies Inc. Decision to close magnesium smelter in Bécancour 	<ul style="list-style-type: none"> • One fatal accident. Total recordable injuries per million hours down 25 percent to 4.0 • Restructuring processes in Western Norway, Stade in Germany, and Bécancour in Canada, and divestment of Automotive Castings, carried out in cooperation with employees and local communities
2007	<ul style="list-style-type: none"> • 605,000 barrels of oil equivalents per day • 1,730,000 tonnes primary aluminium after closures • Restructuring process in Aluminium Products completed 	<ul style="list-style-type: none"> • No fatal accidents. Total recordable injuries per million hours down by 20 percent • Effective restructuring carried out with respect for employees and their communities
2010	<ul style="list-style-type: none"> • 700,000 barrels of oil equivalents per day • 2,000,000 tonnes primary aluminium • Sustainable profitability level reached in Aluminium Products 	<ul style="list-style-type: none"> • No serious injuries • Preferred partner worldwide due to responsible business operations

Hydro's 2006 reporting

«2006 – in brief» is a short summary of Hydro's results and performance in 2006. The complete reporting of our 2006 results includes the following elements:



Financial Statements & Directors' Report 2006



Annual Report 2006 – complete 2006 annual reporting including Form 20-F.



Web report on www.hydro.com/reports – complete 2006 annual reporting.



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Hydro is a Fortune 500 energy and aluminium company with 33,000 employees in nearly 40 countries. We are a leading offshore producer of oil and gas, a major aluminium supplier and a leader in the development of renewable energy sources. Our mission is to strengthen the viability of the customers and communities we serve.

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