HYDRO

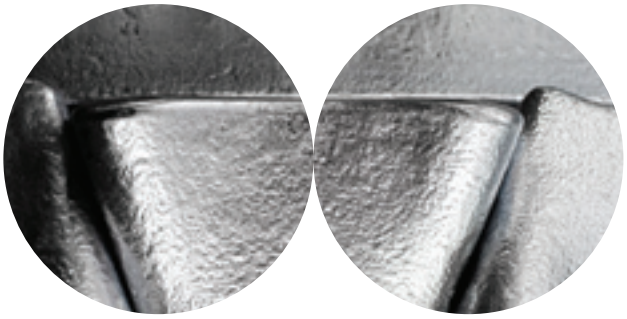
Annual Report – 2007

KEY FIGURES

Amounts in NOK million unless other unit indicated	2007	2006
Revenue	94,316	98,752
Underlying EBIT: a		
Aluminium Metal	8,041	8,127
Aluminium Products	1,353	1,294
Energy	1,184	1,464
Corporate and Eliminations	(648)	(721)
Total	9,930	10,165
Net income [1]	9,158	5,966
Return on average capital employed (RoaCE), percent	14.6%	10.7%
Investments	5,206	4,526
Total assets [1]	92,046	106,789
Share price year-end, NOK	77.60	193.50
Dividend per share, NOK [2] b	5.00	5.00
Number of employees, year-end c	24,692	33,605
Recordable injuries, per million hours worked	4.1	4.0
Greenhouse gas emissions, million tonnes CO2e d	4.4	4.5

1) Excluding discontinued operations
2) 2007: proposed dividend

HIGHLIGHTS



FULL CONCENTRATION

100% aluminium

The biggest restructuring in Hydro's recent history has been completed. In 2007 the oil operations were merged with Statoil, and an agreement was signed to sell Hydro's petrochemicals business to Ineos. Hydro, the former conglomerate, has now become a focused aluminium company.

THE WORLD'S BIGGEST IN QATAR

Construction under way

In November 2007 we laid the foundation stone for the biggest aluminium plant ever built in a single phase. The Qatalum plant in Qatar, with its annual production capacity of 585,000 tonnes, represents another step taken by Hydro towards a global production system.

a

Underlying EBIT

Hydro achieved solid results for the year, supported by firm global demand and high aluminium prices. All businesses delivered similar results to 2006.

b

Dividend

Hydro's Board of Directors has proposed a dividend of NOK 5.00 per share for 2007, consisting of NOK 1.50 in ordinary dividend and NOK 3.50 in extraordinary dividend to be paid in May 2008.

c

Number of employees

The reduction in number of employees is primarily a result of the demerger of our oil and gas activities, but also reflects the sale of the automotive casting business, the closure of the magnesium plant in Canada, as well as the restructuring of our extrusion business in the U.S.

d

Greenhouse gas emissions

Hydro has continuously reduced its greenhouse gas emissions. The reduction comes as a result of systematic operational improvements, the introduction of new technology at our metal plants, and in recent years also closure of plants and process lines.

Annual Report – 2007

HYDRO'S 2007 REPORTING

Three reports and web

This report referred to as "Annual Report 2007" is our main report for 2007 and includes detailed information about Hydro's businesses, operational performance, financial performance, viability performance, corporate governance and financial statements. The report is available in English.

For distribution to the shareholders, we have prepared two reports: "Financial Statements and Directors' Report 2007", and "2007 – in brief". The first one fulfills the Norwegian requirements to annual reporting, while the latter one gives a short presentation of Hydro's progress and main challenges in 2007. These reports are available in both English and Norwegian.

At www.hydro.com/annualreporting2007 the full content of the three reports are presented together, and with some supplementary information. Printed versions of all reports can be ordered from this site, and all parts of the reports can be downloaded and printed, as demanded.

Hydro's main reporting on Viability Performance is included in the "Annual Report 2007" and on the web.

SOLID ACHIEVEMENTS

Streamlined aluminium company

2007 was an exceptional year for Hydro, with sweeping structural changes resulting in a streamlined aluminium company well-positioned for further growth. Hydro has the necessary financial strength, asset base and market positions to take full advantage of attractive business opportunities.

Hydro achieved solid results for the year, supported by firm global demand and high aluminium prices, with underlying income from continuing operations rising to NOK 7,847 million from NOK 7,811 million in 2006.

01: Business description p.06

Section gives an overview of Hydro's business activities, strategy, key developments in 2007 and targets going forward.

02: Operational review p.22

Detailed operating information is provided for each of Hydro's businesses including industry overview. Key regulatory and taxation issues are also outlined.

03: Financial performance p.54

Financial results are discussed per business segment and sub-segment as well as financial income/expense and income tax for Hydro. In addition disclosures about liquidity and capital resources and return on capital are provided.

04: Viability performance p.94

The Hydro Way forms the basis for our viability reporting which includes energy and climate change, resource management, integrity and human rights, community impact, organization and work environment and innovation

05: Risk review p.128

Hydro's risks are described in relation to financial and commercial risk, operational risk, strategic risk, compliance risk and market risk.

06: Shareholder information p.134

Read about our share price development, dividend policy, funding and credit rating policy, the Annual General Meeting and the financial calendar for 2008.

07: Corporate governance p.142

Hydro's corporate governance practice is described in relation to regulatory compliance, corporate directives and code of conduct and our governance bodies.

08: Financial statements p.158

Hydro prepares its financial statements according to International Financial Reporting Standards (IFRS). Both Hydros's consolidated financial statements and the financial statements for the parent company Norsk Hydro ASA are provided.

09: Appendix p.T1

Terms and definitions.

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 CO_2 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

We will continue to focus on our upstream business, developing our highly competitive portfolio of aluminium assets, prioritizing operational excellence and growth opportunities within alumina and primary metal production.

Hydro's reporting structure

Aluminium Metal	Aluminium Products	Energy
Bauxite & Alumina	Rolled Products	Power
Primary Aluminium	Extrusion	Solar
Commercial	Automotive	

24,692 EMPLOYEES
per 31 December 2007

HIGHLIGHTS

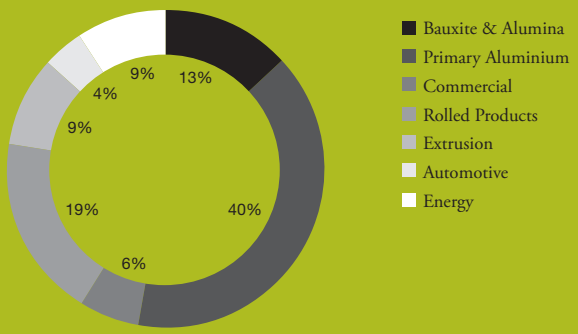
Significant progress

During 2007, Qatar Petroleum and Hydro reached a final decision to proceed with the construction of the new Qatalum primary aluminium plant in Qatar. We also made good progress developing our alumina business during the year. The third expansion of our Alunorte alumina refinery in Brazil is ongoing and we signed a Memorandum of Understanding (MoU) with the Brazilian mining group Vale with the intention of building a new alumina refinery close to Alunorte. In June 2007, Hydro finalized the closure of the Søderberg line in Årdal concluding the rationalization program initiated in 2005.

Comprehensive rationalization programs have been executed during 2007 in Aluminium Products to improve the financial performance and align the cost structure with lower market demand.

Capital employed – upstream focus

31 December 2007: NOK 44.2 billion



Including NOK 1.7 billion in negative capital employed in "Corporate and Eliminations" not shown in graph

01:

Business description

All continents
Based in Norway, Hydro employs 22,000 people in more than 30 countries and has activities on all continents.

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Strategic direction p.9
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QUICK OVERVIEW

Hydro is a Fortune Global 500 supplier of aluminium and aluminium products. Based in Norway, we employ 22,000 people in more than 30 countries and have activities on all continents. Hydro is one of the world's largest aluminium companies focused on growing profitably through operational excellence, leading technology and innovative solutions and attractive upstream projects. We are financially strong and intent on pursuing opportunities on a global basis through targeted international business development.

Rooted in a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

OUR BUSINESS

Hydro is a leading worldwide supplier of value-added cast-house products, such as extrusion ingots, sheet ingots, wire rod and foundry alloys. We have substantial equity interests in alumina production and we operate modern, cost-efficient primary metal production facilities in Europe, Canada and Australia. In 2007, we delivered 3.2 million metric tonnes (mt) of products to internal and external customers mainly from casthouses integrated with our primary smelters and an extensive network of specialized remelt facilities close to our customers in Europe and the US.

We are an industry leader for a range of downstream products and markets, in particular the building, packaging, lithographic and automotive market sectors. We supply high quality, value-added aluminium products and solutions, and have strong positions in markets that provide opportunities for good financial returns.

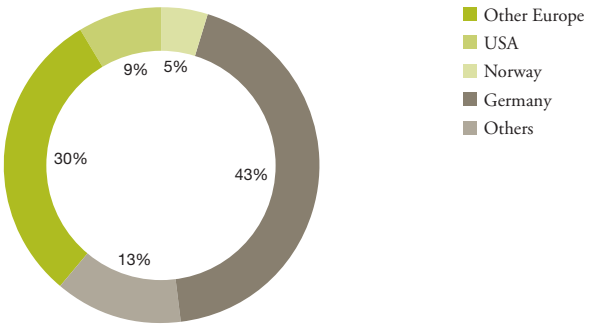
With more than 100 years of experience in hydropower, Hydro is the second largest power producer in Norway, and the largest privately owned producer. We have substantial, self-generated power capacity to support our production of primary metal and are engaged in a number of initiatives to secure competitive power supplies for our aluminium operations and to grow our aluminium business.

THE HYDRO WAY

Hydro's mission is to create a more viable society by developing natural resources and products in innovative and efficient ways.

Geographical distribution of operating revenues

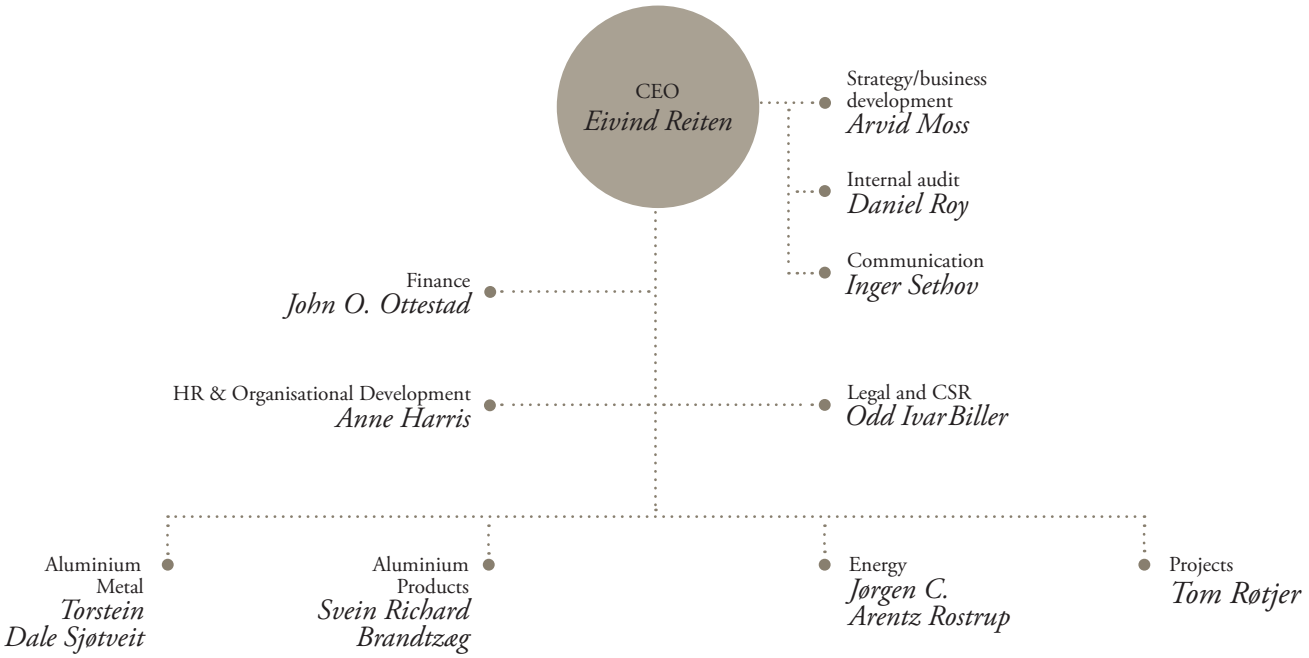
NOK 94,316 million



The way we work is characterized by our institutional talents:

- An ability to develop source businesses
- A drive to optimize
- An instinct to commercialize
- A passion for social commerce

Our mission, institutional talents and values – courage, respect, cooperation, determination and foresight – together create a platform, The Hydro Way, which has contributed to value creation for more than 100 years and will influence us in the future. We are continuously developing our corporate culture, work practices and commercial outlook with a view to long-term value creation.



EMPLOYEES

Hydro's organization is made up of about 22,000 employees in almost 30 countries. These employees represent great diversity, both in terms of education, experience, gender, age and cultural background. We see this diversity as a significant resource, not least to encourage innovation. To be able to pull together as a team we depend on an efficient organization with common values and goals. Good leadership, proper organizational structure and the right tools are all essential if we are to achieve this. This includes attracting – and retaining – the right employees.

STRATEGIC DIRECTION

Following the merger of Hydro's oil and gas operations with Statoil in October 2007, Hydro has entered a new era as Europe's leading aluminium company with a solid captive power position.

We will continue to focus on our upstream business by developing our highly competitive portfolio of aluminium assets, prioritizing operational excellence and growth opportunities within alumina and primary metal production. We will play a leading role in developing new, large-scale, efficient and environmentally viable primary aluminium plants and are currently engaged in the construction of a major new metal plant in Qatar. Structured, efficient and predictable project development and execution will underlie our global growth ambitions.

2007 was a year of extensive restructuring of Hydro's downstream business. Going forward, we will build upon our distinct businesses within rolled products, general extrusion and building systems, and precision tubing and automotive structures, all with leading positions in their respective markets for our products. We will focus on technological leadership and operational excellence together with superior product quality and customer service levels to further improve the performance of our businesses. We will target selective growth within our high-performing sectors including our European extrusion and building systems businesses.

Our energy operations will play a leading role in ensuring competitive, power for our aluminium operations. We aim to develop a competitive position in the solar industry together with our partnership companies.

KEY DEVELOPMENTS IN 2007

Hydro achieved solid results in 2007, supported by firm global demand and high aluminium prices, with underlying income from continuing operations rising to NOK 7,847 million from NOK 7,811 million in 2006.

2007 was an exceptional year for Hydro, with sweeping structural changes resulting in a streamlined aluminium company well-positioned for further growth. Hydro has the necessary financial strength, asset base and market positions to take full advantage of attractive business opportunities.

Hydro's oil and gas activities were merged with Statoil to create StatoilHydro on 1 October 2007, marking a fundamental milestone and transforming Hydro into a world-class aluminium company, with solid positions in each of its three business areas – Aluminium Metal, Aluminium Products and Energy.

During 2007, Qatar Petroleum and Hydro reached a final decision to proceed with the construction of the new Qatalum primary aluminium plant in Qatar. We also made good progress developing our alumina business during the year. The third expansion of our Alunorte alumina refinery in Brazil is ongoing and we signed a Memorandum of Understanding (MoU) with the Brazilian mining group Vale (formerly CVRD) with the intention of building a new alumina refinery close to Alunorte. In June 2007, Hydro finalized the closure of the Søderberg line in Årdal which concluded the rationalization program initiated in 2005.

Results for our downstream business improved during the year but were impacted by losses within our Automotive and US extrusion operations. Comprehensive rationalization programs have been executed during 2007 to improve the financial performance of these businesses to align the cost structure with significantly lower market demand in North America.

Hydro is leveraging its experience and competence in energy markets to secure competitive power supplies for the company's primary aluminium capacity. We are also working together with external partners to develop new technologies and manufacturing processes in the solar energy industry. Market demand and government incentives are expected to result in fast growing markets for solar energy solutions.

In May 2007 Hydro announced the sale of its Polymers activities to the UK-based chemical company INEOS. The major part of the transaction was finalized in February 2008. The agreement is in line with our strategy to divest non-core activities, and we believe it represents a good long-term industrial solution for Polymers.

Public attitudes on climate change and global regulatory developments and their influence on power prices will have an increasing strategic impact on our business. Emissions from aluminium production are currently excluded from the EU Emissions Trading Scheme (the ETS). The ETS presently impacts production costs at Hydro's facilities in the EU indirectly through increased electricity costs. The European Commission has recently proposed to amend the ETS for the period beginning in 2013 which includes a proposal to also cover direct emissions of CO_2 and PFC gases from primary and secondary aluminium production. The number of emission allowances and the method by which they will be distributed (gratuitously or for payment) could have a relatively high impact on Hydro operations both in Norway and in the EU from 2013 onwards. Hydro has included climate change as a key item on its strategy and business development agenda to ensure focus on these issues regarding future investment decisions and strategic development.

ALUMINIUM METAL

Beginning with this annual report, we are presenting our Aluminium metal business operations on a segmented basis in order to provide a better understanding of this business for our key stakeholders. We will discuss our business and results of operations for the following three sub-segments: Bauxite and Alumina; Primary Aluminium; and Commercial.

- *Bauxite and Alumina* is comprised of Hydro's long-term alumina sourcing arrangements as well as our 34 percent investment in the Brazilian alumina refinery, Alunorte, and our 35 percent interest in the Alpart refinery in Jamaica. Bauxite and Alumina also include our interest in the Brazilian bauxite company Mineracao Rio de Norte (MRN).
- *Primary Aluminium* consists of our primary aluminium production, remelting and casting activities at our wholly-owned smelters located in Norway, Germany and Australia, and Hydro's share of the primary production in partly-owned companies located in Norway, Slovakia, Australia, and Canada. Primary Aluminium also includes the new Qatalum primary aluminium plant presently under construction in Qatar.
- *Commercial* includes all sales and distribution activities relating to products from our primary metal plants and all activities relating to our stand-alone remelters located in most major European markets and the US. Most of our aluminium is sold in the form of value-added products such as extrusion ingot, sheet ingot, wire rod and foundry alloys. Commercial includes sourcing and trading activities to secure a competitive supply of aluminium standard ingots to Hydro's global production system and manage risks through hedging activities. Short-term sourcing of alumina is also handled by Commercial.

Introduction

Hydro is one of the world's largest primary aluminium producers. We are the leading worldwide supplier of value-added casthouse products such as extrusion ingots, sheet ingots, wire rod and foundry alloys. Our 2007 operating revenues were approximately NOK 62 billion, generated by around 5,000 employees in 20 countries.

Alumina is one of the most important cost elements in the production of aluminium metal. We have ownership interests in alumina refineries that provided approximately 61 percent of our alumina needs in 2007 (Alunorte in Brazil and Alpart in Jamaica). The most important of these interests, Alunorte, is the world's largest alumina refinery with one of the lowest conversion costs in the industry. Our remaining alumina supply requirements are covered through medium to long-term contracts. We source bauxite for Alunorte from MRN, in

Aluminium Metal production facilities

Hydro holds a 34 percent investment in the Brazilian alumina refinery, Alunorte.

which Hydro has an equity participation of 5 percent and partly by long-term contracts. Alpart has its own captive bauxite supplies.

We produced 1.7 million metric tons (mt) of primary metal during the year at plants located in Australia, Canada, Germany, Norway and Slovakia. 2007 marks the completion of a major program to reposition our primary smelter capacity towards modern, cost-efficient production facilities, and we are well positioned on the industry's cost curve. We also finalized the decision to build Qatalum, a new major primary metal facility in Qatar based on Hydro's proprietary reduction technology. Our 50 percent ownership share is expected to add additional production capacity of approximately 290,000 mt per year of highly competitive metal by the end of 2010. Our ambition is to reach a total of 2 million mt of primary aluminium per year by 2011, the first year of full production from Qatalum.

We have access to substantial self-generated power capacity based on hydropower production in Norway and a planned captive gas-fired power plant for Qatalum. We have negotiated long-term power contracts for the vast majority of our worldwide production with the exception of our plant in Neuss, Germany.

In 2007, we delivered a total of 3.2 million mt of casthouse products to internal and external customers, including 1.1 million mt of remelted and recycled metal and 0.3 million mt of third party metal. More than 90 percent of this was in the form of casthouse products sourced from casthouses which are integrated with our primary aluminium plants and specialized remelt and/or recycling facilities close to our customers in Europe and the US.

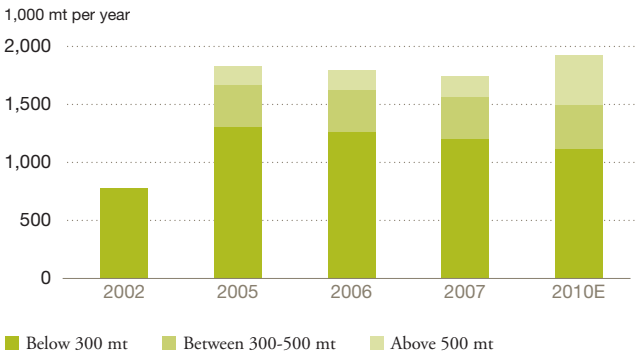
Strategy

Our strategy is to maximize value creation by developing a highly competitive portfolio of bauxite, alumina and primary production assets. In order to improve and secure sufficient returns on capital employed, we focus on operational excellence and on pursuing competitive growth opportunities within bauxite, alumina and primary metal production and continue to build stronger market positions.

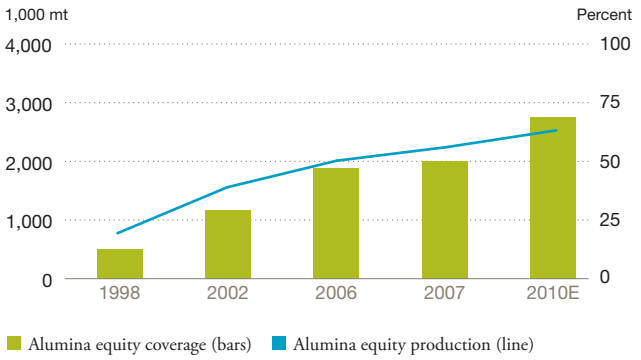
Repositioning and operational excellence

We continually strive to improve our competitive position by increasing the efficiency of our smelter system. During 2007, we completed a major program aimed at repositioning our primary aluminium capacity by closing less competitive production in our European system and replacing it with new capacity in larger and more efficient smelters. We have increased our share of production at smelters having a capacity of 300,000 mt per year or higher from none in 2000 to approximately 31 percent of our total production capacity in 2007 and plan to reach 42 percent in 2010. Operational excellence within our existing portfolio of production assets is the foundation for realizing further performance improvements within our upstream business. Our AMPS program (Aluminium Metal Production System) is designed to promote and deploy best

Smelter size



Alumina equity coverage



Targets

2007 TARGETS

- Metal repositioning – final investment decision on Qatalum
- 1,730,000 mt primary aluminium after closures
- Successful advancement on Alunorte phase 3 alumina expansion
- No serious accidents. Total recordable incidents (TRI) per million hours down by 20 percent

2007 RESULTS

- Major repositioning program completed
- 1,742,000 mt primary aluminium production following completion of closure program
- Final investment decision on Qatalum taken
- Alunorte phase 3 expansion on schedule and on budget
- No serious accidents. TRI down 8 percent

2008

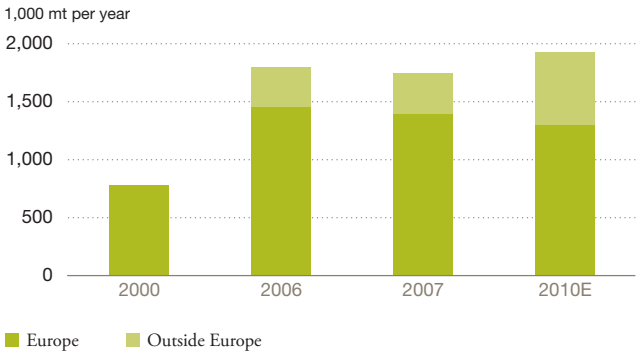
- Continued emphasis on safety/TRI – down by 20 percent
- Successful advancement of Qatalum
- Alunorte phase 3 expansion complete
- Finalize agreement with Vale (formerly CVRD) on new alumina refinery in northern Brazil
- AMPS implemented in all Norwegian smelters

AMBITIONS

Our ambition is to reach a total of 2 million mt of primary aluminium per year by the end of 2011, the first year of full production from Qatalum. We plan to transfer project competence gained with Qatalum to new smelter projects. We aim to improve further our smelter cost position and to be ready to begin utilizing next-generation cell technology to improve our global competitive position and ambitious performance goals. Our goal is to increase our equity alumina production from 63 percent at the end of 2007 to 75 percent in 2011. We intend to maintain our focus on safety, aiming for no serious accidents.

practices and operating efficiencies across our assets. Pilot programs have been run during 2007 and we aim to complete the roll out of the program in all our Norwegian plants during 2008. We are also committed to improve our safety performance and believe that AMPS will make a valuable contribution to this effort. New proprietary smelting technology is under development to support our growth ambitions, enhance our cost competitiveness and further strengthen our environmental standards.

Smelter geography



Increase low cost equity alumina coverage

We continuously focus on securing low cost alumina to cover our needs and to support future smelter growth projects. We meet our existing alumina needs by a combination of equity investments in production facilities and a portfolio of medium- to long-term contracts. In 2007, approximately 61 percent of our alumina needs were covered by equity production. The ongoing expansion of the Alunorte alumina refinery in Brazil (Hydro share 34 percent) has been a key component in our strategy. The third expansion at Alunorte is planned to be completed in 2008 and is expected to reduce our average alumina costs and increase our equity alumina coverage to approximately 70 – 75 percent by 2011, the first year of full production from Qatalum. We have evaluated a number of new bauxite and alumina projects and are pursuing several opportunities globally with the intention of further developing these into profitable projects.

Leverage the value of our commercial operations

A key priority for Hydro is to extract the full commercial potential from our extensive system of remelters, long-term commercial arrangements and sourcing and trading operations. We will focus on operational excellence in remelt production through continuous improvement programs, developing alternative metal sources through commercial alliances and other agreements and market driven growth from existing or new capacity.

Overview 2007

Hydro's aluminium metal business delivered an underlying EBIT of NOK 8,041 million, only slightly lower than the record high underlying result of NOK 8,127 million for 2006.

During 2007, Qatar Petroleum and Hydro reached a final decision to proceed with the construction of the new Qatalum primary aluminium plant in Qatar (Hydro's share 50 percent). The plant is expected to begin production late in 2009 reaching full capacity of 585,000 mt in the second half of 2010. The develop-

In July 2007 Qatar Petroleum and Hydro reached a final decision to proceed with the construction of the new Qatalum primary aluminium plant in Qatar.

ment of the Qatalum plant is progressing on plan and was 9 percent complete at the end of 2007. Total investment costs are estimated at USD 5.6 billion (for the entire joint venture).

We have made good progress developing our alumina business during the year. The third expansion of Alunorte, our most important alumina equity interest, is expected to start up by the end of 2008 and increase total annual production capacity to 6.3 million mt (100 percent) by 2009. In September 2007 Hydro exercised an option under a long-term alumina agreement with Rio Tinto Alcan (formerly Comalco) to increase the volume supplied by Rio Tinto Alcan from 500,000 mt per year to 900,000 mt per year beginning 2011 and for the duration of the contract through 2030. In July 2007, Hydro signed a Memorandum of Understanding (MoU) with the Brazilian mining group Vale (formerly CVRD) with the intention of building a new alumina refinery close to the existing Alunorte refinery in Brazil. The new refinery is planned to be developed in four phases, each with an annual production capacity of 1.85 million mt of alumina. Hydro will have a 20 percent interest in the refinery.

New business development opportunities have been identified within bauxite/alumina and primary metal. In November 2007, Hydro entered into a joint venture agreement with United Minerals Corporation (UMC) with the intention of exploring for bauxite in Kimberley, Western Australia. The agreement gives Hydro a 75 percent interest in the partnership. We are evaluating other potential project opportunities within key bauxite-rich regions of the world as well as several smelter opportunities, including expansions of our primary metal operations in Norway (Karmøy), Australia (Kurri Kurri) and the possible doubling of the Qatalum capacity.

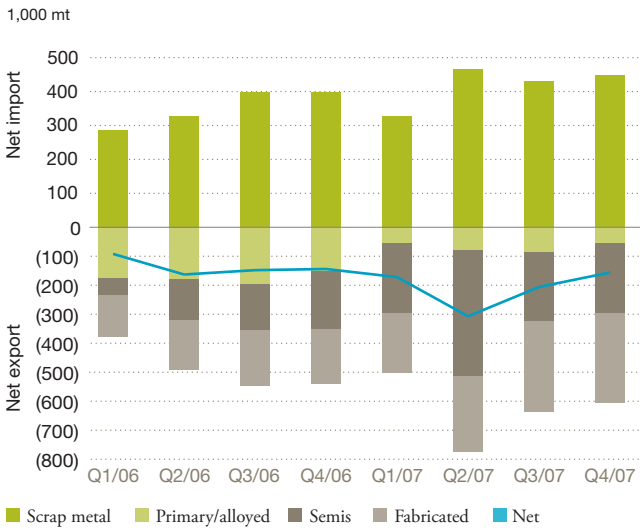
The significant increase in power costs in major aluminium producing regions such as Europe and the United States has been an important factor driving higher aluminium prices. Our long-term power contract portfolio should ensure continued competitive cost levels for Hydro through the next decade. However, identifying long-term power arrangements at competitive prices to enable further expansion in capacity is becoming increasingly difficult for the industry as a whole.

In June 2007, Hydro finalized the closure of the Søderberg line in Årdal. The closure concludes the rationalization program initiated in 2005 which, in addition, included the closure of the German metal plant in Hamburg and Stade and the Søderberg line in Høyanger, Norway. Total costs relating to the closures amounted to about NOK 900 million, roughly NOK 100 million lower than original estimates.

Developments in China continue to be a main driver of industry fundamentals. China has been a net exporter of primary aluminium during the past several years but is expected to discourage the export of energy in the form of primary aluminium while favoring the export of the more labour intensive fabricated products.

Chinese production of semi-fabricated aluminium products is increasing rapidly, up an estimated 45 percent in 2007 compared with 2006. This has led to a doubling of net exports of semi-fabricated products in 2007, compared with 2006.

China striving for balance



Source: Hydro 2007 / Antaike

ALUMINIUM PRODUCTS

Hydro's Aluminium Products business consists of the three sub-segments: Rolled Products, Extrusion, and Automotive.

- Rolled Products consists of our rolling mills located primarily in Europe and includes our 50 percent interest in the AluNorf hot rolling mill located in Germany.
- Extrusion consists of our extruded products business, located mainly in Europe and the US, focused on the building and construction, transportation, and engineered products industry sectors. Our building systems activities are included in this sub-segment.
- Automotive consists of our precision tubing and structures operations primarily serving the global automotive industry.

Introduction

Hydro is an industry leader for a range of downstream aluminium products and markets, in particular the building, packaging, lithographic and automotive market sectors. We are a high quality, value-added supplier of aluminium products and solutions, with strong positions in markets that provide opportunities for value-added products giving good financial returns. Our ambition is to be recognized as the world's best aluminium solutions supplier, an agile and innovative technology leader working in partnership with our customers driving our business and the aluminium industry forward. In 2007 we completed an extensive restructuring and divestment program, including workforce reductions in our remaining businesses of around 1,000 people. We are currently working to further improve the financial performance of our downstream operations combined with selective growth within targeted segments.

We generated revenues of approximately NOK 51.4 billion from the sale of aluminium products during 2007, employing around 16,000 employees in 31 countries. Our operations are primarily located in Europe, where we generated approximately 80 percent of our total operating revenues in 2007.

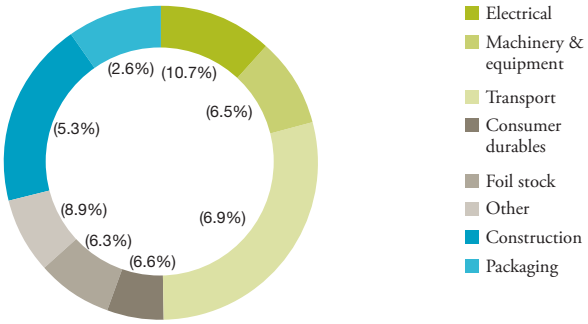
Through our global network of extrusion plants Hydro serves local customers with customized profiles and building systems.

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 2007 came from our general extrusion businesses and 30 percent came from our building systems operations. We have wholly-owned extrusion, extrusion-related fabrication and building systems operations located throughout Europe and the US, in addition to units in Brazil, Argentina, India, China and Russia, and part-owned operations in South Africa and Bahrain. Through our global network of extrusion plants we serve local customers with customized profiles and building systems. In 2007, we shipped 508,000 mt of extruded products from our network of extrusion plants (including Building Systems).

We are the second largest supplier in the European rolling industry and hold leading global positions within high value-added products segments such as lithographic (printing) plates and aseptic foil. In 2007, we shipped in excess of one million mt of rolled products from our seven European plants and our Malaysian plant. More than half of this was pro-

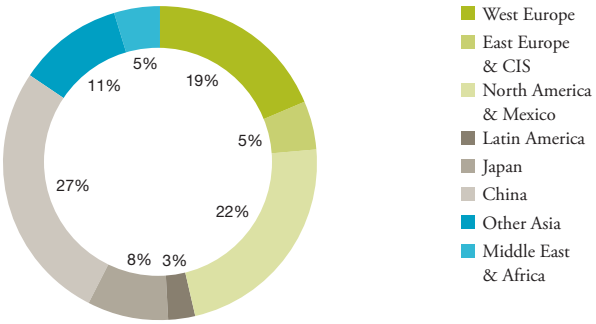
Global semis consumptions by end use 1,000 mt

Total market 50,400 mt (Forecasted annual growth 2005-2010 in brackets)

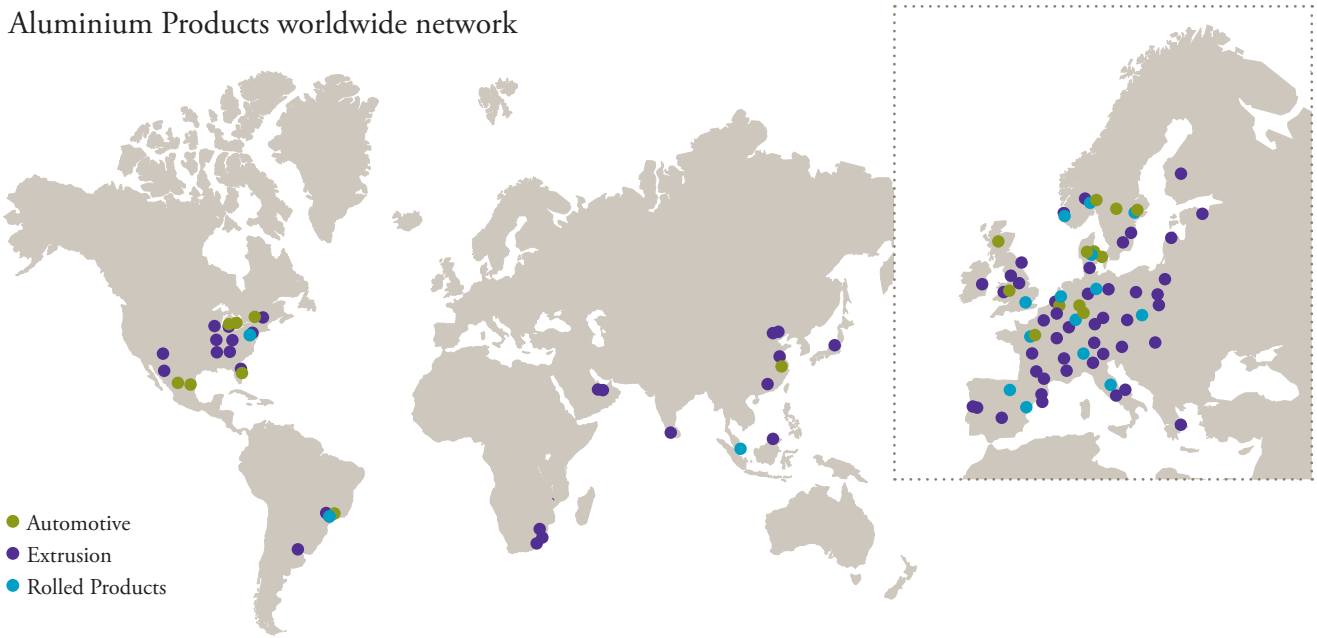


Aluminium consumption per region

Total market 50,400 mt



Aluminium Products worldwide network



duced in Grevenbroich, Germany, which is the worlds largest and one of the most efficient rolling mills in Europe. Grevenbroich is also the center of our rolled products' foil and lithographic sheet operations.

We are a global leader in precision tubing with production in all major regions. We supply precision tubing solutions for automotive heat exchange applications from 11 locations in Europe, Asia, North America and South America. We are one of the leading suppliers of extruded structural automotive components to original equipment manufacturers (OEMs) in Europe and North America. Our automotive business shipped around 117,000 mt during 2007.

Strategy

2007 was a year of extensive restructuring of Hydro's downstream business and our underlying performance has improved over the last few years. Going forward we intend to build upon our distinct businesses within rolled products, extrusion and building systems and automotive structures and precision tubing, all with leading positions in their respective markets. We intend to focus on technological leadership and operational excellence together with superior product quality and customer service to further improve the performance of our businesses. We aim to target selective growth within our high-performing sectors. We will also continue to drive cost reductions and other improvement measures within underperforming units notably in our extrusion operations in the US and our automotive structures business.

Build on the high performance of our general extrusion and building system operations

The foundation for the success of our general extrusion operations is working closely with our customers. Our presence local to them enables top product innovation and design as well as excellent service levels. Three strong brands within our building systems operations, Wicona, Domal and Technal, represent distinct value propositions to our customers. We intend to maintain our strong performance, and target further business development, based on our existing platform of technological strength and strong market positions within these businesses.

Develop and improve our position in rolled products

We are a global leader in value-added products like lithographic plates and aseptic foil and Europes second largest supplier of rolled products. We continually emphasize the quality of our products and service to our customers. We have a strong focus on optimizing our margins through the mix of products that we deliver to the market.

Further improvements in a restructured business portfolio

During 2007 we divested of our automotive castings business and exited the magnesium business. Our efforts to dispose of our automotive structures operations were terminated following the conclusion that more value could be realized by turning this business around than by divesting it. Measures are also being taken to improve our US extrusion operations and to further reduce costs, mitigating the effects of a sharp downturn in North American market demand.

Targets

2007 TARGETS

- Complete restructuring program defined in 2006
- Long-term portfolio defined
- No serious accidents. Total recordable injuries per million hours down by 20 percent

2007 RESULTS

- Automotive casting business divested
- Exited the magnesium business
- Several smaller divestments and closures
- Plant rationalizations and improvement programs executed
- Significant improvements in financial results
- One fatal contractor accident. Total recordable injuries per million hours reduced by 10 percent to 3.7

2008

- Continued improvement in profitability for underperforming US extrusion units and automotive structures
- Selected growth projects delivered in Extrusion Eurasia and Building Systems
- Total recordable injuries per million hours down by 20 percent

AMBITIONS

Our goal is to be the clear performance leader within the European extrusion and building system industries, reinforcing our leadership postion through selective growth and further development of new high performing solutions. We aim to increase the returns of our rolled products business. We will focus on innovation and technology to sharpen our competitive edge. We are committed to safety and to eliminating serious accidents in our operations.

Focus on selective growth

We plan to selectively grow our highly profitable businesses, and improve our underperforming businesses. We intend to keep capital expenditures at a moderate level, investing in selected growth opportunities within our general extrusion and building systems operations. We will also prioritize investments designed to ensure stable operations and good safety standards and to maintain the value of our assets. Maintaining a lean level of operating capital will also be a strategic focus.

Our presence local to customers enables top product innovation and design as well as excellent service levels.

Overview 2007

Aluminium Products underlying EBIT increased by 5 percent to NOK 1,353 million in 2007. The underlying performance of our rolled products business improved during 2007 and our European extrusion and building systems operations delivered another strong performance during the year. However, our extrusion operations in the US were struggling with weak markets and unsatisfactory results. Our automotive structures business also delivered a weak performance in 2007 with underlying results impacted by costs related to starting up new production lines and costs relating to new contracts.

Rationalization programs were initiated in several units during 2006 including comprehensive programs within our general extrusion and precision tubing operations in the US. Costs have been reduced through manning reductions and other measures. By the end of 2007, we had reduced the number of US employees in our extrusion business by around 700 people compared to 2006. Measures are being implemented to further improve the financial performance of this business and align the cost structure with lower market demand.

In 2007 a new management team has been established and measures have been initiated to turn around and improve the performance of our automotive structures business. The automotive market is characterized by long lead-times for new business to come on stream. Generally new contracts are awarded three years in advance of production start-up to facilitate design and testing and normally last for the entire design lifecycle of a model (5 – 6 years or longer).

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 hydropower 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

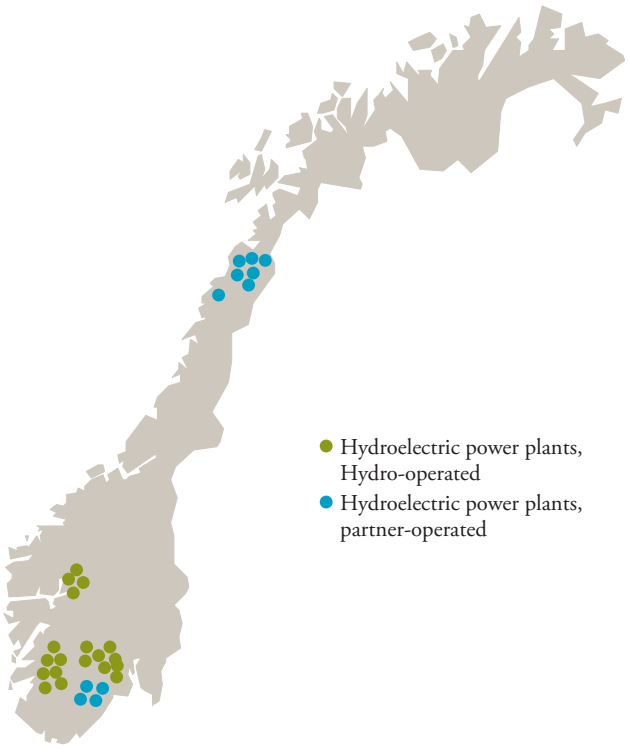
With more than 100 years of experience in hydropower, Hydro is the second largest power producer in Norway, and the largest privately owned producer. In 2007, our Energy business generated about NOK 6.5 billion in revenues, employing around 230 people, mainly in Norway.

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, Røldal-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 investments 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.

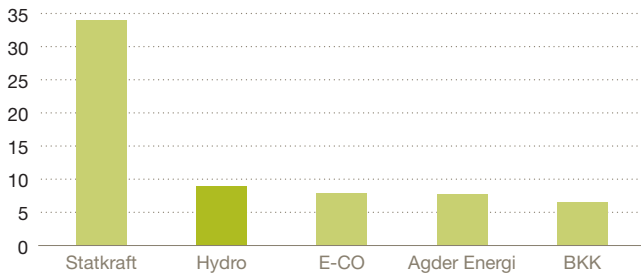
Power plants in Norway



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

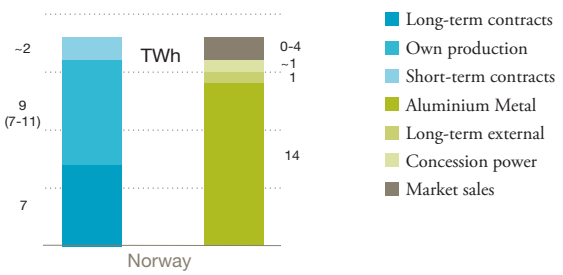
Norways second largest power producer

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.

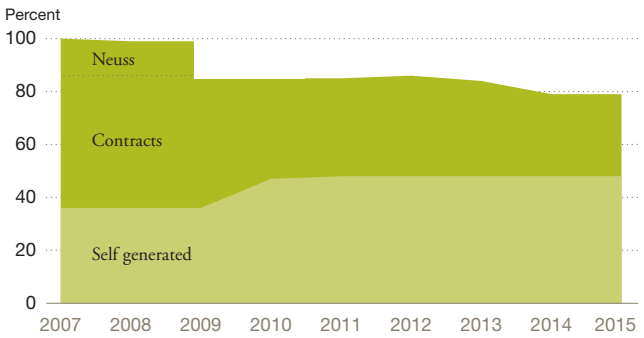
Strategy

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.

Power is a critical input factor for primary aluminium production, representing about 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.

Overview 2007

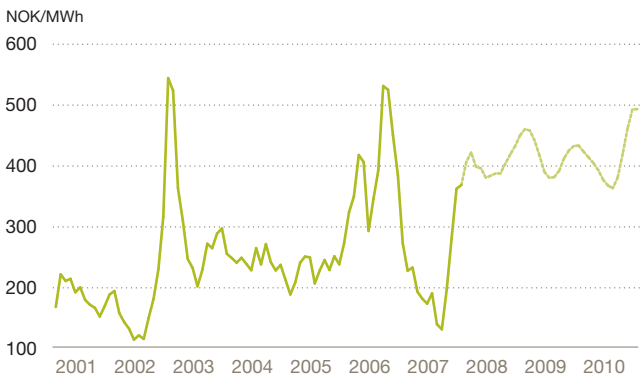
Hydro's energy business delivered an underlying EBIT of NOK 1,184 million, decreasing from the underlying EBIT of NOK 1,464 million in 2006.

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 CO_2 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 Technologies 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



PROJECTS

Project management competence has been and continues to be crucial to our business. We have a single organization responsible for the execution of all projects including dedicated project teams, defined work processes and supporting systems and procedures. We employ 90 highly qualified individuals many with substantial experience working with large, highly complex projects such as the Qafco fertilizer plants in Qatar, the expansion of our Sunndal primary metal plant in Norway and, most recently, the Ormen Lange field development, processing plant and related pipeline. Our project organization acts as a strategic partner together with our business areas supporting business and technology development, new investment projects, modernization, acquisitions and other business activities demanding project competence.

Successful execution of the Qatalum project is a top priority. Qatalum is currently the largest primary aluminium plant to be built in one phase.

Effective project execution

Successful execution of the Qatalum project is a top priority. Qatalum is currently the largest primary aluminium plant to be built in one phase and will be a fully-integrated primary aluminium plant consisting of a smelter, casthouse and carbon plant as well as a dedicated gas fired power plant with a capacity of approximately 1,250 MW. The power plant will be supplied with gas from Qatar Petroleum under a long-term contract. In addition to captive power, Qatalum has substantial expansion potential and attractive logistics. Hydro will utilize its experienced project organization and long history of developing and operating industrial projects in Qatar to ensure an effective completion of the project.

HISTORY AND DEVELOPMENT

Norsk Hydro ASA, the parent company of the Hydro group, was organized under Norwegian law as a public company in 1905 to develop Norway's extensive hydroelectric energy resources for the industrial production of nitrogen fertilizers. In the years since, energy, in the form of hydroelectric power, natural gas and petroleum, has been the basis for Hydro's growth and the common link among its core business activities.

Following the end of the Second World War, we expanded into a number of new businesses. In 1951, we began to produce magnesium metal and polyvinyl chloride at Porsgrunn, Norway. In 1967, we opened an aluminium reduction plant and semi-fabricating facilities at Karmøy, Norway, and built the Røldal-Suldal hydroelectric power project to provide energy to the Karmøy facilities.

In 1965 and 1967, we commenced production of ammonia at two large ammonia plants in Norway, one of which made use of naphtha and the other, heavy fuel oil, as feedstocks (i.e. sources of hydrogen) in the ammonia production process. We had previously depended on the electrolysis of water to provide the hydrogen needed to produce ammonia used in nitrogen-based fertilizers. The discovery of natural gas in the Netherlands and on the continental shelf off England in the North Sea created a new and competing source of feedstock for ammonia in Europe. Consequently, we began to take steps to ensure that we could continue to compete with other European producers of ammonia that were obtaining access to these relatively inexpensive natural gas supplies. As a result, we began to investigate various opportunities to participate in oil and gas production. In 1965, we obtained concessions from the Norwegian State to explore for petroleum on the NCS.

Hydro and its partners discovered oil and gas in the Ekofisk field in 1969 and in the Frigg field in 1971. Exploration of these discoveries ensured a source of feedstock for our fertilizer plants and also brought us into the petroleum refining and marketing business. In 1975, we began oil refining operations at Mongstad, Norway.

Norway's natural gas liquids' resources and our experience in the chemical process industry served as the foundation for our investments in the petrochemicals industry in Norway and, in 1978, we commenced production of ethylene and vinyl chloride monomer.

The aluminium plant at Sunndal was officially opened in 1954. The first regular ingots were casted under presence of a great number of guests.

In the 1980s, we acquired a number of businesses, both in Norway and in other areas. The expansion of our fertilizer operations resulted in Hydro becoming one of the leading suppliers of fertilizer in Europe. We also entered a new era as an oil company, becoming operator of the Oseberg offshore oil field. Hydro also developed or tested new technologies for deep-water oil and gas production and horizontal drilling, which we subsequently put to commercial use in developing the Troll oil project. In 1986-87 we acquired the Norwegian State-owned aluminium company, Årdal og Sunndal Verk, and several European aluminium extrusion plants from Alcan and Alcoa, thus establishing Hydro Aluminium as a major business within Hydro and an important player in the European aluminium industry.

In recent years, our business areas have grown as a result of substantial investments, including several acquisitions. In 1999, we acquired Saga Petroleum ASA, a Norwegian-based oil company, and in 2002, we acquired siginficant new interests in oil and gas licenses on the NCS from the Norwegian State. In 2005, we acquired all of the shares of Spinnaker Exploration Company. In March 2002, we acquired VAW Aluminium AG and earlier in the same year, we acquired the French building systems supplier, Technal. A significant portion of the expansion of these two core business areas was financed through the sale of non-core businesses. In March of 2004, we completed the demerger of our Agri business transferring all assets, rights, liabilities and obligations primarily relating to the Agri business to Yara International ASA.

On 12 March 2007 Hydro's Board of Directors and the Board of Directors of StatoilHydro ASA (previously Statoil ASA) agreed to a proposed merger of Hydro's petroleum activities with Statoil to form StatoilHydro ASA. Hydro did not recognize any gain or loss, or receive any proceeds as result of the demerger transaction. The demerger was completed on 1 October 2007.

In May, 2007 Hydro announced the sale of its Polymers activities. Contracts to sell Hydro's 100 percent owned subsidiary Kerling ASA, with production facilities in Norway, Sweden and the UK, and Hydro's 29.7 percent interest in Qatar Vinyl Company (QVC) to the UK-based chemical company INEOS were entered into in late May 2007. The sale of Kerling ASA to INEOS was completed on 1 February 2008. QVC will be divested in a separate transaction.

See section under "Financial performance" – "Financial review" – "Discontinued operations" later in this report for more information on the transactions occuring in 2007.

OTHER INFORMATION

As a public limited company organized under Norwegian law, Hydro is subject to the provisions of the Norwegian act relating to public limited liability companies (i.e. the Norwegian Public Limited Companies Act).

Our principal executive offices are located at Drammensveien 264, Vækerø, N-0240 Oslo, Norway; telephone number: 47-22-53-81-00. Hydro's internet site is www.hydro.com

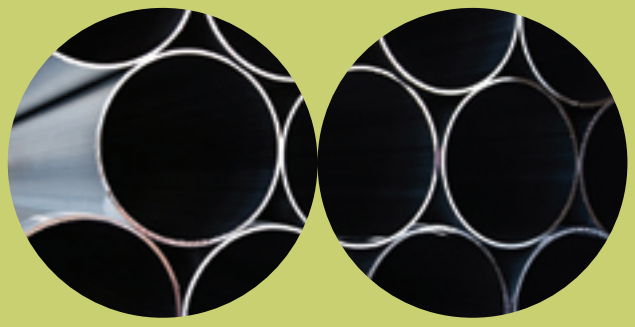
Our proprietary smelter technology plays an important role in securing our competitive position. We believe our technology serves as an industry benchmark for environmental performance, and sets high standards for safety and productivity.

Production volumes

Mt	**2007**	2006	2005
Alumina production	**2,007,000**	1,891,000	1,400,000
Primary aluminium production	**1,742,000**	1,799,000	1,826,000
Fabricated aluminium products	**1,655,000**	1,631,000	1,550,000

1,742,000 MT

Primary aluminium production in 2007

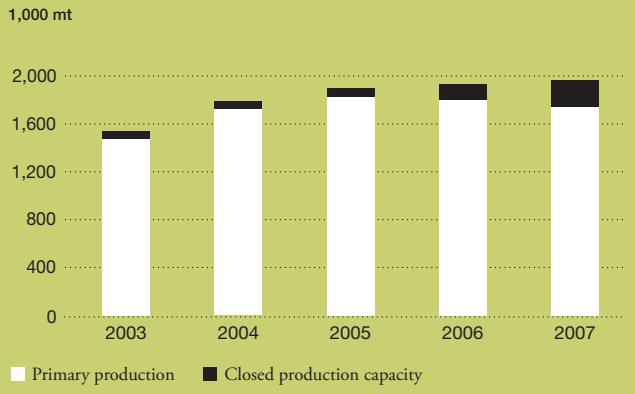


HIGHLIGHTS

Nine percent complete

The Qatalum project is a 50 percent joint venture with Qatar Petroleum to construct a new, integrated primary aluminium plant with a gas-fired power plant in Qatar's Mesaieed industrial city. The project is progressing according to schedule and was 9 percent completed at the end of 2007. Liquid metal production is expected to commence by the end of 2009. Qatalum will be the largest greenfield primary aluminium plant ever built in one step. Primary aluminium capacity is expected to be 585,000 mt annually (100 percent) when the plant is fully operational, and future expansion potential could increase production to 1.2 million mt per year. The total project includes the potrooms, anode production, two casthouses, a gas-fired power plant as well as port and service facilities. The estimated capital investment for the total Qatalum project is approximately USD 5.6 billion.

Primary aluminium production



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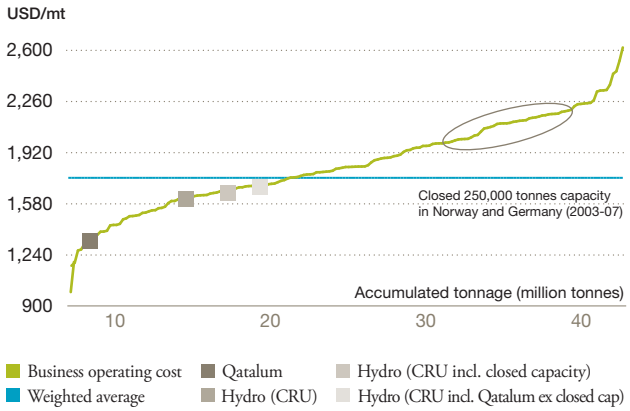
Operational review

Growth and restructuring efforts

Improved cost position



Source: CRU, 2007. Business operating cost definition. Assumptions 3 month LME 2,705 USD/tonne and 3 month LME lagged 1Q 2,747 USD/tonne. Alumina spot 329 USD/tonne. Hydro numbers for Qatalum

Through new investments, closures of high cost capacity and operational improvements, we have improved our relative cost position in terms of cash cost per tonne primary aluminium.

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Regulation and taxation p.50

QUICK OVERVIEW

We produced 1,742,000 mt of primary aluminium at 10 wholly or partly owned primary aluminium plants in 2007. Many plants operated at record production during 2007.

Our rolled products production system is European based with seven plants in Europe and one in Malaysia. During 2007 we shipped 1,030,000 mt of rolled products. Within extrusion and building systems we have major operations throughout Europe and North and South America in addition to minor operations in Asia and Africa. We shipped 508,000 mt to our customers from this business during 2007.

Hydro operates 17 hydroelectric power plants in Norway, with a total installed capacity of 1,762 MW and with annual normal production of 9.0 TWh. In 2007, which was characterized by record high inflow of water into our reservoirs during the summer months, we produced 11.0 TWh - the second highest recorded production in our history.

EXPLORE OUR VALUE CHAIN

Hydro has operations throughout the entire value chain from the production of alumina to end products for the automotive and construction industries. And for many more applications.

PRIMARY ALUMINIUM PRODUCTION

At our smelters we produce pure aluminium from alumina in electrolytic cells. Carbon cathodes at the bottom of the cells act as electrodes. The anodes, which also consist of carbon, are consumed when the anode reacts with the oxygen in the alumina and forms CO_2. Liquid aluminium is tapped from the cells and cast into standard, sheet or extrusion ingot, depending on how it is to be processed further. Hydro's primary aluminium production from its 10 wholly or partly owned primary plants amounted to 1.74 million mt in 2007. Our own technology, developed in-house, represents an important competitive advantage.

a ALUMINA

b BAUXITE

c ELECTRICAL POWER

The electrolytic process requires significant amounts of electrical power, 13 kWh per kg aluminium in our most modern reduction plants. 68 percent of the electrical power we use comes from renewable hydroelectric power. The energy consumed in anode production is around 5 kWh per kg aluminium.

a Alumina
Aluminium oxide, or alumina, is produced by refining bauxite and is the most important raw material in the production of aluminium. We have ownership stakes in alumina refineries in Jamaica (35 percent of Alpart) and Brazil (34 percent of Alunorte). Alumina from these plants covers the majority of our requirements. We purchase the remainder on long-term contracts.

b Bauxite
Aluminium is the third most common element in the earth's surface and is found in different minerals, including bauxite. Deposits are mainly located in a broad belt around the equator.

c Efficient use of resources
Hydro is making determined efforts to reduce the effect that primary aluminium production has on the environment, and has achieved good results here. Consumption of resources and energy has decreased. As have emissions from production.

LONDON METAL EXCHANGE (LME)

ENHANCING THE METAL'S PROPERTIES

The inherent properties of the metal are adapted for processing and future use by the addition of small amounts of other metals to form alloys. One of Hydro's competitive advantages is its metallurgical expertise in the interface between metal production and metal processing. In our casthouses new and remelted aluminium is transformed into extrusion ingot, primary foundry alloys, sheet ingot, and standard ingot. The tremendous formability of aluminium, coupled with its low melting point, mean that aluminium products can be shaped, in different ways, to match the design requirements of the end product.

High recovery rate
The remelting of aluminium requires little energy, and less than 3 percent of the metal is lost during the remelt process. And only 5 percent of the energy required to produce primary metal is needed to recycle aluminium

EXTRUDED PROFILES

Our extrusion plants processed a total of 625,000 tonnes of aluminium in 2007. Extruded aluminium products have a wide variety of different uses in areas of application such as the automotive, transport and construction industries. Hydro's production of profiles takes place in major plants in Europe, the USA, South America and Asia. Among other products we supply door and window systems, as well as special products for liquid transfer and bumper beam systems for the automotive market.

ROLLED PRODUCTS

In 2007 1,030,000 tonnes of aluminium were processed in our own rolling mills in Europe and Asia. Aluminium can be rolled to form super-thin gauge 0.007 mm foil and still remain impermeable. Used as packaging material, it does not permit light to penetrate and is both odor and taste free. Other rolled products from Hydro are lithographic plates and sheet metal for vehicles, buildings and other applications.

REMELTING

RECYCLING

Building-systems | Automotive structures | Extruded profiles | Precision tubing | Wire | Lithographic plates | Foil

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ALUMINIUM METAL

Industry overview

Aluminium smelting is a capital intensive, technology driven industry concentrated in relatively few companies. In recent years, China has emerged as a main consumer and producer impacting market fundamentals. Russia and the Middle East are also growing in importance as aluminium producers.

There are two raw material sources for new aluminium products: primary aluminium made from electrolysis of alumina, as well as remelting and recycling of aluminium scrap. Scrap is generated throughout the value chain when producing finished aluminium products and collected in the marketplace after the use of the products is over. The recycling process requires approximately 5 percent of the energy needed in the electrolytic primary production process. About 25 – 30 percent of new aluminium products are made from collected scrap.

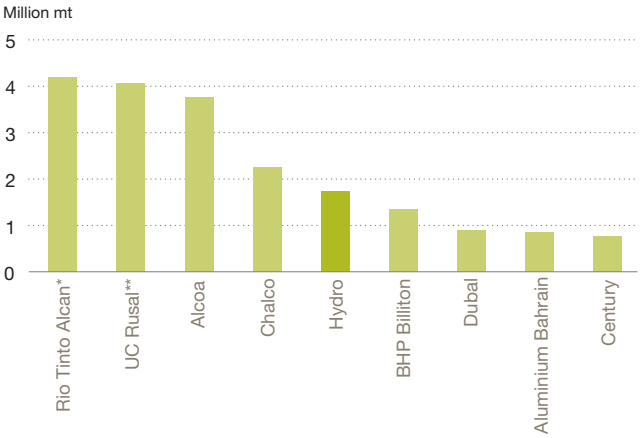
Structural developments

During the past two decades, three major global integrated companies emerged as a result of the substantial concentration of upstream aluminium activities: Alcoa, Alcan and Hydro. In addition to these three integrated companies, several large companies focused mainly on upstream operations – bauxite, alumina and/or primary metal – such as BHP Billiton, RioTinto and Vale (formerly CVRD). In October 2007, Rio Tinto acquired Alcan, creating RioTintoAlcan as one of the major alumina and aluminium producers. In 2007, the Russian aluminium industry was consolidated into one major company, United Company Rusal, as a result of the merger of two Russian companies, Rusal and Sual, and the alumina assets of the Swiss natural resource group Glencore. Since the 1990s, China has emerged as a major consumer as well as producer of primary metal. Chalco has evolved as the most significant operator in China, with an estimated 2007 production of almost 2,300 million mt. In 2007, Alcoa sold its 7 percent ownership interest in Chalco. Industry analysts expect that consolidation within the metal and mining industry will continue, leading to further restructuring of the aluminium industry.

Aluminium price developments

Primary aluminium in standard ingot form is traded on various metal exchanges, primarily the London Metal Exchange (LME). In the long run, prices generally reflect the market fundamentals of the physical market as well as underlying cost developments. However, trading by financial investors in the derivative markets can have a significant influence on price developments in the short and medium term, occasionally in contradiction with developments in the physical market. Price volatility, therefore, has been and may continue to be high.

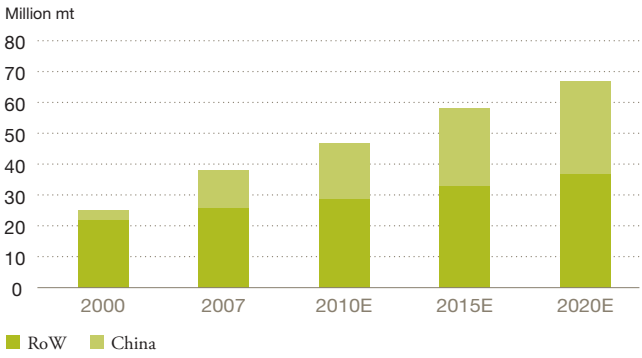
Primary aluminium production



* Proforma figures for merger of RioTinto and Alcan
** Proforma figures for merger of Rusal, Sual and Glencore

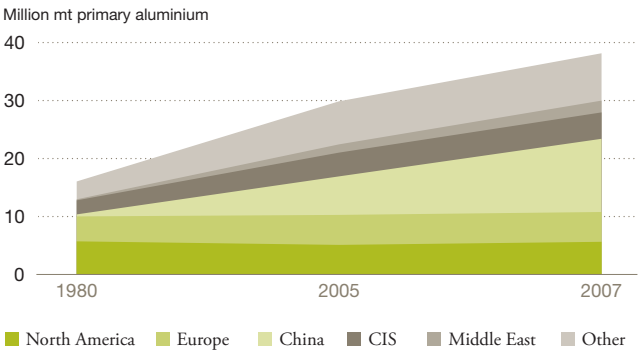
Source: CRU 2006

China driving global demand primary aluminium



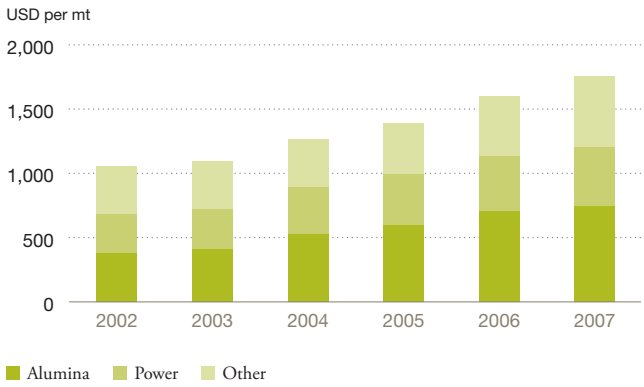
Source: CRU

Global production increase



Source: CRU

Industry smelter cost



Source: CRU (Business operating cost definition)

Aluminium price in USD/mt

During recent years, there has been an upward shift in the cost curve for primary aluminium production, triggered mainly by a significant increase in energy prices. High energy prices have also influenced the cost of producing, and consequently the price for, alumina, as well as other important input factors. Increasingly, future production of primary aluminium production is expected to be developed in energy rich areas where power prices are more competitive than market prices in developed energy markets such as Europe and the US. Such countries and regions are expected to include the Middle East, Russia, Iceland and some countries in Africa, Asia and South America.

Operational information

Introduction

Hydro's primary aluminium plants are comprised of a reduction plant containing potlines and a casthouse where liquid and remelt aluminium is cast to form value-added products such as extrusion ingots, primary foundry alloys, sheet ingot and wire rod, in addition to standard ingots.

Approximately two metric tons of alumina are required to produce one metric ton of aluminium. Over the last decade, we have mainly met our alumina supply through a combination of equity investments in alumina production and a portfolio of medium to long-term contracts.

Energy represents on average about 25 to 30 percent of the operating costs associated with primary aluminium production. We have access to self-generated power covering a significant part of our captive consumption and have negotiated long-term contracts for a majority of our production worldwide, with the exception of our smelter in Neuss, Germany which operates on short-term power contracts.

Carbon anodes used and consumed in the smelting process account for approximately 15 to 20 percent of the total production cost of primary aluminium. Most of our smelters produce anodes on-site. During the last years we have expanded our capacity of anode production both at our Årdal plant in Norway and in our part-owned company Aluchemie in the Netherlands. In addition, we have upgraded the anode facility at our Kurri Kurri plant in Australia. Our new plant under construction in Qatar will have an anode plant with capacity aligned to the production of primary metal.

Our proprietary technology plays an important role in securing our competitive position. We believe our technology serves as an industry benchmark for environmental performance, and sets high standards for safety and productivity.

We have a strong commitment to safety and systematically review and follow several key performance indicators. One of these, the TRI rate (total recordable injuries per million hours worked) for 2007, declined by about 10 percent to 5.6 in 2007 compared with 6.1 in 2006 and 15 in 2002. We are targeting a further 20 percent reduction in 2008.

Bauxite and alumina

Equity investments in Alumina

Hydro's major alumina investment is its 34 percent participation in Alunorte, a Brazilian alumina refinery. After an initial expansion of the plant in 2003, annual capacity reached approximately 2.4 million mt, enabling Hydro to secure access to 810,000 mt of alumina per year. During 2006, the second expansion of the Alunorte refinery was completed and increased annual capacity to approximately 4.4 million mt. A third expansion started in 2006 and is expected to increase total annual production capacity by approximately 6.5 million mt by 2009.

We also have a 35 percent equity interest in the Alpart alumina refinery in Jamaica, which has an annual production capacity of approximately 1.65 million mt.

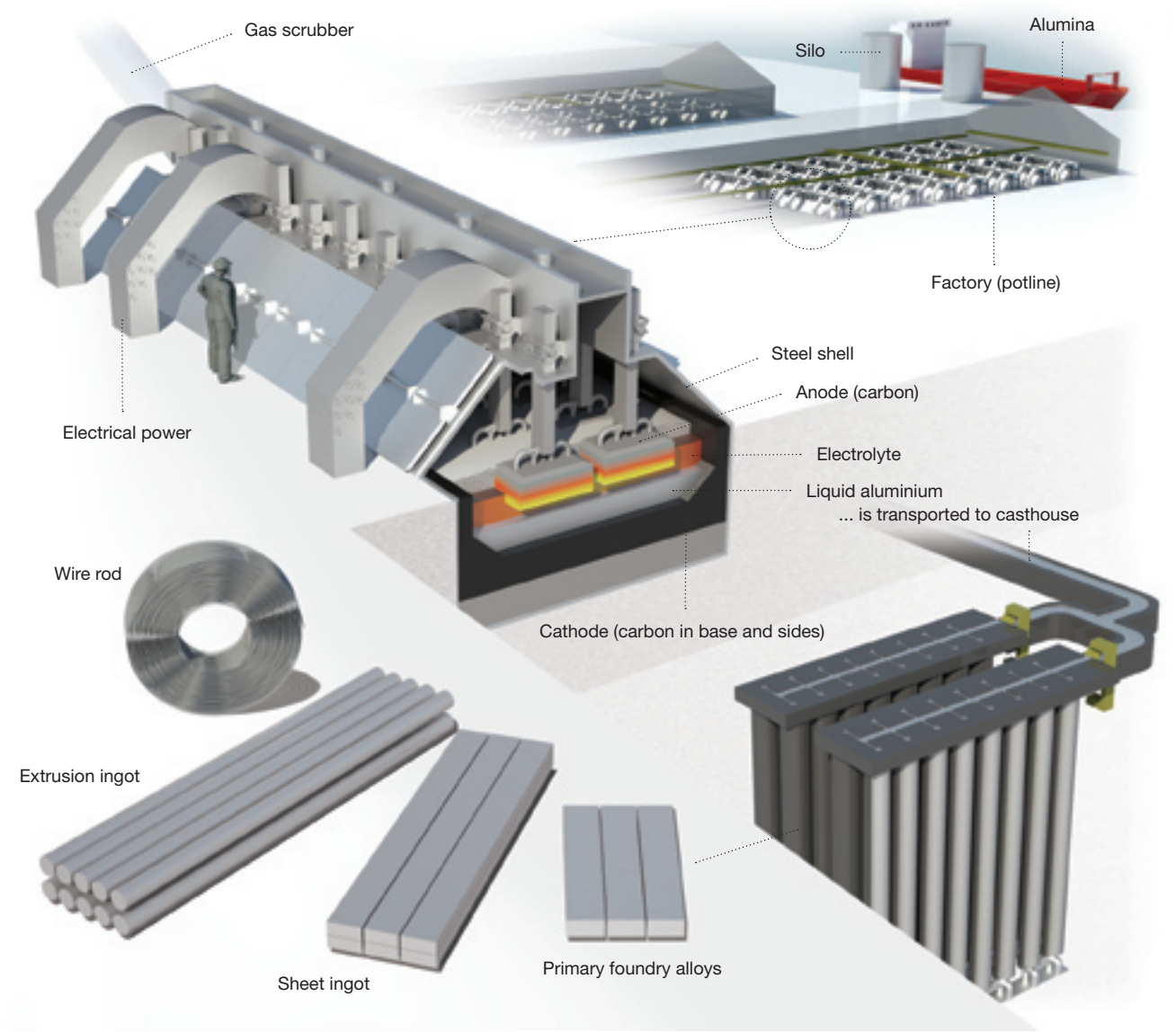
Bauxite for Alunorte is sourced under long term contracts from MRN, in which Hydro has an equity interest, and from the Paragominas mine which is owned by Vale, under long-term contracts based on prices linked to the LME and alumina prices. Earnings from our investment in MRN are included in Financial income. Alpart has its own captive bauxite mine.

We purchase our equity share of alumina from Alunorte based on prices linked to the LME with a lag of one month. The financial effects of our equity ownership in Alunorte are reflected in Share of profit (loss) in equity accounted investments and comprise a substantial portion of the underlying results of our bauxite and alumina operations.

Long term contracts

In June 2003, Hydro and Comalco, now RioTintoAlcan (RTA), signed one of the largest alumina supply contracts in the history of the aluminium industry. Under the agreement, RTA will supply Hydro with 500,000 mt of alumina annually from 2006 through 2030. In September 2007 Hydro exercised an option under this contract increasing the volume

Aluminium smelting process



Primary aluminium is produced in reduction plants where pure aluminium is formed from alumina by an electrolytic process. This process is carried out in electrolytic cells, in which the carbon cathode placed in the bottom of the cells forms the negative electrode. Anodes, which are made of carbon, are consumed during the electrolytic process when the anode reacts with the oxygen in the alumina to form CO_2. The process requires electric energy, about 13 kWh per kilo aluminium produced in modern production lines.

from 500,000 mt per year to 900,000 mt per year from 2011 and for the duration of the contract. The basis for the option was the recently announced expansion of RTA's Yarwun refinery in Australia.

In addition to the equity interests in alumina production capacity mentioned above and the long-term RTA contract, we have a number of short-, medium- and long-term purchase contracts to secure alumina for our own smelters. These contracts typically have pricing formulas based upon a percentage of the LME price.

Business development

Several new business development opportunities have been identified in order to explore the possibility for new ventures within bauxite/alumina. In July 2007, Hydro signed a Memorandum of Understanding (MoU) with the Brazilian mining group Vale (formerly CVRD) with the intention of building a new alumina refinery close to the existing Alunorte refinery in Brazil. In November 2007, Hydro entered into a joint venture agreement with United Minerals Corporation (UMC) with the intention of exploring for bauxite in Kimberley, Western Australia. The agreement gives Hydro a 75 percent interest in the partnership.

We are evaluating several project opportunities in many of the bauxite rich regions in the world with a focus on participating in integrated bauxite/alumina projects to further strengthen our equity coverage of cost competitive alumina.

Hydro has a number of short, medium and long-term purchase contracts to secure alumina to our own smelters.

Primary aluminium

We produced primary aluminium at 10 wholly or partly owned primary aluminium plants in 2007. Many plants operated at record production during 2007. To optimize our casthouse capacity for the production of midstream aluminium products, we supplement the metal produced by our smelters with remelt metal. The following tables include primary aluminium and total casthouse production and at our plants during the last three years:

Primary aluminium production (mt) [1]

	Location	**2007**	2006	2005
Karmøy	Norway	**289,000**	288,000	277,000
Årdal [2]	Norway	**205,000**	232,000	233,000
Sunndal	Norway	**367,000**	357,000	362,000
Høyanger [3]	Norway	**58,000**	60,000	78,000
Søral (Hydro's 49.9% share)	Norway	**80,000**	82,000	81,000
Slovalco	Slovakia	**160,000**	158,000	159,000
Neuss	Germany	**231,000**	226,000	225,000
Stade [4]	Germany	**-**	54,000	60,000
HAW (33.3% share) [5]	Germany	**-**	-	40,000
Kurri Kurri	Australia	**173,000**	164,000	152,000
Tomago (12.4% share)	Australia	**64,000**	64,000	63,000
Alouette (20% share)	Canada	**115,000**	114,000	96,000
Total primary aluminium production		**1,742,000**	1,799,000	1,826,000

1) Production volumes for the part owned companies indicated in the table represents our proportion of total production based on our equity interest. For financial reporting purposes, Søral is accounted for as an equity investment while Tomago, Alouette and Qatalum are consolidated on a proportional basis. Slovalco is fully consolidated in terms of financial results and volumes. Our investment in HAW was also accounted for as an equity investment prior to disposal.
2) Shut down of Søderberg production line completed end of June 2007.
3) Shut down of Søderberg production line completed end of February 2006.
4) Shut down of production completed end of 2006.
5) Shut down of production completed end of 2005.

Total casthouse production (mt)

	Location	**2007**	2006	2005
Karmøy	Norway	**356,000**	354,000	333,000
Årdal	Norway	**315,000**	318,000	323,000
Sunndal	Norway	**456,000**	425,000	408,000
Høyanger	Norway	**85,000**	83,000	89,000
Søral (Hydro's 49.9% share)	Norway	**80,000**	82,000	83,000
Slovalco	Slovakia	**186,000**	175,000	177,000
Neuss	Germany	**332,000**	331,000	305,000
Stade [1]	Germany	**-**	54,000	60,000
HAW (33.3% share) [2]	Germany	**-**	-	80,000
Kurri Kurri	Australia	**177,000**	163,000	151,000
Tomago (12.4% share)	Australia	**63,000**	64,000	62,000
Alouette (20% share)	Canada	**115,000**	113,000	95,000
Total casthouse production		**2,164,000**	2,162,000	2,166,000

1) Shut down of plant completed end of December 2006.
2) Shut down of plant completed end of December 2005.

Meeting the energy needs of our smelters

We have access to self-generated power and have negotiated long-term contracts for the majority of our production worldwide with the exception our remaining German metal plant. Following the expiration of power contracts in 2005 and substantial increases in power costs in Germany, we have covered the energy needs for our Neuss smelter in the short-term market. Power for Neuss in 2008 has been covered, and we are working to secure power for that smelter in 2009. German energy prices have increased dramatically over the last years. The energy cost for aluminium production in Germany now exceeds the industry average by a factor of 2.

In 2004, we completed an expansion of our Sunndal plant which is now the largest and, we believe, most modern aluminium plant in Europe.

Internal supply contracts between our hydro-power production operations and our aluminium metal business cover about 50 percent of the energy consumption of our wholly-owned Norwegian smelters. The remainder is covered by external supply contracts with the Norwegian electricity company, Statkraft. Certain contracts with Statkraft that expired in the summer of 2006 have been replaced with new contracts through the year 2020. Compared with the expired contracts, the pricing structure of the new contracts has increased energy costs for our smelters beginning in the second half of 2006 and will gradually increase our energy costs through 2010 due to phasing of price adjustments. The pricing structure of internal contracts was changed from 1 January 2006, also increasing energy costs for our aluminium operations. Long-term availability of electricity at predictable prices is considered a prerequisite for the further development of the Norwegian operations, particularly since Nordic spot market prices can be highly volatile.

Primary Aluminium Smelters

We have acquired a substantial number of our primary aluminium plants through two major acquisitions: the acquisition of the Norwegian state-owned aluminium company, Årdal og Sunndal Verk (ÅSV) in 1986 and the acquisition of VAW Aluminium AG in 2002. The Årdal, Sunndal and Høyanger plants were acquired as a result of the ÅSV acquisition. The Neuss, Stade and Kurri Kurri plants and the interest in the Alouette and Tomago plants were acquired as a result of the VAW acquisition.

Karmøy, Norway. Aluminium production at our plant on Karmøy commenced in 1967. Karmøy is located near Haugesund on the west coast of Norway. The plant had about 630

employees at the end of 2007. Production lines at the plant consist of two prebake lines and one Søderberg line. The Søderberg line is planned to be shut down at the end of 2009 due to stricter emission standards (see discussion on plant closures later in this section). The casthouses at Karmøy delivered 286,000 mt of extrusion ingot and 70,000 mt of wire rod in 2007. The industrial site also contains a R&D center, a rolling mill, an extrusion plant and other downstream activities which are part of our Aluminium Products operations.

Årdal, Norway. The metal plant is located in Årdal at the end of Sognefjorden on the west coast of Norway. Årdal has been producing aluminium since 1948, and the plant had about 550 employees at the end of 2007. Årdal produced primary aluminium on two prebake lines and one Søderberg line until the line was closed in June 2007, reducing annual production capacity at Årdal by 50,000 mt. Two casthouses at Årdal delivered 193,000 mt of sheet ingot and 122,000 mt of foundry alloys in 2007. Årdal also produced 194,000 mt anodes mainly for use in the Norwegian smelting system. The industrial site also contains a technology and competence center with about 90 employees.

Sunndal, Norway. The metal plant is located in Sunndal, at the far end of the Sunndalsfjord in Møre and Romsdal approximately 90 km east of Molde on the west coast of Norway. Aluminium production in Sunndal started in 1954 and the plant had about 750 employees at the end of 2007. In 2004, we completed an expansion of our Sunndal plant which is now the largest and, we believe, most modern aluminium plant in Europe. Sunndal produces primary aluminium from two prebake lines. The casthouse at Sunndal delivered 357,000 mt of extrusion ingot and 99,000 mt of foundry alloys in 2007.

In 2007, we completed a project to expand production of foundry alloys at the plant by adding a second production line. We also started another project relating to fume treatment in early 2007 in order to meet future regulations for fluoride emissions. Total investment cost of these developments amounted to roughly NOK 600 million.

Høyanger, Norway. The metal plant is located in Høyanger halfway into the Sognefjorden on the west coast of Norway. Høyanger started production in 1918 as the first aluminium smelter established in Norway, and had about 130 employees at the end of 2007. Following the closure of the Søderberg line in February 2006, the plant produces primary aluminium from one prebake line. The casthouse at Høyanger delivered 85,000 mt of sheet ingot in 2007.

Neuss, Germany. The metal plant is located on the river Rhine closed to Neuss in North Rhine-Westphalia. Neuss, which is Germany`s largest electrolysis plant, started production in 1961, and had about 610 employees at the end of 2007. Neuss produces primary aluminium from three prebake lines. The casthouse at Neuss delivered 332,000 mt of rolled products ingot to the Alunorf rolling mill in 2007. Neuss achieved record production of both primary metal and sheet ingot in 2007. The volume of remelted foil scrap was approximately 20.000 mt in 2007, an increase from 2006 partly due to the start-up of a new remelting furnace. Power for our operations at Neuss for 2008 has been secured by short-term contracts, and we are working in an effort to secure our energy needs for 2009. The insdustrial site also contains a technolgy and competence center with about 20 employees.

Kurri Kurri produces primary aluminium completed an upgrade in all operational areas during 2006.

Kurri Kurri, Australia. Aluminium production in Kurri Kurri commenced in 1969, and the plant had about 490 employees at the end of 2007. Kurri Kurri produces primary aluminium from three prebake lines and completed an upgrade in all operational areas during 2006, including a new carbon-baking furnace, modernization of one potline and construction of a new casting facility to produce foundry alloy ingots. Casthouse production levels for extrusion ingot and foundry alloys reached almost 107,000 mt

Slovalco is the only aluminium producer in Slovakia and the plant produces primary aluminium from one prebake line based on Hydro's proprietary reduction technology.

and 58,000 mt, respectively in 2007. In addition, the plant produced 12,000 mt of ingots/T-bars. Power for operations at Kurri Kurri is secured under a long-term contract through 2017.

Slovalco, Slovakia (55.3 percent share). Slovalco is a Slovakian limited company with Ziar nad Hronom, Slovakia (ZSNP a.s.) as the other shareholder (44.7 percent). Slovalco has been fully consolidated in terms of financial results and volumes since 2004. Slovalco is located in Ziar nad Hronom in central Slovakia, and the plant had about 600 employees at the end of 2007. Slovalco is the only aluminium producer in Slovakia and the plant produces primary aluminium from one prebake line. The casthouse at Slovalco delivered 132,000 mt (Hydro share) of extrusion ingot and 54,000 mt (Hydro share) of foundry alloy in 2007. Power for operations at Slovalco is secured under a long-term contract through 2012.

Søral, Norway (49.9 percent share). Søral is a Norwegian limited company with RioTintoAlcan (RTA) and Hydro as the two shareholding partners. Søral is accounted for as an equity investment and our proportional share of production volumes is included in the table above. Søral is situated on the outer edge of the Hardanger fjord about mid-way between Haugesund in the south and Bergen in north, and had about 385 employees at the end of 2007. Sør-Norge Aluminium Ltd, Søral's predecessor, was launched in June 1962 and the smelter started up in November 1965, followed by expansions in 1997 and 2003. The casthouse at Søral delivered 80,000 mt (Hydro share) of extrusion ingot in 2007. Power for operations at Søral is secured under a long-term contract through 2013.

Tomago, Australia (12.4 percent share). Tomago is a Joint Venture with RioTintoAlcan (51.55 percent), GAF (36.05 percent) and Hydro as the joint venture partners. Tomago is proportionally consolidated and our share of production volume is included in the table above. Tomago is located on about 13 kilometers north-west of Newcastle in New South Wales, Australia. The plant had about 1,030 employees at the end of 2007. Tomago is the largest aluminium producer in Australia and ranks among the world's lowest operating cost smelters. The smelter was started in 1964 and expanded in 1992, 1998, 2002 and 2006. The plant consists of three prebake lines. The casthouse at Tomago delivered 12,000 mt of extrusion ingot, 4,000 mt of sheet ingot and 47,000 mt of ingots in 2007 (Hydro share).

Alouette, Canada (20 percent share). Aluminerie Alouette is a Joint Venture with Rio Tinto Alcan (40 percent), AMAG (20 percent), SGF/Marubeni (20 percent) and Hydro (20 percent) as the joint venture partners. Alouette is proportionally consolidated and our share of production volume is included in the table above. Alouette located in Sept-Iles on the north shore of the St. Lawrence River in Quebec, Canada. The plant had about 1,085 employees at the end of 2007. Alouette is the largest aluminium producer in North America, and also ranks among the world's lowest operating cost smelters. The plant started production in June 1992, and an expansion of the plant was completed in May 2005. Alouette consists of two prebake lines. The casthouse at Alouette delivered 115,000 mt of ingots (Hydro share) in 2007.

Plant closures

Stricter emission standards established by the Norwegian Pollution Control Authority (SFT) in accordance with the Oslo and Paris Convention (OSPAR) relating to the use of Søderberg technology became effective at the beginning of 2007. Søderberg technology is based on open cells that produce higher emissions and yield lower productivity than modern prebake cells. Hydro decided not to upgrade Søderberg lines in Høyanger, Årdal and Karmøy to comply with the new standards. The Søderberg line was closed down in Høyanger in February 2006, and the Årdal Søderberg line in June 2007. The closures removed approximately 70,000 mt from our annual primary aluminium capacity.

In February 2007, an application filed by Hydro to continue production on the Søderberg line at Karmøy until the end of 2009 was declined by SFT. Combined emissions from the prebaked and Søderberg lines at Karmøy are comparable with best modern aluminium production in the European Union, and are within the SFT-limits. Following an appeal to the Norwegian Environmental Ministry, new emission limits were granted enabling continued operation of the Søderberg line until the planned shutdown at the end of 2009.

We were not able to renew or replace the electricity contracts related to our German activities on sustainable terms and conditions after 2005. As a result, we decided to close the plant in Stade and, together with our co-owners, we decided to close the HAW smelter in Hamburg. HAW production was shut down at the end of 2005 and Stade was phased out by the end of 2006, removing approximately 110,000 mt from our annual primary aluminium capacity. These closures, combined with the shutdown of the Søderberg production lines discussed above, reduced less competitive capacity by a total of 180,000 mt by the end of 2007. We have largely replaced this capacity by new, cost-efficient production from the expansion of our Sunndal plant in Norway and the part-owned Alouette plant in Canada, as well as production increases resulting from continuous improvement measures throughout our production system.

Projects

Qatalum

The Qatalum project is a 50 percent joint venture with Qatar Petroleum to construct a new, integrated primary aluminium plant with a gas-fired power plant in Qatar's Mesaieed industrial city. The project is progressing according to schedule and was 9 percent completed at the end of 2007. The final decision to proceed with the development was taken in July 2007. Construction is scheduled to begin in the first quarter of 2008

and liquid metal production is expected to commence by the end of 2009. Qatalum will be the largest greenfield primary aluminium plant ever built in one step, and is an important element in our strategy to reposition our upstream aluminium operations. Primary aluminium capacity is expected to be 585,000 mt annually (100 percent) when the plant is fully operational, and future expansion potential could increase production to 1.2 million mt per year. The total project includes the potrooms, anode production, two casthouses, a gas-fired power plant as well as port and service facilities.

The estimated capital investment for the total Qatalum project is approximately USD 5.6 billion (excluding net operating capital and capitalized interest). Operating costs are expected to be among the lowest in the industry, making Qatalum a highly competitive smelter. A key strength is Qatalum`s dedicated electrical power generation plant that will be supplied with gas from Qatar Petroleum under a long-term gas contract.

The Qatalum casthouses will have the capacity to deliver all metal produced as value-added products, serving customers in Europe, Asia and North America.

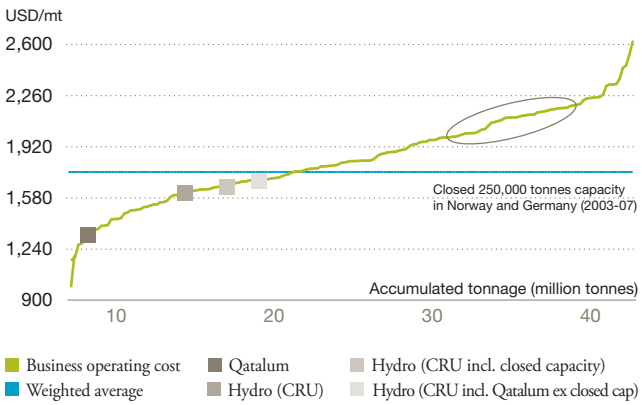
Other project developments

Hydro has an ambition to expand its upstream aluminium activities worldwide. Our growth efforts will be directed towards projects that can improve Hydro's cost position in the industry, while maintaining a strong focus on sustainable development.

We are evaluating several smelter opportunities, including expansions of our smelter operations in Norway (Karmøy and Sogn), Australia (Kurri Kurri) and the possible doubling of the Qatalum capacity. Key considerations include power cost and duration, access to qualified work-force, investment level per tonne, expansion opportunities, location and access to markets to sell Hydro's value added products. In addition all potential projects are subject to various risk analyses including general political and country risk assessments.

Growth and restructuring efforts

Improved cost position



Source: CRU, 2007. Business operating cost definition. Assumptions 3 month LME 2,705 USD/tonne and 3 month LME lagged 1Q 2,747 USD/tonne. Alumina spot 329 USD/tonne. Hydro numbers for Qatalum

Commercial

Remelters

We have established remelt and refining plants for conversion of scrap metal and standard ingot into extrusion ingot in all major European markets, as well as in the United States. In Europe, facilities are located in Luxembourg, United Kingdom, Germany, Spain and France.

Remelt activity, including remelted metal for casthouses integrated with our primary metal plants, and third-party sourcing represents about half of our external sales of metal each year.

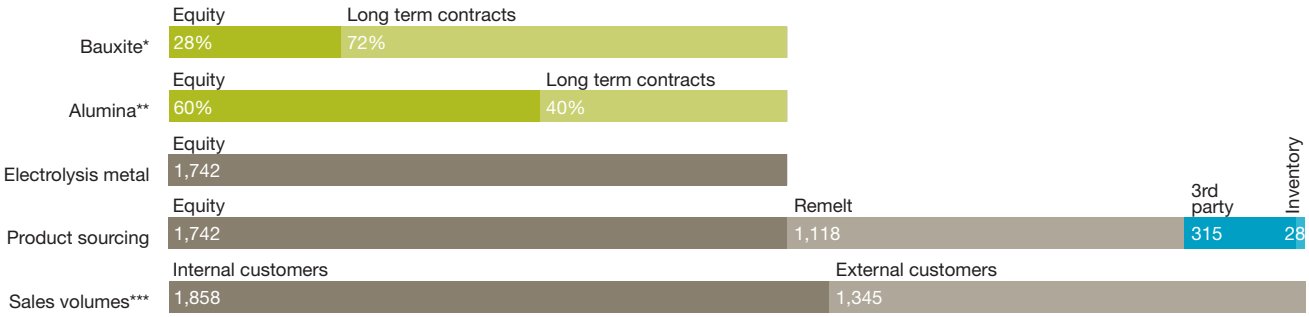
Operations at the Ellenville remelter in New York ceased at the end of September 2007. Activities to dispose of the assets are in progress.

Construction at Qatalum is scheduled to begin in the first quarter of 2008. The project was 9 percent completed at the end of 2007.

Remelt activity represents about half of our external sales of metal each year.

Aluminium Metal value chain

Percent and 1,000 mt



* Bauxite expressed as alumina equivalents (approx. 2 tonnes bauxite per tonne alumina)
** Alumina expressed as aluminium equivalents (approx. 2 tonnes alumina per tonne aluminium)
*** Excluding ingot trading volumes

In addition to remelting scrap returned from customers and purchased from third parties, aluminium standard ingot is procured globally under a combination of short and long-term contracts, with the major sources in the CIS, South America and Southern Africa.

Sales, distribution and trading activities

Most of our aluminium is sold in the form of value-added cast-house products such as extrusion ingot, sheet ingot, wire rod and foundry alloys. In 2007, we sold about 1,870 thousand mt of extrusion ingot, about 600 thousand mt of sheet ingot and about 540 thousand mt of wire rod and foundry alloys. We also sold about 200 thousand mt of standard ingots.

Our most improtant product is extrusion ingot which is sold to extruders producing aluminium profiles used mainly the building and construction industry. Other important end use segments include the transport and general engineering market

Remelt production (mt)

	Location	**2007**	2006	2005
Europe				
Clervaux	Luxembourg	**111,000**	115,000	102,000
Deeside	United Kingdom	**55,000**	50,000	39,000
Rackwitz	Germany	**65,000**	62,000	57,000
Hannover	Germany	**21,000**	23,000	18,000
Luce	France	**50,000**	48,000	44,000
Azuqueca	Spain	**66,000**	61,000	56,000
US				
Ellenville [1)]	New York	**33,000**	44,000	37,000
St. Augustine	Florida	**36,000**	32,000	37,000
Henderson	Kentucky	**81,000**	89,000	86,000
Monett	Missouri	**53,000**	64,000	62,000
Commerce	Texas	**81,000**	88,000	90,000
Phoenix	Arizona	**33,000**	44,000	37,000
Total remelt production		**685,000**	720,000	665,000

1) Shut down of plant completed end of October 2007.

sectors. Our key market region for extruson ingot is Europe, followed by the US and Asia.

Our second most important product, sheet ingot, is sold to European rolling mills, with packaging and transportation as the most important end-use segments. Foundry alloys are sold to foundries producing cast parts primarily for the automotive industry. Our largest market for foundry alloys is Europe, but Asia is becoming increasingly important. Wire rod is sold to wire and cable mills in Europe for power transmission and other electrical applications.

We also produce and sell high purity aluminium products, which are mainly used in the electronics industry in products like electrolytic capacitors, semiconductors and flat panel displays.

In addition to marketing our own products, we have several long-term commercial agreements including a remarketing agreement with UC Rusal, currently providing 130,000 mt per year of extrusion ingot from the Sayanogorsk smelter located in Siberia and an agreement with Talum in Slovenia for 105,000 mt of foundry alloy and extrusion ingot.

A key component to our market approach are our regional market teams serving customers with commercial, technical, logistic and scrap conversion services. Optimized solutions such as our customer service programmes and our on-line customer portal add further value and help build and reinforce customer relationships.

Our commercial operations also include sourcing and trading activities to secure a competitive supply of alumina and aluminium standard ingots to Hydro's global production system and manage risks through hedging activities. Our main hedging objectives are to secure our margins in our mid- and down- stream businesses and obtain the prevailing average LME price for our smelting system. Our commercial operations act as an internal broker for all LME hedging transactions by our business units in order to consolidate our exposure positions, reduce transaction costs and utilize our trading knowledge and expertise.

Aluminium standard ingot is a global aluminium product traded on the London Metal Exchange (LME). Our sourcing portfolio consists of Hydro's own equity production of standard ingot and medium and long-term third-party purchase contracts. We also enter into third-party contracts to optimize our total portfolio position and to reduce logistics costs. Our total ingot transaction volume was about 1.0 to 1.2 million mt in 2007.

The alumina supply to Hydro's smelters is mainly sourced from our own equity production (Alunorte, Brazil and Alpart, Jamaica), and the balance is covered by medium- and long-term third-party contracts. In addition, we enter into sales contracts with third-party customers that include both aluminium producers and traders. Alumina is sometimes used in combination with metal trading and sourcing activities, for example, by supplying a third-party smelter with alumina and receiving metal as compensation. Our total alumina transaction volume amounted to roughly 4 to 5 million mt in 2007.

ALUMINIUM PRODUCTS

Industry overview

Aluminium is an attractive material and there is strong competition among the various aluminium producers with regard to product development, new solutions for customers and continuous cost reductions. Aluminium is used in a variety of applications in several industries. The major consumer segments are transportation, building/construction and packaging. The major consuming areas are North America, Western Europe, China and Japan. We expect continued healthy longer-term growth in aluminium consumption in both Western Europe and North America. However, China and other emerging markets are expected to be the main drivers behind a significant growth in global aluminium consumption during the next decade.

Industry structure changing

Over the last decade the downstream aluminium industry has evolved significantly, with consolidations as well as spin-offs from large integrated aluminium companies. All three major global integrated aluminium companies, Alcoa, Rio Tinto Alcan and Hydro, have made or announced significant restructuring of their downstream portfolios. In 2005, Alcan spun off a major part of its rolled products business into the new company Novelis. Aleris acquired Corus' rolling and extrusion business in 2006. In February 2007, Hindalco, India's largest non-ferrous metal company and Novelis entered into an agreement for Hindalco to acquire Novelis. Hydro divested its automotive castings business in March 2007. Alcoa and Orkla signed an agreement to merge Alcoa's soft alloy extrusion business with Sapa's extrusion business in June 2007. This merger created a joint venture with the intention of bringing forward an initial public offering of the combined entity. In February 2008 Sapa signed a letter of intent for the aquisition of the Chinese extrusion company Kam Kiu.

Industry analysts expect that the restructuring activity within the downstream aluminium industry will continue, including a shift in capacity build-up towards the emerging fast growing markets.

Developments within the flat rolled products industry

In general, there has been over-capacity both in the Western European and North American flat rolled products industry. Combined with rising energy costs and high labor costs, this prevents a satisfactory margin for certain product segments. Recently, we have experienced a period of tight markets and long delivery times due to lack of capacity that results in a more balanced market with some over-capacity during weak cycles. However, further restructuring is expected as major metals and mining companies seek to reduce their exposure to downstream operations.

Due to favorable costs and substantial demand, new capacity is being developed in emerging markets, most notably in Asia. Generally, lower labor costs provide a competitive advantage for semi-fabricated products.

The expected annual growth in global demand for flat rolled products from 2006 to 2010 is somewhat under 5 percent.

Developments within the extruded products industries

In Europe, the five largest producers of extruded products represent approximately 48 percent of the market. The remainder is very fragmented with about 220 producers representing roughly 47 percent of shipments. Only about 5 percent comes from imports.

Overall there is overcapacity in many of the European markets. However, mainly due to large differentiated product segments, extruders with excellent products and services and competitive costs are able to defend margins that lead to sustainable high returns. After a period with firmer margins in a strong market, the combination of easing of demand growth and cost pressure is expected to lead to further consolidation within the European industry. Hydro has led the way in recent years in helping restructure the extrusion market in Europe. Larger portfolio adjustments among some of the major producers may lead to further restructuring. One of the most significant changes in the market picture was the merger of the soft alloy operations of Sapa and Alcoa discussed above. This has made Sapa the largest supplier in Europe, with market share of approximately 21 percent.

New capacity is being built especially in Eastern Europe, reflecting the higher demand in this part of Europe. Shifting manufacturing from Western Europe to Eastern Europe, for instance within automotive applications, appears to be a stronger trend than the shifts between continents. This intra-European industry restructuring is one of the drivers of the high growth in demand for extrusions in the new EU members.

The North American extrusion industry is more consolidated than the European industry, with the five largest producers representing about 60 percent of the market. Another five medium sized domestic producers cover about 15 percent of the market. About 10 percent of the market is based on imports, mainly from Asia and South America. Margins are under pressure from overcapacity, cyclically weaker demand and – until China recently reduced tax incentives to export extrusions – increasing levels of imports. As a result, a further restructuring is expected within the North American extrusion industry.

China has the largest and fastest growing extrusion demand and industry in Asia. Consumption there is more than three times higher than in Japan, which ranks second in Asia in overall consumption. Globalization has reduced growth rates for extrusion demand from end-use segments like domestic appliances in some western countries, but we see a balanced

Aluminium Products sales volume

Tonnes to external market (1,000 mt)	**2007**	2006	2005
Rolled Products	**1,030**	1,003	953
Extrusion	**508**	526	490
Automotive [1]	**117**	102	100

1) Excluding divested businesses Casting, Magnesium and Worcester.

picture where new, more advanced, higher-end models replace those that are lost to Asian competitors or where manufacturing is moved to China.

Demand for aluminium extrusions in Europe has been cyclical in nature, but continues to grow faster than the region's overall GDP. The expected annual growth in global demand for extrusions from 2006 to 2010 is above 5 percent.

Operational information

Rolled Products

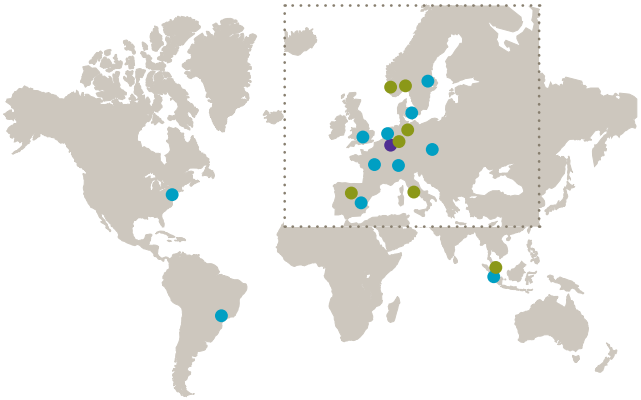
Introduction

We are the second largest supplier in the European rolling industry with an estimated 2007 market share of approximately 17 percent in Europe. In 2007, we shipped just above 1 million mt of rolled products, of which approximately 80 percent were sold in Europe. Although our production system is based mainly in Europe, we have leading global positions within high value-added rolled products segments such as lithographic sheet and foil used in liquid packaging.

Aluminium rolled products are semi-finished products used for the manufacture of a broad range of finished goods used in the transportation, construction, packaging, foil and other industries.

Our rolled products business is organized into four business units serving different market segments in which we operate. The following table includes sales volumes to external customers for the years indicated.

Rolled Products locations



- Rolling mill
- Sales office
- Sector head office

The foil business unit produces plain and converted foil used by various manufacturers for packaging, including food (yoghurt lids, chocolate wrapping, bottleneck wrapping), tobacco, pharma, aseptic packaging and other applications.

The lithography business unit produces offset plates used in the printing industry, products which are characterized by a high surface quality.

Rolled Products sales volume

Tonnes to external market (1,000 mt)	**2007**	2006	2005
Foil	**150**	158	156
Lithography	**167**	166	167
Packaging and building	**269**	247	228
Automotive, heat-exchanger and general engineering	**444**	433	402
Total	**1,030**	1,003	953

The packaging and building business unit produces plain and lacquered strip and sheet for various applications, including beverage cans and food cans, pharmaceutical and specialities packaging and building products (lacquered) such as shutters, ceiling systems, roofing systems, facades and other.

The automotive, heat-exchanger and general engineering business unit provides strips and sheets used in body, component and chassis applications by OEMs and their suppliers, products used in automotive and non-automotive heat-transfer applications and general engineering products used in building (unlacquered) and transportation applications such as truck trailers.

Market characteristics, products

The aluminium rolled products industry is characterized by economies of scale with significant capital investment required to achieve and maintain technological capabilities and meet demanding customer qualification standards. The service and efficiency demands of large customers have encouraged consolidation among suppliers of aluminium rolled products.

Our rolled products business provides a wide variety of products for different industries. Our customer base includes customers in the packaging, automotive, transport, building, engineering, electrical and printing industries, including key companies like Tetra Pak (aseptic foil), Kodak, FujiFilm and AGFA (Litho), Ball, Rexam and Crown (can), Behr, Valeo, Denso, Modine and Linde (heat exchanger) and BMW and Daimler (Automotive). Our customers tend to be more global, but the market also has regional characteristics partly because some rolling mills are not equipped to produce all types of aluminium rolled products.

Our foil business is a global player with a strong leadership position in the high value-added liquid packaging market sector. Other important markets we serve include converter and converted foil applications for packaging. Foil represented about 15 percent of our total rolled products business in 2007.

The lithography market is characterized by a high degree of concentration both in terms of demand and supply driving an increasingly competitive market situation. We are the largest producer in the lithographic products market with sales comprising 16 percent of total rolled products shipments in 2007. Sales to Kodak, Agfa and Fuji represent a large portion of our volume.

Our packaging and building business comprises beverage can as well as lacquered building products, representing about 26 percent of our total rolled products shipments.

Our automotive, heat exchanger and general engineering activities comprise about 43 of our total rolled products business.

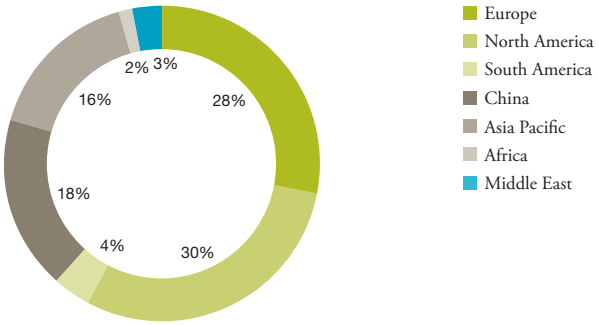
Key value drivers

We focus on value-creation for our customers in order to maintain our preferred supplier position. We achieve this by a continued emphasis on product quality and cost effectiveness through research, product development and innovative solutions as well as priortizing our service approach toward our customers. To foster a strong market orientation, our sales function is organized centrally along our business lines and is supported by regional sales offices to enable the optimization of market contact and sales potential while, at the same time, facilitating the production planning and distribution for our entire system.

The rolling industry is capital intensive and capacity utilization is an important factor. However, the balance between capacity utilization and optimizing high margin products is a key success factor for improving profitability. We focus on technological leadership and operational excellence as well as margin management in order to drive the performance of this business. For 2007, given the strong market, we have

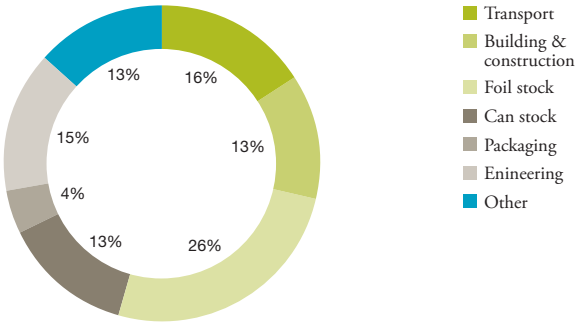
Flat rolled products consumption global 2007

Total market 17,000 mt



Flat rolled products consumption Europe 2007

Total market 3,900 mt



Most of the metal we process is sourced internally based on an arm's-length prices with reference to the LME price.

generally operated at full capacity for all of the plants in our system. We continually focus on reducing operating costs through continuous improvements and sharing best practice across our system.

Production

The rolling process consists of heating sheet ingot of 600 millimeters (mm) up to around 500 degrees Celsius and gradually rolling it into thicknesses of between 3 to 13 mm for further processing. Once cool, the thinner metal is further processed in cold rolling mills producing various types of rolled products including foil, lithographic sheet, sheet and strip. An alternative process, continuous casting, converts molten metal directly into coiled strip, typically 4-8 mm thick.

Our rolled products production system is European based, with seven plants in Europe, and one in Malaysia. Our system mainly consists of so-called "wall-to-wall" processing plants including an integrated cast-house combined with both hot and cold rolling mills. Around 10 percent of our production is based on a continuous casting process (Inasa, AISB, Karmøy).

Most of the metal we process is sourced internally based on arm's length prices with reference to the LME price. External supplies of rolling ingot amounted to approximately 12 percent of our total requirements in 2007. In addition, we recycle process scrap from customers and scrap collected from the market, together with our own process scrap.

The table below includes the ownership interest and sales volumes per main site in our rolled products production system for 2007, 2006 and 2005.

Grevenbroich/Alunorf (Germany)
Grevenbroich is the center of our foil and lithographic sheet operations and also produces substantial volumes of strip products. The plant is supplied with products for cold-rolling from the near-by AluNorf hot rolling mill. Founded in 1922, Grevenbroich had 1,800 employees at the end of 2007. The plant produces a wide-range of products for the automotive strip, building products, can, foil, heat exchanger, food/speciality products and lithographic strip markets.

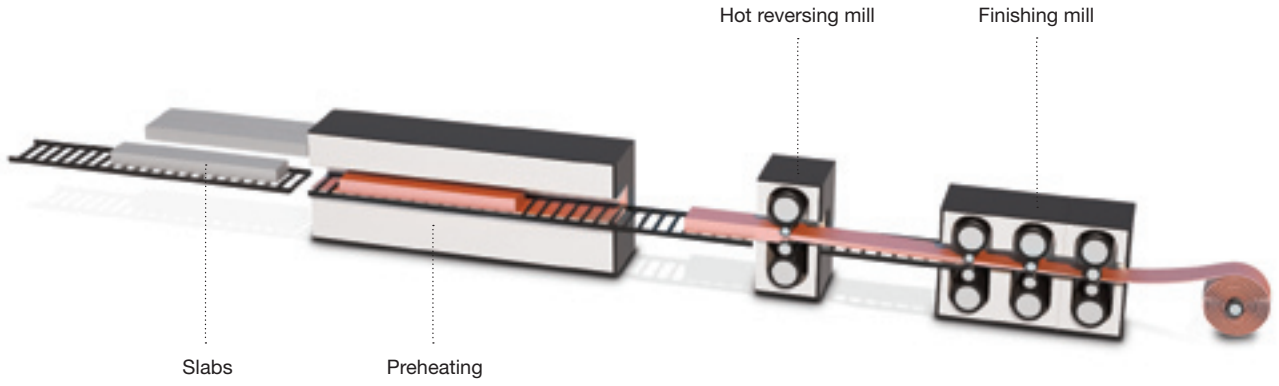
Aluminium Norf GmbH (AluNorf) was founded in 1965 and has continuously been modernized and expanded. It is currently the world's largest hot rolling mill. AluNorf is located in Neuss, Germany and had 2,100 employees at the end of 2007. The company is organized as a joint venture between Hydro and Novelis, each holding a 50 percent ownership interest. Alunorf is partly supplied with sheet ingot from our primary metal plant located nearby in Neuss.

Hamburg (Germany)
Founded in 1972, our plant in Hamburg employed 650 people at the end of 2007. The plant consists of an integrated cast-house and rolling mill producing products mainly for general engineering applications as well as for automotive and heat exchanger applications. A major upgrade of both the hot and cold rolling mills and the logistic system of the plant took place in 2000-2001.

Rolled Products production sites

Production volume (1,000 mt)	Location	**2007**	2006	2005
AluNorf/Grevenbroich (50/100% share)	Germany	**594**	575	540
Hamburg	Germany	**152**	150	142
Slim	Italy	**86**	80	78
Inasa	Spain	**24**	25	25
AISB (81% share)	Malaysia	**17**	15	22
Karmøy	Norway	**70**	70	63
Holmestrand	Norway	**89**	85	83
Total, excluding internal sales		**1,030**	1,003	953

The rolling process



The slabs are preheated before entering the hot reversing mill. The sheets are rolled to the desired thickness in the finishing mill.

Slim (Italy)
Slim, located near Rome, was founded in 1964 and employed 480 people at the end of 2007. In 2005-2006 a new state-of-the-art cold rolling mill was installed and a major upgrade of the hot rolling mill was undertaken. The plant has an integrated casthouse. A new cold rolling mill was installed in 2001. The plant produces products used for a variety of applications, including general engineering, heat exchangers and packaging.

Holmestrand (Norway)
Our Holmestrand rolling mill is located on the inner Oslo fjord and commenced operations in 1917. At the end of 2007 the plant employed around 400 people. Holmestrand also has a laquering plant and an integrated casthouse. The plant produces building, heat-exchanger, general engineering and special products.

Inasa (Spain)
Inasa is one of the smaller operations in our system, founded in 1957 with a workforce of 250 employees at the end of 2007. Production is partly based on continuous casting, and partly on reroll mainly supplied by Alunorf. Inasa produces several applications, including foil, heat exchangers and packaging.

AISB (Malaysia)
AISB is located in Johor, Malaysia. The plant was founded in 1985 and employed 250 people at the end of 2007. The plant consists of a continuous casting and cold rolling mill. AISB produces several applications, including foil, general engineering and packaging mainly dedicated to the regional market.

Karmøy (Norway)
Our rolling operation in Karmøy is located together with our primary metal plant. Operations commenced in 1968 and the plant employed 220 people at the end of 2007. The plant consists of a continuous casting operation producing general engineering as well as internal paintstock for our operations in Holmestrand.

Extrusion

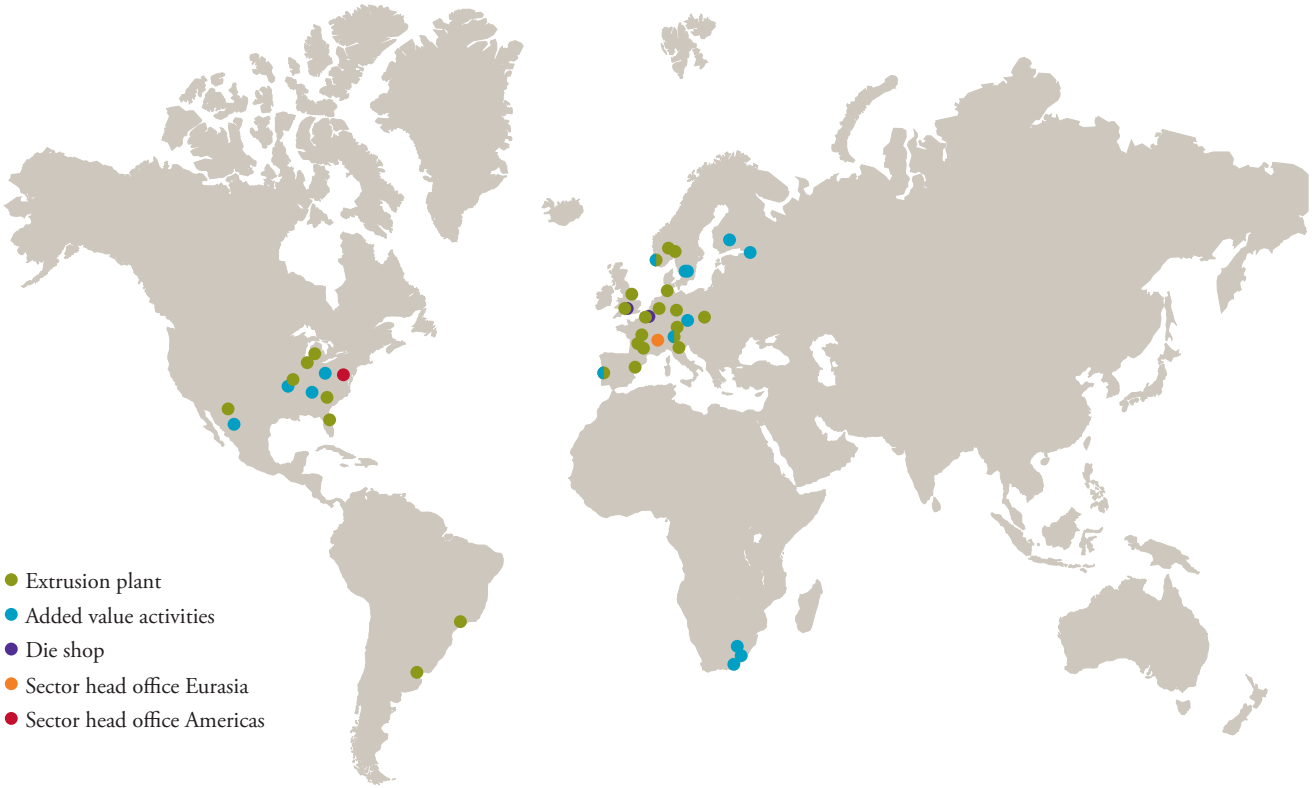
Introduction

Our extrusion business consists of general extrusion activities organized into two geographic business sectors – extrusion Eurasia and extrusion Americas – and our building systems activities organized as a separate business sector. We have major operations throughout Europe and North and South America in addition to minor operations in Asia and Africa. In Europe, we are among the leading players with an estimated market

Extrusion sales volume

Tonnes to external market (1,000 mt)	**2007**	2006	2005
Extrusion Eurasia	**308**	301	270
Building Systems	**82**	80	75
Extrusion Americas	**118**	145	145
Total	**508**	526	490

Extrusion locations



share at 16 percent for 2007. We are one of the larger operator in North America with an estimated market share of around 7 percent. We have a solid foothold in South America with plants in Brazil and Argentina that provide a basis for future development in the region.

Hydro supplies custom-made extrusions of soft alloy aluminium to a broad range of market segments. We also operate a range of value-added activities such as surface treatment, anodizing, liquid painting and powder coating, general fabrication and contract manufacturing activities. Our building systems operations design and fabricate components and finished products based on extrusions from our system for a wide range of building applications and solutions. Surface treatment and fabrication activities represent an increasingly important part of our extrusion-related activities and are key elements in the further strategic and financial development in our markets.

We are a major global supplier of building systems based on aluminium extrusions. We have a wide product range and are active in all parts of the industry, offering everything from single home residential solutions to large international tender projects.

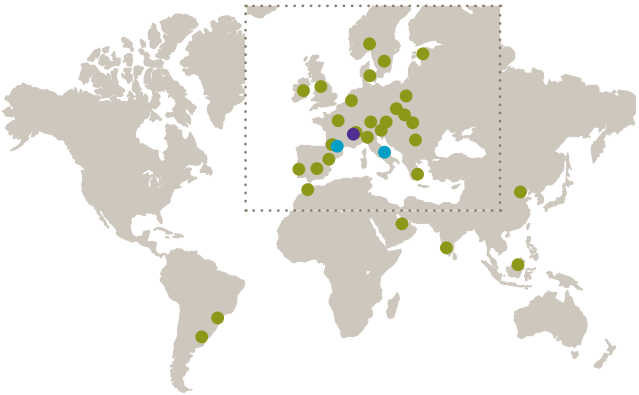
Market characteristics, products

General extrusions

The use of aluminium extrusions is increasing rapidly throughout the world. As a construction material, extrusions provide the opportunity to think along entirely new lines due to significant advantages in terms of weight, strength and durability compared to competing materials, as well as superior design, production and fabrication characteristics. Aluminium extrusions are used in practically all businesses, products, and environments, including transportation (cars, buses, trucks, trains, aircraft, etc.) electronics (computers, printers, TV's, etc) appliances (refrigerators, freezers, ovens, dishwashers, etc.), building (windows, doors, facades, etc.) and domestic and office equipment, furniture and fittings.

The European extrusion industry provides European customers within all end use market sectors with aluminium profiles of generally high quality at very competitive prices. Competition among producers has increased significantly over time, and markets have evolved from being regional within a country to areas covering several countries. This has limited the growth of imports from outside of Europe although there is a small increase in low cost imports.

Building Systems locations



- Systems company / sales office
- Dedicated extrusion plant
- Sector head office

Extrusion Eurasia
Our European extruders serve the general soft alloy extrusion market with a wide range of shapes and alloys. We sell quality extrusion profiles, delivered according to specifications, on time to customer in most industries. We do not focus on standard profiles because of the strong competition and low margins within that market segment. Our local extruders work closely together with their customers, and tailor make aluminium profiles and services to each customer's need. We do not offer finished goods to the market, but create value by enabling our customers to develop excellent products, and to manufacture and ship their products efficiently to their customers.

Extrusion Americas
Extrusion Americas supplies custom extrusions and extrusion-based components in the US, Brazil and Argentina. In the US, we are a major supplier of drawn tubing as well. Approximately 80 percent of our total Extrusion Americas sales volume for 2007 was delivered to the US market.

In the US we serve highly diverse markets, and provide a wide range of end use products. Our US customer base ranges from global manufacturing enterprises to local entrepreneurs. We focus on serving those customers and segments where close integration and special service create value for the customers, and have particular competence in complex fabrication and assembly services.

In Brazil, we have a strong position in the construction market, offering façade systems for major projects as well as door and window systems for the residential market. We also have a growing industrial market, fabricating extrusion based enclosures for the telecom market, and supplying bus components, among others. Our position in Argentina is similar, with a growing industrial focus supplying several manufactures.

While operating in three distinctly different markets, our approach is the same – a focus on providing value-added solutions through close collaboration with customers and prospects. However, the market challenges are distinctly different in these markets. The US market is suffering through a major downturn in the extrusion market. As a result, our focus has been on downsizing, restructuring and driving new business. In South America, the challenge has been one of coping with strong market growth, and enhancing service in the face of rapid growth.

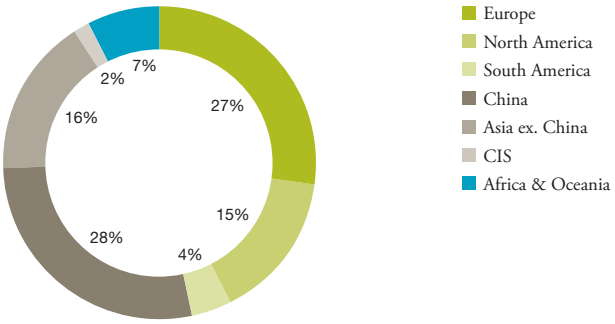
Building systems
Our building systems operations design, supply and deliver solutions for products such as aluminium windows, doors, facades, and other building applications. Each of our three brands, Technal™, Wicona™ and Domal™, represent a distinct system enabling our customers to tailor-make their offerings to the market meeting a wide range of demand from single window replacements to the erection of façades on major structures such as new airports or high rise buildings. Our technologies enable architects and builders to develop visibly attractive design solutions, while providing a variety of functional characteristics in terms of thermal requirements, sound- and wind insulation, earthquake safety, fire resistance and theft resistance.

Extrusion sales volume per market segment (external sales)

Tonnes to external market (1,000 mt)	Extrusion Eurasia	Extrusion Americas	Building Systems
Domestic & office equipment	28	17	
Building & construction	138	42	82
General engineering	36	10	
Electrical	26	11	
Transport	50	25	
Other	30	13	
Total	308	118	82

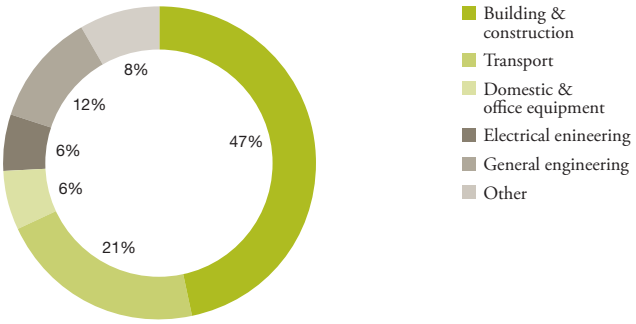
Extrusion consumption global

Total market 10,800 mt



Extrusion consumption Europe and North America

Total market 4,600 mt



A fragmented European market favoring solutions linked to regional building habits and local culture underlies our network of brands and geographic locations that enable us to compete by differentiating our product range while providing a strong level of service. We operate out of 75 locations in Europe including sales, technical support, service and distribution operations.

We are increasingly expanding our building system activities outside Europe. In 2007, sales of building systems outside Europe reached close to 10 percent including growth in India and the Middle East, some success in China and a new start-up in South America. We believe that our ability to succeed in the demanding European market, influenced by stringent government regulations, represents an important competitive strength that we can benefit from on a global basis. We operate out of three locations in Asia and two in the Americas.

Energy cost, and the dramatically increasing focus on CO_2 emissions are expected to drive demand for new, more sustainable building solutions. Some 30-40 percent of all energy consumption and CO_2 emissions globally are linked to buildings and occupancy comfort. Substantial efforts are underway within the building industry to find solutions for low energy, self- supporting, and energy generating buildings. We are playing a leading role in activities and initiatives sponsored by European Aluminium Association's and the UN's Initiative for Sustainable Building and Construction. To stay in the forefront we are also expanding our development centres based in Milano, Toulouse, Ulm and Bangalore and establishing a separate project center in Barcelona for solar energy related solutions.

Production

Extrusion production process

The extrusion process starts by preheating extrusion ingots which range between 150 and 300 mm in diameter and up to 7 meters in length. Extrusion involves pressing the preheated metal (450-500 degrees centigrade) under high pressure (1,600 -6,500 tons) through a die which forms the metal into the desired shape. The process speed depends on the alloy and the complexity of die and can take from 5-80 meters per minute. The extrusion is then cooled and stretched in order to eliminate stress and straighten the metal.

Dies are made of high temperature resistant steel and come in thousands of shapes, sizes and levels of complexity. They are relatively low cost making the extrusion process suitable for the production of trials and prototypes.

Surface treatments such as anodizing, powder coating, lacquering and various mechanical treatments, such as grinding and polishing, are employed to reduce corrosion and mechanical wear or provide decorative appearance.

To make fitting and assembly more efficient, extrusions often go through some form of fabrication, including machining (cutting, drilling, tapping, etc.), joining (welding, gluing, bolting, riveting) and other types of value-added activities.

Our building systems operations design, supply and deliver solutions for products such as aluminium windows, doors, facades, and other building applications.

Extrusion plants and related operations
In 2007, our total production of extruded products from our extrusion sectors in Europe and the Americas including extrusion activities in Building Systems was approximately 540,000 mt.

A key to the success of our European extrusion business is our network of smaller, relatively independently operated extrusion plants where decentralized organizations are intended to ensure good market alignment and close contact with customers and where plants actively use internal benchmarking and apply best practices to ensure continuous improvements in the flexibility and efficiency of operations.

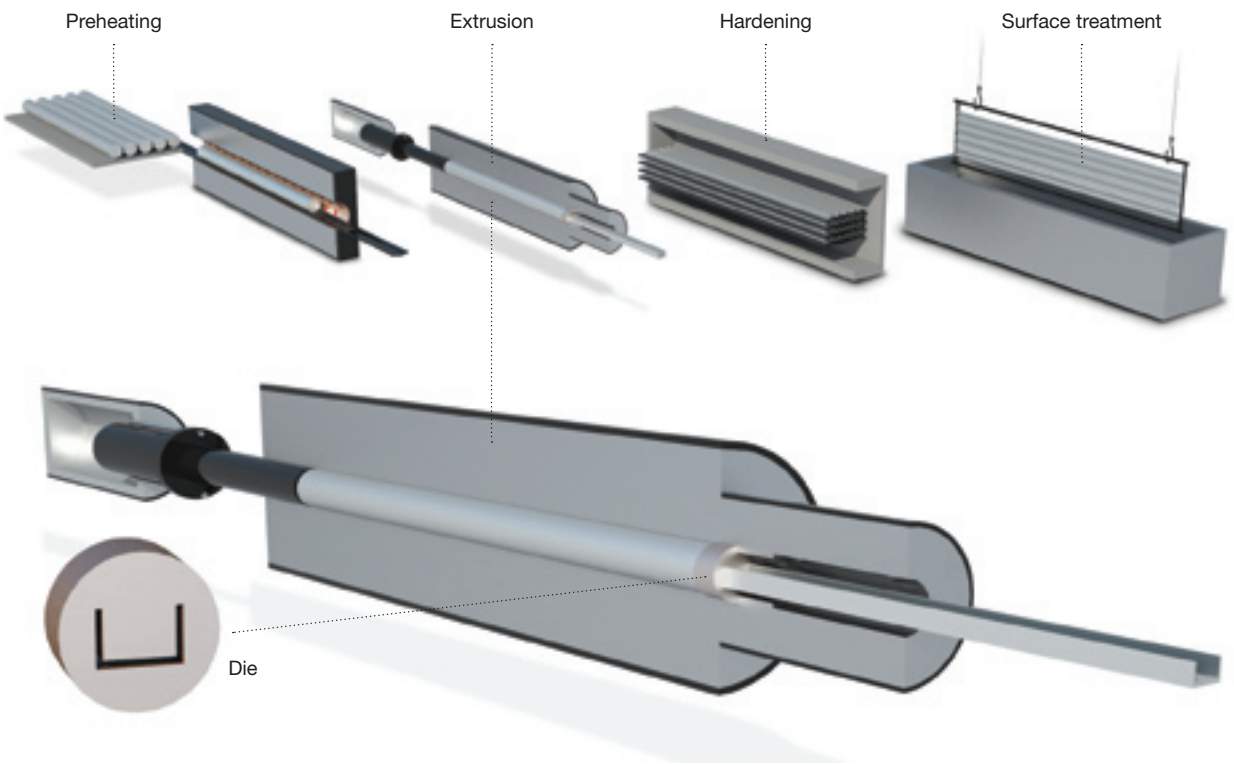
Many of the plants in our system are characterized by modern equipment and facilities and advanced technology enabling high efficiency, reliable deliveries and consistent quality. We possess considerable experience and skill in fabrication and surface treatment offering an important resource to our customers and contributing to the production of finished components and the supply of system solutions.

With our special skills in material and production technology we function as a development partner assisting with the optimization of an applications characteristics and design as well as with production start-up.

Extrusion Eurasia
Our Extrusion Eurasia business sector is headquartered in Lausanne, Switzerland and operates out of 33 locations in Europe including sales offices throughout the continent. We have extrusion plants in 11 countries including in Austria, Belgium, Denmark, France (3), Germany (3), Italy, Norway (3), Portugal, Poland, Spain and the UK (2). In addition to the extrusion plants we have 10 smaller die production and fabrication sites in Europe. At the end of 2007 we employed a around 3,800 people in our extrusion Eurasia operations.

Extrusion Americas
Our Extrusion Americas business sector operates 12 extrusion/fabrication plants in the Americas and is headquartered in Baltimore, US. Our production facilities in Americas are located mainly in the midwest with four plants, in the south east with two plants and one plant in the western part of the country. We employed approximately 1,900 people in our Extrusion North Americas business at the end of 2007 following significant reductions in manning as part of our efforts to reduce costs and improve the performance of this business. We also operate plants in Argentina and Brazil employing about 300 people at the end of 2007.

The extrusion process



The ingots are preheated, extruded through a die and hardened before surface treatment.

Automotive

Hydro's automotive business is comprised of our precision tubing and automotive structures business sectors. During the first quarter of 2007, we completed the divestment of our automotive castings business and finalized the closure of the magnesium plant in Becancour, Canada. An agreement for the sale of our magnesium remelters in Germany and China was concluded in July 2007 and minor operations were disposed of during the remainder of the year. A decision was taken to terminate efforts to divest our automotive structures business and initiatives are underway to turn this business around.

Automotive locations

- Automotive Structures plant
- Precision Tubing plant
- Die shop
- Sector head office

Automotive Structures is one of the leading suppliers of extrusion-based crash management applications such as bumper beams, crash boxes and structural components to the automotive original equipment manufacturers (OEM) in Europe and North America. Hydro is a global leader of aluminium crash management systems, and has built up a world-class technology and customer base in aluminium automotive structures.

Precision Tubing makes products used primarily within radiators, evaporators, fuel coolers and liquid lines. We have a significant market presence in Europe, North and South America as well as Asia.

Market characteristics, products

Automotive Structures

The market for supplying structural automotive components is highly fragmented. We are among the global market leaders with a market share of about 6 percent. OEMs are increasingly outsourcing engineering and assembly to outside suppliers resulting in a shift of costs, responsibilities and R&D expenditures from OEMs to the supplier industry. Suppliers are increasingly evaluated not only on the basis of near-term price and long-term cost reduction programs, but also for their stability, reliability, product design knowledge and production engineering capabilities.

Aluminium offers a high potential for weight savings combined with superior safety characteristics due to very high energy absorption levels. Furthermore, aluminium is easily recycled and helps reduce carbon dioxide emissions due to weight reductions. Increased pressure on fuel economy and emissions reductions, including potential new environmental legislation, is therefore expected to increase the use of aluminium in automotive structural systems and solutions.

Our automotive structures operations supply the leading global OEMs, such as BMW, VW, Ford, Daimler, Renault, PSA and GM, and the Japanese car manufacturers Toyota and Honda. Contracts are typically awarded three year in advance of the start of production with a duration that usually lasts for the entire life cycle of the relevant car model (5 to 6 years or longer). Costs to the manufacturers associated with changing suppliers are normally prohibitive.

Our automotive structures operations are divided into three main product groups:

Crash management systems include front and rear bumper beams, crash boxes and connection parts for small and medium size passenger cars. Manufacturers are increasingly demanding more sophisticated crash management solutions, in particular for the front of the car with features such as welded crash box systems and pedestrian protection, rather than traditional constructions such as simple bumper beams.

Automotive sales volumes [1)]

Tonnes to external market (1,000 mt)	**2007**	2006	2005
Precision Tubing	**73**	66	59
Structures	**44**	36	41
Total	**117**	102	100

1) Automotive sale is excluding divested business Magnesium, Castings and Worcester.

Rear bumpers solutions are less complex and cost is the important driver.

Structural components include sub-frame parts, complete sub-frames, roof headers, longitudinal reinforcements and windshield frames. There are a large number of structural steel components which could be designed in aluminium, creating attractive growth opportunities within this product area. Reducing vehicle weight is expected to be a key factor in meeting new legislation for compulsory reductions in auto emissions within the Euro zone.

Roll-over protection systems for convertibles is a fast growing segment within the automotive market. We have been developing and manufacturing roll-over protection systems since the early 1990's and aim to take a leading position within the segment in Europe.

Precision tubing
The automotive market represents about 90 percent of the precision tubing business. The most important customer base is dominated by a limited number of very large players with heavily industrialised processes. The non-automotive segment is characterised by large numbers of manufacturers in all regions of the globe with very little standardisation in their products.

Our Precision Tubing business sector manufactures products used in heat transfer applications, both for automotive and non-automotive market segments, and tube lines for carrying liquids or gases. We offer a complete package of products on a global basis.

Heat transfer applications depending on our products include air-conditioning and cooling systems, radiators, heat pumps, charge air coolers, transmission oil coolers and evaporators. We have a strong presence in this market supplying global automotive customers such as VW, Denso, BMW, Delphi, TI, Valeo, Hutchinson, Visteon, Parker and Behr. We also serve customers worldwide in promising non-automotive market segments.

Focus on the environment has accelerated development and decision making regarding refrigerants. CO_2 (R744) will be introduced in the European automotive market and on a global basis for other heat transfer applications. Hydro is a leader in developing aluminium solutions for CO_2 systems.

Our automotive structures operations supply the leading global original equipment manufacturers, such as BMW. Aluminium offers high potential for weight savings.

Production

With a diversified production network, our automotive structures business serves customers locally with a global product offering. We believe this gives us a competitive advantage, in particular in the automotive sector, allowing us to take advantage of market opportunities which vary significantly by region. Our five automotive structures manufacturing plants in Europe and one in the US are designed to meet the needs of a high quality and diversified OEMs customer base. Our production system includes plants in Norway, Sweden, Denmark, Germany, France and the US. Each of our plants specializes in specific products and processes, and we control the entire manufacturing process from alloying and casting billets to extrusion, forming, machining, welding and assembly.

We have four precision tubing manufacturing operations in Europe, located in Denmark, Belgium, the UK and Germany, and three plants in the US: one in Florida and two in Michigan. In addition, we have one precision tubing operation in Brazil and, in August 2006, we commenced production in our new precision tubing plant in Reynosa in northern Mexico. We also have a precision tubing plant in China that started production in May 2005. During 2007, we continued the rationalization program started in 2006 to improve the operational and financial performance of our precision tubing business, in particular our North American operations, through cost-reduction programs at the plant level. In addition, a plan for ramp-up of the recently installed production capacity in Mexico is underway.

ENERGY

Industry overview

Hydro sources energy for its worldwide aluminium operations through external, long-term supply arrangements, self-generated power and short-/medium-term market contracts. In Norway, about 50 percent of the energy consumption of our wholly-owned smelters is covered by internal contracts from Hydro's own hydropower operations. While the primary part of our power production is supplied internally, shortages and surplus in the Norwegian power portfolio are balanced in the traded Nordic electricity market.

Nordic electricity market developments

Norway was one of the first countries to liberalize its electricity market and introduce competition in the generation and trade of electricity. The Norwegian electricity market was deregulated in 1991 based on the implementation of a uniform tariff system for grid transmission supervised by an independent system operator, Statnett. With the establishment of the Nord Pool power exchange and the subsequent deregulation and integration of the electricity markets in Sweden, Finland and Denmark, a common Nordic electricity market emerged in 1999.

In 2007, the Nordic generation mix was comprised of hydropower (54 percent), nuclear power (22 percent) and other sources (24 percent), mainly thermal power. In Norway, nearly all power generation is based on hydroelectric power. The market price for power is set by a multitude of supply and demand factors, including hydrological conditions, fuel generation costs, CO_2 emission costs, export/import prices and temperature/weather conditions influencing consumption patterns.

Partly due to the strong influence of hydrological conditions, there have been large variations in the Nordic power price during the last several years, both on a quarterly and annual basis. Driven by increased interconnector transmission capacity and through common pricing of CO_2 emission rights, the Nordic power price is increasingly influenced by power prices on the European continent, particularly in Germany.

Total electricity consumption in the Nordic region amounted to 396 TWh in 2007, of which Norway accounted for 32 percent. Total Nordic power production was 393 TWh in 2007, up 3 percent from 2006 primarily because of increased hydropower production in Norway. Net imports to the Nordic region was 3 TWh, a decrease from 11 TWh in 2006.

Continued focus on renewable energy

Worldwide interest in new energy solutions continued to increase in 2007 due to an increasing awareness of the seriousness of climate change. The EU, in particular, has put these issues high on its energy agenda and this is expected to influence the energy markets in the future.

The EU has set ambitious goals for its energy and climate change policies. On 23 January 2008, the European Commission presented a package of proposals which outline the concrete measures needed to put these goals into practice. The proposals have an important impact on our business because they are expected to have a significant influence on power prices and environmental regulations in Europe. Important issues for Hydro are:

- The review of the EU greenhouse gas emission allowance trading scheme (ETS), which is set to include aluminium production (primary and secondary) beginning from 2013
- The new directive on the promotion of renewables, which will be a determining factor in achieving the EU's 20 percent emissions reduction target by 2020
- The effects of these proposals on energy-intensive industries, and possible mitigation measures.

Growth prospects in the solar industry

Significant technological developments, efficiency increases and improved regulatory incentive schemes in key countries, such as Germany, Spain and the US, have supported annual growth rates of more than 30 percent in the solar photovoltaic industry over the last five years. Technology and scale-driven cost savings for solar systems are expected to open an increasing number of additional markets for solar energy products. Industry observers and analyst consensus indicate continued support for high growth up to 2020, with attractive opportunities across different technologies and along the value chain.

The solar photovoltaic industry is today developing around two leading technologies: solar cells made from crystalline silicon wafers and thin film technologies based on ultra thin layers of semiconductor compounds. Crystalline silicon is by far the leading technology, today accounting for more than 80 percent of the world market for solar cells. Crystalline silicon-wafer based solar cells are made from solar-grade silicon and through a multi-step manufacturing process from drawing and cutting ingots, sawing wafers, surface treatment and the mounting of cells to form solar panels and modules. Thin-film modules are constructed by depositing thin layers of photosensitive materials on, for example, flexible plastics. Thin-film technologies are expected to have increasing importance due to lower cost per watt and flexible applications.

The strong long-term prospects and the current shortage in polysilicon supplies have recently attracted many new entrants to the solar industry, including key industrial players. Significant capacity increases have been announced within polysilicon, cell manufacturing, thin film and other technologies, but recently observed capacity constraints from key technology providers question the scope and pace of these developments. The cost position, technology platform and market presence will be of critical importance for sustaining competitiveness in the solar industry.

Operational information

Power activities

Hydro operates 17 hydroelectric power plants in Norway, with a total installed capacity of 1,762 MW and an annual normal production of 9.0 TWh. In 2007, which was characterized by record high inflow of water into our reservoirs during the summer months, we produced 11.0 TWh – the second highest recorded production in our history.

Our power plants are located in three main areas, Telemark, Sogn and Røldal-Suldal, and are managed from a common operations center at Rjukan, in Telemark. Administration and commercial operations are located in Oslo. In addition to our own power plants, we hold a 20.9 percent interest in SKS Production AS, a regional hydropower producer in Northern Norway with 1.7 TWh of normal production capacity, and a 33 percent interest in Skafså Kraftverk ANS located in Telemark.

Telemark

The power system in Telemark is Hydro's oldest and consists of six stations: Frøystul, Vemork, Såheim, Moflåt, Mæl and Svelgfoss. Svelgfoss began operations in 1907 to supply power to Hydro's first potassium nitrate fertilized production at Notodden, Norway. Vemork was constructed in 1911 and was, at the time, the world's largest hydropower plant. When Såheim was added in 1915, the two plants were the foundation for the industrial development of Rjukan. All the power stations along the Måna river from Møsvatn to Tinnsjøen were modernized between 1990 to 1996.

The catchment area for the power plants in Rjukan totals 4,108 square kilometers, of which the Møsvatn field constitutes 1,509 square kilometers. Møsvatn is Norway's third-largest reservoir, with an energy storage potential of 2,200 GWh – enough to power 90,000 homes for a year.

Sogn

Hydro's power system in Sogn consists of the four power stations at Tyin and Fortun. A completely new Tyin power station, with higher installed capacity and production than the original plant constructed in 1944, was opened in 2004. There are plans to re-use the original plant by moving the water intake further down-stream to Holsbruvann in the Tya river. The power stations at Fortun were built to satisfy increased energy demands for Hydro's Årdal aluminium plant.

The catchment areas for the power stations at Tyin and Fortun are 387 and 374 square kilometers, with reservoir capacity of 369 and 292 million cubic meters, respectively. The Sogn hydropower facilities have remaining concession periods ranging from 44 to 50 years.

Røldal-Suldal

Hydro's power system in Røldal-Suldal consists of reservoirs and seven power plants along the Røldal and Suldal watershed and terminating at Suldal Lake. The development of the Røldal power plant and the other power facilities in Røldal-Suldal during 1963-1968 was closely linked to the need for electric power at Hydro's aluminium plant at Karmøy. Hydro owns 95.2 percent of the power plants at Røldal and Suldal with Statkraft owning the remainder. The companies use power from plants based on the same ratio.

The power plants at Røldal-Suldal have a catchment area of 793 square kilometers and a reservoir capacity of 833 million cubic meters. Røldal-Suldal has a remaining concession period of 15 years.

Reversion of power plants to the Norwegian state

Under the current legislation, Hydro's power plants at Røldal-Suldal, with a normal annual production of 2.7 TWh, may be the first significant production facilities to revert to the

Power production

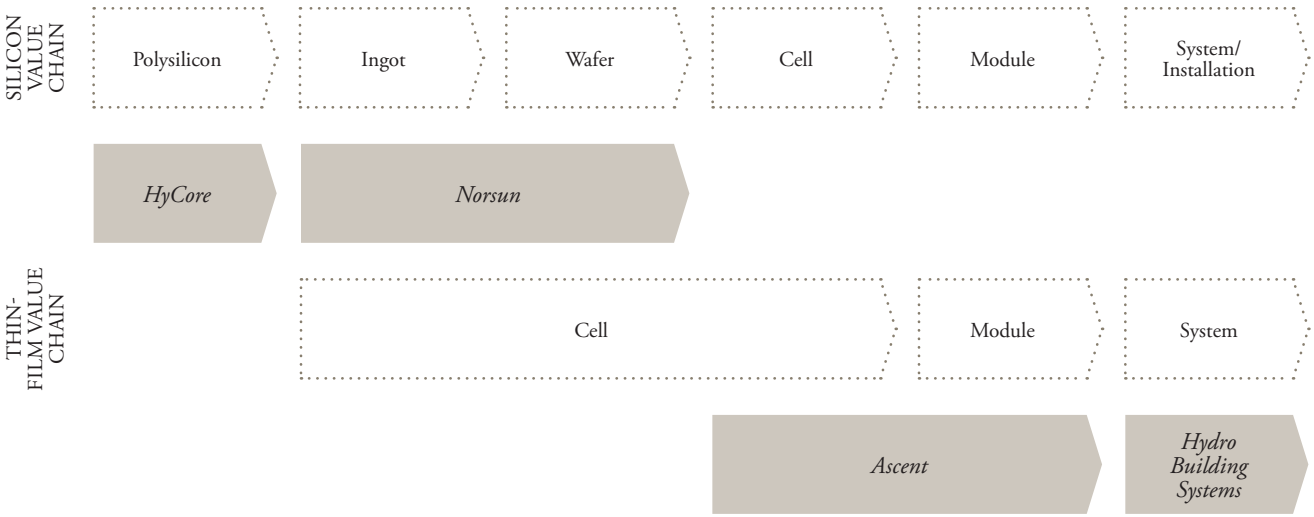
	2007	2006	2005
Power production (GWh)	**11,018**	8,326	10,728

Overview power plants

	No. of power stations	Installed capacity (MW)	Normal annual production (TWh)	No. of employees
Telemark	6	500	3.3	36 [1]
Sogn	4	682	3.0	27
Røldal-Suldal	7	580	2.7	33
Total	17	1,762	9.0	96

1) Incl. common operations center at Rjukan.

Solar positioned in both silicon and thin/film value chains



Norwegian state in 2023 (see also discussion included in "The Norwegian regulatory system for hydropower production" in the following section "Regulation and taxation" – "Energy regulation and taxation"). In total, about two-thirds, or 6.0 TWh per year, of our normal annual production operates under terms of Norwegian state reversion, with individual concessions expiring in two main parts around 2023 and 2050. Title concessions on the remaining part of our hydropower production capacity, approximately 3 TWh per year, do not contain a compulsory reversion to the Norwegian government.

Solar activities

During 2007, we strengthened Hydro's foothold in the solar industry, building on our industrial and technological competence base and our investments in associated partnership companies.

Ascent Solar Technologies Inc.

Hydro has invested NOK 118 million for a 22 percent ownership interest in the NASDAQ listed solar energy company Ascent Solar Technologies Inc., a Colorado, US-based producer of flexible solar modules. Ascent has developed a cost-efficient roll-to-roll process during which copper, indium, gallium, and selenium (CIGS) are deposited on a flexible plastic foil which is then encapsulated in a protective material. The active layers in the thin film, which convert sunlight into electricity, are only three micrometers thick (three-thousandths of a millimeter), only a fraction of the thickness of conventional silicon wafer-based solar cells which are around 200 micrometers thick. Ascent's solar modules are flexible and can easily be applied to curved surfaces, in addition to more conventional uses. This flexibility makes the Ascent solar cells particularly suitable for building integrated solutions. Hydro is currently developing building solutions such as facade systems with integrated solar solutions.

Norsun AS

Hydro has invested NOK 150 million in the Norwegian solar energy company Norsun AS. Norsun is currently constructing a plant in Årdal, Norway for the production of monocrystalline silicon wafers for solar cells. Monocrystalline silicon wafers are made of pure silicon and used in the manufacture of energy-efficient solar cells and panels. The silicon wafers will be sold on the international solar energy market. Hydro holds a 16 percent interest in the company, which is also investing in complementary solar energy technologies. Norsun was formed by Mr. Alf Bjørseth, well-known within the international solar energy community and one of the founders of the Renewable Energy Corporation AS (REC).

HyCore ANS

In 2007, Hydro established the HyCore ANS partnership with the Belgian industrial company Umicore SA for the development of new manufacturing processes for solar-grade polysilicon used in solar cells. HyCore's first milestone will be to construct a pilot plant at Hydro's industrial park at Herøya in Porsgrunn. The pilot plant, which is expected to be completed in 2008, will have an annual capacity of around 20 tonnes of solar-grade silicon. If the pilot program is successful, the intention is to construct a larger facility with the capacity to produce industrial-scale volumes by 2010.

REGULATION AND TAXATION

Hydro is subject to a broad range of laws and regulations in the countries and legal jurisdictions in which we operate. These laws and regulations impose stringent standards and requirements and potential liabilities regarding accidents and injuries, the construction and operation of our plants and facilities, oil spills or discharges, air and water pollutant emissions, the storage, treatment and discharge of waste waters, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination, among other things. We believe we are in compliance with currently applicable laws and regulations.

Aluminium – regulation

Environmental matters

Hydro's aluminium business is subject to a wide range of environmental laws and regulations in each of the jurisdictions in which it operates. These laws and regulations, as interpreted by relevant agencies and the courts, impose increasingly stringent environmental protection standards regarding, among other things, emissions, the storage, treatment and discharge of wastewater, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination. The costs of complying with these laws and regulations, including participation in assessments and remediation of sites, could be significant.

Aluminium production is an energy-intensive process that has the potential to produce significant environmental emissions, especially air emissions. Carbon dioxide, a greenhouse gas, is a major emission from primary aluminium production. The European Commission adopted a directive that limits carbon dioxide emissions from a broad range of industries and establishes an internal emission trading system (ETS). So far, the aluminium industry has not been included in the emission-trading directive, but has been exposed to the EU emission-trading system through the indirect effects of regulation of the power generation industry and the resulting increase in power prices. The European Commission has recently proposed to amend these rules to include primary and secondary aluminium production in the ETS for the post 2013 period for the direct emissions of CO_2 and PFC gases.

In the European Union and other jurisdictions, various protocols address transboundary pollution controls, including the reduction in emissions from industrial sources of various toxic substances such as polyaromatic hydrocarbons, and the control of pollutants that lead to acidification.

The European Union has a framework of environmental directives integrated into the Water Framework Directive (2000/60/EC) regarding discharges of dangerous substances to water. The implementation of the Directive has started in Europe and must be finalized by 2009. The manner in which this Directive will be interpreted and enforced cannot be predicted. However, based upon the information currently available, Hydro's management does not believe it will have a material negative impact on its business. The United States has a regulatory permit system limiting discharges from facilities to water bodies and publicly-owned treatment works, as well as regulations to prohibit discharges of hazardous substances into groundwater.

Hydro has a number of facilities that have been operated for a number of years or have been acquired after operation by other entities. Subsurface contamination of soil and groundwater has been identified at a number of such sites and may require remediation under the laws of the various jurisdictions in which the plants are located. Hydro has made provisions in its accounts for expected remediation costs relating to sites where contamination has been identified that, based on presently known facts, it believes will be sufficient to cover the cost of remediation under existing laws. Because of uncertainties inherent in making such estimates, it is possible that such estimates could be revised and increased in the future. In addition, contamination may be determined to exist at additional sites that could require future expenditure. Therefore, actual costs could be greater than the amounts reserved.

Hydro believes that it is currently in material compliance with the various environmental regulatory and permit systems that affect its facilities. However, the effect of new or changed laws or regulations or permit requirements, or changes in the ways that such laws, regulations or permit requirements are administered, interpreted or enforced, cannot be predicted.

Oslo and Paris Convention (OSPAR)

The Oslo and Paris Convention for the Protection of the Marine Environment of the North-East Atlantic has resulted in new discharge levels for the aluminium industry, related to the prevention of marine pollution, which were scheduled for implementation by all signatories to the Convention by 2007. In accordance with the Oslo and Paris Convention regulations, the Norwegian Pollution Authority has issued stricter emission permits for primary aluminium plants. As a result, the Søderberg primary aluminium production line in Høyanger was shut down in February 2006, and the Søderberg line in Årdal was closed in June 2007.

Integrated pollution prevention and control

Under the EU Directive on Integrated Pollution Prevention and Control 1996/61/EC (the "IPPC Directive"), from October 2007 existing industrial installations will require national operating permits based on best available techniques (BAT) for pollution prevention and control. The IPPC Directive already applies to all new installations. The European Commission has issued a guidance document relevant for the aluminium industry: Best Practice Reference (BREF) for the Non-Ferrous Metals Industries (2001). In 2000, the Norwe-

gian authorities established stricter emission limits for the aluminium industry in Norway from 1 January 2007 in line with the IPPC Directive. Hydro's aluminium production facilities comply with the new requirements except for the Søderberg facilities at Karmøy, which have been granted an exception until the end of 2009 respecting dust and PAH.

Climate gases

The EU Emissions Trading Directive 2003/87/EC (the ETS Directive) establishes a scheme for trading greenhouse gas emission allowances. The ETS Directive introduces limited allowances of carbon dioxide from emissions for combustion plants and certain specified industry sectors effective as of 1 January 2005, and has established a trading system whereby regulated facilities may procure and sell allowances depending on whether their emissions exceed or fall below the allowances allocated to them. The implementation of the ETS Directive in Germany, which resulted in a major pass-through of CO_2 allowance prices by producers to customers, together with little progress in energy market liberalization throughout Europe, has led to significant increases in the price of power, which again have necessitated restructuring throughout Germany's aluminium industry. All EU Member States' national authorities have set up National Allocation Plans and registries of carbon dioxide emission allowances, and the plans for the second trading period 2008-2012 have now been approved by the European Commission.This EU Directive is also relevant for the EEA and Norway will join the EU ETS in 2008.

Although emissions from aluminium production are currently excluded, the ETS Directive presently impacts production costs at Hydro's facilities in the EU indirectly through increased electricity costs. Meanwhile, the European Commission has recently proposed to amend the ETS Directive for the period beginning in 2013 including a proposal to include direct emissions of CO_2 and PFC gases from primary and secondary aluminium production in the ETS. The number of emission allowances and the method by which they will be distributed (gratuitously or against payment) could have a relatively high impact on Hydro operations both in Norway and in the EU from 2013 onwards.

EU aluminium tariffs

In 2007, the EU reduced the import duty on non-EU imports of primary aluminium from six percent to three percent. The EEA, of which Norway is a member, is exempt from such duty for aluminium metal produced in the EEA.

The World Trade Organization (WTO) round of negotiations on tariff and non-tariff barriers on industrial products may ultimately lead to further reduction, and perhaps an elimination, of aluminium tariffs. However, it is likely that changes arising from WTO commitments will not likely be phased in until 2009, at the earliest. Thus, the WTO negotiations are not expected to have a substantial impact on Hydro in the near future. The current level of the EU duty will be revised in 2010, when a further reduction may take place.

Although emissions from aluminium production are currently excluded, the ETS Directive presently impacts production costs at Hydro's facilities in the EU indirectly through increased electricity costs.

Energy taxation

An EU directive on the taxation of energy products became effective on 1 January 2004. The directive expanded the minimum tax system of energy products from mineral oils to all energy products, including coal, coke, natural gas and electricity, and sets forth a minimum level of taxation of energy products in the EU. The directive has so far not made an impact on our operations, since the taxation level in Germany is higher than the level provided by the directive, and our electrolysis production in Norway benefits from an exemption from the Norwegian energy tax.

Chemicals legislation – REACH

The European Union Regulation (EC) No 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (known as "REACH") was adopted in late 2006 and entered into force in the EU on 1 June 2007. Aluminium is covered by this regulation and it will become applicable in Norway through the EEA-agreement, but the effective date has yet to be determined.

The main aim of REACH is to protect European citizens and the environment from exposure to hazardous chemicals. This will be achieved by requiring producers and importers of chemicals to register them formally and to evaluate their health and safety impacts. In some cases, REACH may require producers and importers to replace hazardous chemicals with those of less concern. Registration of chemicals will be a lengthy process (over a number of years) and will be prioritized by volumes produced.

Although REACH compliance is in its early stages of planning, we expect Hydro to be prepared to meet the legal requirements under REACH.

Energy – regulation and taxation

The Norwegian regulatory system for hydropower production

Although some of Hydro's waterfalls were acquired before concession laws were enacted in Norway, the majority of Hydro's hydropower resources depend on concession terms that include reversion to the state without compensation at the end of the concession period (usually 60 years).

The EFTA court in 2007 found the Norwegian system in conflict with the EEA agreement due to the indirect discrimination between privately owned hydropower resources, and publicly owned resources to which reversion does not apply. The Norwegian government has passed an interim decree prohibiting new concessions being given to private owners for large scale hydropower developments and the sale of hydropower plants to from public to private owners, while continuing the principle of reversion for private owners. A proposal for permanent legislation is expected to be presented for public consultation during the first half of 2008.

Taxation of hydropower production in Norway

Profits from Hydro's hydropower production in Norway are subject to ordinary corporate income tax, currently at 28 percent. Revenue for ordinary income tax purposes is based on realized prices. Dams, tunnels and power stations are for tax purposes depreciated linearly over 67 years, and machinery and generators over 40 years. However, such fixed assets are depreciated over the concession period if that is shorter. Transmission and other electrical equipment is depreciated at a 5 percent declining balance.

A natural resource tax of NOK 13 per MWh is currently levied on hydro-generated electricity. The tax is fully deductible from the ordinary income tax.

In addition, a special resource rent tax is imposed on hydropower production in Norway. The tax rate has been increased from 27 percent for 2006 to 30 percent for 2007 and 2008. Unlike the ordinary income tax, financial costs are not deductible against the basis for the resource rent tax. Uplift is a special deduction in the net income computed as a percentage of the average tax basis of fixed assets (including intangible assets and goodwill) for the income year. The percentage, which is determined annually by the Ministry of Finance, essentially provides for a certain return on fixed assets above which income becomes subject to the resource rent tax. The percentage used to calculate the uplift for 2007 was 4.9 percent.

Revenue for resource rent tax is, with certain exceptions, not calculated based on realized prices but on the plant's hourly production, multiplied by the area spot price in the corresponding hour. Revenues from power supplies used for a company's own industrial production facilities and from sales under certain long-term contracts are not subject to spot price assessment. As most of Hydro's hydroelectric production is used for its own industrial production or sold under qualifying contracts, only a minor portion of the production is subject to spot price taxation. Revenue from power production supplied to Hydros's own industrial use in Norway was, for the purpose of calculating the resource rent tax, assessed at 203.52 NOK/MWh in 2007.

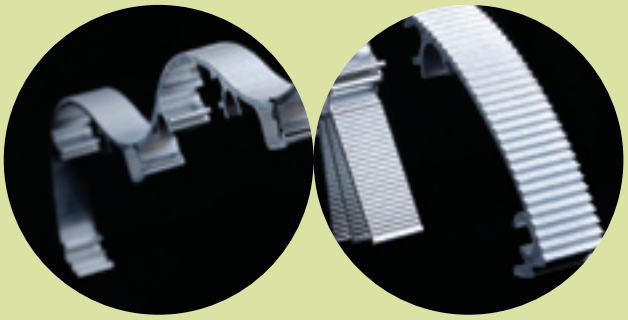
To provide a better understanding of Hydro's performance, we are presenting our operating performance on an underlying basis and excluding certain items from EBIT and income from continuing operations, such as unrealized gains and losses on derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis.

Underlying EBIT

NOK million	**2007**	2006
Aluminium Metal	**8,041**	8,127
Aluminium Products	**1,353**	1,294
Energy	**1,184**	1,464
Corporate and Eliminations	**(648)**	(721)
Total	**9,930**	10,165

94,316 NOK MILLION

Revenue in 2007



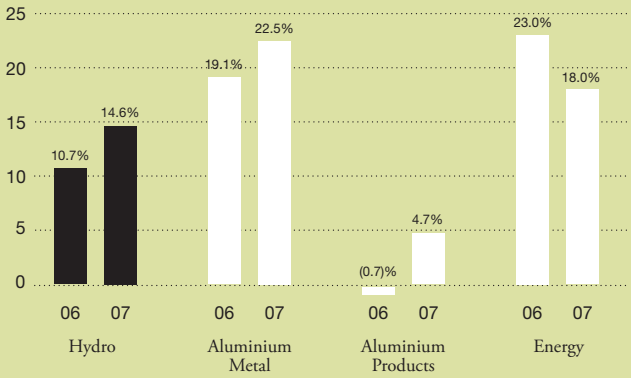
HIGHLIGHTS

Aluminium Metal

Underlying EBIT for Aluminium Metal amounted to NOK 8,041 million for 2007 as whole, down 1 percent from 2006. Our realized prices increased measured in US dollars but were relatively unchanged measured in Norwegian kroner due to the weak dollar. Production of primary metal in the full-year declined 3 percent from 2006, due to the closures of the Søderberg line in Årdal in June 2007 and the Stade smelter in the end of 2006. Underlying results for our bauxite and alumina operations were down compared with 2006 mainly due to high energy prices, local currency effects and higher bauxite prices. Underlying EBIT for our Commercial operations increased for the year. Our European remelters continued to deliver solid operating results in 2007, mainly due to higher sales volumes and higher premiums. However, losses from our North American remelt operations also increased compared to 2006, due to difficult market conditions.

Improved return on capital

RoaCE



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Financial performance

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QUICK OVERVIEW

Hydro achieved solid results for the year, supported by firm global demand and high aluminium prices with underlying Income from continuing operations rising to NOK 7,847 million from NOK 7,811 million in 2006.

Our realized aluminium prices increased measured in US dollars but were relatively unchanged measured in Norwegian kroner due to the weak dollar. Production of primary metal declined 3 percent. European general Extrusion and Building Systems operations delivered record results for the year due to improved margins and higher volumes. Underlying EBIT for our Energy business amounted to NOK 1,184 million in 2007, down from NOK 1,464 million in 2006.

Reported Return on average capital increased to 14.6 percent for 2007 from 10.7 percent for 2006.

In 2007, primary aluminium demand rose by 3.5 million tonnes, or 10 percent, from 2006, driven mainly by strong growth in China. After a decline in aluminium prices in late 2007, prices strengthened again in early 2008 following production curtailments in China, South Africa and South America.

FINANCIAL REVIEW

The merger of Hydro's petroleum activities into the combined oil and gas company StatoilHydro was finalized on 1 October 2007. The following discussion is a summary of results of operations for Hydro's ongoing business, which includes the Aluminium Metal, Aluminium Products and Energy operations. Comparisons to periods prior to 1 October 2007 exclude the demerged oil and gas activities. See section "Financial Statements", note 7 to this report for a discussion of Hydro's discontinued operations.

To provide a better understanding of Hydro's underlying performance, the following discussion of operating performance excludes certain items from EBIT (earnings before financial items and tax) and income from continuing operations, such as unrealized gains and losses on derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis. See section "Items excluded from underlying EBIT and income from operations" later in this report for more informationon these items.

Key financial information

NOK million, except per share data	**2007**	2006	% change prior year
Revenue	**94,316**	98,752	(4)%
Earnings before financial items and tax (EBIT)	**9,025**	7,200	25%
Items excluded from underlying EBIT [1]	**905**	2,965	(69)%
Underlying earnings before financial items and tax (EBIT)	**9,930**	10,165	(2)%
Underlying earnings before financial items and tax (EBIT):			
Aluminium Metal	**8,041**	8,127	(1)%
Aluminium Products	**1,353**	1,294	5%
Energy	**1,184**	1,464	(19)%
Corporate and other	**(648)**	(721)	(10)%
Underlying earnings before financial items and tax (EBIT)	**9,930**	10,165	(2)%
Income from continuing operations	**9,158**	5,966	53%
Items excluded from underlying income from continuing operations	**(1,310)**	1,845	>(100)%
Underlying income from continuing operations [1]	**7,847**	7,811	0%
Earnings per share from continuing operations [2]	**7.20**	4.60	57%
Underlying earnings per share from continuing operations [2]	**6.10**	6.10	
Financial data:			
Investments	**5,206**	4,526	15%
Adjusted net interest bearing debt (net cash) [3]	**(0.05)**	0.10	>(100)%

1) See section later in this report "Items excluded from underlying EBIT and income from continuing operations" for more information on these items.
2) Earnings per share from continuing operations and Underlying earnings per share from continuing operations are computed using the weighted average number of ordinary shares outstanding. There were no diluting elements.
3) "Adjusted net interest-bearing debt" is defined as net interest-bearing debt, plus net unfunded pension obligations, after tax, the present value of operating lease obligations and Hydro`s share of long-term debt held by equity accounted investees.

Operating statistics

	2007	2006	% change prior year
Realized aluminium price LME (USD/mt) [1]	**2,559**	2,352	9%
Realized aluminium price LME (NOK/mt) [1]	**15,522**	15,371	1%
Primary aluminium production (kmt) [2]	**1,742**	1,799	(2)%
Rolled Products sales volumes to external market (kmt)	**1,030**	1,003	3%
Extrusion sales volumes to external market (kmt)	**508**	526	(3)%
Automotive sales volumes to external market (kmt) [3]	**117**	102	15%
Power production (GWh)	**11,018**	8,326	32%

1) Including the effect of strategic hedges (hedge accounting applied).
2) Including Hydro`s share of Søral volumes (equity accounted investment).
3) Excluding divested businesses Casting, Magnesium and Worchester.

Summary of results

Hydro achieved solid results for the year, supported by firm global demand and high aluminium prices with underlying income from continuing operations rising to NOK 7,847 million from NOK 7,811 million in 2006. Underlying earnings before financial items and tax declined somewhat to NOK 9,930 for the year.

Underlying EBIT for Aluminium Metal amounted to NOK 8,041 million for 2007 as whole, down 1 percent from 2006. Our realized prices increased measured in US dollars, but were relatively unchanged measured in Norwegian kroner due to the weak dollar. Production of primary metal in the full-year declined 3 percent from 2006, due to the closures of the Søderberg line in Årdal in June 2007 and the Stade smelter in the end of 2006. Underlying results for our bauxite and alumina operations were down compared with 2006, mainly due to high energy prices, local currency effects and higher bauxite prices. Underlying EBIT for our Commercial operations increased for the year. Our European remelters continued to deliver solid operating results in 2007, mainly due to higher sales volumes and higher premiums. However, losses from our North American remelt operations also increased compared to 2006 due to difficult market conditions.

Aluminium Products underlying EBIT increased by 5 percent compared to 2006. Underlying EBIT included operating profits from divested businesses amounting to NOK 45 million in 2007 and NOK 175 million in 2006. Higher volumes and increased margins in Europe contributed substantially to results for our Rolled Products business, but the positive effects were largely offset by higher energy costs and negative currency developments for shipments into US dollar denominated markets. Our European general Extrusion and Building Systems operations delivered record results for the year due to improved margins and higher volumes. However, our US extrusion operations incurred an operating loss for the year, mainly driven by a substantial downturn in the market, with our shipments falling by 19 percent. The depressed market conditions in the US show no signs of recovering in the short-term. Our Automotive business incurred underlying losses for 2007 and 2006. Negative results from our Automotive structures operations were partly offset by improved results for our Precision Tubing business and lower overhead costs following the restructuring of our Automotive business portfolio.

Underlying EBIT for our Energy business amounted to NOK 1,184 million in 2007, down from NOK 1,464 million in 2006. The decrease resulted from higher development costs relating to our solar partnership companies, somewhat higher operating costs and lower prices realised on net spot sales, which more than offsets the positive effects of higher hydropower production. Hydro's power production in Norway amounted to 11.0 TWh in 2007, up 32 percent from the 8.3 TWh produced in 2006. Annual power production in 2007 was the second highest on record and more than 20 percent higher than normal.

EBIT and Income from continuing operations

EBIT for Hydro amounted to NOK 9,025 million for the year, compared with NOK 7,200 million in 2006. Items excluded from underlying EBIT included about NOK 934 million and NOK 1,425 million for 2007 and 2006, respectively, relating to unrealized derivative effects mainly relating to LME and power contracts. The magnitude of these recurring effects depends on changes in market values which can be significant. The remainder of items excluded from underlying EBIT is comprised mainly of gains/losses on divestments and other costs and charges that are typically non-recurring for individual plants or operations. These items amounted to a positive NOK 29 million and a charge of NOK 1,540 for 2007 and 2006, respectively.

Income from continuing operations amounted to NOK 9,158 million for 2007, compared with NOK 5,966 million in 2006. In order to present income from continuing operations on a basis comparable with our underlying operating performance, we have calculated the income tax effect of items excluded from underly-

ing EBIT based on Hydro's effective tax rate for the corresponding periods presented. We have also excluded unrealized gains and losses on all foreign denominated contracts and balances included in our balance sheet for the periods presented. Such amounts mainly relate to forward currency contracts used to hedge net future cash flows from operations, sales contracts and working capital, mainly by selling US dollars and euro where hedge accounting is not applied. We have also excluded certain tax credits which are deemed to be non-recurring in nature.

Market outlook

For the full-year 2007, primary aluminium demand rose by 3.5 million tonnes, or 10 percent, from 2006, driven mainly by strong growth in China. After a decline in aluminium prices in late 2007, prices strengthened again in early 2008 following production curtailments in China, South Africa and South America. Hydro expects these disruptions to impact primary metal supply at least during the first half of the year.

Hydro expects a moderate slowdown in market growth for semi-fabricated products in Europe in 2008 compared with 2007. In the United States, the market for semi-fabricated products declined during 2007. Overall, Hydro expects a fairly flat development in its core downstream markets in 2008 compared to 2007, depending on the direction of the global economy.

Aluminium Metal

Aluminium Metal

NOK million	**2007**	2006	% change prior year
Operating revenues	**61,592**	68,259	(10)%
Earnings before financial items and tax (EBIT)	**8,365**	7,302	15%
Items excluded from underlying EBIT	**(324)**	825	>(100)%
Aluminium Metal underlying EBIT	**8,041**	8,127	(1)%
Bauxite & Alumina	**681**	898	(24)%
Primary Aluminium	**6,552**	6,651	(1)%
Commercial	**722**	643	12%
Other and eliminations	**84**	(65)	>100%
Aluminium Metal underlying EBIT	**8,041**	8,127	(1)%
ROACE	**22.5%**	19.1%	na
Number of employees	**4,959**	5,286	na

Market conditions

Market statistics [1)]

	2007	2006	% change prior year
LME three month average (USD/mt)	**2,661**	2,594	3%
LME three month average (NOK/mt)	**15,627**	16,616	(6)%
Global production of primary aluminium (kmt)	**38,156**	33,908	13%
Global consumption of primary aluminum (kmt)	**37,811**	34,352	10%
Reported primary aluminium inventories (kmt)	**2,830**	2,718	4%

1) Revised figures. Source CRU / Hydro. Prior CRU figures may have been revised.

In the discussion below, industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated.

During 2007, developments on the LME were characterized by volatile market conditions, with three-month prices ranging between USD 2,935 and USD 2,375 per mt. The ongoing credit crisis continued to impact consumer sentiment throughout the latter part of the year, putting pressure on industrial commodities. Average 2007 LME prices measured in US dollars increased 3 percent compared to 2006, but declined 6 percent measured in Norwegian kroner due to the weakening US dollar.

During 2007, global primary aluminium consumption increased around 10 percent, heavily influenced by Chinese consumption which increased about 38 percent in 2007 compared with 2006, following an increase of 22 percent in 2006 compared with 2005. Primary aluminium consumption in the rest of the world increased about 1 percent in 2007, compared with an increase of 4 percent in 2006. Consumption in the US and Japan declined in 2007 by 7 percent and 3 percent, respectively. Globally, production increased by almost 13 percent, also led by China. Chinese production increased about 35 percent in 2007, and by 19 percent in 2006. Production of primary aluminium in the rest of the world increased about 4 percent from 2007 and almost 2 percent in 2006. China's share of global primary aluminium consumption and production in 2007 was about 32 percent.

Net exports of primary aluminium from China amounted to approximately 250,000 mt in 2007, down from 700,000 mt in 2006. Adjusting for net imports of scrap metal, and including net exports of rolled and extruded products, as well as other fabricated products, China exported an estimated 750,000 mt of aluminium on a net basis in 2007. Chinese production of semi-fabricated aluminium products is increasing rapidly, up an estimated 45 percent in 2007 compared with 2006. This has led to a doubling of net exports of semi-fabricated products, reaching about 1,100,000 mt in 2007 compared with 550,000 mt in 2006.

The extrusion ingot market in Europe started strong and remained robust before easing towards the end of the third quarter, with slower demand especially in the construction market. The extrusion market in the US was down significantly in 2007, impacting demand for extrusion ingot which remained slow during 2007. The European market for sheet ingot increased moderately during 2007. While the market developed positively in the first half of the year, some signals of a slowdown in demand were apparent in the second half of the year. Market conditions for foundry alloys in Europe remained positive mainly due to firm demand from the automotive sector, which is the main end-user segment for foundry alloys.

Reported primary metal inventories, defined as producer stocks reported by IAI, metal exchange stocks and Japanese port stocks, were up to 2.8 million mt at the end of 2007 compared with 2.7 million mt at the end of 2006.

The average alumina spot price has been relative stable during 2007, trading in the range from USD 325 per mt to USD 392 per mt.

Outlook

Key economic indicators continue to signal somewhat slower growth in all major regions. European industrial production growth is expected to slow throughout 2008. The economic outlook for North America remains weak. China continues its rapid development, although growth in industrial production shows signs of moderate easing in recent months, with an expected annual growth rate of 16 percent in 2008, down from 18 percent in 2007.

Growth in China's apparent consumption of primary aluminium is expected to continue at a very strong pace in 2008, but is forecast to decline to about 24 percent from an annual growth rate of 38 percent in 2007. Growth in Chinese production of primary metal is expected to reach 24 percent in 2008, down from an annual growth rate of 35 percent in 2007. However, recent power shortages in China have hit aluminium production in several regions, which may cause 2008 production growth rates to slow further.

There is a growing expectation that China will become a net importer of primary metal over time. China is expected to concentrate on the more value added, labor-intensive production of semi-finished and fabricated products for export. This would be in line with previously announced Chinese policy, which has been confirmed through the imposition of duties on exports of primary metal and simpler forms of semi-finished products.

Primary aluminium consumption in the rest of the world is expected to grow by about 2 percent from 2007 to 2008. Annual growth in consumption in Europe is expected to be about 2 percent in 2008, while consumption in the US is expected to remain unchanged following a decline of almost 7 percent in 2007. Production in the rest of the world is estimated to grow at an annual rate of around 6 percent in 2008, compared to an annual growth rate of 4 percent in 2007. Global consumption growth is expected to be around 9 percent in 2008. Global production growth is estimated to reach between 10 and 12 percent, depending on the development in the Chinese power situation.

A moderate increase in reported primary aluminium inventories is expected in 2008. In addition to the global market balance, the behavior of financial investors will continue to affect the development of primary aluminium prices on the LME.

Demand for extrusion ingot in Europe in the first half of 2008 is expected to be in line with the last quarter of 2007, with continued slowing of demand in the building and construction sectors. Generally, 2008 is expected to show a slower growth of demand than 2007. Demand for sheet ingot is expected to remain robust, although there are signs of slower growth in 2008. Demand for foundry alloys is expected to remain firm in the beginning of 2008. The weakening of the automotive outlook for Western Europe in 2008 is expected to dampen growth mainly in the second half of the year, while Eastern European car production and demand for foundry alloys is forecast to continue showing good growth. Market demand for casthouse products in the US is expected to remain weak.

Key development projects

The development of the Qatalum primary aluminium plant in Qatar is progressing according to plan, and was 9 percent completed at the end of 2007. On-site construction activity increased substantially in the fourth quarter. Key activities included site and harbor preparations and construction of housing for the construction workers. Total investment costs for the project are estimated at USD 5.6 billion (for the entire joint venture). Operations of the 50/50 joint venture between Hydro and Qatar Petroleum are expected to begin in late 2009.

The third expansion of Alunorte, our most important alumina equity interest (Hydro share 34 percent), is ongoing. The expansion is expected to increase total annual production capacity to 6.5 million mt (100 percent) by 2009. The project is progressing according to plan and within budget.

In July 2007, Hydro signed a Memorandum of Understanding (MoU) with the Brazilian mining group Vale (formerly CVRD) with the intention of building a new alumina refinery close to the existing Alunorte refinery in Brazil. If realized, the new refinery is planned to be developed in four phases, each with an annual production capacity of 1.85 million mt of alumina. Hydro would have a 20 percent interest in the refinery. Progress toward developing a final agreement continued during the fourth quarter.

In September 2007 Hydro exercised an option under a long-term alumina agreement with RioTintoAlcan (formerly Comalco), increasing the volume supplied by RioTintoAlcan from 500,000 mt per year to 900,000 mt per year, beginning in 2011 and for the duration of the contract through 2030.

In November 2007, Hydro entered into a joint venture agreement with United Minerals Corporation (UMC) with the intention of exploring for bauxite in Kimberley, Western Australia. The agreement gives Hydro a 75 percent interest in the partnership.

Plant closures

In June 2007, Hydro finalized the closure of the Søderberg line in Årdal, Norway. The closure concludes the rationalization program initiated in 2005, which also included the closure of the German metal plants in Hamburg and Stade and the Søderberg line in Høyanger, Norway. Total costs relating to the closures amounted to about NOK 890 million, roughly NOK 100 million lower than original estimates. Of the total amount, NOK 114 million was included in 2007. No further costs relating to these closures are expected. Closure costs are excluded from underlying EBIT (see section in this report "Items excluded from underlying EBIT").

Operations at the Ellenville remelter in New York ceased at the end of September 2007. Activities to dispose of the assets are in progress.

Revenue and underlying EBIT – sub-segments

Following is a discussion of revenues and underlying operating results for the sub-segments which comprise our Aluminium metal business area. See section later in this report "Use of non-GAAP financial measures" – "Items excluded from underlying EBIT and income from operations" for more information on the items excluded for sub-segments EBIT.

Bauxite and Alumina

Bauxite and Alumina

NOK million	**2007**	2006	% change prior year
Operating revenues	**4,176**	4,481	(7)%
Underlying earnings before financial items and tax (EBIT)	**681**	898	(24)%
Alumina production (kmt)	**2,007**	1,891	6%
Number of employees [1]	**10**	14	na

1) Staff related to headquarter in Oslo.

Variance analysis Bauxite and Alumina

NOK million	
Underlying EBIT 2007	681
Underlying EBIT 2006	898
Variance Underlying EBIT	(217)
Margin	(22)
Equity accounted investments	(167)
Other operational costs, net	(27)
Variance Underlying EBIT	(217)

Hydro's major alumina investment is its 34 percent interest in Alunorte, the Brazilian alumina refinery. Results from Alunorte comprise a substantial portion of the underlying EBIT of Bauxite and Alumina. We purchase alumina for our smelting operations from Alunorte based on prices linked to the LME with a lag of one month. The financial effects of our equity ownership in Alunorte are reflected in the share of profit (loss) in equity accounted investments, and comprise a substantial portion of the underlying results of our bauxite and alumina operations. Bauxite for Alunorte is sourced under long-term contracts from MRN, in which Hydro has an equity interest, and from the Paragominas mine which is owned by Vale, under long-term contracts based on among others, prices linked to the LME. Earnings from our investment in MRN are included in financial income.

Operating revenues
Operating revenues declined 7 percent for the year despite higher LME prices and higher production volumes, manily due to lower volumes delivered relating to our long-term alumina contract portfolio.

Underlying EBIT
Underlying EBIT for our Bauxite and Alumina operations amounted to NOK 681 million in 2007, down 24 percent compared with 2006. The average cash cost of our equity alumina production increased by 17 percent in 2007 compared to 2006, mainly due to high energy prices, local currency effects and higher bauxite prices resulting from increased LME prices. In addition, reported results were negatively impacted as a result of translation effects due to the decline in the US dollar versus NOK.

Underlying results from Alunorte, our most important alumina investment, declined to NOK 523 million for the year, from NOK 691 million in 2006. Underlying EBIT for our Alpart alumina operations increased by 10 percent to NOK 150 million for 2007.

Higher alumina prices linked to a higher LME measured in US dollars contributed about NOK 230 million to the underlying EBIT for the year. Higher volumes contribute droughly NOK 120 million. However, the positive developments were more than offset by higher costs having a negative impact of close to NOK 500 million. Higher energy costs had a significant impact on results for the year due to increased costs for heavy oil and electricity. During the final quarter of 2007, Alunorte commenced the start-up of new coal-fired boilers, which is an important step to improve the plant's energy cost. The new boilers are expected to operate at full capacity within the first quarter of 2008.

Total alumina production increased by 6 percent for the year, despite losses due to temporary disruptions in the supply of bauxite in Alunorte and a production stop in Alpart due to hurricane Dean.

Primary Aluminium

Primary Aluminium

NOK million	2007	2006	% change prior year
Operating revenues	**37,164**	36,907	1%
Underlying earnings before financial items and tax (EBIT)	**6,552**	6,651	(1)%
Number of employees	**4,059**	4,336	na

Operating and financial statistics

	2007	2006	% change prior year
Primary aluminium production (kmt) [1]	**1,742**	1,799	(3)%
Total casthouse production (kmt)	**2,164**	2,162	0%
Realized aluminium price LME (USD/mt) [2]	**2,559**	2,352	9%
Realized aluminium price LME (NOK/mt) [2]	**15,522**	15,371	1%
Realized NOK/USD exchange rate [3]	**6.06**	6.54	(7)%

1) Including Hydro`s share of Søral volumes.
2) Including effect of strategic hedges and equity accounted investments (Søral).
3) Including effects of strategic currency hedging for which hedge accounting applies.

Variance analysis Primary Aluminium

NOK million	
Underlying EBIT 2007	6,552
Underlying EBIT 2006	6,651
Variance Underlying EBIT	(99)
Price and currency	386
Strategic hedges	(96)
Variable costs	(647)
Margin	800
Volume	(192)
Equity accounted investments	(86)
Depreciation	(17)
Other operational costs, net	(247)
Variance Underlying EBIT	(99)

Underlying EBIT for our Primary Aluminium operations for 2007 as a whole amounted to NOK 6,552 million, down slightly compared with 2006. Our realized prices increased about 9 percent in US dollars, but only one percent measured in Norwegian kroner due to the weak US dollar. Production of primary metal amounted to 1,742,000 mt, 3 percent lower than 2006 due to the closure of the Søderberg line in Årdal in June 2007 and the Stade smelter at the end of 2006. Casthouse production in our primary smelters was substantially unchanged for the year. Underlying EBIT also includes the effects of strategic hedge programs which are accounted for as hedge contracts. The Sunndal hedge program which was implemented in connection with the Sunndal plant expansion expired at the end of 2007.

Realized premiums above LME increased about 15 percent measured in Norwegian kroner contributing to improved margins for 2007. The positive effects were largely offset, however, by higher raw material costs in our smelters. Alumina costs increased due to higer LME prices and higher transportation costs. Costs for energy also increased due to higher transmission costs in Norway and higher power costs in Germany.

Underlying results for our partly owned Søral metal plant amounted to NOK 229 million for the year, compared with NOK 267 million in 2006. In addition, underlying results from our share of profit (loss) in equity-accounted investments included about NOK 45 million of costs relating to the Qatalum project.

Commercial

Commercial

NOK million	**2007**	2006	% change prior year
Operating revenues	**64,898**	73,566	(12)%
Underlying earnings before financial items and tax (EBIT)	**722**	643	12%
Number of employees	**890**	936	na

Operating and financial statistics

	2007	2006	% change prior year
Remelt production (kmt)	**685**	719	(5)%
Sale of metal products from own production (kmt) [1) 2)]	**2,888**	2,916	(1)%
Sale of third-party metal products (kmt)	**315**	307	3%
Total metal products sales excluding ingot trading (kmt) [1)]	**3,203**	3,223	(1)%
External sales (kmt) [1)]	**1,858**	1,784	4%
External revenue (NOK million)	**37,952**	41,340	(8)%
Sales revenue (NOK million) [3)]	**29,090**	28,421	2%

1) Excluding Slovalco sales to local market.
2) Includes sales of liquid metal directly to Karmøy Rolling Mill.
3) External sales revenue for our Commercial operations including revenues from our casthouse production, remelters, high purity aluminium business and contracts with external metal sources. Excludes results from our aluminium trading and hedging activities and commercial operations to optimize our physical alumina portfolio on a short and medium term basis.

Variance analysis Commercial

NOK million	
Underlying EBIT 2007	722
Underlying EBIT 2006	643
Variance Underlying EBIT	79
Margin	(246)
Volume	(39)
Depreciation	49
Other operational costs, net	274
Other, net	41
Variance Underlying EBIT	79

Our Commercial sub-segment is comprised of our commercial products operating unit and our sourcing and trading operating unit. Commercial products activities include the operating results of our stand-alone remelters, our high purity aluminium business and operating results from contracts with external metal sources. Sourcing and trading includes the results from our aluminium trading and hedging activities and the results from our commercial operations to optimize our physical alumina portfolio on a short and medium-term basis. By its nature, the results of the sourcing and trading activities are highly volatile.

Operating revenues
Sales revenues for our Commercial operations declined during the year, mainly due to lower revenues with sourcing and trading operations.

Underlying EBIT
Underlying EBIT for our Commercial operations increased by 12 percent to NOK 722 million for the year 2007. Our remelt operations in Europe delivered continued good results in 2007, mainly due to higher sales volume and higher premiums. However, the positive results were partly offset by losses from our North American remelt operations, which amounted to NOK 193 million for 2007 as a whole. The losses mainly resulted from difficult market conditions with volumes at severely depressed levels.

Total remelt production volumes declined by 5 percent compared with 2006 due to the market decline in the US.

Underlying results for our sourcing and trading activities remained on roughly the same level in 2007 as in 2006.

Aluminium Products

Aluminium Products

NOK million	**2007**	2006	% change prior year
Operating revenues	**51,399**	53,588	(4)%
Aluminium Products earnings before financial items and tax (EBIT)	**1,098**	(104)	>100%
Items excluded from underlying EBIT	**255**	1,398	(82)%
Aluminium Products underlying EBIT	**1,353**	1,294	5%
Rolled Products	**562**	520	8%
Extrusion	**852**	818	4%
Automotive	**(67)**	(51)	(31)%
Other and eliminations	**6**	8	(21)%
Aluminium Products underlying EBIT	**1,353**	1,294	5%
RoaCE	4.7%	(0.7)%	na
Number of employees	15,872	19,370	na

Market conditions

Market statistics [1)]

Total market consumption (1,000 mt)	**2007**	2006	% change prior year
Rolled products - Europe [2)]	**4,000**	3,924	2%
Rolled products - US [2)]	**4,769**	5,065	(6)%
Extruded products - Europe	**2,741**	2,763	(1)%
Extruded products - US	**1,451**	1,702	(15)%

1) Source CRU.
2) Apparent consumption.

In the text below, industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated.

The flat rolled products market in Europe improved in 2007, with total shipments up 2 percent compared to 2006. Following a peak in the second quarter 2007, demand was seasonally lower in the third quarter 2007, but recovered somewhat in the fourth quarter 2007. At the end of 2007 demand was still firm, with the exception of the construction sector.

In the US demand for flat rolled products remained weak in all market sectors, with a further decline at the end of the year. Total 2007 US shipments were down 6 percent compared to 2006.

The overall growth in the European consumption of extruded aluminium products remained relatively stable compared to 2006. Following a softening in the third quarter due to a slowdown in the construction segment, the market recovered slightly in the fourth quarter. Growth in the European building systems sector amounted to an estimated 2 percent in 2007 compared with 2006, with somewhat softer markets in Southern Europe. Margin levels have increased both for our general extrusion and building systems segment during 2007 compared to 2006.

The US extrusion market continued to fall, reflecting the on going decline in the US economy. The decline was most prominent in the residential construction and transportation markets, while the commercial construction market was positive and the engineered products market was relatively stable. Margins have been generally stable, but there are signs of softening. Market demand continued to grow in South America on the strength of the Brazilian and Argentinean economies.

The automotive market in Europe was almost flat in 2007. Total units sold increased slightly by about 1 percent compared to last year and production was relatively unchanged. In North America, car sales were down compared to last year, while Asian and European car manufacturers continued to gain market share from the big three US producers. Sales in China grew significantly, and China is now the second largest market for light vehicles.

Outlook

Market demand for flat rolled products in Europe is expected to recover slightly from the seasonally lower second half of 2007, but shows signs of softening later in 2008. Demand from the automotive and engineering market segments is expected to be stable, while demand from the construction market segment is weakening. Demand in the US market is expected to remain depressed. This, together with a weak US dollar, could lead to increased imports and put pressure on European margins.

The overall outlook for the European extrusion market indicates a softer demand going into 2008, driven by the weakening construction market segment, in particular in Southern Europe. A weaker construction market in Germany is expected to be offset by the continued strong engineering and transportation market segments.

The outlook for the US extrusion market remains poor. Continuing deterioration in the housing market and the ongoing turmoil in the financial and credit markets have increased the level of uncertainty and the risk for further deteriorating economic developments. Margin developments have remained stable, but are expected to come under increasing pressure the longer the current downturn continues. South American markets are expected to post another strong year, with consumption in Brazil and in Argentina expected to grow around 7 percent.

The outlook for the automotive market is mixed, with a softening expected in the US market while the outlook for the European market remains flat. Automotive markets in Asia and South America are expected to continue to grow. Increased pressure on fuel economy and emissions reductions, including potential new environmental legislation, is expected to increase the use of aluminium in automotive systems and solutions.

Divestments, plant closures, rationalization

The divestment of our automotive casting business and the sale of our 49 percent interest in the magnesium company Meridian Technologies Inc. were completed during the first quarter, together with the divestment of our automotive structures plant in Worcester, UK. Production at our magnesium plant in Becancour, Canada, ceased in the middle of March 2007, and an agreement for the sale of our magnesium remelters in Germany and China was signed in the beginning of July. The transaction was finalized at the end of August. During the first quarter of 2007, we decided to cease operations at the Ellenville extrusion plant in the US following an unsuccessful attempt to divest the operations. Production was closed down by the end of the second quarter of 2007. During the third quarter an agreement was reached to sell our Nordic Aviation Products unit. The sale was completed in early November.

Closure costs, impairment charges and divestment gains/losses related to these items have been excluded from EBIT. See section "Use of non-GAAP financial measures" – "Items excluded from underlying EBIT and income from operations" later in this report for more information on these items.

Revenue and underlying EBIT – sub-segments

Following is a discussion of the underlying operating results for the sub-segments which comprise our Aluminium products business area. See section "Use of non-GAAP financial measures" – "Items excluded from underlying EBIT and income from operations" later in this report for more information on the items excluded for sub-segments EBIT.

Rolled Products

Rolled Products

NOK million	**2007**	2006	% change prior year
Operating revenues	**25,327**	23,132	9%
Underlying earning before financial items and tax (EBIT)	**562**	520	8%
Sales volumes, 1,000 mt	**1,030**	1,003	3%
Number of employees	**4,159**	4,090	2%

Variance analysis Rolled Products

NOK million	
Underlying EBIT 2007	562
Underlying EBIT 2006	520
Variance Underlying EBIT	42
Margin	413
Volume	143
Depreciation	61
Other operational costs, net	(516)
Other, net	(59)
Variance Underlying EBIT	42

Operating revenues

Operating revenues for our Rolled products business increased 9 percent to NOK 25,327 million in 2007 compared to 2006 due to higher volumes and margins. Overall shipments increased about 3 percent compared to 2006, driven by positive developments within our strip market segment, mainly within the can, general engineering and automotive markets, while our shipments to the foil market were slightly below 2006 levels.

Underlying EBIT

Underlying result for our Rolled products business amounted to NOK 562 million for 2007, an increase of about NOK 40 million compared to 2006. Higher volumes and increased margins were partly offset by substantially higher energy costs. Currency effects due to the stronger euro versus the US dollar had a negative impact on margins achieved for our US dollar sales of around NOK 140 million. Approximately 20 percent of our total sales volume is sold in US dollar denominated markets.

Extrusion

Extrusion

NOK million	**2007**	2006	% change prior year
Operating revenues	**20,421**	20,402	0%
Underlying earning before financial items and tax (EBIT)	**852**	818	4%
Sales volumes, 1,000 mt	**508**	526	(3)%
Number of employees	**8,705**	9,635	(10)%

Variance analysis Extrusion

NOK million	
Underlying EBIT 2007	852
Underlying EBIT 2006	818
Variance Underlying EBIT	34
Margin	(216)
Volume	(288)
Depreciation	47
Other operational costs, net	503
Other, net	(12)
Variance Underlying EBIT	34

Operating revenues
Operating revenues for our Extrusion business in 2007 amounted to NOK 20,421 million, largely unchanged compared to 2006. Volumes for 2007 declined for the year, with total shipments falling about 3 percent compared to 2006. Shipments of general extrusions and building systems in Europe were up by 2 percent, compared with record high volumes in 2006. However, shipments were down by 19 percent for our US operations, mainly driven by the substantial downturn in the US market. Strong margins from our European operations contributed to the improved result, while margins for the US operations were stable measured in US dollar, but declined 9 percent due to the weakening dollar versus Norwegian kroner.

Underlying EBIT
Underlying EBIT for our Extrusion business of NOK 852 million for 2007 improved 4 percent compared with 2006. Results for our European extrusion and building systems operations improved on a strong performance in 2006. However, the effects of the positive developments were largely offset by a poor financial performance for our US operations, notwithstanding significant cost reductions achieved from improvement programs and manning reductions.

Total underlying operating losses amounted to around NOK 100 million for our combined US and South American operations for 2007. Negative developments for our US operations were partly offset by improved results in our South American operations. Significant measures have been taken to compensate for the substantial decline in volumes in North America. Costs have been reduced by manning reductions and other measures. By the end of 2007, we had reduced the number of US employees by about 700 people compared to 2006, and efforts continue to further align the cost structure with the lower market demand. In addition, we have adjusted capacity in our European operations by reducing shifts during the second half of 2007 to adapt to a softening in the European market going into 2008.

Automotive

Automotive

NOK million	**2007**	2006	% change prior year
Operating revenues	**6,506**	10,317	(37)%
Underlying earning before financial items and tax (EBIT)	**(67)**	(51)	(31)%
Automotive sales volume, 1,000 mt [1]	**117**	102	15%
Number of employees	**2,860**	5,460	(48)%

1) Excluding Castings, Magnesium and Worcester

Variance analysis Automotive

NOK million	
Underlying EBIT 2007	(67)
Underlying EBIT 2006	(51)
Variance Underlying EBIT	(16)
Margin	(143)
Volume	327
Depreciation	68
Other operational costs, net	(150)
Other, net	(118)
Variance Underlying EBIT	(16)

Operating revenues
Operating revenues for our Automotive business amounted to NOK 6,506 million in 2007, down from NOK 10,317 million in 2006, impacted by the divestment of the our magnesium and castings businesses. Increased volumes from our remaining businesses had a positive effect on operating revenues for the year. Total shipments for our Automotive operations increased by about 15 percent compared to 2006. Shipments for Precision Tubing were up approximately 10 percent, while volumes for our Structure business improved around 20 percent.

Underlying EBIT
Underlying losses for our Automotive operations amounted to NOK 67 million for 2007, including about NOK 45 million operating profits from the divested Castings and Magnesium operations. This compared with losses of NOK 51 million in 2006, which included around NOK 175 million of operating profits from the divested activities. Underlying results improved for our Precision Tubing operations but the effects of the positive developments were offset by increased losses within our Automotive structures business. Negative underlying results from our Automotive structures operations amounted to around NOK 100 million for the year. Results were impacted by costs related to starting up new production lines and costs relating to new contracts. The automotive market is characterized by long lead-times for new business to come on stream. Generally new contracts are awarded three years in advance of production start-up to facilitate design and testing and normally last for the entire design lifecycle of a model (5 - 6 years or longer).Total overhead costs declined substantially following the restructuring of our Automotive business portfolio.

Energy

Energy

NOK million	2007	2006	% change prior year
Operating revenues	**6,468**	7,309	(12)%
Earnings before financial items and tax (EBIT)	**1,303**	1,457	(11)%
Items excluded from underlying EBIT	**(119)**	7	>(100)%
Energy underlying EBIT	**1,184**	1,464	(19)%
RoaCE	**18.0%**	23.0%	na
Number of employees	**212**	201	na

Operating and financial statistics

	2007	2006	% change prior year
Direct production cost, incl. transmission (NOK million) [1]	**490**	505	(3)%
Power production (GWh)	**11,018**	8,326	32%
External sourcing (GWh) [2]	**8,760**	11,469	(24)%
Internal contract sales (GWh) [3]	**14,109**	15,897	(11)%
External contract sales (GWh) [4]	**1,042**	1,204	(13)%
Net spot sales (GWh) [5]	**4,629**	2,698	72%

1) Including maintenance and operational costs, transmission costs, property taxes and concession fees
2) Including long-term sourcing contracts and industrial sourcing in Germany
3) Internal contract sales in Norway and Germany, including sales from own production and resale of externally sourced volumes
4) External contract sales, mainly concession power deliveries and volumes to former Hydro businesses
5) Spot sales volumes net of spot purchases.

Variance analysis Energy

NOK million	
Underlying EBIT 2007	1,184
Underlying EBIT 2006	1,464
Variance underlying EBIT	(280)
Margin	(1,195)
Volume	1,054
Equity accounted investments	(45)
Other operational costs, net	(117)
Depreciation	23
Variance Underlying EBIT	(280)

Market conditions

Market statistics

NOK per MWh	**2007**	2006	% change prior year
Southern-Norway spot price (NO1)	**206**	397	(48)%
Nordic system spot price	**224**	391	(43)%

The average Nordic system price in 2007 declined by 43 percent compared with the average price in 2006. In 2007, the Nordic electricity market was dominated by low prices and high production, driven by periods with extraordinary reservoir inflows and hydropower production in Norway. By contrast, 2006 was characterised by dry hydrological conditions and high spot prices. In the third quarter of 2007, record high hydropower production and capacity constraints in the transmission grid lead to a decoupling of spot prices in Southern-Norway from the other Nordic price areas, with an average price for the quarter 38 percent below the system price.

Electricity prices on the European continent were influenced by a significant drop in the price of CO_2 emission rights. In the second half of 2007, CO_2 emission rights were priced at nearly zero value as the market was in a large surplus of CO_2 quotas not transferrable to the new EU emission trading scheme implemented from 1 January 2008. In Germany, which represents a key market for imports and exports to/from the Nordic region, the spot price quoted on the EEX power exchange averaged at EUR 38.0 per MWh, a decline of 25 percent from the average price of EUR 50.8 per MWh in 2006.

Outlook

Average water reservoir levels in Norway were reported at 77 percent of full capacity at the end of the fourth quarter, which is 5 percent higher than the normal level for this time of year. Hydro's water reservoir levels were 13 percent above the normal level at the end of 2007.

Both production capacity and spot prices in the Nordic electricity market are heavily influenced by hydrological conditions. Capacity constraints in the transmission grid may also expose Hydro to regional prices that sometimes differ from the Nordic system price.

Effective from 1 January 2008, the second phase of the EU greenhouse gas emission allowance trading scheme (ETS) was implemented. The new regulations will likely increase power producers' CO_2 emission costs compared to 2007 levels, thereby contributing to higher power prices.

Partly through common pricing of CO_2 emission rights and through increased interconnector transmission capacity, Nordic power prices are expected to be increasingly influenced by power prices and generation fuel costs on the European Continent. However, hydrological conditions and local supply and demand factors, such as temperature and weather conditions, will continue to have a strong influence on price formation in the Nordic region.

Key development activites

Through our investments in associated partnership companies, we are developing positions in the solar industry across different technologies and parts of the value chain. In 2007, we acquired a 23 percent interest in the US-based solar company Ascent Solar Technologies Inc., which is developing new technologies for thin film manufacturing. In the second quarter, we established the HyCore ANS partnership with Umicore SA of Belgium for the development of a new solar-grade polysilicon manufacturing process. Hydro also holds a 16 percent interest in Norsun AS, which is engaged in several solar business development initiatives, including the construction of an ingot pulling and wafering plant in Årdal, Norway.

Underlying results of operations

Operating revenues

Operating revenues for Energy declined by 12 percent to NOK 6,468 million in 2007. The decrease reflects lower realized prices on net spot volumes sold in Norway.

Operating revenues in a given year is largely a function of hydropower production volumes, Nordic electricity market prices for volumes sold in the spot market as well as volumes and prices for internal and external contract sales. In addition, revenues are influenced by unrealized gains/losses for derivative and embedded derivative contracts accounted for mark-to-market. As a result, operating revenues for Energy can vary significantly from quarter to quarter and year to year.

Underlying EBIT

Underlying EBIT for our Energy business amounted to NOK 1,184 million in 2007, down from NOK 1,464 million in 2006. The decrease is caused by negative results from solar partnership companies, somewhat higher operating costs and lower prices realized on net spot sales, which more than offset the positive effects of higher hydropower production.

Hydro's power production in Norway amounted to 11.0 TWh in 2007, up 32 percent from the 8.3 TWh in 2006. Annual power production in 2007 was the second highest on record and more than 20 percent higher than normal. Net spot sales amounted to 4.6 TWh, 72 percent higher than in 2006. More than 40 percent of the net spot sales volumes were realized in the third quarter, when power production reached record high levels.

Primarily due to variations in hydrology, Hydro is managing surplus and shortages in its Norwegian power portfolio in the spot market. The balance of the power portfolio varies both within different periods of the year and from year to year, driven by hydrological conditions and industrial consumption as well as contractual commitments and market developments. In 2007, net spot sales, which represent the net of volumes sold and purchased, have been higher than normal due to record-high inflows and increased hydropower production.

Direct power production costs, which include operations and maintenance, transmission costs, property taxes and concession fees, were largely unchanged from 2006. Higher property taxes and transmission costs in 2007 were largely compensated by lower operations and maintenance costs. Other operational costs, which include non-production transmission costs, were somewhat higher in 2007 than in 2006.

Results for our Solar business, including the share of profit/loss in equity accounted investments, amounted to a loss of NOK 82 million in 2007, reflecting that our partnership companies are in a developing and build-up phase and have not yet started production.

Corporate, other and eliminations

Corporate, other and eliminations incurred an underlying loss of NOK 648 million in 2007 and NOK 721 million in 2006. Net pension and social security costs amounted to a charge of NOK 326 million in 2007, compared with NOK 291 million in 2006.

Items excluded from underlying EBIT

To provide a better understanding of Hydro's underlying performance, the items in the table below have been excluded from EBIT (earnings before financial items and tax) and income from continuing operations.

See section "Use of non-GAAP financial measures" – "Items excluded from underlying EBIT and income from operations" later in this report for more information on these items.

Items excluded from underlying income from continuing operations

NOK million	**2007**	2006
Unrealized derivative effects on LME related contracts	**(92)**	157
Unrealized derivative effects on power contracts	**928**	1,605
Unrealized derivative effects on currency contracts	**(137)**	(76)
Metal effect, Rolled Products	**235**	(261)
Significant rationalization charges and closure costs	**224**	1,023
Impairment charges	**144**	728
Gains/(losses) on divestments	**(641)**	-
Correction of elimination of profit in inventory	**291**	-
Reversal insurance loss provision	**-**	(211)
Germany, change in tax rate	**(47)**	
Items excluded from underlying EBIT	**905**	2,965
Net foreign exchange (gain)/loss	**(2,254)**	148
Calculated income tax effect	**339**	(767)
Germany, change in tax rate	**(300)**	-
Losses/(benefits) not previously recognized	**-**	(500)
Items excluded from underlying income from continuing operations	**(1,310)**	1,846

Unrealized derivative effects on LME contracts include unrealized gains and losses on contracts evaluated at market value, which are used for operational hedging purposes related to fixed-price customer and supplier contracts, but where hedge accounting is not applied. The amounts include net unrealized gains and losses on derivative contracts relating to our Aluminium Metal operations, including Alunorte and our downstream Aluminium Products operations. Unrealized gains and losses on derivative contracts relating to Aluminium Metal sourcing and trading activities (alumina position optimization, ingot premium- and LME trading) are not excluded from underlying EBIT, as these are considered to be a normal part of the trading business performance.

Unrealized derivative effects on power contracts include unrealized gains and losses on embedded derivatives in power contracts for own use and related financial power contracts. Hydro's Energy operations supplies electricity for Hydro's own consumption, and has entered into long-term purchase contracts with external power suppliers. Energy accounts for embedded derivatives in certain sourcing contracts and corresponding internal supply contracts at fair value. For those contracts, the related internal purchase contracts are regarded as normal purchase agreements by the consuming unit and the embedded derivative is not recognized at market value. Embedded derivatives include exposures to various periods' aluminium prices, coal prices and inflation adjustments. The magnitude of the reported effects depends on changes in forward prices for those elements as well as changes in the contract portfolio. In addition, certain financial power pricing contracts used for hedging power prices are accounted for at market value, while the related price exposure is not. The power purchase contracts have a long duration and can result in significant unrealized gains and losses, impacting the reported results in future periods.

Unrealized derivative effects on currency contracts relate to currency effects in equity accounted investment.

Metal effects – Rolled Products` sales prices are based on a margin-over-the-metal price. The production and logistic process of Rolled Products lasts two to three months. As a result, margins are impacted by timing differences resulting from the FIFO (first in, first out) inventory valuation method, due to changing aluminium prices during the production process. Decreasing aluminium prices in euro results in a negative metal effect, while increasing prices have a positive effect on margins.

Rationalization charges and closure costs include costs that are typically non-recurring for individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceeds legal liabilities, etc. Costs for the periods presented include costs related to the closure of the Norwegian Søderberg plants and German metal plants, costs relating to our exit of the magnesium business and costs relating to other closures.

Impairment charges – impairment losses occur in the period when an asset (or a group of assets) is identified to have lost its value, causing a write-down to the recoverable amount. In most of our impairment situations, there is no single event directly causing the write-down. The loss is therefore not necessarily closely linked to the performance in a single period. Impairment charges for the periods presented include charges related to our Ellenville operations in the US, operations in Malaysia, write-down of our investment in Meridian Technologies and impairments relating to our former magnesium plant in Becancour, Canada.

Gains/(losses) on divestments include net gain or loss on divested businesses and individual major assets. Gains and losses on divestments for the periods presented mainly relate to net gains on the divestment of our Automotive castings business and the sale of our shares in Meridian Technologies.

Correction of elimination of profit in inventory – inventory includes a certain element of unrealized internal profit from sales within Hydro. During the fourth quarter of 2007 we identified errors in the elimination. These errors were corrected, affecting eliminations related to Aluminium Metal and Corporate, other activities and eliminations. No corrections were made to prior periods since the amounts were deemed insignificant.

Financial income (expense), net

Financial income (expense)

NOK million	2007	2006	% change previous year
Interest income	**1,228**	985	25%
Dividendes received and net gain (loss) on securities	**174**	307	(43)%
Financial income	**1,403**	1,292	9%
Interest expense	**(415)**	(458)	(10)%
Capitalized interest	**5**	25	(81)%
Net foreign exchange gain (loss)	**2,254**	(148)	>100%
Other	**(39)**	8	>(100)%
Financial expense	**1,805**	(574)	>100%
Financial income (expense), net	**3,208**	718	>100%

Exchange rates

NOK million	2007	2006	% change previous year
NOK/USD Average exchange rate	**5.86**	6.41	(9)%
NOK/USD Balance sheet date exchange rate	**5.41**	6.26	(14)%
NOK/EUR Average exchange rate	**8.02**	8.05	-
NOK/EUR Balance sheet date exchange rate	**7.96**	8.24	(3)%

Source: Norges Bank.

Net financial income for the year amounted to NOK 3,208 million, including a net foreign currency gain of NOK 2,254 million, mainly due to a decline in the US dollar against the Norwegian kroner of 13.6 percent over the 12-month period. This significant gain results from Hydro's currency hedge program – primarily currency derivatives – which covers about 9 months of the effects on our results of our currency exposure to the US dollar.

Interest income increased to NOK 1,228 million in 2007, compared to 985 million in 2006. Earnings in 2007 reflected high amounts of cash and short-term investments during the first nine months of the year prior to the payment of demerger debt to StatoilHydro 1 October 2007. Interest expense was at the same level in 2007 as in 2006.

Cash and short-term investments exceeded adjusted interest bearing debt by NOK 2.7 billion at the end 2007. On 1 October, demerger debt to StatoilHydro of NOK 26.2 billion was paid. External long-term debt of NOK 16.8 billion was allocated to StatoilHydro as part of the demerger transaction, and included in discontinued operations for prior periods.

Hydro's adjusted debt/equity ratio, defined as net interest-bearing debt (including net unfunded pension obligations after tax, the present value of operating lease obligations and Hydro's portion of interest-bearing debt in equity accounted investees) divided by adjusted equity was close to zero at the end of the year.

In July 2007, Hydro signed a new USD 1.7 billion seven-year revolving credit facility with a syndicate of fifteen banks.

Income tax expense

Income tax expense amounted to NOK 3,075 million for the year 2007, which was approximately 25 percent of income from continuing operations before tax. The corresponding amount for the year 2006 amounted to NOK 1,952 million, also representing approximately 25 percent of income from continuing operations before tax. The tax expense for 2007 included posi-

tive effects from a reduction of statutory tax rates in Germany amounting to about NOK 300 million. The income tax expense in 2006 included positive effects from tax assets not previously recognized amounting to about NOK 500 million.

Discontinued operations

Income from discontinued operations amounted to NOK 9,447 million in 2007, compared with NOK 11,967 million in 2006.

On 12 March 2007, Hydro's Board of Directors and the Board of Directors of StatoilHydro ASA (previously Statoil ASA) agreed to a proposed merger of Hydro's petroleum activities with Statoil to form StatoilHydro ASA. Hydro did not recognize any gain or loss, or receive any proceeds as result of the demerger transaction. The transaction was structured as a spin-off to the shareholders, and was therefore not reclassified as assets held for sale or discontinued operations until the demerger was completed on 1 October 2007. Following the completion of the demerger, the business was reported as discontinued operations for the current and all prior periods. Income from discontinued operations included NOK 8,853 million in 2007 and NOK 11,398 million in 2006 relating to the demerger.

In May 2007, Hydro announced the sale of its Polymers activities. Contracts to sell Hydro's 100 percent owned subsidiary Kerling ASA, with production facilities in Norway, Sweden and the UK, and Hydro's 29.7 percent interest in Qatar Vinyl Company (QVC) to the UK-based chemical company INEOS were entered into in late May 2007. The transaction was subject to clearance by competition authorities and the sale of the interest in QVC was subject to pre-emption rights held by Qatar Petroleum, Hydro's partner in the QVC joint venture. Following the divestment decision, the business was reclassified as assets held for sale, and reported as discontinued operations for the current and all prior periods.

Regulatory approval was received on 29 January 2008. The pre-emptive rights in QVC were exercised by Qatar Petroleum. Following these events, the sale of Kerling ASA with subsidiaries to INEOS for a total consideration of around NOK 4.6 billion was completed on 1 February 2008. QVC will be divested in a separate transaction.

Income from discontinued operations included NOK 593 million in 2007, compared with NOK 569 million in 2006. The agreement represents a good long-term industrial solution for the Polymers business and is in line with Hydro's strategy to divest non-core activities.

See Footnote 7 included under section "Financial statements" later in this report for more information on these transactions.

Return on average capital employed (RoaCE)

Reported RoaCE was 14.6 percent for 2007, compared with 10.7 percent for 2006. RoaCE is defined as Earnings after tax divided by average Capital Employed. See also discussion pertaining to non-GAAP financial measures included later in this report.

Net income and dividend

Norsk Hydro ASA (the parent company) had a profit before tax of NOK 9,410 million in 2007, compared with NOK 20,786 million in 2006. The decrease was mainly due to lower dividends from subsidiary companies.

Hydro's Board of Directors proposed a total dividend of NOK 5.00 per share for 2007. In addition, the board proposed a share buyback authorization amounting to approximately NOK 4 billion, providing flexibility to pursue business opportunities in an uncertain financial environment. In total, this represents a potential cash return to shareholders of approximately NOK 10 billion.

The proposed dividend for the fiscal year 2007 is divided into an ordinary dividend of NOK 1.50 per share and an extraordinary dividend of NOK 3.50 per share. Combined with the proposed share buyback authorization, the extraordinary dividend will contribute to a more efficient capital structure for Hydro.

According to Section 3-3 of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared on the assumption of a going concern.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and capital resources

NOK million	2007	2006
Cash flow provided by (used in) continuing operations:		
Operations	**14,273**	9,926
Investments	**11,764**	(14,628)
Financing	**(10,140)**	(9,896)
Net increase (decrease) i cash, cash equivalents and bank overdraft	**2,813**	(3,172)
RoaCE	**14.6%**	10.7%
Adjusted net interest-bearing debt/ Adjusted equity ratio	**(0.05)**	0.10

Balance sheet data

NOK million	2007	2006
Cash, cash equivalents and short-term investments	**12,072**	21,629
Total assets	**92,046**	234,459
Short-term debt	**1,045**	2,509
Long-term debt	**263**	367
Deferred tax liabilities	**2,246**	2,808
Ordinary shares and additional paid-in capital	**1,730**	14,444
Total equity	**55,008**	96,601

Cash flow

We have historically financed our operations primarily through cash generated by operating activities. In 2007, net cash provided by our continuing operations NOK 14.3 billion was sufficient to cover the net cash used by discontinued operations of NOK 12.8 billion. Net cash provided by continuing investing activities of NOK 11.8 billion (see Investing activities below) was sufficient to fund the net cash used in financing activities of NOK 10.1 billion, used primarily for dividends and share repurchases. Including the previously mentioned uses and net foreign currency losses on cash and overdraft balances of NOK 0.3 billion, our cash balance was increased by NOK 2.8 billion.

Operating activities

In 2007, net cash provided by operating activities amounted to NOK 14.3 billion compared to NOK 9.9 billion in 2006. In 2007, cash from operations included realized foreign currency gains on forward contracts of approximately NOK 3.4 billion.

Investing activities

In 2007, net cash provided by continuing investing activities was NOK 11.8 billion compared to cash used by continuing investing activities of NOK 14.6 billion in 2006. Purchases of other long-term investments included expenditures related to Alunorte and Qatalum as major items in 2007, and Alunorte in 2006. Proceeds from sales of other long-term investments in 2007 is related to the sale of Hydro's Automotive Castings activities and Meridian.

Hydro's policy, implemented in 2004, is that the maximum maturity for cash deposits is twelve months. Cash flows relating to bank time deposits with original maturities beyond three months are classified as investing activities and included in short-term investments on the balance sheet. In 2007, net cash proceeds from net withdrawals related to these time deposits amounted to NOK 12.2 billion compared to cash used for new deposits of NOK 11.1 billion in 2006.

See the Investments section for an analysis of expenditures for property, plant and equipment and long-term investments by segment.

Financing activities

In 2007, NOK 10.1 billion was used in continuing financing activities compared to NOK 9.9 billion in 2006. Principal repayments increased in 2007 as compared to 2006 by NOK 0.6 billion. Principal repayments consisted of repayments relating to long-term loans of NOK 0.4 billion and NOK 0.1 billion in 2007 and 2006, respectively, with the remainder related to repayments of short-term borrowings. Cash used for share repurchases of NOK 2.9 billion in 2007 was lower by NOK 1 billion as compared to 2006 share repurchases. Cash used for payment of dividends increased by NOK 0.6 in 2007 as compared to 2006.

Liquidity

Cash and cash equivalents were NOK 9.3 billion at the end of 2007, compared with NOK 6.5 billion at the end of 2006. Our cash position and short-term investments, including bank time deposits, amounted to NOK 12.1 billion at the end of 2007, compared with NOK 21.6 billion at the end of 2006. The decrease in cash and short-term investments resulted primarily from a decrease of NOK 12.3 in short-term investments. It is our opinion that cash from continuing operations, together with the liquidity holdings and available credit facilities, will be more than sufficient to meet our planned capital expenditures, operational requirements, dividend payments and share repurchases in 2008. Capital expenditures are estimated to be approximately NOK 12-13 billion for 2008, including debt-financed projects in joint ventures.

Short and long term borrowing

At the end of 2007, short-term bank loans and other interest-bearing short-term debt related to continuing operations amounted to NOK 1.0 billion, compared to NOK 2.5 billion at the end of 2006.

Hydro's long-term interest-bearing debt related to continuing operations at the end of 2007 was NOK 0.3 billion, a decrease of NOK 0.1 billion from NOK 0.4 billion at the end of 2006. All of Hydro's outstanding bond debt was transferred to StatoilHydro ASA on October 1, 2007, in connection with closing of the merger transaction of Hydro's petroleum business into Statoil ASA. StatoilHydro ASA has assumed all debt obligations based on Hydro's prior terms and conditions. The bond transfer was consented to by a majority of bondholders.

In 2007, Hydro replaced a USD 2 billion credit facility with a new USD 1.7 billion seven-year multi-currency revolving credit facility with a syndicate of banks. As of 31 December 2007 there were no borrowings under any of the short- or long-term facilities

At 31 December 2007, Hydro was rated Baa1 by Moody's and BBB by Standard & Poor's. The rating was reviewed by both rating agencies in 2007 in connection with Hydro's restructuring into becoming a focused aluminium and energy company. Neither Moody's nor Standard & Poor's have factored in the Norwegian State's equity interest in Hydro in determining their ratings. Factors given significant weight in determining Hydro's current credit rating include the cash flow generated from a strong position in upstream aluminium activities and a sound financial profile. The ratings also, however, reflect the commodity characteristics of most of Hydro's products, and consequently, the exposure to market price fluctuations and economic cyclicality. The ratings allow room for projected future growth.

Net interest-bearing debt (short- and long-term interest bearing debt, including the current portion of long-term debt, less cash and cash equivalents and short-term investments) at the end of 2007 was NOK 10.8 billion positive, compared to NOK 0.6 billion positive at the end of 2006. Including net unfunded pension obligations after tax, the present value of operating lease obligations and interest-bearing debt held by equity accounted investees, the adjusted net interest-bearing debt divided by adjusted equity was (0.05) by the end of 2007. Please see note 35 to the Consolidated Financial Statements for more information on Hydro's debt position.

Employee retirement plans

Hydro's employee retirement plans consist primarily of defined benefit pension plans. As of 31 December 2007, the projected benefit obligation (PBO) associated with Hydro's defined benefit plans was NOK 20.6 billion. The fair value of pension plan assets was NOK 15.6 billion, resulting in a net unfunded obligation relating to the plans of NOK 5.0 billion. In addition, termination benefit obligations and other pension obligations amounted to NOK 0.8 billion, resulting in a total net unfunded pension obligation of NOK 5.8 billion. Hydro's net pension cost for 2007 amounted to NOK 0.9 billion. Cash outflows from operating activities in 2007 regarding pensions amounted to approximately NOK 0.9 billion. For further information on Hydro's employee retirement plans see note 4 Critical accounting judgement and key sources of estimation uncertainty and note 32 Employee retirement plans in the Notes to the consolidated financial statements.

Contractual obligations, committments and off balance sheet arrangements

A summary of Hydro's total contractual obligations and commercial commitments to make future payments is presented below. For further details see notes 15 – Operating leases, 30 – Long-term debt, and 39 – Contractual commitments and other commitments for future investments to Hydro's consolidated financial statements.

In addition, Hydro is contingently liable for guarantees made directly by the parent company or made on behalf of subsidiaries in the normal course of business. Hydro grants guarantees at market-based fees to enable subsidiary companies to obtain credit or engage in contracts of a greater magnitude than would otherwise be possible without such guarantees. Hydro makes such guarantees to facilitate transactions, which are considered necessary to reach its business objectives. See note 37 – Guarantees to Hydro's consolidated financial statements for a description of such guarantees.

Contractual obligations

		Payments due by period			
NOK million	**Total**	Less than 1 year	1-3 years	3-5 years	Thereafter
Long-term debt	**334**	71	201	60	2
Interest related to long-term debt	**42**	17	23	2	0
Operating lease obligations	**933**	179	241	150	363
Unconditional purchase obligations	**36,380**	5,077	6,107	4,336	20,861
Contractual commitments for:					
- PP&E	**1,120**	930	146	38	6
- Other future investments	**7651**	2881	4770	0	0
Benefit payments unfunded defined benefit plans		356	737	795 [1]	
Termination benefits		263	384	261 [1]	
Other long-term liabilities	**1,132**	520	148	86	379
Total contractual cash obligations		10,294	12,757	5,728	

1) Annual payments are expected to continue to increase gradually into the foreseeable future starting in the range of NOK 550 to 600 million. Hydro also has other obligations connected with pension plans that are not contractually fixed to timing and amount.

Minority interest and shareholders equity

Minority interest was NOK 959 million as of 31 December 2007, compared with NOK 771 million at the end of 2006. Total Shareholders' equity was NOK 55,008 million at the end of 2007, compared with NOK 96,601 million at the end of 2006. In addition to net income, dividends, currency translation adjustments and other changes in shareholders equity, the main item impacting shareholders' equity was the demerger of Hydro's oil and gas business amounting to a reduction of NOK 47,089 million.

See the Consolidated statements of changes in equity and note 34 – Shareholders' equity to Hydro's consolidated financial statements for a detailed reconciliation of shareholders' equity.

Investments

Investments [1]

NOK million	**2007**	2006
Aluminium Metal	**3,541**	2,515
Aluminium Products	**866**	1,252
Energy	**233**	140
Corporate, other and eliminations [2]	**566**	619
Total	**5,206**	4,526

1) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments.
2) Including investments in Polymers activities reported as discontinued operations.

Investments in 2007 amounted to NOK 5,206 million, compared with NOK 4,526 million in 2006.

Aluminium Metal

The major investments for Hydro's aluminium metal business in 2007 included the development of the Qatalum primary aluminium plant in Qatar and the ongoing expansion 3 of the alumina plant Alunorte in Brazil.

The major investments for Hydro's aluminium metal business in 2006 included the expansion 3 of the alumina plant Alunorte in Brazil and the upgrade and expansion of the cast houses at the Sunndal plant in Norway.

Aluminium Products

Investments for Aluminium Products in 2007 were mainly related to developing and maintaining the efficiency of our operations.

The main investments in 2006 related to a revamp of the rolled products plant in Slim, Italy and the completion of the precision tubing plant in Reynosa, Mexico.

Energy

The major investments for Hydro's energy business in 2007 and 2006 included, through our ownership interests, the development of a pilot plant for production of flexible thin film materials at Ascent Solar Technologies Inc. and an ingot pulling and wafering plant at Norsun AS.

Material commitments

Contractual commitments and additional authorized future investments for investments in property, plant and equipment amounted to NOK 1,120 million. Contractual commitments for other future investments amounted to NOK 7,651 million. Additional authorized future investments represent projects formally approved by the Board of Directors or management given the authority to approve such investments.

The amounts are included in the table in the section Contractual obligations, committments and off balance sheet arrangments above.

The company's BBB rating ensures adequate access to the global capital markets for raising liquidity, when needed, and together with cash holdings and expected cash flow from operations is expected to provide sufficient funding of these expenditures. In addition, Hydro holds a USD 1.7 billion seven-year multi-currency revolving credit facility that provides access to liquidity at short notice.

ADDITIONAL INFORMATION

Additional information – Aluminium Metal

The following tables present additional financial information for Hydro's sub-segments with-in the Aluminium metal and Aluminium products business areas and additional financial information for the Energy business area.

Revenue

NOK million	**2007**	2006
Bauxite and Alumina	**4,176**	4,481
Primary Aluminium	**37,164**	36,907
Commercial	**64,898**	73,566
Other and eliminations	**(44,646)**	(46,695)
Total	**61,592**	68,259

External revenue

NOK million	**2007**	2006
Bauxite and Alumina	**3**	1
Primary Aluminium	**2,551**	2,344
Commercial	**37,952**	41,340
Other and eliminations	**-**	(82)
Total	**40,506**	43,603

Share of profit in equity accounted investments

NOK million	**2007**	2006
Bauxite and Alumina	**854**	624
Primary Aluminium	**121**	232
Commercial	**-**	(2)
Other and eliminations	**-**	-
Total	**975**	854

Depreciation, amortization and impairment

NOK million	**2007**	2006
Bauxite and Alumina	**(0)**	-
Primary Aluminium	**-**	(1,882)
Commercial	**(287)**	(311)
Other and eliminations	**(1,899)**	-
Total	**(2,186)**	(2,192)

EBIT

NOK million	**2007**	2006
Bauxite and Alumina	**1,011**	831
Primary Aluminium	**6,281**	5,872
Commercial	**578**	576
Other and eliminations	**493**	23
Total	**8,365**	7,302

EBITDA

NOK million	**2007**	2006
Bauxite and Alumina	**1,029**	850
Primary Aluminium	**8,208**	7,774
Commercial	**865**	888
Other and eliminations	**493**	23
Total	**10,597**	9,536

Underlying EBIT

NOK million	**2007**	2006
Bauxite and Alumina	**681**	898
Primary Aluminium	**6,552**	6,651
Commercial	**722**	643
Other and eliminations	**84**	(65)
Total	**8,041**	8,127

Underlying EBITDA

NOK million	**2007**	2006
Bauxite and Alumina	**699**	917
Primary Aluminium	**8,479**	8,553
Commercial	**865**	888
Other and eliminations	**84**	(65)
Total	**10,129**	10,294

Additional information – Aluminium Products

Revenue

NOK million	2007	2006
Rolled Products	**25,327**	23,132
Extrusion	**20,421**	20,402
Automotive	**6,506**	10,317
Other and eliminations	**(855)**	(263)
Total	**51,399**	53,588

External revenue

NOK million	2007	2006
Rolled Products	**24,853**	22,951
Extrusion	**19,994**	20,200
Automotive	**6,375**	10,128
Other and eliminations	**(56)**	51
Total	**51,166**	53,331

Share of profit in equity accounted investments

NOK million	2007	2006
Rolled Products	**36**	(2)
Extrusion	**7**	17
Automotive	**2**	(183)
Other and eliminations	**-**	-
Total	**46**	(168)

Depreciation, amortization and impairment

NOK million	2007	2006
Rolled Products	**(481)**	(651)
Extrusion	**-**	(630)
Automotive	**(279)**	(878)
Other and eliminations	**(448)**	(1)
Total	**(1,207)**	(2,159)

EBIT

NOK million	**2007**	2006
Rolled Products	**345**	(2)
Extrusion	**806**	(1)
Automotive	**539**	(884)
Other and eliminations	**(592)**	783
Total	**1,098**	(104)

EBITDA

NOK million	**2007**	2006
Rolled Products	**882**	1,323
Extrusion	**1,254**	889
Automotive	**818**	235
Other and eliminations	**(592)**	(94)
Total	**2,361**	2,353

Underlying EBIT

NOK million	**2007**	2006
Rolled Products	**562**	(98)
Extrusion	**852**	558
Automotive	**(67)**	(51)
Other and eliminations	**6**	885
Total	**1,353**	1,294

Underlying EBITDA

NOK million	**2007**	2006
Rolled Products	**1,099**	1,077
Extrusion	**1,300**	1,332
Automotive	**212**	673
Other and eliminations	**6**	8
Total	**2,616**	3,090

Additional information – Energy

Total revenue

NOK million	**2007**	2006
Revenue	**6,468**	7,309
External revenue	**1,268**	1,007
Share of profit in equity accounted investments	**(24)**	22
EBIT	**1,303**	1,457
EBITDA	**1,432**	1,582
Underlying EBIT	**1,184**	1,464
Underlying EBITDA	**1,313**	1,589

USE OF NON-GAAP FINANCIAL MEASURES

Non-GAAP financial measures are defined as financial measures that either exclude or include amounts that are not excluded from or included in the most directly comparable measure calculated and presented in accordance with GAAP. Hydro's non-GAAP financial measures are based on Hydro's IFRS financial statements with the adjustments discussed in this section.

Please see note 35 to the Consolidated Financial Statements for information regarding the use of Adjusted net interest-bearing debt, Adjusted equity, Ajusted funds from operations and Adjusted net interest-bearing debt/adjusted equity ratio.

Items excluded from underlying EBIT sub-segments

To provide a better understanding of Hydro's underlying performance, certain items are excluded from EBIT (earnings before financial items and tax) and income from continuing operations, such as unrealized gains and losses on derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis. The following tables include a description of the items excluded from underlying EBIT for each of the sub-segments included in Aluminium Metal and Aluminium Products business areas, items excluded from underlying EBIT for the Energy business area and Corporate other and eliminations.

Summary table

NOK million		2007	2006
Unrealized derivative effects on currency contracts (Alunorte)	Bauxite & Alumina	**(167)**	(76)
Unrealized derivative effects on LME related contracts (Alunorte)	Bauxite & Alumina	**(163)**	143
Rationalization charges and closure costs	Primary Aluminium	**114**	572
Unrealized derivative effects on power contracts	Primary Aluminium	**108**	183
Unrealized derivative effects on power contracts (Søral)	Primary Aluminium	**19**	24
Unrealized derivative effects on currency contracts (Qatalum)	Primary Aluminium	**30**	-
Impairment charges (Ellenville)	Commercial	**144**	67
Unrealized derivative effects on LME related contracts	Other and eliminations	**(527)**	(88)
Correction of elimination of profit in inventory	Other and eliminations	**118**	-
Total	Aluminium Metal	**(324)**	825
Metal effect	Rolled Products	**235**	(261)
Rationalization charges and closure costs (UK pension plan)	Rolled Products	**-**	15
Impairment charges (Malaysia)	Rolled Products	**-**	150
Rationalization charges and closure costs (Inasa)	Rolled Products	**29**	-
Germany, change in tax rate	Rolled Products	**(47)**	-
Rationalization charges and closure costs (US and UK)	Extrusion	**63**	103
Impairment charges (Ellenville)	Extrusion	**-**	116
Rationalization charges and closure costs (UK pension plan)	Extrusion	**-**	340
(Gains)/losses on divestments	Extrusion	**(17)**	-
(Gains)/losses on divestments	Automotive	**(624)**	-
Rationalization charges and closure costs (Automotive)	Automotive	**18**	413
Rationalization charges and closure costs (UK pension plan)	Automotive	**-**	25
Impairment charges (Seneffe, Becancour)	Automotive	**-**	156
Impairment charges (Meridian)	Automotive	**-**	239
Unrealized derivative effects on LME related contracts	Other and eliminations	**598**	102
Total	Aluminium Products	**255**	1,398
Unrealized derivative effects on power contracts	Energy	**(119)**	7
Unrealized derivative effects on power contracts	Corporate, other and eliminations	**920**	1,391
Correction of elimination of profit in inventory	Corporate, other and eliminations	**173**	-
Reversal insurance loss provision	Corporate, other and eliminations	**-**	(211)
Rationalization charges and closure costs (eliminations, Magnesium)	Corporate, other and eliminations	**-**	(65)
Rationalization charges and closure costs (eliminations, UK pension plan)	Corporate, other and eliminations	**-**	(380)
Total	Hydro	**905**	2,965

Aluminium Metal

Earnings before financial items and tax (EBIT)

NOK million	2007	2006
Bauxite & Alumina:		
Reported EBIT	**1,011**	831
Unrealized derivative effects on currency contracts (Alunorte) [1]	**(167)**	(76)
Unrealized derivative effects on LME related contracts (Alunorte) [2]	**(163)**	143
Total items excluded from underlying EBIT of Bauxite & Alumina	**(330)**	67
Underlying EBIT	**681**	898
Primary Aluminium:		
Reported EBIT	**6,281**	5,872
Rationalization charges and closure costs [3]	**114**	572
Unrealized derivative effects on power contracts [4]	**108**	183
Unrealized derivative effects on power contracts (Søral) [5]	**19**	24
Unrealized derivative effects on currency contracts (Qatalum) [6]	**30**	-
Total items excluded from underlying EBIT of Primary Aluminium	**271**	779
Underlying EBIT	**6,552**	6,651
Commercial:		
Reported EBIT	**578**	576
Impairment charges (Ellenville) [7]	**144**	67
Total items excluded from underlying EBIT of Commercial	**144**	67
Underlying EBIT	**722**	643
Other and eliminations:		
Reported EBIT	**493**	23
Unrealized derivative effects on LME related contracts [8]	**(527)**	(88)
Correction of elimination of profit in inventory [9]	**118**	-
Total items excluded from underlying EBIT of Other and eliminations	**(409)**	(88)
Underlying EBIT	**84**	(65)
Metal:		
Reported EBIT	**8,365**	7,302
Total items excluded from underlying EBIT	**(324)**	825
Underlying EBIT	**8,041**	8,127

1) Alunorte reporting currency is in BRL, while long term financing is denominated in USD. Periodic revaluation of the liabilities in USD causes unrealized currency gains/losses with effect on Hydro`s share of profit and loss in Alunorte. As BRL has strengthened against USD, the result for 2007 is a gain.
2) Alunorte uses LME-based derivatives for hedging the LME price link of future alumina sales. These derivatives are valued mark-to-market while hedge accounting is applied for a part of the hedge portfolio. As alumina sales from Alunorte to Hydro do not qualify as a base for hedge accounting from Hydro's perspective, the related revaluation in Alunorte's books is reversed with effect on the share of profit and loss shown in Hydro's books.
3) Costs related to the closure of the Norwegian Søderberg plants at Høyanger and Årdal, and the German metal plants in Hamburg and Stade amounted to a total of about 890 million NOK distributed over the years 2005 – 2007.
4) Hydro has entered into certain power contracts that contain embedded LME derivatives (the contract price is partly linked to development in the LME market price). These derivatives are separated from the power contract and evaluated at market value. Effects on changes in the market value causes unrealized LME gains/losses with effect on EBIT.
5) Søral has entered into certain financial power contracts that are evaluated at market value. Effects on changes in the market value causes unrealized gains/losses with effect on Hydro`s share of profit and loss in Søral.
6) Qatalum Aluminium Ltd has entered into construction contracts that contain embedded currency derivatives. These derivatives are separated from the construction contract and evaluated at market value. Effects on changes in the market value causes unrealized currency gains/losses with effect on Hydro`s share of profit and loss in Qatalum.
7) Impairment write-downs relating to remelters in Ellenville, New York and in St. Augustine, Florida.
8) Changes in the market value of open LME derivative contracts relate mainly to operational hedges. Offsetting changes to the value of the hedged contracts, which are not marked to their market value, are not reflected in the results until realized.
9) A total of NOK 118 million were corrections related to the financial year 2007.

Aluminium Products

Earnings before financial items and tax (EBIT)

NOK million	**2007**	2006
Rolled Products:		
Reported EBIT	**345**	616
Metal effect [1]	**235**	(261)
Rationalization charges and closure costs (UK pension plan) [2]	**-**	15
Impairment charges (Malaysia) [3]	**-**	150
Rationalization charges and closure costs (Inasa) [4]	**29**	-
Germany, change in tax rate [5]	**(47)**	-
Total items excluded from underlying EBIT of Rolled Products	**217**	(96)
Underlying EBIT	**562**	520
Extrusion:		
Reported EBIT	**806**	259
Rationalization charges and closure costs (US, France and UK) [6]	**63**	103
Impairment charges (Ellenville) [7]	**-**	116
Rationalization charges and closure costs (UK pension plan) [2]	**-**	340
(Gains)/losses on divestments [8]	**(17)**	-
Total items excluded from underlying EBIT of Extrusion	**46**	559
Underlying EBIT	**852**	818
Automotive:		
Reported EBIT	**539**	(884)
Rationalization charges and closure costs (Automotive) [9]	**18**	413
Rationalization charges and closure costs (UK pension plan) [2]	**-**	25
Impairment charges (Seneffe, Becancour) [10]	**-**	156
Impairment charges (Meridian)	**-**	239
(Gains)/losses on divestments [11]	**(624)**	-
Total items excluded from underlying EBIT of Automotive	**(606)**	833
Underlying EBIT	**(67)**	(51)

Earnings before financial items and tax (EBIT) (cont).

NOK million	2007	2006
Other and eliminations:		
Reported EBIT	**(592)**	(94)
Unrealized derivative effects on LME related contracts [12]	**598**	102
Total items excluded from underlying EBIT of Other and eliminations	**598**	102
Underlying EBIT	**6**	8
Aluminium Products:		
Reported EBIT	**1,098**	(104)
Total items excluded from underlying EBIT	**255**	1,398
Underlying EBIT	**1,353**	1,294

1) Rolled Products` sales prices are based on a margin over the metal price. The production and logistic process of Rolled Products lasts two to three months. As a result, margins are impacted by timing differences resulting from the FIFO (first in, first out) inventory valuation method, due to changing aluminium prices during the production process. Decreasing aluminium prices in Euro results in a negative metal effect, while increasing prices have a positive effect on margins. For the fourth quarter there was a decrease in LME prices which led to reported losses.
2) Funding of a deficit in UK defined benefit pension plan.
3) Impairment loss in Malaysia.
4) Costs related to rationalisation charges Inasa.
5) Effect on deferred tax liabilities of equity accounted investments due to reduced tax rate in Germany.
6) Plant closure and rationalization costs related to operations in the US, France and UK.
7) Impairment write-down of the Ellenville operations in the US and in UK.
8) Gain from the divestment of Nordic Aviation Products.
9) Rationalisation cost Automotive Structures. Costs related to closure of the magnesium operations in Porsgrunn, Norway and closure of the Magnesium plant in Becancour, Canada.
10) Write-down of the value of the 49 percent ownership interest in Meridian Technologies Inc of NOK 239 million and impairment losses in Seneffe and Becancour.
11) Gain from the divestment of the automotive casting business, sale of shares in Meridian Technologies Inc and loss on the divestment of the Worchester automotive structures plant in UK, including later adjustments.
12) Unrealized gains and losses result from marked-to-market valuation of open LME derivative contracts related to operational hedges, which are reported as part of eliminations for various units in Aluminium Products utilizing derivatives to mitigate their LME price exposure. Gains and losses on the LME contracts are included in the various units`results when realized. Offsetting changes to the value of the hedged contracts, which are not marked to their market value, are not reflected in the results until realized.

Energy

Earnings before financial items and tax (EBIT)

NOK million	2007	2006
Reported EBIT	**1,303**	1,457
Unrealized derivative effects on power contracts [1]	**(119)**	7
Total items excluded from underlying EBIT	**(119)**	7
Underlying EBIT	**1,184**	1,464

1) Unrealized gains and losses related to mark-to-market valuation of power derivative contracts entered into to manage market risk in Hydro's power portfolio. The power derivative contracts fluctuate in mark-to-market value depending on the exposure under open positions and variations in market price.

Corporate, other and eliminations

Earnings before financial items and tax (EBIT)

NOK million	**2007**	2006
Reported EBIT	**(1,741)**	(1,456)
Reversal insurance loss provision		(211)
Rationalization charges and closure costs (elimination, Magnesium)		(65)
Rationalization charges and closure costs (elimination, UK pension plan)		(380)
Correction of elimination of profit in inventory	**173**	
Unrealized derivative effects on power contracts	**920**	1,391
Total items excluded from underlying EBIT	**1,093**	735
Underlying EBIT	**(648)**	(721)

Return on average capital employed (RoaCE)

In this Report, Hydro refers to certain non-GAAP financial measures, which are an integral part of Hydro's steering model. These non-GAAP financial measures are:

- Return on average Capital Employed (RoaCE)
- Earnings after tax
- Capital Employed

Hydro's management makes regular use of these indicators to measure performance for the group as a whole and within its operating segments, both in absolute terms and comparatively from period to period. Management views these measures as providing additional understanding, – for management and for investors -, of:

- The rate of return on investments over time, in each of its capital intensive businesses
- The operating results of its business segments

RoaCE is defined as "Earnings after tax" divided by average "Capital Employed." "Earnings after tax" is defined as "Earnings before financial items and tax" less "Adjusted income tax expense." Because RoaCE represents the return to the capital providers before dividend and interest payments, adjusted income tax expense excludes the effects of items reported as "Financial income (expense), net". "Capital Employed" is defined as "Shareholders' Equity" including minority interest plus long-term and short-term interest-bearing debt less "Cash and cash equivalents" and "Short-term investments." Capital Employed can be derived by deducting "Cash and cash equivalents," "Short-term investments" and "Short-term and long-term interest free liabilities" (including deferred tax liabilities) from "Total assets." The two different approaches yield the same value.

Hydro believes that RoaCE facilitates benchmarking of Hydro with its peers. It is important to note, however, that RoaCE is, similar to all other financial metrics, influenced by a company's selection of acceptable accounting principles and applying different GAAPs which can result in significant differences when comparing RoaCE for different companies. This is particularly important when comparing companies with an active acquisition history.

RoaCE should not be considered an alternative to Earnings before financial items and tax, Income before tax and Net income as an indicator of Hydro's results of operations in accordance with IFRS. Hydro's management make regular use of measures calculated according to IFRS in addition to non-GAAP financial measures described above when measuring financial performance.

Management believes that the most directly comparable ratio calculated based on IFRS measures only is the "Net income to capital employed ratio." However, this ratio measures net income relative to capital employed, which includes interest bearing loans and investments, i.e. it does not measure changes in interest bearing loans and cash position, and is therefore not directly comparable with the non-GAAP measure "RoaCE."

Return on average capital Employed – Hydro

NOK million	**2007**	2006
Revenues and income	**96,409**	100,045
Total expense	**(87,385)**	(92,845)
EBIT	**9,025**	7,200
Adjusted income tax expense [1]	**(2,113)**	(1,762)
EBIT after tax	**6,912**	5,438

NOK million	**31 December 2007**	31 December 2006	31 December 2005
Current assets [2]	**35,499**	38,062	31,963
Property, plant and equipment	**26,750**	32,151	35,823
Other assets [3]	**17,724**	18,639	19,499
Other current liabilities	**(19,331)**	(21,383)	(17,759)
Other long-term liabilities [4]	**(16,398)**	(17,066)	(17,985)
Capital employed	**44,244**	50,403	51,541

NOK million	**2007**	2006
Reported Return on average Capital Employed (RoaCE)	**14.6%**	10.7%
Net income to average Capital Employed	**19.4%**	11.7%

1) Tax from financial items of NOK 962 million and NOK 190 million excluded for 2007 and 2006, respectively.
2) Excluding cash and cash equivalent and short-term investments.
3) Including Deferred tax assets.
4) Including provisions for pension and deferred tax liabilities.

Return on average capital Employed – Aluminium Metal

NOK million	**2007**	2006
Revenues and income	**62,712**	69,268
Total expense	**(54,347)**	(61,965)
EBIT	**8,365**	7,302
Adjusted income tax expense	**(2,217)**	(1,934)
EBIT after tax	**6,148**	5,368

NOK million	**31 December 2007**	31 December 2006	31 December 2005
Current assets	**15,698**	18,239	16,405
Property, plant and equipment	**15,631**	17,227	18,153
Other assets	**10,084**	8,516	7,350
Other current liabilities	**(10,225)**	(12,120)	(9,115)
Other long-term liabilities	**(4,049)**	(4,457)	(4,124)
Capital employed	**27,139**	27,405	28,668

NOK million	**2007**	2006
Return on average Capital Employed (RoaCE)	**22.5%**	19.1%

Return on average capital Employed – Aluminium Products

NOK million	**2007**	2006
Revenues and income	**52,188**	53,595
Total expense	**(51,090)**	(53,698)
EBIT	**1,098**	(104)
Adjusted income tax expense	**(316)**	(19)
EBIT after tax	**782**	(123)

NOK million	**31 December 2007**	31 December 2006	31 December 2005
Current assets	**14,752**	19,990	15,087
Property, plant and equipment	**7,775**	8,293	11,113
Other assets	**3,301**	4,363	5,025
Other current liabilities	**(8,408)**	(10,132)	(8,525)
Other long-term liabilities	**(2,878)**	(3,833)	(3,946)
Capital employed	**14,542**	18,681	18,753

NOK million	**2007**	2006
Return on average Capital Employed (RoaCE)	**4.7%**	(0.7)%

Return on average capital Employed – Energy

NOK million	**2007**	2006
Revenues and income	**6,452**	7,342
Total expense	**(5,149)**	(5,885)
EBIT	**1,303**	1,457
Adjusted income tax expense	**(597)**	(646)
EBIT after tax	**706**	811

NOK million	**31 December 2007**	31 December 2006	31 December 2005
Current assets	**1,233**	1,640	2,597
Property, plant and equipment	**2,760**	2,807	2,869
Other assets	**3,331**	2,593	2,692
Other current liabilities	**(1,178)**	(2,129)	(3,138)
Other long-term liabilities	**(1,920)**	(1,298)	(1,589)
Capital employed	**4,227**	3,612	3,431

NOK million	**2007**	2006
Return on average Capital Employed (RoaCE)	**18.0%**	23.0%

The Hydro Way forms our basis for defining what is material to include in our viability reporting.

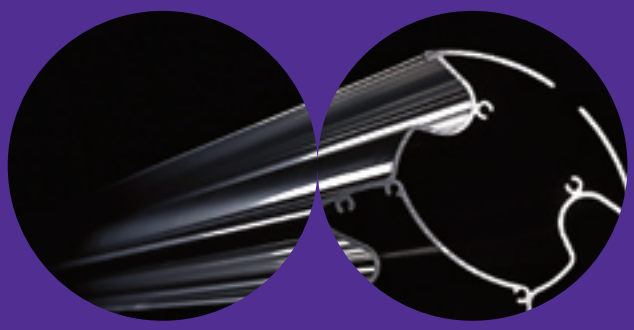
Key figures

	2007	2006	2005
Total recordable injuries, TRI [1]	**4.1**	4.0	5.4
Number of employees pr. 31 December	**24,692**	33,605	32,765
Greenhouse gas emissions, million tonnes CO2e	**4.4**	4.5	5.3

1) Per million working hours.

4.1

Total recordable injuries per million hours worked in 2007



HIGHLIGHTS

Index leader

Hydro headed the aluminium and basic resources sector of the Dow Jones Sustainability Index for the second successive year, and qualified again for FTSE4Good.

Total recordable injuries per million hours worked increased from 4.0 to 4.1. We did not reach our target of 3.2, and we had two fatal accidents in 2007 and one in February 2008.

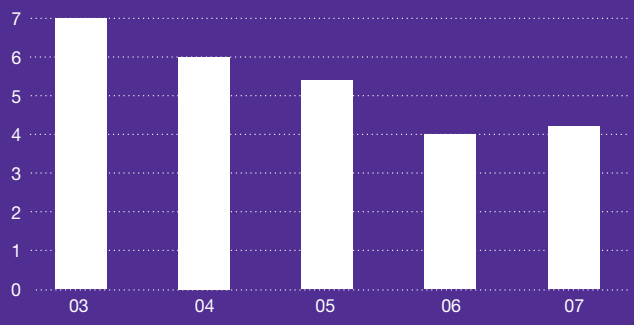
Restructuring processes in Norway, USA and Canada, as well as the divestment of Automotive Castings, were implemented in cooperation with employees and local communities.

We developed an interactive e-learning program dealing with our policies and employee rights and obligations. Mandatory for all employees worldwide, it discusses issues such as work environment and ethical dilemmas.

We started test production of aluminium in our next generation electrolytic cells to reduce emissions and increase energy efficiency. The cells are prepared for concentrating and capturing CO_2, making them ready to provide a feed to third-party capturing solutions, when commercially available.

Total recordable injuries

Per million hours worked

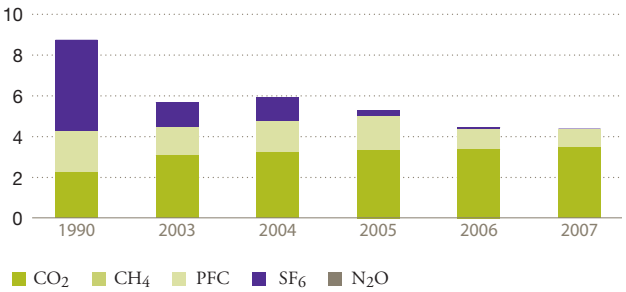


04:

Viability performance

Direct greenhouse gas emissions

Million tonnes CO_2-equivalents (CO2e)



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QUICK OVERVIEW

Hydro's mission is to create a more viable society by developing natural resources and products in innovative and efficient ways.

In our terms pursuing viability comprises a specific way of bridging viability and business, and a set of performance areas where we measure our progress.

This is what our viability performance reporting is about.

First, we describe The Hydro Way, a set of guiding principles that govern our activities and underpin our approach to viability. Next, we report on our viability performance in 2007 according to a set of areas that capture our most important viability issues while corresponding to generally acknowledged domains of reporting.

THE HYDRO WAY

The Hydro Way has powered our company's success from the day we began in 1905. Today, it lives on in the way we work and the decisions we make. It is our 'reason for being' beyond just making money. It is our way of running a successful business. In the end, it is what brings us closer – closer to the world we operate in and closer to each other.

The Hydro Way is based on a set of principles: our mission, talents and values. They help us set our priorities and serve as a reference point when questions arise. Our mission describes our higher purpose and is supported by our talents and values.

Hydro's mission is to create a more viable society by developing natural resources and products in innovative and efficient ways.

Inspired by our five core values – courage, respect, cooperation, determination, foresights – our talents reflect what we do and the way we go about it:

- Building businesses that matter
- A passion for social commerce
- Always looking for commercial solutions
- Making the most out of what's available

In order to ensure a uniform high standard, Hydro's corporate directives lay down requirements. They are compulsory for all parts of the organization and build on The Hydro Way. The directives address various issues including strategy and business planning, economy and finance, risk management, organizational and employee development, health, safety, security and environment (HSE), as well as ethics and social responsibility.

The Hydro Way forms our basis for defining what is material to include in our viability reporting.

In 2007, Hydro headed the aluminium and basic resources sector in the Dow Jones Sustainability Index for the second year in a row, and qualified again for FTSE4Good.

FTSE4Good

Our mission

Our talents

Our values

ENERGY AND CLIMATE CHANGE

The risk of severe climate change requires action now to reduce global greenhouse gas emissions. Technology and long-term sustainable systems must be developed to achieve significant and lasting emission reductions. At Hydro, the reduction of energy consumption and emissions are essential elements in our programs to make aluminium an even more attractive metal for the future. We have redirected and sharpened our R&D focus to reduce CO_2 emissions in our operations.

We are deeply involved in utilizing the advantages of aluminium in vehicles and in systems that can reduce energy consumption in buildings. And we are taking further initiatives to increase the recycling of aluminium as an important part of resource preservation.

Greenhouse gas emissions from Hydro's ownership equity has decreased by roughly 45 percent since 1990. At the same time, we have increased our comparable primary aluminium production from 0.91 to 1.67 million tonnes.

Important contributions – directly and indirectly – are to reduce energy consumption and emissions of perfluorinated carbon (PFC). In 2007 we used an average of 14.2 kWh electric power for the production of one kilogram of aluminium, compared to 15.2 kWh in 1990. We did not meet our target of 13.8 kWh for 2007. We will continue to increase amperage in our primary plants to improve the financial robustness going forward. As a result we will not meet our medium-term amibion of 13.5 KWh/kg aluminium in 2011. However, we are intensifying our R&D efforts to further improve our performance on new smelter technology and ambitions will be developed as part of this years strategy process. Our PFC emissions have been reduced by 45 percent since 1990.

In 2007 we devoted significant resources and management time to completing our understanding of threats and opportunities that climate change, and policies to limit it, represent for our business. Climate change is recognised as a major strategic driver for Hydro, and the overall responsibility for climate related issues was in 2007 placed under corporate strategy and business development. In 2008 we will complete a comprehensive climate change strategy, including the setting of specific targets.

Extensive R&D efforts, including short-term and long-term projects, have been initiated to further reduce CO_2 emissions. In February 2008 test production commenced on a new generation of electrolytic cells at the Årdal Research Center. See page 110.

So far the most significant effect of the policy steps to combat climate change has been the emissions trading system in Europe. This has led to significantly higher power prices and a

Where we are and what we are striving to achieve:

2007 TARGET
- Aluminium production requires 13.8 kWh/kg

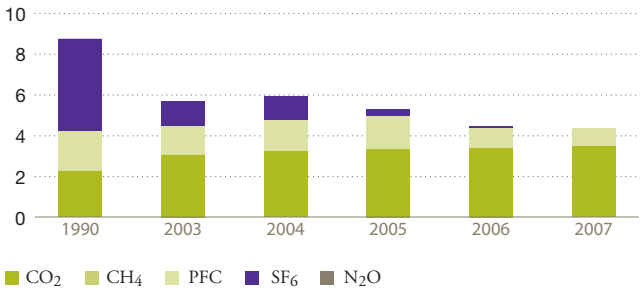
2007 RESULT
- Aluminium production required 14.2 kWh/kg

2008
- Complete our new climate strategy, including setting specific targets

AMBITION
- As part of our technology strategy and climate strategy work, new targets will be developed in 2008

Direct greenhouse gas emissions

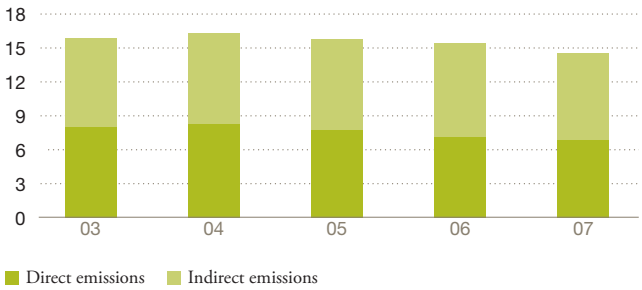
Million tonnes CO_2-equivalents (CO2e)



Greenhouse gas emissions from Hydro-operated production activities were 4.38 million tonnes CO_2 equivalents (CO2e) in 2007. Based on Hydro's ownership equity, emissions were 6.87 million tonnes CO2e, a reduction of roughly 45 percent compared with 1990, given the same ownership structure as in 2007. The decline comes as a result systematic operational improvements, the introduction of new technology and in recent years also closure of plants and process lines.

Direct and indirect greenhouse gas emissions

Million tonnes CO2e



Greenhouse gas emissions based on Hydro's ownership equity. Indirect emissions are based on electricity consumption and IEA "CO_2 Emissions from Fuel Consumption" 2005 factors.

When visiting Oslo, the Nobel Peace Prize winner Al Gore, could unveil sculpture of re-used aluminium, specially commissioned by Hydro, at the Nobel Peace Center. The sculpture, a house of cards on the verge of collapse, is called "Climax" and symbolises the fragile balance of the world. It was made by the Norwegian artist Magne Furuholmen who wanted to address the climate debate.

A more attractive metal for the future

"As a part of this, new R&D activities have been initiated to make our processes more energy efficient. At the same time we see that aluminium can contribute to reduce overall emissions through its utilization within the transport sector, as vehicles with more aluminium will have a lower weight and consume less fuel. Likewise, it is very favorable to increase the degree of recycling of used aluminium."

Arvid Moss, Head of Strategy and Business Development, Hydro

Read full interview at www.hydro.com/reports

loss of competitiveness for European smelters. We believe that emission trading systems will be introduced in the next decade in several regions.

Carbon pricing will, through power costs, significantly impact the relative attractiveness of different primary aluminium growth projects. We will be working with energy companies to find technologically and economically feasible solutions for CO_2 handling.

On the other hand, several applications in aluminium become more attractive with higher energy prices. Increased energy efficiency, the regulation of CO_2 emissions from vehicles, and energy standards in buildings will all support growth in aluminium demand.

Aluminium, when used in mobile applications, saves much more energy and greenhouse gas emissions over the lifetime of the product than what was needed to manufacture the metal. Modern aluminium building systems can reduce energy consumption in buildings in the range of 30 to 50 percent. Used together with the photovoltaic solar technology developed by one of Hydro's solar ventures, we envisage buildings that create more energy than they consume in the foreseeable future. See also page 112.

We see increasing recycling of aluminium as important for resource preservation. We will work together with the industry and other companies to increase recycling volumes, thereby also reducing global CO_2 emissions, as recycling only requires approximately five percent of the energy consumed during primary production.

Renewable energy

Hydro has more than 100 years' experience in the production of renewable energy. Our operations were founded on hydroelectric power and in 2007. Our annual average production of renewable energy is about 9 TWh. Due to high precipitation access we produced 11.0 TWh in 2007. 45 percent of Hydro's total energy consumption came from renewable energy.

Since 2006 we have invested more than NOK 300 million in solar energy development. These investments include the company Norsun, which is building a plant in Årdal to produce silicon chips for solar cells. The investment in Ascent Solar Technologies gives Hydro a 22 percent ownership interest in the company and enhances our activities within solar and building systems, where Ascent Solar is among the leading thin-film producers.

HyCore is a joint venture of the Belgian company Umicore and Hydro, and will produce solar-grade silicon used in solar cells. HyCore is currently constructing a pilot plant at Hydro's industrial park at Herøya in Porsgrunn, Norway. The pilot plant will have an annual capacity of around 20 tonnes of solar-grade silicon. If the pilot program is successful, the production of industrial-scale volums will be feasible in 2010.

RESOURCE MANAGEMENT

The viable use of natural resources requires that raw materials are reused and waste production is minimized. We are intensifying our efforts to achieve an optimal use of resources, and can see that this will also contribute to increased profitability.

Remelting and recycling

Aluminium can be remelted and recycled over and over again without losing its initial qualities. We remelt scrap both from other companies and from our own production. We have also started to recover coated metal scrap, and efforts are underway to make products easier to recycle. Thirty percent of the remelted metal in the billets we use in Building Systems is scrap obtained from our extrusion and surface treatment plants and from window manufacturers. Rolled Products is increasing its involvement in recycling and the remelting of used aluminium.

One contribution to responsible utilization of natural resources is to increase the recovery and recycling of waste. For several years all our automotive products have been systematically labelled in order to simplify the future recycling of materials. Dangerous materials, such as heavy metals, are registered in the International Material Database, initiated by the automotive industry.

Minimizing waste production

Spent potlining (SPL) from the electrolytic cells used in primary aluminium production is defined as hazardous waste. Extending the life of potlining is important to minimize the total amount. During recent years the alternative treatment of SPL has been evaluated. Our plant in Kurri Kurri, Australia, has entered into an agreement to upgrade SPL to products for the cement industry. The agreement also includes all SPL material presently stored at Kurri Kurri.

At our plant in Neuss, Germany, SPL recycling solutions are in place, meeting the requirements set by the German authorities. Slovalco in Slovakia is following the national regulations, but will in 2008 start a project to consider other solutions for SPL. The Norwegian smelters and NOAH, the company which takes care of our SPL waste in Norway, are looking into new ways of utilizing SPL. By the end of 2007 a solution was evaluated, and a test will be performed in early 2008.

A project has been established to develop a solution for processing dross from our Norwegian casthouses that meets the new EU requirements.

Our ambition of no waste from our own aluminium plants in 2015 will be revised as part of the 2008 revision of our HSE strategy.

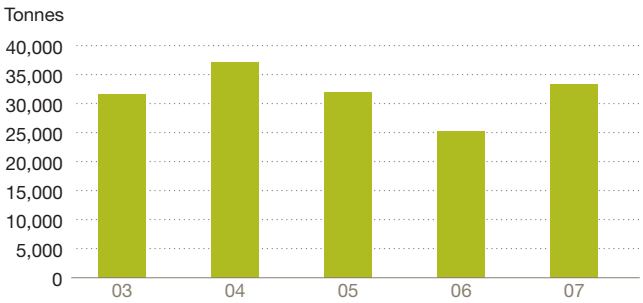
Other environmental issues

Our environmental indicator on resource utilization and reduction of waste and emissions, helps us focus on important measures. The indicator consists of many elements throughout the value chain at the plants. Improvements are measured and environmental challenges are highlighted as they are made visible. The indicator is already used at all electrolyzers. Implementation has started at remaining plants, and we are aiming at full implementation by the end of 2008.

The use of polychlorinated biphenyls (PCB) is forbidden in many countries, and we are phasing out PCB-containing equipment. This has already been implemented at our smelters in Australia, Slovakia and at most of our plants in Norway. Remaining sites comply with the legal requirements applicable in their locations.

In water consumption and biological diversity, our main challenges are related to major development projects. These issues are part of the environmental impact assessments carried out during the early phase of such projects. Hydro is a minority-owner in bauxite extraction and alumina production in areas with a high degree of biodiversity. Through these ownership stakes we participate in projects that aim to preserve biological diversity. Forests are replanted after bauxite has been extracted, using seeds from local plants in order to maintain the biodiversity longterm. At Alunorte in Brazil, it has been decided in cooperation with local authorities to increase the height of the red mud deposits to reduce land areas involved. When the deposits have reached their full height, they will be replanted with local plants from local seeds. At Alpart at Jamaica, the red mud deposits are representing a challenge, and the operating company together with the owners are working on finding solutions that are technically and economically feasible.

Spent potlining



The increase in 2007 is due to the closure of the Söderberg plant in Årdal, Norway, and also due to the relining cycle at Sunndal, Norway, after construction of the new plant in 2004.

INTEGRITY AND HUMAN RIGHTS

The promotion of ethical conduct and human rights is a core element of Hydro's business activities. Our position is clear: zero tolerance of corruption and human rights violations. If non-conformities are registered, our policy is to demonstrate openness and learn from negative experiences.

Countering corruption and human rights violations is an integral part of our business. These areas are important elements of our ambition to contribute to a viable society. Both legislation and internal regulations place demands on us. We also believe that our performance in these areas makes us a supplier and partner of choice, as well as an attractive employer.

Where we are and what we are striving to achieve:

2007 TARGETS
- No instances of corruption or human rights violations
- Hydro Integrity Program effectiveness evaluated through self-assessment and external review
- More tools and guidelines (such as Conflicts of Interest) added to the Hydro Integrity Program

2007 RESULTS
- No known instances of corruption or human rights violations
- Internal investigation inititated relating to our former petroleum engagement in Libya
- Hydro Integrity Program effectiveness evaluation postponed to 2008
- Interactive e-learning on anti-corruption and human rights targeting all employees developed

2008
- No instances of corruption or human rights violations
- Implementation of Integrity Due Dilligence Guidelines
- Hydro Integrity Program effectiveness evaluated through self-assessment and external review
- Roll-out of interactive e-learning on anti-corruption and human rights

AMBITION
All important suppliers should comply with our supplier standards and all our units with anti-corruption standards, human and labor rights, and report their performance by 2010. We intend to be a preferred partner worldwide because of our responsible business operations.

It is essential for us to avoid the use of child labor and forced labor, not just in Hydro's activities, but also in those of our suppliers and collaborating partners. We are concerned about fundamental labor rights, such as freedom of association, minimum wage requirements, and the regulation of working hours. A survey carried out in the entire organization in 2005 revealed no serious violations of these rights. A new self-assessment tool has been developed to measure performance. This will be implemented in 2008. Hydro does not tolerate discrimination on the basis of gender, race, national or ethnic origin, cultural background, social group, disability, family status, age, or political views.

Security staff are required in some areas, including armed guards for the protection of personnel, property and business activities. Hydro is a signatory to the Voluntary Principles on Security and Human Rights. No negative incidents connected to our use of security staff were registered in 2007.

Countering corruption, promoting human rights

Hydro has had ethical guidelines for many years, and in 2003 our current Code of Conduct was approved by the Board of Directors. Based on this, the Hydro Integrity Program was launched in 2005 to prevent corruption and human rights violations connected to our activities. The program includes risk mapping, tools and training. In 2007, 200 more leaders and other personnel in senior positions were added to the 2000 who had previously participated in the training program. Personnel from certain joint-venture partners have also taken part in the program. Training includes dilemma discussions. An interactive e-learning program on corporate requirements was developed in 2007 and will be launched in 2008. The program is mandatory all employees and includes anti-corruption for training. See page 107 for more information.

In the process leading up to the closing of the merger of Hydro's oil and gas activities with Statoil, October 1 2007, questions arose concerning the Libyan petroleum assets we acquired from Saga Petroleum in 1999. The questions related to our handling of certain contracts in Libya. We initiated an internal investigation headed by attorney-at-law Jan Fougner supported by the US law firm Shearman & Sterling LLP. Fougner reports to a subcommittee of the Board of Directors, currently consisting of chairperson of the board Terje Vareberg and Finn Jebsen. The internal investigation team is coordinated with a parallel investigation in StatoilHydro.

When entering areas with an indigenous population or other minority groups, we strive to apply caution and respect. This is one of several human rights issues that are addressed at an early stage in our projects. In Brazil, where we have minority shares in an operation affecting indigenous people, the operator company has a good dialogue and cooperation with these groups. Hydro has taken a 75-percent stake in a joint venture with

In 2007 we developed an interactive e-learning programme on corporate requirements. The programme includes anti-corruption training and will be presented to all employees during 2008.

Create a culture for integrity!

"Most important is the tone from the top – that there is a culture for integrity. That commitment is certainly there in Hydro. But that alone is not enough. You also need detailed procedures to prevent corruption, money laundering and cartels, all reflecting the specific nature of your business. Such policies must be implemented through communication and training so every member of staff will understand the message. And you should report publicly what you are doing."

Jermyn Brooks,
Head of development of Business Principles for Countering Bribery Initiative,
Board member of Partnering against Corruption Initiative (PACI)

Read full interview at www.hydro.com/reports

Australian mining company UMC. The purpose of the cooperation is to further explore opportunities for recovering bauxite and producing alumina in the Kimberly region of Western Australia. Successful exploration and subsequent mining is dependant on cooperation and agreements with the traditional (aboriginal) land owners of the area.

We are cooperating with several organizations, including TRACE (Transparent Agent and Contracting Entities), Transparency International (TI), and Amnesty International (AI). These are all involved in internal activities linked to the Integrity Program.

The annual business planning process is also used to further implement the integrity program as well as other corporate responsibility topics. Requirements have been drawn up regarding how corporate responsibility should be taken into account in business development, investments, and in the execution of projects.

Corporate responsibility in the supply chain

We are continuously working on the implementation of corporate responsibility requirements with respect to our suppliers. Requirements have been established regarding health, safety, environment and social responsibility issues. These are important elements of the supplier prequalification process, bid evaluation and contract execution phases. A supplier declaration has been developed. The intention is to further increase awareness and improve the transparency of social responsibility issues in the supply chain. By signing the declaration, the supplier confirms a willingness to initiate a process of documenting his promotion of these issues, and his performance with respect to them. Step-by-step implementation in the organization has commenced, and will continue throughout 2008.

Voluntary commitments

Our most important voluntary commitments are our support of the principles set out in the Universal Declaration of Human Rights and the UN Global Compact regarding human rights, labor standards, environment, and anti-corruption. We also support the OECD's Guidelines for Multinational Enterprises, the Voluntary Principles on Security and Human Rights, Transparency International's Business Principles for Countering Bribery (BPCB), the World Economic Forum's Partnering Against Corruption Initiative (PACI), and the Extractive Industries Transparency Initiative (EITI). We report all payments to authorities in the countries where we have exploration and extraction activities for bauxite, as well as operations for the production of alumina.

According to our internal directives, Hydro is not permitted to make financial contributions to political parties.

Total payments (taxes, fees etc.) to host governments*

NOK million	**2007**	2006	2005
Australia	**6**	-	-
Brazil	**89**	127	25
Jamaica	**81**	79	56

* Total payments to host governments in connection with the exploration and production of bauxite and alumina. Payments include benefit streams, profit tax, royalty, signature bonus, license fees, rental fees, entry fees etc. The reporting is based on the principles in Extractive Industries Transparency Initiative (EITI). The table is included in the limited level of assurance review of Hydro's viability performance reporting 2007, but not in the financial audit.

COMMUNITY IMPACT

In industry today there is a need for companies to be able to adapt to changing conditions. Such adjustments are part of our daily life and the processes involved have ranged from preparing plant closures to building new plants and other activities related to acquisitions and divestments. An important element in all our restructuring work is to ensure responsible conduct in relation to society at large. 2007 confirmed our ability to implement responsible restructuring.

Restructuring entails both positive and negative aspects for employees and local communities. At many locations, Hydro is a cornerstone company. In such cases, it is particularly important to involve both employees and the local community. To respond to local conditions, we analyze the social consequences, and enter into a dialogue with relevant stakeholders. Involvement in local and regional initiatives must be in line with Hydro's business strategy and our guidelines for community investments.

Where we are and what we are striving to achieve:

2007 TARGETS
- Effective restructuring carried out with respect to employees and their communities

2007 RESULTS
- Restructuring processes in Norway, USA and Canada, as well as the divestment of Automotive Castings, implemented in cooperation with employees and local communities

2008
- Effective restructuring carried out with respect to employees and their communities

AMBITION
We intend to be a preferred partner worldwide due to our responsible business operations.

Removing uncertainty
"In-house surveys reveal that the employees are happy at their work; the working environment is good and they see challenges in their jobs. But the uncertainty about the future does tend to detract from their job satisfaction. We need to do something about this."

Michael Hall
Chief employee representative Hydro Automotive, Raufoss, Norway

Read full interview at www.hydro.com/annualreporting2007

Successful restructuring

Our responsibilities to our employees and to society at large lead us to help find new employment opportunities when production units are closed down. During the two last years, the magnesium plant at Becancour, Canada; the Søderberg production line at Årdal, Norway; and the Stade plant in Germany are among the sites with a large number of employees affected by closures.

Altogether, these closures affected close to 1,000 employees. By the end of 2007, about 80 percent of those who actively searched for new jobs had found new employment. Business development, guidance, severance payments and funds for restructuring are among the tools utilized in managing these restructuring processes. In Årdal new business development has in fact absorbed all the supply of labor made available through the closure. The processes have been successful largely due to a constructive dialogue with the employees and the local communities affected.

Energy requirements for production at the Neuss aluminium plant in Germany have been secured for 2008, and we are working on securing the energy supply for 2009.

Our oil and gas activities were merged with Statoil October 1, 2007, forming the new company StatoilHydro. The demerger directly affected 5,000 Hydro employees, most of them in Norway. With few exceptions, recruitment to new jobs were conducted in an open process. Competitive terms were introduced to make it more attractive to change jobs and location. Following this process Hydro's corporate staff units were reorganized, streamlined and adapted to the needs of Hydro as an aluminium company.

In July 2007, we entered into an agreement to sell our magnesium remelters in Bottrop, Germany, and Xi'an, China, to Varomet Holdings Limited, a subsidiary of the Australian mining company Straits Resources. The divestment concluded our decision to withdraw from the magnesium business.

Changes in automotive components

Our European production of automotive castings was sold to the Mexican group Nemak in 2007. This was part of the ongoing strategy to restructure our aluminium processing activities. In addition our share in a Mexican casting plant, that mainly produces engine blocks and cylinder heads, was sold. These divestments affected more than 2,100 people. We have decided to continue our Automotive Structures operations, where a turnaround process has been launched to improve profitability. This sector has 1600 employees.

Moving forward in USA

Following a difficult market situation in USA, our Extrusion organization has been through significant restructuring measures. In total, the head count was reduced by over 265

employees or 25 percent. This included our operations in Ellenville, New York, which were closed during 2007. All Ellenville employees were offered a transition assistance program developed in conjunction with the local unions, including retention and severance payments, job search and resumé-writing training and personal counseling. In addition, a job fair was held in conjunction with local authorities. Employees were offered relocation assistance if they chose to transfer to available positions in other Hydro facilities.

Significant reductions took place at all US extrusion facilities, including the Baltimore sector office. In all cases, displaced employees were provided with severance and other transition benefits.

Restructuring is also about looking forward for the remaining organization. In December 2007 a gathering brought together employees from all parts of our US Extrusion organization – including managers, operators, fork-lift drivers, maintenance workers – to take stock of their situation and develop plans to accelerate the return of the business to a healthy state. They heard about Hydro strategy, market conditions, progress to date, customer satisfaction, and they dicussed potensial improvements.

New production

When planning new projects, we also map environmental and social impact. Our analyses follow the Equator Principles, and thus reflect the World Bank's requirements regarding information, consultation and investigation of the project's environmental and social consequences, as well as an action plan and proposed initiatives. Dialogue with affected groups are used as input to plans detailing our responsibilities. We strive to act in an open and credible manner, and gather views from interested parties with the aim of achieving a common understanding of the decisions that are made.

In 2006, Qatar Petroleum and Hydro agreed to set up a joint-venture project, Qatalum, for the development, construction and operation of a major aluminium plant in Qatar. The project was finally decided on in July 2007 with production scheduled to start up late in 2009. Qatalum aims to be a future catalyst for growth in the manufacturing sector in Qatar. This includes the purchase of goods and services. The Social Impact Assessment (SIA) for the project revealed that the creation of indirect and supply-chain induced 700 jobs is expected, along with considerably increased household spending in the local economy. Qatalum management is already experiencing a keen interest from entrepreneurs who are considering setting up businesses to either supply Qatalum, and the fast growing aluminium industry in the Gulf region, with goods and services, or to produce finished or semi-finished products based on input from Qatalum.

When in operation, Qatalum will provide more than 1,000 permanent jobs. The project will also create approximately 5,500 jobs for the three-year construction period. The SIA discloses that a major challenge linked to the project is the housing of migrant workers during the development phase. Great emphasis has been placed on securing good living conditions for the up to 10,000 inhabitants of the construction village – taking into consideration the different cultures and religions these will represent.

Employee dialogue in Holland, Michigan

Our US automotive components plant in Holland, Michigan, provides another example of a sound dialogue with employees. Top management holds monthly meetings with the unions where they share information about the business and address questions and concerns. Any grievances and concerns the employees may have are also addressed. Through a question box employees can freely submit questions to the management team. Responses as well as all minutes of the management team meetings are posted to create transparency in the organization.

The managing director also holds a monthly meeting for all employees at the plant, where he presents the plant's results and where new business opportunities are discussed. Our Holland organization has worked hard to address communication.

Dialogue with affected parties

Hydro has a long tradition of conducting a dialogue with the relevant parties affected by our activities. Regular meetings take place with unions in Norway and the works councils in, for example, Germany and France. Dialogue with customers, suppliers, other business partners, local authorities and non-governmental organizations are also important.

As a minimum requirement, stakeholder dialogues are carried out in meetings and information campaigns etc., in accordance with the official regulations. We identify and initiate dialogue with relevant stakeholders affected by our activities to ensure

An example of cooperation

"Hydro has proven outstanding cooperation, engagement and transparency in managing the change for the workforce and the site as such here in Stade."

Margrit Wetzel, Member of the German Bundestag

Read full interview at www.hydro.com/annualreporting2007

Community impact at Alunorte

When the third and latest expansion at Alunorte, Brazil, the world's largest alumina plant, is finalized in late 2008, the plant's total annual capacity will be 6,5 million tons. Hydro has an ownership share of 34 percent in this plant, which is situated in the Amazon delta.

The local community is facing a number of serious challenges. Despite rapid growth the rate of unemployment is high, though local industries still find it hard to obtain sufficient qualified employees. Alunorte makes a contribution to society by virtue of the plant being a substantial employer and tax payer. The plant has more than 3,000 employees and contractors. But Alunorte contributes to the community in other ways, such as by facilitating the establishment of small-scale industry and agriculture.

A lofty ambition of the plant is to give local children a better start in life. Almost 2,500 children are involved in Alunorte's partnership initiative with the local education secretariat. The minority-owned Alpart in Jamaica and Slovalco in Slovakia have similar educational programs.

that all views are aired and our decisions communicated. In major projects, stakeholder dialogue is a requirement both through Hydro directives, local law, World Bank guidelines, and the Equator principles etc.

As a part of the decision process of the Qatalum project, a dialogue process was performed with a number of stakeholders, such as the authorities, educational institutions, and embassies representing the expatriate workforce, the Qatar Human Rights Commission, business partners and other industries. A dialogue process with representatives of the plant's local neighbourhood community was included. A public hearing on the environmental and social impact assessment was held. This included public meetings in the local cities of Mesaieed and Doha. The meetings were announced in all newspapers in Qatar, and facts about the project and an abstract of the ESIA was printed and distributed in the form of an insert in all Qatari newspapers.

In connection with the closure of the Stade plant in Germany in 2006, a comprehensive stakeholder mapping and analysis was performed. Dialogue and communication took place with e.g. employees, works councils, local authorities and the media. When the process started, public opinion was to a large extent critical to Hydro. Continued dialogue, however, and not least a will to find solutions for those affected, have brought about a change in the general opinion.

New guidelines for stakeholder dialogue were finalized and made available on our intranet in 2007. The guidelines are based on Hydro's own experience and principles developed through an international working group headed by the Institute of Social and Ethical Accountability. The guidelines aim at establishing a systematic process to identify and attend to relevant stakeholders, while securing the transfer of knowledge in the organization. In 2008 we will work further on the implementation.

Sponsorships and community investments

In total, Hydro spent about 86 million NOK on charitable donations, sponsorships and community investments in 2007. Important elements are our support of the Nobel Peace Center in Oslo and our long-standing sole sponsorship of the Oslo Philharmonic Orchestra.

Other important contributions are the transfer of competence that takes place through our cooperation with universities and research institutions. This includes scholarships to selected PhD students.

Developments in 2008

The construction of the Qatalum plant is an important task in 2008. Hydro Production Partner, which provides services and industrial maintenance to Hydro facilities and industrial parks in Norway, Sweden and Germany, was sold in February 2008 to the German company Bilfinger Berger Industrial Services (BIS). Aproximately 2,500 employees and consultants are affected by the deal. Hydro will continue to purchase services from the organization. The sale of Hydro's polymers business, Kerling, to UK-based Ineos, was approved by the EU in January. Automotive Components will go through an organizational development process and Hydro's Central Staffs organization will be reviewed in 2008.

ORGANIZATION AND WORK ENVIRONMENT

Our ambition is to be highly competitive when it comes to recruiting and keeping the best qualified personnel. To make this possible, we focus on developing a healthy and safe work environment, providing each employee with conditions for the contiunuous development of her or his expertise. Even though our systematic safety work has continued through 2007, we failed to reach our targets.

Hydro's current organization is made up of 22,000 employees in more than 30 countries. These employees represent great diversity, both in terms of education, experience, gender, age and cultural background. We see this diversity as a significant resource, not least to encourage innovation. To be able to pull together as a team, we depend on an efficient organization with common values and goals. Good leadership, proper organizational structure and the right tools are all essential if we are to achieve this. This includes attracting, and retaining, the right employees.

It is very important that our employees enjoy good health, and feel safe and appreciated. Healthy and motivated employees perform better and are more creative, and in that way contribute to increased profitability and better results. Our overall safety performance did not improve in 2007. We did not reach our target of a 20 percent improvement in total recordable injuries (TRI), and we had two fatal accidents. In addition we had one fatal accident in February 2008. Our ambition to improve TRI by 20 percent per year remains unchanged, and we are working on appropriate measures to make this possible.

Where we are and what we are striving to achieve:

2007 TARGETS
- No fatal accidents. Total recordable injuries per million hours down by 20 percent
- Implement indicator for technical safety at all relevant plants and installations by end 2008

2007 RESULTS
- Two fatal accident. Total recordable injuries per million hours up from 4.0 to 4.1
- Implementation of indicator for technical safety started at all sites

2008
- No fatal accidents. Total recordable injuries per million hours down by 20 percent
- Implement indicator for technical safety at all relevant plants and installations by end 2008

AMBITION
Our ambition is to have no serious injuries.

Efficient organization

Hydro had 24,692 employees at the end of 2007, a decrease from 33,605 in 2006. The reduction is primarily a result of the demerger of our oil and gas activities, but it also reflects the sale of the automotive casting business, the closure of the magnesium plant in Becancour in Canada, as well as the restructuring of our extrusion business in the US.

Key elements in our HR strategy are to attract, develop and retain competent and innovative employees, develop leadership for business needs and shape an effective organisation.

Systematic employee development

Our aim is that every employee should have an annual appraisal dialogue with his or her line manager and participate in organizational surveys at least once every two years. Two key processes form the basis for organizational development in Hydro. Hydro Monitor is an employee survey where we gauge the climate in the organization at regular intervals. The Hydro Leadership Development Process (HLDP) is our common tool for employee appraisal dialogues and performance follow-up. We still do not have annual appraisal dialogues for all employees, but the goal is set, and in 2007 over 50 percent of employees had such dialogues. There are individual development plans for almost all employees. In the last Hydro Monitor survey, 95 percent of respondents said that they have the necessary ability and competence to carry out their jobs in a satisfactory manner. Despite this, only 69 percent feel that they are able to make best possible use of their abilities and expertise in their jobs. This remains on the same level as the 2006 survey.

Introduced in 2004, Hydro Monitor gives us a broader perspective on the organization, enabling us to identify where we have progressed and where additional measures are required. In 2007, more than 10,000 employees had the opportunity to take part. The response rate was 85 percent, down from 89 percent in 2006. Through Hydro Monitor, employees can give anonymous feedback on, for instance, the organizational climate. In 2007, 84 percent of those who responded said that they had a good understanding of Hydro's values, 72 percent said that they were encouraged to participate in decisions that affect their own work situation, while 88 percent thought they would be able to tackle future organizational changes. These results were roughly the same as in previous years. In response to Hydro Monitor, special emphasis is made on improving feedback and recognition through raising management awareness.

With the 2007 survey, most employees have participated in the Hydro Monitor survey on at least one occasion. The next survey will be in 2009, when all employees will be asked to participate.

Leadership development

The development of the top 200 managers is a strategic corporate responsibility. Initiatives include the follow-up of HLDP, the leadership planning process, and annual conferences where the top 50 and the top 200 leaders, respectively, take part. Management training is provided at all levels of the organization, and the training of new managers is important. This is provided through company-wide programs as well as local courses. In 2008 we will review our leadership development ambitions in order to secure a global mindset in the organization.

Diversity

We emphasize diversity with regard to nationality, culture, gender and educational background, both when recruiting, and when forming management teams and other working groups. Half of the shareholder-elected board members are women. Women are also represented in all business area and sector management teams, and we are aiming at further diversity at all levels. Most women top managers hired in the recent years have been recruited internally. In 2007, the number of women on the Corporate Management Board decreased from two to one, while the proportion of women among Hydro's 50 top managers was 17 percent, compared to 19 percent in 2006. The number of non-Norwegian leaders was 13 percent compared to 11 percent the year before. Among the top 200 managers the proportion of women was 16 percent, down from 20 percent in 2006, and of non-Norwegians 32 percent, a significant increase from 19 percent in 2006. The changes must be seen in the light of the fact that the Norwegian organization has been substantially reduced following the demerger of the oil and gas activities – giving a more international organization. The flipside is that the ratio of women at all levels is higher in Norway than in most other countries where we are represented.

The deliberate recruitment of women is important in order to increase the proportion of women in the organization. In 2007, around 550 new employees were recruited to the Norwegian part of the organization. Of these, 22 percent were women, as compared to 18 percent in the Norwegian continued operations. Half of the newly graduated recruits are women. Our annual graduate trainee program also contributes. It has an even distribution between men and women and represents diversity with regard to nationality and cultural background. In the 2007 program, there are 24 participants, 13 women and 11 men, representing 12 nationalities.

Recruitment

To maintain our status as an employer of choice – as a focused aluminium company in a tight labor market – will be a key challenge in the coming years, especially in Norway and Germany. Positioning ourselves as an employer of choice with interesting tasks and competitive compensation is key to recruiting and retaining the right people with the right competence.

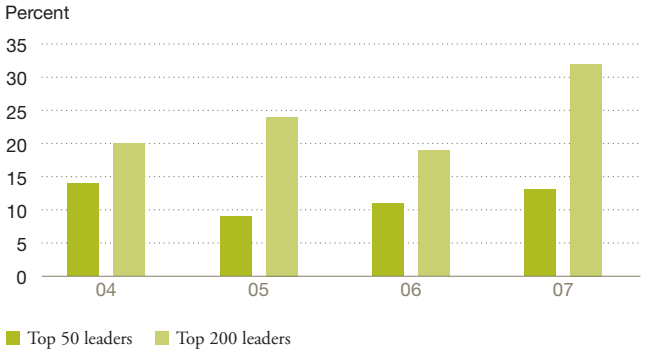
Internal recruitment to the Qatalum project in Qatar continues to ensure the necessary transfer of expertise. A total of 80 managers and professionals will be recruited to serve for a period of three to five years, while almost 100 operators, shift leaders and support engineers will assist for a period of 12 to 18 months during the start-up. The employees come from Hydro's organizations in Norway, Germany, Slovakia and Australia.

New employees are offered essential training, both in order to get to know the organization and their work tasks, and to gain the required competence within the health, security, safety and environment fields. To further strengthen our position as an attractive employer, we continued our graduate trainee program in 2007.

Compensation

All employees shall be secured a total salary that is fair, competitive, and in accordance with the local industry standard. Only relevant qualifications such as performance, education, experience and other professional criteria shall be taken into account when making appointments, or when providing training, settling remuneration and awarding promotion. There are

Share of non-Norwegian leaders



Share of women leaders

no significant gender pay differentials for employees earning collectively negotiated wages in Norway. Salary conditions for graduates in the Norwegian business are reviewed on a regular basis. No general gender-related differences have been found.

Career, personal development and a flexible workplace are also important elements in our compensation system. In the Norwegian part of the company the majority of employees are covered by a bonus system. In other countries there are bonus systems at management level, and at many locations also at other levels. The criteria for awarding bonuses include the extent of successful business plan implementation. Managers' results within the area of health, security, safety and environment are also measured, along with their results with respect to organizational development and social responsibility. The aim is to promote a result-oriented culture, improving results and rewarding achievements.

Global principles for remuneration will be developed in 2008. Requirements for employment agreements were developed in 2007 and will be implemented in 2008.

Performance related pay is widely used in Hydro. The stock-option program for executives was concluded in July 2007, and we will evaluate alternative long-term incentives during 2008.

Health and work environment

Hydro shall be a leading company in the area of health and work environment. In order to reduce work related illness and long-term sick leave, the objective is that all units shall carry out risk assessments and implement appropriate risk-reducing measures. Our business planning process is used to ensure continuous improvement throughout the organization and follow-up is reported on a monthly basis.

A handbook for assessing the work environment risk is actively used by the sectors to help map and evaluate Hydro's work environment. The results provide the basis for decision-making. In 2007, a module designed for office environments has been added. A relevant key performance indicator has been introduced. We will continue to investigate opportunities for including specific tools to monitor the organizational and psychosocial environment, which could be of help in following up problem areas identified in the Hydro Monitor survey and health controls.

The prevention and follow-up of work-related illnesses are important to us. A new reporting tool for work-related illnesses is under implementation. Sick leave was 2.8 percent in 2007, up from 2.6 percent in 2006. The rules for sick-leave registration differ from country to country. Our sick leave in Norway is significantly higher than in Hydro on average, but relatively low compared to the Norwegian industry average.
In Norway, sick leave was 5.2 percent compared to 5.0 percent in the previous year. Men's sick leave was 4.9 percent, up from 4.5 percent in 2006, while women's sick leave decreased from 6.8 percent in 2006 to 6,4 percent in 2007.

Systematic competence development

In 2007 we developed an interactive e-learning program dealing with Hydro's policies and the rights and obligations of Hydro's employees. It is mandatory for all employees worldwide. Our intention is to discuss the dilemmas we may meet in our daily work. The program also presents a spectrum of work situations relevant to employees all over the world. To make the information readily available to all employees, the cases exist in 13 different languages, and can be used both individually and in team discussions. The program will be implemented in 2008.

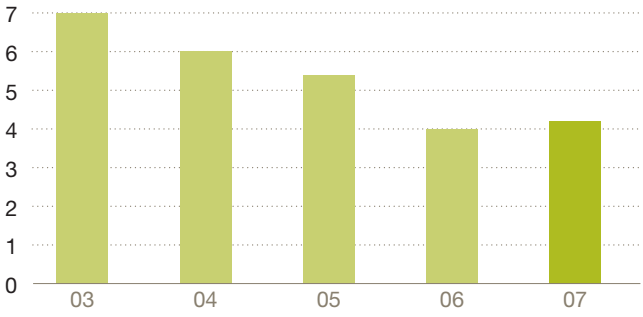
The Registration, Evaluation and Authorization of Chemicals (REACH) is legislation applying throughout the EU for the handling of chemical substances. It entered into force on June 1 2007, and is intended to promote the protection of human health and the environment. We acknowledge the goal of REACH and the need for the rapid identification of chemical substances. A project group has been established at corporate level and pilot studies have been performed in some sectors. We will meet the pre-registration requirements in 2008.

Safety

A high level of safety in our plants is a prerequisite for safe and stable operations. We believe that it also contributes to increased profitability in our production. Our ambition is to avoid all accidents, and we work continuously to avoid work-related illnesses, damage to property, and loss of production. This applies to all our activities, irrespective of geographical location. We had two fatal accidents related to our business in 2007. Both were employed by contractors. One, working in our former oil marketing organization in Sweden, was killed in a traffic accident. The other fatality occurred at our rolling mill in Hamburg, Germany. In February 2008 an operator was killed in a work accident at Slovalco in Slovakia.

Total recordable injuries

Per million hours worked



Beyond traditional safety tools

"Workers are now talking more with each other about what they do and how and why they do it, every day. We are doing things before accidents happen. This isn't about near-miss reports, and it isn't something that we do on occasion and plan for it, like the traditional safety tools. We are beyond that. We get opinions all the time. Even safe work is feedback. I also feel that this is more motivational than the traditional way we have done things, because of the feedback."

Dieter Mick, head of Works Council, Bellenberg, Germany

Read full interview at www.hydro.com/annualreporting2007

The total number of personal injuries per million hours worked (including injuries leading to absence, injuries resulting in alternative work, and injuries demanding medical attention) increased from 4.0 in 2006 to 4.1 in 2007, including discontinued operations. Our Aluminium business areas showed a 9 percent improvement, but our target of a 20 percent reduction was not reached. Even though we in 2006 achieved a 25 percent reduction in the injury rate, we take the 2007 results as a serious reminder. Enforced commitment with even stronger emphasis on behavior is necessary to further improve our safety perfomance. In a ten-year perspective, we have reduced the number of personal injuries per million hours worked from 19.7 in 1997 to 4.1 in 2007.

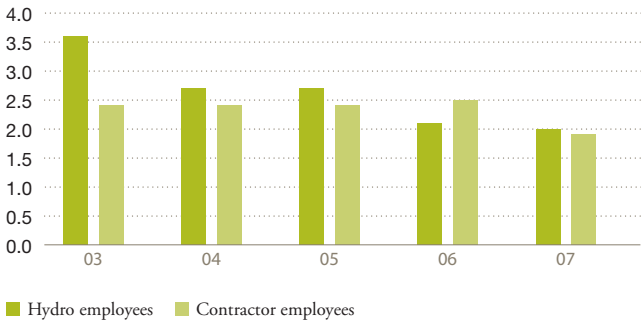
For several years we have been working along with Det norske Veritas to develop an indicator for technical safety. The T-rate measures the availability of the technical safety barriers that are installed in order to prevent or mitigate major accidents. The indicator has already been implemented at several plants, and the plan is to implement the indicator in all relevant plants and installations by the end of 2008. Hydro has transferred the rights to the T-rate to Veritas in order to secure further development of the indicator. We will introduce a new proactive key performance indicator in 2008 focusing on incidents with major potential.

A new step forward for safety

One challenge is also to continue improvements in units with already high performance. Our Extrusion Eurasia organization has launched an organizational development project to promote safety culture. Following a fatality in November 2006 at its Birtley plant in UK, our Extrusion Eurasia sector decided to launch a project in order to look into ways of preventing such accidents, thereby achieving sustainable safety performance. Despite the tragic accident, the sector had improved its overall safety standard. Greater – and more varied – efforts were necessary to achieve further improvements. This had already been partly implemented by concentrating on the behavior of employees and line managers. However, in formulating the vision of aiming for an incident-free workplace, it was felt necessary to do more – and to work in a different way – in order to break through and meet the ambitious safety targets.

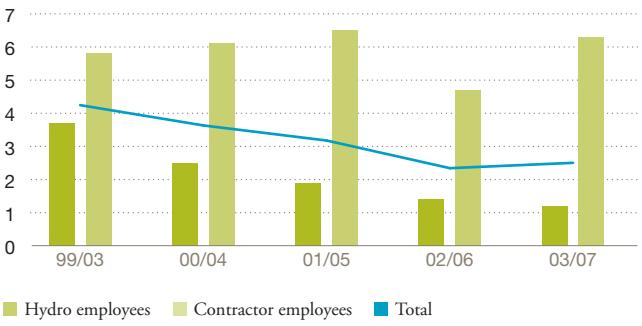
Lost-time injuries

Per million hours worked



Fatal accidents

Per 100 million hours worked, five years running average



Statistically, a TRI rate of 3.0 is seen as a barrier that is hard to break through. By the end of 2007, Extrusions Eurasia had achieved a safety performance of 3.0. Prior to achieving this, the plant initiated a two-step process. Step 1 was related to lock-outs and work permits. Although these were in place, they were lifted to a more advanced level. This step was completed by the end of June 2007, though follow-up actions and compliance checks are part of current audits and visits to ensure that the achieved level remains stable. Step 2 is more related to organizational development. It was initiated in October 2007 and, following three successful pilots, was implemented from the beginning of 2008. The Step 2 target is to create an integrated management approach, which will help supervisor and line manager to lead their area of responsibility in a better, more holistic way – based on an extensive assessment and, followed by specific training sessions.

Security

It is important for Hydro to safeguard its employees, the environment, the assets of the company and its reputation. An increased presence in areas of risk, and increased threats generally, have led us to intensify our preventive efforts. The leakage of the fourth quarter 2006 results early in 2007 compelled us re-assess our routines and upgrade the security level for handling such sensitive information.

Employees are trained to maintain a high level of information security. Crucial computer systems are subject to constant surveillance and strict regulations. Every person with access to sensitive information is bound to secrecy and required to handle the information with due care. Physical security is also vital to safeguarding information.

A corporate threat and vulnerability assessment was conducted in 2007 with the aim of identifying ways in which we might improve our capability of responding to a changing security risk scenario. Mandatory analyses of threat and vulnerability are fundamental to all our activities. The results form the basis for safeguarding our employees, facilities, sensitive information and processes, and other assets. They also govern the design of an appropriate emergency preparedness organization. Emergency preparedness, competence and training are decisive for ensuring proper crisis management. In every incident, our concerns are, in order of priority: people, environment, assets, and reputation.

Requirements for travelers have been made more rigorous in response to increased threats. Employees are safeguarded by means of our systems for journey planning, risk assessment, and emergency preparedness. When using computer systems, we ensure good information security by training users to adhere to the company's security regulations. Our capability to respond quickly to incidents worldwide has been increased through risk monitoring and the use of incident-monitoring tools.

Improving safety standards is a challenge in units with already a high performance. In order to meet even more ambitious targets, it has been necessary to work in a different way and focus even more on the behavior of employees and line managers.

President's HSE Award

Two extrusion plants in Germany (Uphusen and Rackwitz) won the President's HSE Award 2007. The winners' HSE performance is described as excellent in many ways, such as a high awareness with respect to risk and barriers, very good housekeeping, training programs for all levels and a management highly committed to HSE.

The following sectors were nominated for the President's HSE Award 2007:

- Primary Production – Neuss, Germany
- Commercial Products – Luce, France
- Rolled Products – Grevenbroich Strip, Germany
- Precision Tubing – Adrian, USA
- Building Systems – HBS, Germany
- Extrusion Eurasia – Extrusion, Germany (Uphusen and Rackwitz)

INNOVATION

Innovation is key to strengthening the competitiveness of our aluminium and energy businesses. We are sharpening our focus on ongoing efforts and on new initiatives to stay ahead. At Hydro, R&D and other innovation initiatives are subject to systematic management reviews, and other measures are taken to ensure innovation is even higher on our agenda.

When Hydro was established in 1905, innovative technology was our foundation. When developing new ideas and projects, we are building on our expertise developed over more than a century within many different industries and through the successful execution of large projects.

During 2007, Hydro has allocated NOK 507 million to R&D compared to NOK 480 million in 2006. Roughly half of this goes to our in-house research organization, while the other half supports work carried out at external institutions. We have a number of research centers in connection with our activities in Europe. Our main R&D tasks are connected to our smelter technology and product development.

Hydro's Technology Board was established in 2007 to further enhance innovation and ensure that we live up to our ambition to be a leader in technology. The board is chaired by Executive Vice President Dr. Svein Richard Brandtzæg and consists of the heads of all business areas in addition to the heads of organization and strategy.

Metal production moving forward

We intend to make production more efficient and secure the necessary access to alumina and electrical power. Improvement efforts revolve around electrolysis technology and positioning new capacity in locations where there is a surplus of power. In addition, efforts are underway to further secure access to alumina.

New generation cell technology. Hydro's new generation cells are prepared for concentrating and capturing CO_2, making it ready to provide a feed to third-party capturing solutions, when commercially available.

The Alunorte expansion stage three will be finished late 2008, making the plant by far the largest alumina plant in the world delivering a total of 6.5 million tonnes per year and making Hydro self-sufficient for more than 70 percent of our alumina requirements.

Hydro's proprietary electrolytic process is among the world's most efficient. It is used in the new plants in Sunndal and has been further improved for use on the Qatalum project.

In mid-February Hydro's new generation of electrolytic cells started test production at the Årdal Research Center in Norway. The new features of the cells are designed to boost Hydro's competitiveness in the aluminium industry.

Our new cells have low specific energy consumption combined with about 50 percent higher amperage compared to our current technology. A number of other features will further reduce emissions. We are exploring the possibility of separating CO_2-rich off-gas from the reduction process. This may provide a feed to third-party capturing solutions, when commercially available.

Six new cells will be started up during spring 2008 at the Årdal Research Center, and the operation of the six cells will be assessed to provide a basis for determining a lager-scale test. During the third quarter of this year, the technology organization will decide whether they will recommend a more extensive trial project so that the practical advantages and drawbacks of the technology can be investigated. If everything goes according to plan, a full-scale project utilizing the new electrolytic cells can start production during 2013.

Our Metal's casthouses have focused on developing the processes to be more efficient in terms of improved capacity utilization and improved process capability. Continuous improvement of our product quality has been a strong part of our business concept, and is strongly linked to technical customer service. Our ambition is to develop our products together with customers, listening to customers' needs in combination with improving own casthouse processes.

Innovative casting technologies are under development and were emphasized in our 2007 R&D budget. Environmental advances, such as reducing waste material from the casthouses, and design modifications carried out jointly with automotive customers to obtain maximum weight reduction in specific components, are areas where new ways of working already have produced the right results. The further development and implementation of Hydro's proprietary melt cleaning technology has contributed to a strengthening of Metal's position in a demanding market.

Product development

Implementing and commercializing innovative product ideas and concepts are core activities in our aluminium business.

Continous improvement of our product quality has been a strong part of our business concept, and is strongly linked to technical customer service.

Innovation often takes place in joint projects with the customer, once his needs have been identified. Numerous new products are launched every year.

Meeting customers' expectations through close customer contact and follow-up are high on our agenda. As a company with a wide range of customers we need to manage relations in the optimal way. For example, in Automotive direct contacts between Hydro personnel and customers provide us with valuable and regular feedback. With some customers we use have introduced a system of "resident engineers", where our people interact closely with our customers on a regular basis for engineering and design, development and problem solving activities.

In the Extrusion area, different forms of cooperation have been established to ensure that customers' opinions of our products are taken into consideration in our continuing improvement measures. In addition to the technical specifications of the products, delivery time is also an important competitive factor. A separate KPI has therefore been introduced to reduce the time elapsing from project to product to customer delivery.

The range supplied by Rolled Products includes special products for transport purposes. As part of our customer-centered strategy we intend to invest, at the Grevenbroich mill, in a special line dedicated to surface quality.

Saving lives on British roads

Our aluminium extrusion business has helped develop highway crash barriers in aluminium, rather than steel. The barrier extrusions are designed to redirect the automobile back onto its original course. The design is now in production, orders have been secured, and we are now looking at other road safety applications.

From waste to products

The aluminium anodization process produces contaminated caustic soda and sulfuric acid. Contaminated caustic soda is also produced in the die cleaning process. It costs money to get rid of these waste substances, though they do also contain valuable ingredients. Our extrusion plant in Rackwitz, Germany, now produces a precipitant – called PACNAL – from our old caustic soda, and sells it to a local wastewater company. We are also trying to find an alternative use for contaminated sulfuric acid.

Smart buildings of the future

We have a vision of buildings that produce their own energy and can deliver the surplus to the grid. We produce building systems and are also participating in the development of flexible solar cell modules for the buildings of the future. Just think of the potential – between 30 and 40 percent of Europe's energy consumption takes place in buildings!

Hydro is active throughout the entire value chain for the development and utilization of solar energy. In the phase that consists of systems and installations, our solar cell technology comes into contact with other areas of our expertise. Hydro Buildings Systems have been working for many years on the development of energy-efficient solutions for buildings.

The facade of a house functions in many ways like the skin on our bodies. Both react to changes of temperature, protect us against the sun's rays, and keep us dry. It is also important that a building breathes, just like our skin does. For it is designed to keep out the heat during summer, and keep us warm during the winter – without consuming more energy than necessary.

By replacing conventional building facades with energy-efficient solutions, it is possible to reduce energy consumption in buildings by up to 50 percent and more. This both saves money and spares the climate by reducing emissions of CO_2.

In Hydro our vision is of a building that produces its own energy and delivers back to the grid the energy it does not consume itself. We have the building systems – and we are participating in the development of flexible solar cell modules that are ideal for the buildings of the future. Energy-efficient buildings with integrated solar energy solutions will be carbon neutral.

Hydro is involved throughout the whole value chain for silicon and thin film, which are the vital building blocks in the future's solar energy solutions – from polysilicon to ingots, wafers, cells, modules and entire systems.

A new generation food trays...

UK-based Nicholl is one of the world's leading packaging companies. Their customer Marks & Spencer is a leading retailer of fresh foodstuffs. For Nicholl, Marks & Spencer and for Hydro, packaging is more than packaging. Two year's close cooperation has resulted in a new generation of smoothwall aluminium food trays. The tray's smooth rim is the key to leakproof packaging, which enables food to be kept fresh for long periods. When the food is ready for cooking, the tray is simply put straight into the oven.

Not only do Hydro in Holmestrand skilfully produce aluminium from recycled metal, they have also contributed the advanced metallurgy and quality required by Nicholl. And this product has become a success – almost overnight.

... made of recycled aluminium

"The interesting thing is that it's easier to make these products out of primary metal, but our thing is that this should be recycled material. Recycling is part of the package when you speak with the retailer. Aluminium tells a great story. When we say to them we're using recycled material, they're into that. That's exactly what they want to hear. Marks & Spencer's boss was interviewed on the evening news talking about how the company's Plan A – because there is no Plan B – will reduce their carbon footprint."

Andrew Dent, Chief Executive Officer Nicholl

Read full interview at www.hydro.com/annualreporting2007

Nevada Solar One

Hydro's facilities in Phoenix and Guaymas, USA, have supplied extruded aluminium tubing and connectors for the development of Nevada Solar One, the third-largest renewable solar energy plant on earth. Curved parabolic mirrors, supported on extruded aluminium frames, reflect and concentrate sunlight onto receiver pipes that heat fluids used to run conventional steam generators for electricity. Together with Gossamer Space Frames, Hydro fine-tuned the design and manufacturing processes to come up with a tightly toleranced, highly accurate space frame to support the project's reflective mirrors.

In the USA aluminium profiles from Hydro contribute to increased production of renewable energy through Nevada Solar One, one of the world's largest solar energy parks. In cooperation with Nevada Solar One we have developed advanced aluminium profiles for more than 180,000 mobile mirrors which concentrate the sun beams and thus produce more energy.

Generating 64-megawatts of power and spanning 400 acres (16 km^2) of desert, Nevada Solar One creates electricity from the sun's heat at a cost competitive with power from coal or natural gas. The plant is currently providing clean energy to more than 14,000 homes in Nevada.

Continuous improvement

Innovation takes place at all levels of the organization, often resulting from a need to improve results. Our rolling mill at Karmøy has for many years carried out systematic improvement tasks in order to boost productivity. One of the measures adopted was the introduction of a new production planning system (MACH2). All employees carry out their logging tasks in this system.

There is also now an integrated cleaning line in the correction unit. This was new technology when introduced, and the result is cleaner aluminium strip. A new cutting line comprises the entire spectrum of associated operations: correction, cleaning, slitting, cutting and packing.

Employee job satisfaction is promoted by means of various measures, including a health and fitness group. Improvements have been made in every part of the organization through the excellent cooperation of management and co-workers at all levels.

ABOUT THE REPORTING

Hydro's main reporting for 2007 on Viability Performance is included in the Annual Report. In the web version of the Annual Report we have also included some supplementary information. An index referring to the Global Reporting Initiative's Sustainability Reporting Guidelines is included from page 122 and a progress report in accordance with the United Nations (UN) Global Compact on page 126, both with links to the relevant information. Printed versions are also included in this report. Visit www.hydro.com/gri and www.hydro.com/globalcompact

Principles for the reporting

The purpose of Hydro's reporting is to provide stakeholders with an overall fair and balanced picture of relevant aspects, engagements, practices and results for 2007 at corporate level. We believe that the reporting in total satisfies this purpose. Our reporting on Viability Performance also reflects the main reporting principles of the Sustainability Reporting Guidelines 2006 from the Global Reporting Initiative (GRI). The selection of elements reported was based on an extensive dialogue with stakeholders and proposals from them. In addition, the reporting builds on processes that are part of the Company's daily operations. Important stakeholders include investors and financial analysts, employees and their representatives, potential employees, non-governmental organizations and local communities affected by major development projects or restructuring processes.

We believe that this approach is consistent with the principles of materiality, completeness and responsiveness required of reporting organizations by the voluntary standard AA1000 Assurance Standard (AA1000 AS) drawn up by the Institute of Social and Ethical Accountability.

We have endeavored to provide information that is in accordance with the principles of sound reporting practice. The absence of generally accepted reporting standards and practices in certain areas may nevertheless make it difficult to compare results with reports compiled by other companies, without the availability of further data, analyses and interpretations.

Reporting scope and limitations

The scope of the report is Hydro's global organization for the period January 1 to December 31 2007. Operations sold or demerged during the year have in general not been included. Our former oil and gas activities is thus not included, but is reported on by StatoilHydro. All consolidated operations that have been part of Hydro during parts of 2007 are still included in our health and safety data for the period the unit was owned by Hydro.

Data relating to health, environment and safety has been prepared by individual reporting units in accordance with corporate procedures. This applies to all Hydro's operations, including consolidated subsidiaries and units for which we have operator responsibility. This applies if not otherwise stated.

Non-operated minority-owned operations are not included in the reported data. We do, however, include some examples to demonstrate how we promote our policies also towards these operations.

It is not the intention to include detailed information that is primarily of significance for individual sites, processes, activities and products.

Information in the reporting is based on input from many units and sources of data. Emphasis has been placed on ensuring that the information is neither incomplete nor misleading. However the scope of the report, and varying certainty of data in connection with for instance diversity and HSE matters, may mean that there are uncertainties regarding some of the figures reported.

Assurance principles and scope

We have requested our company auditor to review the information relating to Viability Performance and apply the principles of AA1000AS. This is a standard of assurance for this type of reporting. For the underlying systems, the reader is referred to Hydro's steering documents as described under Corporate Governance. The review was conducted in accordance with the international audit standard ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information. This year we have adopted a limited level of assurance.

The independent auditor's report is presented on page 114. Based on the principles the AA1000 Assurance Standard, the auditor gives comments and recommendations for further improving our viability reporting. A summary is presented in our Annual Report 2007 on web, see www.hydro.com/annualreporting2007

Learn more:
www.hydro.com/gri
www.hydro.com/globalcompact
www.hydro.com/principles
www.hydro.com/annualreporting2007

AUDITORS REPORT

Independent auditor's report – to Hydro's viability performance reporting

We have reviewed Hydro's management systems related to sustainable development within environment, health & safety and social responsibility and information about this presented in Hydro Annual Report 2007, pages 94-127, in total referred to as "the Reporting". The Reporting is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

We have based our approach on emerging best practice and standards for independent assurance on sustainability reporting, including ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board as well as on the principles of AA1000 Assurance Standard (AA1000AS) issued by AccountAbility. The objective and scope of the engagement were agreed with the management of the Company and included those subject matters on which we have concluded below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for environment, health & safety and social responsibility at corporate and business areas, as well as at the reporting units: Aluminium Products – Automotive Structures Raufoss; Aluminium Metals – Primary Production Slovalco and Raw Materials Alunorte (minority Interest Company); Energy – Power Production Rjukan.

We believe that our work provides an appropriate basis for us to conclude with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusions

In conclusion, in all material respects, nothing has come to our attention that causes us not to believe that:

1. Hydro has established systems at corporate and business areas to identify and manage, and to involve stakeholders on material aspects related to sustainable development within environment, health & safety and social responsibility, in accordance with the principles of AA1000AS.
2. Hydro has applied detailed procedures to identify, collect, compile, and validate data and information about environment, health & safety and social responsibility to be included in the Reporting, as described on page 113. Data for 2007 presented in the Reporting is consistent with data accumulated as a result of these procedures and appropriately reflected in the Reporting.
3. Hydro has implemented and locally adopted as necessary, the management systems referred to in item 1 above at the reporting units that we have tested. Data for 2007 from these units has been reported according to the procedures noted in item 2 and is consistent with source documentation presented to us.
4. Hydro applies a reporting practice in accordance with its objectives and principles for reporting, as described on page 100 and aligned with the Global Reporting Initiative (GRI) reporting principles. The GRI Index presented in the Hydro Annual Report, pages 122-125, together with the GRI Index presented on www.hydro.com/gri appropriately reflects the extent to which the Reporting aligns with the indicators in the GRI Sustainability Reporting Guidelines. References made in the "Global Compact Reporting" table on page 126 are consistent with the Reporting.

Oslo, Norway, 12 March 2008
Deloitte AS

Preben J. Sørensen
State Authorised Public Accountant
Environment & Sustainability Services

FACTS AND FIGURES

Society

For further information, also visit www.hydro.com/society

Geographical distribution of sales

NOK million	**2007**	2006
Norway	**6,770**	7,026
Germany	**18,477**	16,466
Other Europe	**49,402**	51,231
Total Europe	**74,650**	74,723
USA	**8,706**	12,886
Canada	**419**	326
Other Americas	**1,838**	1,667
Africa	**257**	279
Asia	**7,287**	7,719
Australia and New Zealand	**1,160**	1,155
Total outside Europe	**19,666**	24,031
Total	**94,316**	98,752

Geographical distribution of employees and payroll

	Number of employees [1]					Payroll (NOK million)				
	2007	2006	2005	2004	2003	**2007**	2006	2005	2004	2003
Norway	**7,099**					**3,348**				
Germany	**4,617**					**1,983**				
Other Europe	**8,679**					**2,619**				
Total Europe	**20,395**					**7,950**				
USA	**2,519**					**752**				
Canada	**18**					**29**				
Other Americas	**785**					**75**				
Asia	**485**					**51**				
Other	**490**					**243**				
Total outside Europe	**4,297**					**1,151**				
Total [2]	**24,692**	33,605	32,765	34,604	35,573	**9,101**	14,321	12,909	13,316	13,574

1) Per 31 December.
2) Numbers for the period 2003-2006 include discontinued operations.

The reductions from 2006 are primarily due to the merger of our former oil and gas activities with Statoil, the sale of Automotive Castings, the restructuring of our Extrusion business in the USA in addition to our exit from the magnesium business through the closure of the magnesium smelter in Becancour, Canada and the sale of casthouses in Xi'an, China, and Bottrop, Germany. The increase in 2006 is partly due to Slovalco becoming a consolidated company after the increase in Hydro's ownership stake.

Current income tax

NOK million	**2007**	2006
Norway	**1,602**	
Germany	**485**	
Other Europe	**521**	
Total Europe	**2,608**	
US	**16**	
Canada	**142**	
Other Americas	**88**	
Africa	**0**	
Asia	**0**	
Australia and New Zealand	**313**	
Total outside Europe	**559**	
Total	**3,167**	2,528

Community investments, gifts and sponsorships

In 2007 Hydro spent in total around 86 million NOK on social investments, gifts and sponsorships.

Research and development

See note 14 to the consolidated financial statement.

People

For further information, visit also www.hydro.com/people

Diversity in management [1)]

	Women					Non-Norwegians				
	2007	2006	2005	2004	2003	**2007**	2006	2005	2004	2003
Board of Directors (nine members [2)]	**33%**	33%	22%	22%	33%	**0%**	22%	22%	22%	11%
Corporate Management Board	**13%**	29%	20%	20%	20%	**0%**	0%	0%	0%	0%
Top 50 managers	**17%**	19%	20%	25%	23%	**13%**	11%	9%	14%	14%
Top 200 managers	**16%**	20%	23%	19%	-	**32%**	19%	24%	20%	-

1) The 2003-2006 numbers include discontinued operations.
2) Three of the board members are employee representatives. All are men.

The Norwegian organization has been substantially reduced following the demerger of the oil and gas activities – giving a more international organization. The flipside is that the ratio of women at all levels is higher in Norway than in most other countries we are represented.

Diversity in Norway

Women and men at different levels [1)]

	Women					Men				
	2007	2006	2005	2004	2003	**2007**	2006	2005	2004	2003
Managers	**19%**	20%	18%	18%	17%	**81%**	80%	82%	82%	83%
Salaried employees	**43%**	43%	44%	43%	43%	**57%**	57%	56%	57%	57%
Hourly paid	**11%**	14%	14%	14%	16%	**89%**	86%	86%	86%	84%
Total	**18%**	22%	22%	21%	22%	**82%**	78%	78%	79%	78%

1) The 2003-2006 numbers include discontinued operations.

See comment to the previous table.

Recruitment [1)]

	Women				Men			
	2007	2006	2005	2004	**2007**	2006	2005	2004
Managers	**19%**	22%	32%	21%	**81%**	78%	68%	79%
Salaried employees [2)]	**46%**	34%	35%	38%	**54%**	66%	65%	62%
Hourly paid	**17%**	15%	16%	13%	**83%**	85%	84%	87%
Total	**22%**	26%	27%	30%	**78%**	74%	73%	70%

1) The 2003-2006 numbers include discontinued operations.
2) The group salaried employees largely consist of younger persons with higher educational qualifications. They constitute an important group with respect to managerial recruitment. The 2003-2006 numbers include discontinued operations.

Part-time employees

Hydro employees normally work full-time. The opportunity to work part-time is considered a benefit for which a special application must be made. In Norway 14 percent of the women worked part time in 2007, compared to 16 percent in 2006 and 17 percent in 2005. In 2006 1.4 percent of male employees worked part time, compared to 1.3 percent in 2006 and 1.2 percent in 2005.

Health and safety

	2007	2006	2005	2004	2003
Total recordable injuries (TRI) [1]	**4.1**	4.0	5.4	6.0	7.0
Lost-time injuries (LTI) [1]					
Employees	**2**	2.1	2.7	2.7	3.6
Contractors	**1.9**	2.5	2.4	2.4	2.3
Fatalities [2]					
Employees	**1.2**	1.4	1.9	2.5	3.7
Contractors	**6.3**	4.8	6.5	6.1	5.8
Sick leave	**2.8%**	2.6%	3.2%	3.1%	3.0%

1) Per million working hours.
2) Per 100 million working hours, five-year rolling average.

Two contractor employees were killed in work accidents in 2007. In February 2008 a Hydro employee was killed in a work accident.

Environment

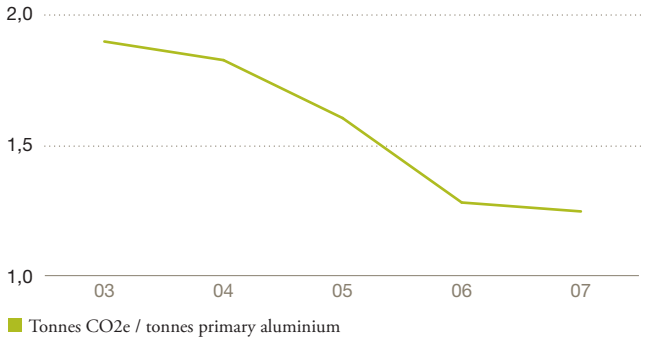
For further information, visit also www.hydro.com/environment

Greenhouse gas emissions

Million tonnes CO2e	2007	2006	2005	2004	2003
N_2O	**0.0001**	0.0001	0.0001	0.0001	0.0000
SF_6	**0.0000**	0.0808	0.3148	1.1560	1.1937
PFC	**0.8978**	0.9873	1.6413	1.5362	1.4104
CH_4	**0.0001**	0.0000	0.0000	0.0000	0.0000
CO_2	**3.4792**	3.3882	3.3437	3.2345	3.0657
Total	**4.3771**	4.4564	5.2998	5.9268	5.6698

SF_6 was reduced in 2006 due to the closure of the magnesium remelt plant in Porsgrunn. The reduction of PFC emissions from 2005 is a result of the closure of the Søderberg production at Høyanger and Årdal, Norway, and improvements of existing technology at Kurri Kurri, Australia.

Eco-efficiency



Energy consumption

PJ	**2007**	2006	2005	2004	2003
Electricity	**95.6**	94.7	95.8	92.3	86.8
Oil	**0.5**	0.6	0.6	1.4	1.3
Coke	**21.4**	19.3	18.6	17.5	17.2
Natural gas	**11.6**	14.1	12.6	12.3	11.9
Natural gas liquid	**2.4**	2.2	2.6	2.8	1.8
Other	**8.4**	8.5	8	7.6	7.6
Total	**139.9**	139.3	138.3	133.9	126.5

Energy consumption includes energy losses in hydroelectric plants.

Energy consumption per sector

PJ	**2007**	2006	2005	2004	2003
Electrolysis/Carbon	**109.71**	103.62	102.78	97.73	91.67
Casting	**2.97**	2.87	2.56	2.83	2.62
Remelt	**2.44**	2.48	2.37	2.08	1.65
Rolled Products	**5.79**	5.23	5.16	5.11	5.03
Extrusion, Building System, Automotive, Precision Tubing	**5.44**	7.58	7.15	7.62	6.75
Others	**13.49**	17.49	18.26	18.48	18.79
Total	**139.9**	139.3	138.3	133.9	126.5

Resource use

1,000 tonnes	**2007**	2006	2005	2004	2003
Alumina	**2,553**	2,538	2,656	2,549	2,347
Sodium chloride (salt)	**634**	640	486	404	432
Aluminium fluoride	**29**	26	26	23	19

Water consumption

Million m³	2007	2006	2005	2004	2003
Argentina	**0.0010**	0.0015	0.0015	0.0010	0.0003
Australia	**0.2393**	0.2118	0.1840	0.2050	0.1989
Austria	**0.0060**	1.0354	0.8343	0.9610	1.4377
Belgium	**0.0649**	0.0631	0.0534	0.0716	0.0820
Brazil	**0.0584**	0.0477	0.0490	0.0490	0.0247
Canada	**0.0214**	13.0705	13.0039	12.5849	12.4441
China	**0.0164**	0.0486	0.0471	0.0881	0.1405
Denmark	**0.0681**	0.0482	0.0497	0.0709	0.1023
France	**0.6503**	0.4856	0.5279	0.6309	0.7202
Germany	**2.3713**	4.4792	4.2150	4.8526	4.9312
Hungary	**0.0000**	0.0580	0.0188	0.0122	0.0248
Italy	**1.4647**	1.5126	1.5940	1.6712	1.8182
Luxembourg	**0.0625**	0.0687	0.0687	0.0520	0.0643
Malaysia	**0.0907**	0.0930	0.1129	0.1235	0.0000
Mexico	**0.0305**	0.0027	0.0123	0.0123	0.0029
Norway	**147.1473**	133.4169	133.6722	121.9813	123.1310
Poland	**0.0103**	0.0077	0.0037	0.0051	0.0039
Portugal	**0.0744**	0.0696	0.0976	0.0862	0.0965
Slovakia	**0.1670**	-	-	-	-
Spain	**0.1072**	0.1052	0.0725	0.0954	0.4643
Sweden	**1.1490**	1.2581	0.9519	0.9953	1.1235
United Kingdom	**1.4454**	1.4302	1.2651	1.4133	1.6590
USA	**0.2820**	0.3954	0.3365	0.5030	0.5306
Total	**155.5282**	157.9096	157.1721	146.4657	149.0008

Water supply varies from country to country and may even vary within a country. The greater part of our water consumption takes place in Norway where access to freshwater is abundant. Almost 60 percent of the water consumption in Norway was used by our former Polymers business.

Emissions

	2007	2006	2005	2004	2003
Fluorides to air, tonnes	**592**	614	788	663	599
Dust, tonnes	**2,904**	3,258	4,215	3,439	3,351
NOx, tonnes	**1,300**	1,336	1,386	1,461	1,235
Sulphur dioxide to air, tonnes	**8,835**	7,509	7,257	7,092	6,785
PAH to air, tonnes	**38**	49	72	57	53
PAH, to water, kg	**571**	1,459	830	1,189	1,469
NMVOC, tonnes	**412**	440	314	722	799

The increase in SO_2 emissions is a result of the use of anodes with increased sulfur content. The high emissions of PAH and fluorides in 2005 was the result of problems with one of our aluminium smelters. The normal level was regained in 2006. Hydro does no longer emit HCFC.

Waste

Tonnes	**2007**	2006	2005	2004	2003
Hazardous waste	**140,349**	143,034	154,005	119,732	104,006
Other waste	**138,784**	168,110	161,720	182,004	176,475
Total	**279,134**	311,144	315,725	301,736	280,481

The reduction in "Other waste" is to a large extent due to the closure of our magnesium plant in Becancour, Canada.

Waste treatment

	2007	2006	2005	2004	2003
Landfill	**33%**	32%	26%	29%	34%
Energy recovery	**4%**	5%	5%	3%	2%
Reuse/recycling	**48%**	49%	48%	41%	41%
Other treatment	**14%**	14%	22%	27%	22%

Incineration without energy recovery is included in Other treatment.

Financial provisions

Provisions for future environmental clean-up measures amounted to NOK 194 million as of December 31 2007.

See note 31 in the consolidated financial statements.

GRI INDEX

This overview shows how Hydro reports related to Global Reporting Initiative (GRI) guidelines for voluntary reporting of sustainable development. The tables show where information about each issue can be found, this is either fully or partly described compared to GRI's definition. The guidelines comprise economic, environmental and social dimensions relating to an enterprise's activities, products and services. GRI collaborates with the United Nations Environment Programme (UNEP) and UN Global Compact. We believe in all material respects that our reporting practice is consistent with GRI's reporting principles. We have used the terms "Full" and "Partial" to indicate our reporting level for each core indicator. Where we believe that we fulfill GRI's intentions for the indicator, it is reported as "Full", otherwise we use "Partial" or "Not reported". We have not indicated this for additional indicators. These are marked with an asterisk. The electronic version of the GRI Index includes the full definition of each indicator and refers to specific sections in this report, and to additional information on www.hydro.com. See www.hydro.com/gri

G3 GRI Content Index

G3 Disclosure	Description	Page no./Reference	Extent of reporting (full – partial)	Comments/ Reason for omission
1.1	Statement of the CEO	4-5	Full	
1.2	Description of key impacts, risks, and opportunities.	4-5, 9, 94-112, 128-133	Full	
Organizational Profile				
2.1	Name of the organization.	Norsk Hydro ASA	Full	
2.2	Primary brands, products, and/or services.	6-21, 22-50	Full	
2.3	Operational structure of the organization	6-21, 22-50	Full	
2.4	Location of organization's headquarters.	21	Full	
2.5	Countries where the organization operates	6-21, 22-50, website	Full	
2.6	Nature of ownership and legal form.	142-156	Full	
2.7	Markets served	6-21, 22-50	Full	
2.8	Scale of the reporting organization	6-21, 22-50	Full	
2.9	Significant changes during the reporting period	4-5, 6, 9, 21	Full	
2.10	Awards received in the reporting period.	96	Full	
Report Parameters				
3.1	Reporting period	1 Jan - 31 Dec 2007	Full	
3.2	Date of most recent previous report (if any).	Annual report 2006	Full	
3.3	Reporting cycle (annual, biennial, etc.)	Annual	Full	
3.4	Contact point for questions regarding the report	corporate@hydro.com	Full	
3.5	Process for defining report content	95-96, 113	Full	
3.6	Boundary of the report	113	Full	
3.7	Limitations on the scope or boundary of the report	113	Full	
3.8	Basis for reporting on joint ventures, subsidiaries etc.	113, F7-F13	Full	
3.9	Data measurement techniques	113, F7-F13	Full	
3.10	Explanation of the effect of any re-statements	113, 115-121, F74-F75	Full	
3.11	Significant changes from previous reporting periods	113, F14	Full	
3.12	Overview of reported indicators	122-125	Full	
3.13	Practice for seeking external assurance for the report	113, 153, 156	Full	

G3 Disclosure	Description	Page no./Reference	Extent of reporting (full – partial)	Comments/ Reason for omission
Governance, Commitments, and Engagement				
4.1	Governance structure of the organization	142-156	Full	
4.2	Is the Chair of the board also an executive officer?	151-153, 155	Full	No
4.3	Applies only to organizations with unitary board structures	Not applicable		
4.4	Mechanisms to provide recommendations or direction to the highest governance body.	145, 151, 156	Full	
4.5	Linkage between compensation and performance	150, 152, 156, F28-F36	Full	
4.6	The Board's role to ensure conflicts of interest are avoided	152-154	Full	
4.7	Evaluation of the qualifications of the Board members	152	Full	
4.8	Mission or values, codes of conduct, and principles	100-101, 144-145	Full	
4.9	Board procedures for overseeing the organization	152, 156	Full	
4.10	Processes for evaluating the Board's own performance	152, 156	Full	
4.11	Precautionary approach or principle	103, 144-145, 128-133	Full	
4.12	Externally developed charters, principles, or other initiatives	100, 103, 142, website	Full	
4.13	Memberships in associations	101, website	Full	
4.14	Stakeholder groups engaged by the organization	102-105, 113, 141	Full	
4.15	Identification and selection of stakeholders	102-105, 113, 141	Full	
4.16	Approaches to stakeholder engagement	102-105, 113, 141	Full	
4.17	Key topics and concerns raised in stakeholder engagement	102-105	Full	
Management Approach and Performance Indicators Economic				
	Disclosure on Management Approach	96, 134-141, 144-145	Full	
EC1	Direct economic value generated and distributed	54-57, 101, 104, 115-116, F1-F6	Full	
EC2	Financial implications due to climate change	4-5, 9, 19, 51, 98	Full	
EC3	Organization's defined benefit plan obligations	F51-F52	Full	
EC4	Financial assistance received from government	Not reported		
EC5*	Standard entry level wage compared to local minimum wage	106-107		
EC6	Spending on locally-based suppliers	103	Partial	
EC7	Procedures for local hiring	103	Partial	
EC8	Development and impact of infrastructure investments	104	Partial	
EC9*	Indirect economic impacts	Not reported		
Environmental				
	Disclosure on Management Approach	4-5, 95-99, 144-145	Full	
EN1	Materials used by weight or volume	119	Full	
EN2	Percentage of recycled materials	99	Partial	
EN3	Direct energy consumption by primary energy source	98, 119	Full	
EN4	Indirect energy consumption by primary source	Not reported		
EN5*	Energy conservation and efficiency improvements	97-98		
EN6*	Energy-efficient or renewable energy based products	97-98		
EN7*	Reduced indirect energy consumption	Not reported		
EN8	Total water withdrawal by source	99, 120	Partial	
EN9*	Water sources significantly affected by withdrawal of water	120		
EN10*	Percentage and total volume of water recycled and reused	Not reported		
EN11	Locations in, or adjacent to, areas of high biodiversity value	99, website	Partial	
EN12	Significant biodiversity impacts	99, website	Partial	
EN13*	Habitats protected or restored	99, website		
EN14*	Managing impacts on biodiversity	99, website		
EN15*	IUCN Red List and national conservation list species	Not reported		
EN16	Direct and indirect greenhouse gas emissions	95, 97, 119	Full	

* Additional indicator.

G3 Disclosure	Description	Page no./Reference	Extent of reporting (full – partial)	Comments/ Reason for omission
Environmental cont.				
EN17	Other relevant indirect greenhouse gas emissions	Not reported		
EN18*	Initiatives to reduce greenhouse gas emissions	97-98, 110-112		
EN19	Emissions of ozone-depleting substances	121	Full	
EN20	NOx, SOx, and other significant air emissions	121	Full	
EN21	Total water discharge by quality and destination	99, 120	Partial	
EN22	Total weight of waste by type and disposal method	99, 121	Full	
EN23	Total number and volume of significant spills	Not reported		
EN24*	Transported, imported, exported or treated hazardous waste	Not reported		
EN25*	Habitats significantly affected by discharges and run-off	Not reported		
EN26	Mitigation of environmental impacts of products	97-99, website	Full	
EN27	Packaging materials that are reclaimed	Not reported		
EN28	Fines and sanctions related to environmental issues	Not reported		
EN29*	Significant environmental impacts of transporting products	Not reported		
EN30*	Total environmental protection expenditures and investments	Not reported		
Social : Labor Practices and Decent Work				
	Disclosure on Management Approach	4-5, 96, 100-109, 144-145	Full	
LA1	Workforce by employment type, contract, and region	115-117	Partial	
LA2	Total number and rate of employee turnover	Website	Partial	
LA3*	Difference in benefits between full-time and other employees	Not reported		
LA4	Employees covered by collective bargaining agreements	102-104, website	Partial	
LA5	Notice period(s) regarding significant operational changes	102-104, website	Full	
LA6*	Joint management-worker health and safety committees	Website		
LA7	Health and safety indicators	94, 107-109, 118	Partial	
LA8	Assistance programs regarding serious diseases	Not reported		
LA9*	Health and safety in union agreements	Website		
LA10	Average training hours per employee by employee category	Not relevant		See p. 105 and website
LA11*	Skills management and lifelong learning	105-109		
LA12*	Performance and career development reviews	105-106		
LA13	Governance bodies and employees diversity	106, 116-117	Partial	
LA14	Ratio of basic salary of men to women	106-107	Partial	
Social : Human Rights				
	Disclosure on Management Approach	4-5, 96, 100-104, 144-145, website	Full	
HR1	Significant investments that include human rights issues	100-104, website	Full	
HR2	Suppliers undergone screening on human rights	100-101	Partial	
HR3*	Training on human rights policies and procedures	100-101		
HR4	Incidents of discrimination and actions taken		Partial	No serious incidents unveiled in 2007
HR5	Freedom of association and collective bargaining	100-104, website	Full	
HR6	Child labor	100-101, website	Full	
HR7	Forced or compulsory labor	100-101, website	Full	
HR8*	Human rights training of security personnel	100-101, website		
HR9*	Violations of indigenous peoples' rights	100-101, website		

* Additional indicator.

G3 Disclosure	Description	Page no./Reference	Extent of reporting (full – partial)	Comments/ Reason for omission
Social : Society				
	Disclosure on Management Approach Disclosure	4-5, 96, 100-104, 144-145	Full	
SO1	Programs and practices for assessing community impact	102-104	Full	
SO2	Business units analyzed for risks related to corruption	100-101	Partial	
SO3	Employees trained in anti-corruption policies and procedures	100-101	Full	
SO4	Actions taken in response to incidents of corruption	100-101, 133	Full	
SO5	Participation in public policy development and lobbying	101	Partial	
SO6*	Financial and in-kind contributions to political parties	101		
SO7*	Anti-competitive behavior, anti-trust, and monopoly practices	133		No significant incidents in 2007
SO8	Significant fines and non-monetary sanctions	133, website	Full	
Social : Product Responsibility				
	Disclosure on Management Approach	96, 110-112, website	Full	
PR1	Health and safety impacts in the life-cycle of products	Website	Full	
PR2*	Non-compliance concerning health and safety impacts	Not reported		
PR3	Product and service information required by procedures	Not reported		Website
PR4*	Non-compliance regarding product information and labeling	Not material		
PR5*	Practices related to customer satisfaction	110, website		Website
PR6	Adherence to laws, standards etc.related to marketing	Not reported		Website
PR7*	Non-compliance concerning marketing communications			No significant incidents in 2007
PR8*	Breaches of customer privacy and losses of customer data			No significant incidents in 2007
PR9	Fines concerning the provision and use of products		Full	No significant incidents in 2007

* Additional indicator.

Progress report UN Global Compact

We support the principles of the UN Global Compact. Human rights, international labor standards, working against corruption, and environmental considerations are fundamental to our approach to corporate responsibility.

The Global Compact was formed at the initiative of the former UN Secretary General, Kofi Annan, in 1999, because the UN wants business and industry to be more closely associated with the UN's work. Companies that sign the Global Compact undertake to support 10 principles regaeding human rights, labor standards, the environment, and countering corruption, and to communicate annually on progress.

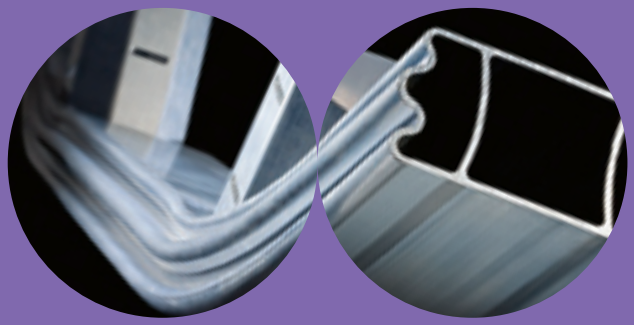
Hydro has played an active role in the Global Compact since its formation. Our commitment has been expressed by the President and CEO in his letter to shareholders on page 4 in this report. The table below provides a summary of our progress in relation to the Compact's 10 principles. A more complete report can be found at www.hydro.com/globalcompact

		Page
Human rights		
Principle 1	Support and respect the protection of internationally proclaimed human rights	100-101
Principle 2	Make sure not to be complicit in human rights abuses	100-101
Labor standards		
Principle 3	Uphold the freedom of association and the effective recognition of the right to collective bargaining	100, 102-104
Principle 4	Elimination of all forms of forced and compulsory labor	100, 103
Principle 5	Effective abolition of child labor	100
Principle 6	Eliminate discrimination in respect of employment and occupation	100-108
Environment		
Principle 7	Support a precautionary approach to environmental challenges	97-99
Principle 8	Undertake initiatives to promote greater environmental responsibility	97-99, 110-112
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	97-99, 110-112
Anti-corruption		
Principle 10	Work against all forms of corruption, including extortion and bribery	100-101

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.

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Risk review

Risk factors p.130
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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 CO_2 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 CO_2 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 CO_2 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 th 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 CO_2 quotas and related trading regimes. Our Norwegian smelters are also exposed to the impact of CO_2 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
Aluminium price per tonne [2]	700	500	100 USD
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.

Hydro's main share listing is the Oslo Stock Exchange (Oslo Børs). A total of 4.8 billion Hydro shares were traded on the Oslo Stock Exchange during 2007.

Key figures

NOK mill	2007	2006	2005
Share price year-end, NOK	**77.60**	193.50	138.60
Dividend per share, NOK [1]	**5.00**	5.00	4.40
Non-Norwegian ownership, year-end	**42%**	38%	40%

1) Proposed dividend for 2007.

77.60 NOK/SHARE

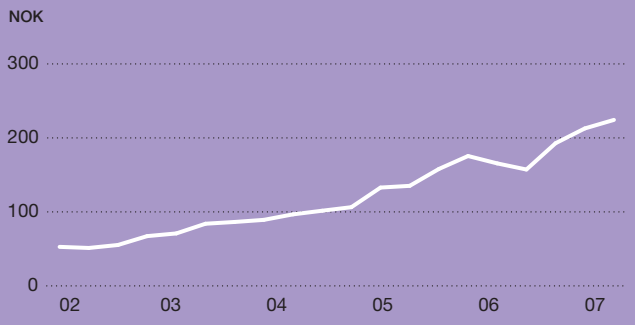
Share price at 31 December 2007

HIGHLIGHTS

Value creation from restructuring

During the last five years significant value has been created for shareholders through the restructuring of Hydro. At the end of 2003 the Hydro share closed at NOK 82.10, when Hydro consisted of the oil and gas activities, the aluminium activities and the fertilizer activities. The combined value at the end of 2007 of the Hydro share, the received fractional shares in Yara International and StatoilHydro during the two demerger transactions and all dividend payments during the five year period was NOK 290. This represents a solid increase of 254 percent of the investment or an average annual return of 29 percent.

Share price Oslo Stock Exchange



As of September 30, 2007.

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Shareholder information

Main shareholders
More than 97 percent of Hydro's shareholders are located in the ten countries marked on the map. 58.5 percent are in Norway.

Dividend policy p.136
Buyback of shares p.136
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Major shareholders and voting rights p.137
Key figures for the Hydro share p.139
Information from Hydro p.141
Annual General Meeting p.141
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Financial calendar 2008 p.141

QUICK OVERVIEW

Hydro's share price closed at NOK 77.60 at the end of 2007. Taking into consideration the dividend of NOK 5.00 per share paid in 2007 and the value at the end of 2007 of the received StatoilHydro shares, the total return for 2007 was NOK 34.80 or 18 percent. Due to our solid financial position and strong operating results in 2007 and the Board of Directors has proposed a dividend of NOK 5.00 per share for approval by the Annual General Meeting on May 6, 2008.

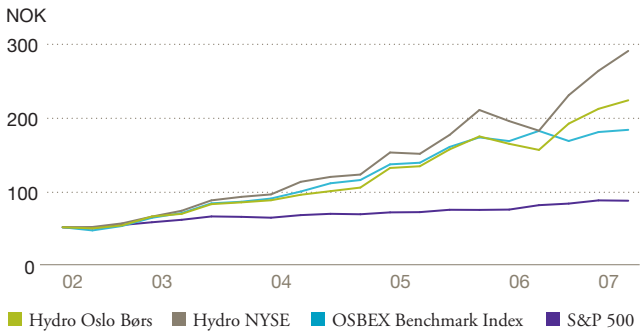
As of 31 December 2007, Hydro had 41,745 registered shareholders as per the Norwegian Central Securities Depository. The Ministry of Trade and Industry of Norway was the largest of these with a shareholding of 43.8 percent.

Hydro's Board of Directors has proposed a new buyback authorization of NOK 4 billion for 2008 to be considered by the Annual General Meeting in May 2008.

Hydro's share price closed at NOK 77.60 at the end of 2007. Taking into consideration the dividend of NOK 5.00 per share paid in 2007 and the value at the end of 2007 of the received StatoilHydro shares, the total return for 2007 was NOK 34.80 or 18 percent. Due to our solid financial position and strong operating results in 2007, Board of Directors has proposed a dividend of NOK 5.00 per share for approval by the Annual General Meeting on May 6, 2008. During 2007 we also redeemed 17,493,401 shares for NOK 2.9 billion. The merger of our oil and gas activities with Statoil was completed on October 1, 2007 and all shareholders received 0.8622 shares in the merged company, StatoilHydro, for each share they held in Hydro. There was no change in the number shares held in Hydro as a result of the merger.

In November 2007, Hydro gave notice to the New York Stock Exchange (NYSE) of de-listing its shares and filed an application with the US Securities and Exchange Commission to terminate its registration of debt securities and ordinary shares. The de-listing from the NYSE became effective on 23 November 2007 and the termination of the SEC registration became effective on 27 February 2008.

Share price in NOK



As of September 30, 2007.

During the last five years significant value has been created for shareholders through the restructuring of Hydro. In addition, significant market improvements and strong operational performance have contributed to the value creation. At the end of 2003 the Hydro share closed at NOK 82.10, when Hydro consisted of the oil and gas activities, the aluminium activities and the fertilizer activities. The combined value at the end of 2007 of the Hydro share, the received fractional shares in Yara International and StatoilHydro during the two demerger transactions and all dividend payments during the five year period was NOK 290. This represents a solid increase of 254 percent of the investment or an average annual return of 29 percent. The calculation assumes that shareholders have retained their original ownership interests in Yara International and StatoilHydro as obtained through the dermerger transactions.

By the end of 2007 there were 1,209,304,379 outstanding shares. A total of 4.8 billion Hydro shares were traded on the Oslo Stock Exchange during 2007, representing about 10 percent of the total turnover on the exchange in terms of share value. In addition, Hydro's ordinary shares are listed in London, Paris, Frankfurt, Düsseldorf and Hamburg. Our American Depositary Shares (ADSs) were delisted from the New York Stock Exchange on November 23, 2007 and are now trading on PinkSheets in the US We also plans to delist the share from the stock exchanges in France and Germany during 2008.

Dividend policy

Long-term returns to shareholders should reflect the value created by Hydro. Shareholder returns consist of dividends and share price development. Over time value creation should be reflected to a greater extent by share price development than through dividends. Our dividend policy is to pay out 30 percent of net income over time to our shareholders. The payout ratio in one specific year may be above or below 30 percent of net income, but should average 30 percent of net income over a period of several years. In setting the dividend for a specific year we will take into consideration future earnings, future investment opportunities, the outlook for world commodity markets and our financial position. 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 total payout should reflect Hydro's aim to give its shareholders competitive returns benchmarked against alternative investments in comparable companies.

Hydro's Board of Directors normally proposes a dividend per share in connection with the publication of our fourth quarter results. The Annual General Meeting then considers this proposal in May each year, and the approved dividend is subsequently paid to shareholders in May or June. We pay dividends once each year. For non-Norwegian shareholders, Norwegian tax will be deducted at source in accordance with the current regulations.

The Board of Directors has proposed a dividend of NOK 5.00 per share for 2007, consisting of NOK 1.50 in ordinary dividend and NOK 3.50 in extraordinary dividend. The Annual General Meeting on 6 May 2008 will consider the dividend proposal. See financial calendar for more information on key dates related to the dividend.

Buyback of shares

In periods when earnings are high, Hydro may consider to buy back shares in addition to ordinary or extraordinary dividend payments. This consideration will be made in the light of alternative investment opportunities and our financial situation. In circumstances when buying back shares are relevant, our Board of Directors proposes buyback authorizations to be considered and approved by the Annual General Meeting. Authorizations

Share repurchases 2007	Total number of shares purchased	Average price paid per share in NOK	Total number of shares purchased as part of publicly announced authorization	Maximum number of shares that may yet be purchased under the authorization
1 – 31 August [1]	621,895	198.52	621,895	-
1 – 30 September [2]	16,871,506	163.78	16,871,506	-
Total	17,493,401	165.02	17,493,401	-

1) Repurchase of shares related to the share purchase program for employees.
2) Redemption of shares held by the Norwegian State related to the buyback authorization approved by the Annual General Meeting on 8 May 2006.

are granted for a specific time period and for a specific share price interval for which share buybacks can be made.

During 2007 we redeemed 16,871,506 shares held by the Norwegian state at an average price of NOK 163.78 per share as part of a buyback authorization approved by the Annual General Meeting on 9 May 2006. At the same time we executed a capital reduction by cancelling 38,498,506 shares, including 21,627,000 shares that were repurchased in the market during 2006. The shares redeemed from Norwegian state were the state's proportional number of shares of the 2006 market repurchases. The price paid to the state was equal to the volume-weighted average of the prices we paid for shares bought in the market during 2006 less the dividend paid in 2007, plus an interest rate of NIBOR plus one percent to compensate for the later settlement.

Hydro's Board of Directors has proposed a new buyback authorization of NOK 4 billion for 2008 to be considered by the Annual General Meeting in May 2008.

The following table above shows the total number of shares and the average price paid per share for shares repurchased during 2007.

Funding and credit rating

Maintaining a strong financial position and an investment grade credit rating are viewed as important risk mitigating factors, supporting Hydro's possibilities for strategic development of its businesses. Access to external financial resources is required in order to maximize value creation over time, balanced with an acceptable risk exposure. To secure access to debt capital on attractive terms we aim at maintaining an investment grade credit rating from the leading rating agencies, Standard & Poor's and Moody's.

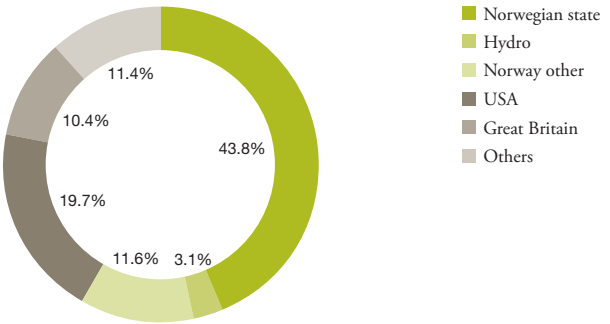
Contributing to retaining this credit rating, we intend to keep our funds from operations of at least 40 percent of net adjusted interest-bearing debt in addition to net adjusted interest-bearing debt at a ratio of 0.55 to equity capital over time. In calculating this ratio, we include off balance sheet pension obligations, operating lease commitments and our share of net interest-bearing debt in joint ventures. For a discussion of these adjustments see Note 35 – Capital Management in the Financial Statements section of this report.

Major shareholders and voting rights

As of 31 December 2007, Hydro had 41,745 registered shareholders as per the Norwegian Central Securities Depository. The Ministry of Trade and Industry of Norway was the largest of these with a shareholding of 546,902,099 shares corresponding to 43.8 percent of the total number of ordinary shares authorized and issued and 45.2 percent of the total shares outstanding. As of the same date The Government Pension Fund – Norway, (Folketrygdfondet), owned 45,868,635 ordinary shares. This represents 3.7 percent of the total number of ordinary shares issued and 3.8 percent of the total shares outstanding. In total the Norwegian state owns 592,770,734 ordinary shares. This represents 47.5 percent of the total number of ordinary shares issued and 49.0 percent of the total shares outstanding. Other Norwegian shareholders owned 14.7 percent of the total number of ordinary shares issued (including Hydro's own shares), while 41.5 percent of the total number of ordinary shares issued was held by foreign owners. The Norwegian state is the only person or entity known to us to own beneficially, directly or indirectly, more than 5 percent of our outstanding shares. There are no different voting rights associated with the ordinary shares held by the state.

Geographical ownership distribution

1,247,956,949 shares



Hydro's 20 largest shareholders, 31 December 2007

Shareholder	Number of shares	Ownership interest
Norwegian State	546,902,099	43.82%
State Street Bank and Trust (nominee)	69,545,008	5.57%
Morgan Guaranty Trust (ADR)	64,650,142	5.18%
Folketrygdfondet	45,868,635	3.68%
Hydro	38,652,570	3.10%
JPMorgan Chase Bank (nominee)	20,302,896	1.63%
Euroclear Bank (nominee)	16,641,962	1.33%
Mellon Bank (nominee)	16,019,264	1.28%
JPMorgan Chase Bank (nominee)	14,788,248	1.18%
UBS AG, London Branch (nominee)	12,980,689	1.04%
State Street Bank and Trust (nominee)	10,258,799	0.82%
Morgan Stanley & Co. (nominee)	9,864,686	0.79%
Clearstream Banking (nominee)	9,705,200	0.78%
The Northern Trust Co. (nominee)	8,947,820	0.72%
Vital Forsikring	8,623,909	0.69%
The Northern Trust Co. (nominee)	8,428,316	0.68%
State Street Bank and Trust (nominee)	7,375,946	0.59%
Capital EuroPacific Growth Fund	6,892,000	0.55%
Morgan Stanley & Co.	6,560,540	0.53%
Investors Bank & Trust Company (nominee)	5,842,849	0.47%

Source: Norwegian Central Securities Depository (VPS).

The state acquired most of its interest in Hydro in 1945, and increased it to 51 percent in 1971. From that time and until July 1999, the state owned 51 percent of the total number of ordinary shares issued and outstanding. Ordinary shares issued in connection with the acquisition of Saga Petroleum ASA in July 1999 increased the total number of shares issued and outstanding with a corresponding decrease in the state's percentage ownership interest. Since 1945, the state has not disposed of any of the ordinary shares owned by it, except when participating in the share buyback programs. However, there can be no assurance that the state will not do so in the future. The state, represented by the Ministry of Trade and Industry, has in a white paper stated its intention to maintain its shareholding in Hydro. The Norwegian Ministry of Trade and Industry represents the Norwegian government in exercising the state's voting rights. The state has never taken an active role in the day-to-day management of Hydro. The demerger of our oil and gas activities did not change the state's ownership interest in Hydro.

As of 31 December 2007, JPMorgan Chase & Co, as depositary of the ADSs (the Depositary), through its nominee company, Morgan Guaranty Trust Company, held interests in 64,650,142 ordinary shares, or 5.3 percent of the issued and outstanding ordinary shares as of such date, on behalf of approximately 500 registered and an estimated 24,000 beneficial holders of ADSs. There were 271 holders of ordinary shares with addresses in the United States, not including the Depositary, as of the same date. These shareholders held 181,542,763 ordinary shares, equal to approximately 15.0 percent of the issued and outstanding ordinary shares.

All shares basically carry one vote. It is, however, a requirement of Norwegian legislation that a shareholder can only vote for shares registered in their name. Shares registered with a nominee account must be re-registered in the Norwegian Central Securities Depositary before the Annual General Meeting in order to obtain voting rights. This requirement also applies to our US traded ADSs.

Key figures for the Hydro share

Share price development per quarter for two most recent fiscal years

	Oslo Stock Exchange		New York Stock Exchange[1]	
Period	High (in NOK)	Low (in NOK)	High (in USD)	Low (in USD)
First quarter 2006	186.20	138.50	28.40	21.17
Second quarter 2006	199.40	142.00	32.37	22.50
Third quarter 2006	180.00	138.25	29.59	21.01
Fourth quarter 2006	196.50	135.00	31.18	20.93
First quarter 2007	204.25	178.50	33.17	27.75
Second quarter 2007	228.00	200.00	38.27	32.89
Third quarter 2007	247.00	196.50	43.35	33.20
Fourth quarter 2007 [2]	83.00	68.00	44.06	12.90

Share price development per month for six most recent months

	Oslo Stock Exchange		New York Stock Exchange[1]	
Period	High (in NOK)	Low (in NOK)	High (in USD)	Low (in USD)
July 2007	247.00	219.00	42.96	36.61
August 2007	221.50	196.50	37.93	33.20
September 2007	239.75	215.50	43.35	38.15
October 2007 [2]	82.60	73.60	44.06	14.50
November 2007 [2]	83.00	68.00	15.78	12.90
December 2007 [2]	78.40	71.90	14.30	12.90

1) The share was delisted from the New York Stock Exchange on November 23, 2007 and moved to trading on PinkSheets.
2) The completion of the merger of Hydro's oil and gas activities with Statoil resulted in approx. 2/3 decline in the share price as the shareholders received shares in StatoilHydro as compensation.

	2007 [2]	2006	2005	2004	2003
Share price high, Oslo (NOK) [1]	**247.00**	199.40	149.70	104.30	73.18
Share price low, Oslo (NOK)	**68.00**	135.00	92.50	72.30	46.20
Share price average, Oslo (NOK)	**176.76**	164.05	119.14	88.77	59.96
Share price year-end, Oslo (NOK)	**77.60**	193.50	138.60	95.40	72.39
Share price high, NYSE (USD) [3]	**44.06**	32.37	23.43	16.72	10.95
Share price low, NYSE (USD)	**12.90**	20.93	14.80	10.69	6.33
Share price average, NYSE (USD)	**30.64**	25.73	18.46	13.22	8.49
Share price year-end, NYSE (USD)	**13.95**	30.67	20.64	15.74	10.90
Earnings per share (EPS) (NOK)	**14.90**	14.00	12.50	9.90	8.50
EPS from continuing operations (NOK) [4]	**7.20**	13.90	12.40	9.00	6.50
P/E 5)	**10.78**	13.92	11.18	10.60	11.14
Dividend per share (NOK) [6]	**5.00**	5.00	4.40	4.00	2.20
Pay-out ratio [7]	**69%**	36%	35%	44%	26%
Dividend growth	**0%**	14%	10%	82%	5%
Pay-out ratio five year average [8]	**34%**	35%	34%	29%	28%
Debt/equity ratio [9]	**(0.05)**	0.22	0.31	0.11	0.38
Credit rating, Standard & Poor's	**BBB**	A-	A	A	A
Credit rating, Moody's	**Baa1**	A2	A1	A2	A2
Non-Norwegian ownership, year-end	**42%**	38%	40%	37%	35%
Outstanding shares, average	**1,221,195,650**	1,240,804,344	1,254,036,520	1,272,057,165	1,287,642,555
Outstanding shares, year-end	**1,209,304,379**	1,226,175,885	1,250,692,320	1,254,196,150	1,283,560,000

1) Adjustment factor 0.881699 used for share prices prior to the demerger of Yara International ASA 25 March 2004, according to Oslo Stock Exchange's calculation methods.
2) The completion of the merger of Hydro's oil and gas activities with Statoil resulted in approx. 2/3 decline in the share price as the shareholders received shares in StatoilHydro as compensation.
3) The share was delisted from the New York Stock Exchange on November 23, 2007 and moved to trading on PinkSheets.
4) Oil and gas activities only included as discontinued for 2007.
5) Share price at year-end divided by EPS from continuing operations.
6) Proposed dividend for 2007.
7) Dividend per share divided by earnings per share. EPS from continuing operations from 2004.
8) Total dividend divided by net income for last five years.
9) Interest-bearing debt + net pension liability (tax adjusted) + operating lease commitments (discounted) + share of debt in joint ventures – cash and cash equivalents – short-term investments divided by shareholders' equity + minority interest.

Hydro arranges a capital markets day every year, addressing strategic and operational issues relevant to our investors and the financial markets in general.

Financial calendar 2008

22 April	First quarter results
6 May	Annual General Meeting
7 May	Ordinary shares and ADRs trading ex-dividend
9 May	Record date for dividend ordinary shares
12 May	ADRs trading ex-dividend
14 May	Record date for dividend ADRs
19 May	Payment of dividend ordinary shares
22 July	Second quarter results
25 September	Capital Markets Day
21 October	Third quarter results

Information from Hydro

Hydro gives a high priority to communicating with the stock market, and aims to maintain an open dialogue with market participants. Our objective is to provide sufficient information on a timely basis to all market participants to ensure a fair valuation of our shares. Information that is considered price sensitive is communicated by news releases and stock exchange announcements. We host regular meetings for investors in Europe and the US The major brokers in Oslo and London publish equity research reports on Hydro. All information about Hydro is published on our website: www.hydro.com.

Our annual and quarterly reports are available on www.hydro.com, and our latest annual reports can also be ordered in printed versions from the website.

Two weeks before the announcement of quarterly results Hydro practices a "closed period" meaning that contact with external analysts, investors and journalists is minimized. This is done to minimize the risk of information leaks and potentially unequal information in the marketplace.

Annual General Meeting

The Annual General Meeting of Norsk Hydro ASA will be held at Gamle Logen, Grev Wedels plass 2, Oslo, Norway, on Tuesday, 6 May 2008, at 17:00 CET. In accordance with Hydro's Articles of Association, notice of the Annual General Meeting will be published in the Norwegian newspapers Aftenposten and Dagens Næringsliv.

Shareholders who wish to attend are asked to inform the registrar by 16:00 CET on Friday, 2 May:

DnB NOR Bank ASA
Verdipapirservice
0021 Oslo, Norway
Fax: + 47 22 48 11 71

You may also register electronically on our website www.hydro.com/register or via VPS Investor Services. Any shareholder may appoint a proxy with written authority to attend the meeting and vote on his or her behalf.

Holders of shares in the form of ADSs need to exchange their ADSs for ordinary shares in accordance with the Deposit Agreement and then register such shares with the Norwegian Central Securities Depository to be eligible to vote their shares at the Annual General Meeting.

Change of address

Shareholders registered in the Norwegian Central Securities Depository should send information on changes of address to their registrars and not directly to Hydro.

We believe that sound and transparent governance contributes to value creation and improved results; it builds trust and establishes a basis for responsible conduct. Corporate governance is crucial to Hydro's development.

Board of directors

Name	Position	Term expires
Terje Vareberg	Chairperson	2008
Grete Faremo	Deputy chairperson	2008
Finn Jebsen	Director	2008
Heidi M. Petersen	Director	2008
Bente Rathe	Director	2008
Svein Rennemo	Director	2008
Billy Fredagsvik	Director	2009
Jørn B. Lilleby	Director	2009
Sten Roar Martinsen	Director	2009

Corporate Management Board

Name	Position
Eivind Reiten	President and Chief Executive Officer
Odd Ivar Biller	Executive Vice President Legal and Corporate Social Responsibility
Svein Richard Brandtzæg	Executive Vice President Products
Anne Harris	Executive Vice President HR and Organization Development
John Ove Ottestad	Executive Vice President and Chief Financial Officer
Jørgen C. Arentz Rostrup	Executive Vice President Energy
Tom Røtjer	Executive Vice President Projects
Torstein Dale Sjøtveit	Executive Vice President Metal

HIGHLIGHTS

Major change in Board composition

Terje Vareberg was elected new chairperson of the Board in November 2007.

Hydro delisted from the New York Stock Exchange and subsequently deregistered and terminated its reporting obligations under the US Securities Exchange Act of 1934.

The merger between Hydro's oil and gas activities and Statoil resulted in major changes both in the Board of Directors and the Corporate Management Board.

We comply with the Norwegian Code of Practice for Corporate Governance of December 2007.

07:

Corporate governance

All continents
Based in Norway, Hydro employs some 22,000 people in more than 30 countries and has activities on all continents.

Regulatory compliance p.144
Corporate directives and code of conduct p.144
Business planning and risk management p.145
Controls and procedures p.145
Transparency and communication p.146
Board of Directors p.146
Corporate Management Board p.148
Management compensation p.150
Governance bodies p.151
Norwegian code of practice for corporate governance p.154

QUICK OVERVIEW

Hydro is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Our corporate governance has been designed to provide a foundation for value creation and to ensure good control mechanisms. We maintain common requirements in the form of corporate directives that are mandatory for all parts of our organization.

The corporate directives help ensure that all our employees carry out their activities in an ethical manner and in accordance with current legislation and Hydro standards. The board of directors has approved our code of conduct, which applies to all employees throughout the world, as well as to board members of Hydro and its subsidiaries. The code addresses compliance with laws and other matters such as handling of conflicts of interest and a commitment to equal opportunities for all employees. Our Integrity Program contributes to compliance with anti-corruption legislation and basic human rights.

We believe that sound and transparent governance contributes to value creation and improved results; it builds trust and establishes a basis for responsible conduct. Corporate governance is crucial to Hydro's development. Strategies and targets are drawn up on the basis of an integrated governance and management system that builds on The Hydro Way, our framework for leadership, organization and culture. By good corporate governance, we mean adherence to a system of control mechanisms, processes, practices and laws designed to ensure that we serve our shareholders and other stakeholders.

Hydro's strategic direction is described on page 6. More comprehensive information about our governance practices, policies and requirements can be found at www.hydro.com/governance

Regulatory compliance

Hydro is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Our main share listing is on the Oslo Stock Exchange, which subjects us to Norwegian securities legislation and stock exchange regulations. We are also listed on five other European stock exchanges. During 2007, we decided to delist our ordinary shares, and the American depositary receipts representing them (ADRs), from the New York Stock Exchange (NYSE). This became effective on November 23, 2007. We also applied to deregister and terminate our reporting obligations under the US Securities Exchange Act of 1934. The deregistration became effective February 27, 2008. As a result, we are no longer required to comply with regulations issued by the NYSE or the SEC. However, we have not amended our core corporate governance policies and procedures following the delisting and deregistration.

We comply with the Norwegian Code of Practice for Corporate Governance of December 2007. A detailed description of our compliance is presented at page 154. Information regarding our shareholder policy can be found on page 134.

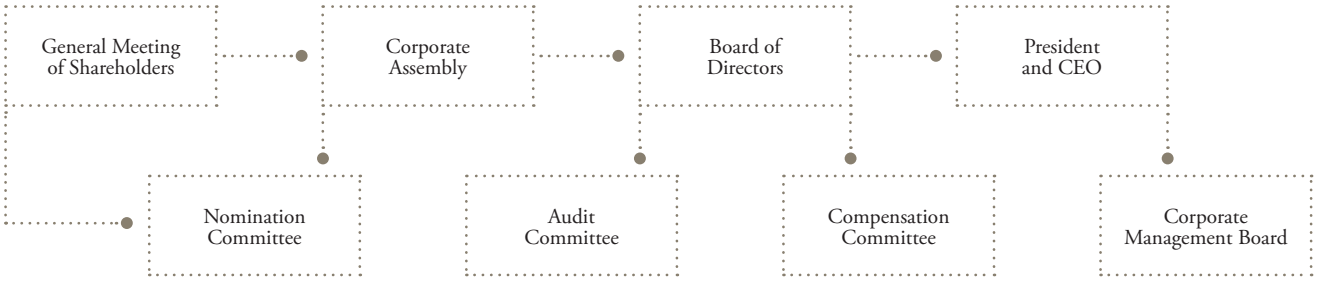
In 2007, Hydro was named supersector leader in the aluminium sector and the basic resources group of the Dow Jones Sustainability Index (DJSI) for the second year in a row. We have been listed on DJSI every year since the start of the index in 1999. We were also listed in the corresponding UK index, FTSE4Good.

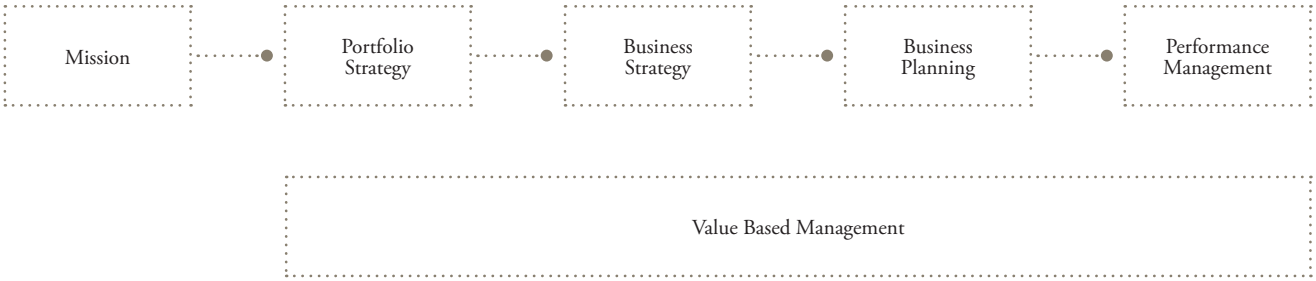
Corporate directives and code of conduct

The Hydro Way represents our framework for leadership, organization and culture and is the foundation of our governance system. See page 96 of for further information on our mission, institutional talents and values defined within the Hydro Way framework. Our system is based on the delegation of responsibility to our business areas and to corporate functions whose duties include finance, tax and accounting. In order to maintain uniformly high standards, we maintain common requirements in the form of corporate directives that are mandatory for all parts of our organization. The directives address, among other things, strategy and business planning, finance, risk management, organizational and employee development, health, security, safety and environment (HSE), ethics and social responsibility. This information is made available to all employees.

The corporate directives help ensure that all our employees carry out their activities in an ethical manner and in accordance with current legislation and Hydro standards. The board of directors has approved our code of conduct, which applies to all employees throughout the world, as well as to board members of Hydro and its subsidiaries. The code addresses compliance with laws and other matters such as handling of conflicts of interest and a commitment to equal opportunities for all employees. Our Integrity Program was launched in 2005 to contribute to compliance with anti-corruption legislation and basic human rights. See page 100 for more information about Hydro's Integrity Program. We have posted our code of conduct at www.hydro.com/principles, where you can also find more information regarding our corporate directives.

Employees are encouraged to discuss any concerns regarding possible breaches of our requirements with their immediate supervisor. Employees also have recourse through a whistleblower channel administered by our internal audit function,





which reports status of the whistleblowing cases to the Board Audit Committee periodically. Reports may be provided anonymously.

To secure knowledge in the organization about the corporate directives, we have prepared an interactive e-learning program. Implementation will take place in 2008 and will include all employees. See page 107 for more information about the program.

Business planning and risk management

Hydro's overall goal is to create shareholder value through satisfied customers and motivated and competent employees. We have defined two main processes to ensure that short and long-term targets are achieved.

The portfolio, strategy and business planning process involves strategic and operative planning and results monitoring. The planning, which reflects our ambitions and values, is the basis for the strategies and measures that form the business plans at all levels of our organization. We have defined key performance indicators for each unit, including financial, human resource, ethical and HSE objectives, in addition to unit-specific operating targets.

The people process is designed to assess and develop our human resources, and is an integral part of our annual business planning. Its aim is to promote the potential of individual employees and of our organization as a whole.

Risk management is also an integrated part of our planning and reporting process. Risk management deals with all aspects of value creation, including strategy, finance, commercial matters, organization, HSE, reputation, corporate responsibility, regulatory and legal matters. Hydro's Board of Directors regularly reviews and evaluates the overall risk management systems and environment within Hydro. We carry out risk assessments for defined exposure areas. Exposure to certain risks, particularly those threatening life and health, has been consistently reduced to very low levels. See also "Risk review – Market risk" in this report for a more detailed discussion of Hydro's financial risk management.

Controls and procedures

Hydro's internal control framework provides sound controls, built on a foundation of integrity, ethical values and appropriate organizational attitudes. We have a disclosure committee comprised of senior managers responsible for reviewing the financial and related information included in our reports. In addition, our internal audit function is an integral element of our management structure. This function evaluates our risk management, control, and governance processes to determine if they are adequate and contribute to the achievement of our objectives. It also supports management's evaluation of internal controls over financial reporting in accordance with relevant legislation through various audit activities.

Throughout 2007, we have continued to follow the internal control over financial reporting framework developed under the section 404 of the US Sarbanes-Oxley Act, 2002. The primary exception is that our external auditors will not be required to issue a separate audit opinion on our internal control over financial reporting as this was a specific SEC requirement.

Our management has continued to be guided by the "Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control – integrated framework" principles in evaluating the effectiveness of our financial controls and procedures. The COSO framework is widely recognised as the most comprehensive control framework and consists of the five interrelated components: 1) Control Environment, 2) Risk Assessment, 3) Control Activities, 4) Information and Communication, and 5) Monitoring.

Pre-approval of audit services

Hydro's audit committee has a pre-approval policy governing the engagement of primary and other external auditors to provide audit and non-audit services to Hydro or any entity within the group. Under this pre-approval policy, the audit

committee has defined and pre-approved subcategories of audit and non-audit services. The audit committee's pre-approval policy includes annual monetary frames for each of the following categories of services:

- audit-related
- tax
- non-audit related

The chairperson of our audit committee is authorized to approve changes to the subcategories of these services, and/or any increase in the monetary frames, between regular meetings of the audit committee. Any such change must be disclosed to the full audit committee on a quarterly basis.

The audit committee's pre-approval policy also applies to auditors, other than our primary external auditors, which, in the aggregate, audit more than 5 percent of Hydro's consolidated assets or income from continuing operations before tax. For such auditors, the pre-approval policy applies only to services provided to the Hydro subsidiary or subsidiaries under audit. Within the scope of the pre-approval policy, all services have been pre-approved and all amounts for audit related, tax and other non-audit related services are within the monetary frames established by the audit committee.

Employment of external auditor personnel

Principles have been established to ensure that the independence of Hydro's external auditor is not impaired in connection with the recruitment of former or current external auditor personnel and their close family members. Our policy requires a "cooling-off period" before recruiting former employees from the current external auditor to defined positions within Hydro.

Transparency and communication

Hydro's corporate culture embodies the principles of honesty and respect for others. Our ability to operate efficiently in the Norwegian market and internationally requires consistent and professional communication. We adhere, therefore, to the principles of transparency, honesty and sensitivity when interacting with our stakeholders.

Board of Directors

Terje Vareberg has been chairperson of the Board since November 2007. He has been managing director of Sparebank 1 SR-Bank since 1999. From 1989 onwards he was executive vice president and a member of corporate management in Statoil. In 1983 he became managing director of Agro Fellesslakteri. From 1979 he worked in the refining and marketing division of Statoil. Before that he worked for the Ministry of Trade and Industry and the Ministry of Petroleum. Vareberg has held a number of board positions in Norwegian industry and is currently chair of the Norwegian Savings Bank Association as well as of the International Research Institute of Stavanger AS. He is vice chairman of the board of Rogaland Theater and sits on the board of Sparebank 1 Gruppen. Vareberg is a graduate of the Norwegian School of Economics and Business Administration (NHH).

Grete Faremo has been deputy chairperson of the Board since November 2007 and member of the Board since 2006. She is currently director for legal and corporate affairs in Western Europe for Microsoft. She was executive vice president of Storebrand Insurance Company from 1997 to 2003. Faremo has held a range of political positions for the Norwegian Labour Party. She was an elected member of Stortinget, the Norwegian Parliament, from 1993 to 1997. In 1996 she was minister of oil and energy, and from 1992 to 1996 she was minister of justice. From 1990 to 1992 she was minister of international development. She currently chairs the board of Abelia and is deputy chairperson of the Norwegian Defence Research Establishment. Faremo gained a law degree at the University of Oslo in 1978.

Finn Jebsen has been a member of the Board since November 2007. He is an independent businessman. Jebsen was CEO of Orkla ASA from 2001 to 2005. From 1980 he was employed

Board of directors

Name	Place of residence	Year of birth	Position	Board committee	Term expires
Terje Vareberg	Stavanger, Norway	1948	Chairperson	Chairperson Compensation Committee	2008
Grete Faremo	Oslo, Norway	1955	Deputy chairperson	Audit Committee	2008
Finn Jebsen	Oslo, Norway	1950	Director	Compensation Committee	2008
Heidi M. Petersen	Sandefjord, Norway	1958	Director	Compensation Committee	2008
Bente Rathe	Trondheim, Norway	1954	Director	Audit Committee	2008
Svein Rennemo	Oslo, Norway	1947	Director	Chairperson Audit Committee	2008
Billy Fredagsvik	Høyanger, Norway	1956	Director		2009
Jørn B. Lilleby	Sunndalsøra, Norway	1952	Director	Audit Committee	2009
Sten Roar Martinsen	Kopervik, Norway	1962	Director		2009

From left to right: Terje Vareberg, Sten Roar Martinsen, Billy Fredagsvik, Heidi M. Petersen, Finn Jebsen and Svein Rennemo.
In front: Grete Faremo, Jørn B. Lilleby and Bente Rathe.

by the Orkla group, becoming a member of the group's main management team in 1984. He has held a number of positions in Boards, and from 1991 to 2005 he was chairman of the board at Elkem AS. He currently holds the following appointments: chair of the board of Kongsberg Gruppen ASA and Kavli Holding AS, deputy chair of KLP Forsikring, and member of the boards of Anders Wilhelmsen & Co AS and Berner Gruppen AS. He is also a member of the board of his fully owned investment company Fateburet AS. Jebsen is a graduate of the Norwegian School of Economics and Business Administration (NHH) and holds a master's degree in Business Administration from the University of California, Los Angeles.

Heidi M. Petersen has been a member of the Board since November 2007. Petersen is an independent businesswoman. In the period from 2000 to July 2007 she was managing director of Future Engineering AS and Rambøll Oil & Gas AS, Sandefjord (Future was sold to Rambøll Gruppen A/S in 2004). She was employed in Kværner Oil & Gas from 1988 where she held different positions in offshore and land-based industrial assignments, until she became head of Kværner Oil & Gas AS in Sandefjord in 1997. Here she headed a management buy-out that led to the start-up of Future Engineering in 2000. She currently chairs the board of Sandefjord Airport and is a member of the boards of Aker Kværner ASA, Glamox ASA, Ocean Heavy Lift ASA and Awilco Offshore ASA. She holds a Master of Science degree from the University of Trondheim.

Bente Rathe has been a member of the Board since November 2007. She is an independent businesswoman. During the period from 1989 to 2002 she was part of of the corporate management of Forenede Forsikring – the Gjensidige group and Gjensidige NOR, most recently as deputy CEO. She started her career with E. A. Smith A/S of Trondheim, where she advanced to become deputy chief executive officer and director of finance. She has held a number of board appointments in Norwegian industrial and financial enterprises. She is currently member of the board of Kongsberg Automotive ASA, Powel ASA and Svenska Handelsbanken AB, Sweden. She is a graduate of the Norwegian School of Economics and Business Administration (NHH) and holds a master's degree in Business Administration from the University of Denver.

Svein Rennemo has been a member of the Board since November 2007. He has been CEO of Petroleum Geo-Services ASA since 2002. From 1994 to 2001 he was employed by Borealis, Copenhagen, initially as deputy CEO and CFO, then from 1997 as CEO. He was employed by Statoil from 1982 to 1994 where, among other positions, he was director of economy and finance. He also discharged various duties within the company's downstream operations, most recently as managing director for the Petrochemicals division. On graduation he became an economic policy adviser at the Ministry of Finance, Norges Bank and the OECD Secretariat in Paris. Rennemo chairs the board of Statnett SF and the board of Intopto AS. He will become chair of the board of StatoilHydro April 1st, 2008, and stepped down from Hydro's Board March 12th. Rennemo holds a degree in economics from the University of Oslo.

Billy Fredagsvik has been a member of the Board since October 2007. Fredagsvik became a member of Corporate Assembly in 2005 and held that position until he became a member of the Board. He is employed in Hydro as a process operator, and represents members of the Norwegian Confederation of Trade Unions. Fredagsvik is a full-time union official at Hydro in Høyanger, Norway.

Jørn B. Lilleby has been a member of the Board since October 2007. He is employed by Hydro Aluminium as a maintenance supervisor and is currently full time union official in Norsk Hydro ASA. He represents the employees through the Central Cooperative Council (Sentralt Samarbeidsråd). Lilleby chairs the board of the community of interest ENGN Grimsmoen airfield. He is member of the board of Ottem Transport and Ottem Resirk. He holds a Master of Science in mechanical engineering from the Norwegian Institute of Technology.

Sten Roar Martinsen has been a member of the Board since 2005. He is employed in Hydro as a process operator and represents members of the Norwegian Confederation of Trade Unions (LO). He is a full time union official.

Inge K. Hansen was elected new Board member March 12th, succeeding Svein Rennemo.

Corporate Management Board

Eivind Reiten has been president and chief executive officer of Hydro since 2001. From 1999 he was executive vice president of Hydro's Light Metals business area. Between 1996 and 1998 he was head of Hydro Aluminium Metal Products. From 1992 onwards he was head of Hydro's Refining and Marketing Division. From 1991 he was senior vice president, Special Projects. From 1988 he was head of the Energy Division, following a two-year period in Hydro Agri. From 1990 to 1991, he was minister of petroleum and energy in the Norwegian government. From 1979 to 1986 Reiten held several governmental posts including junior executive officer in the Ministry of Fisheries and secretary to the Center Party's Parliamentary Group and state secretary, Ministry of Finance and Minister of Fisheries. Reiten graduated from the University of Oslo in 1978 with a degree in economics.

Odd Ivar Biller was appointed executive vice president with special responsibility for Legal and Corporate Social Responsibility in April 2007. From 1992 he has been general counsel in Hydro. Biller joined Hydro in 1980 and has worked in several different areas within Legal. He was earlier head of section in the Norwegian Finance Ministry's tax law department. Biller graduated from the University of Oslo in 1973 with a degree in Law, and from the Free University of Brussels in 1974 with a master's degree in International and Comparative Law.

Svein Richard Brandtzæg was appointed executive vice president with special responsibility for Aluminium Products in 2006. From 2003 he was sector president for Rolled Products. During the period 2002-2003 he was president of Metal Products. Brandtzæg was employed by ÅSV in 1986 when the company was acquired by Hydro and held a number of management positions until becoming head of Hydro's magnesium business in 2000. Brandtzæg holds a doctorate from the Norwegian Institute of Technology. He is also a business graduate.

Corporate Management Board

Name	Place of residence	Year of birth	Position
Eivind Reiten	Oslo, Norway	1953	President and Chief Executive Officer
Odd Ivar Biller	Oslo, Norway	1949	Executive Vice President Legal and Corporate Social Responsibility
Svein Richard Brandtzæg	Karmøy, Norway	1957	Executive Vice President Products
Anne Harris	Drammen, Norway	1960	Executive Vice President HR and Organization Development
John Ove Ottestad	Lier, Norway	1949	Executive Vice President and Chief Financial Officer
Jørgen C. Arentz Rostrup	Oslo, Norway	1966	Executive Vice President Energy
Tom Røtjer	Oslo, Norway	1953	Executive Vice President Projects
Torstein Dale Sjøtveit	Bærum, Norway	1955	Executive Vice President Metal

From left to right: Jørgen C. Arentz Rostrup, Anne Harris, Tom Røtjer, John Ove Ottestad, Eivind Reiten, Svein Richard Brandtzæg, Odd Ivar Biller and Torstein Dale Sjøtveit.

Anne Harris was appointed executive vice president with special responsibility for HR and Organizational Development in June 2007. Her responsibilities include Health, Security, Safety and Environment. In 2004 she was appointed head of Corporate Financial Reporting and Performance. Since Harris joined Hydro in 2001, she has held several positions within finance. From 1997 to 2000 she was Administration & Personnel Manager in Total Norge. Before that, she held various positions within finance, controlling and accounting in the same company. Harris has a Master's degree from the Norwegian School of Management (BI).

John Ove Ottestad has been executive vice president and chief financial officer since 2002. He was head of Mergers and Acquisitions from 1999 and head of Hydro's Refining and Marketing Division from 1996. In 1988 he was appointed head of the Magnesium Division, and he was head of Hydro Innovation from 1985 to 1987. Ottestad joined Hydro in 1975 and has held different positions within Corporate Strategic Planning, Corporate Financial Planning and as an engineer in the Oil & Gas Division. He also worked for the Norwegian Research Foundation, SINTEF, for two years as an EDP scientist. Ottestad graduated from the Norwegian Institute of Technology in 1973 with a master's degree in physics.

Jørgen C. Arentz Rostrup was appointed executive vice president with a special responsibility for Energy in October 2007. He has overall responsibility for Hydro's energy agenda, including power production facilities and solar energy activities. From 2006 he was head of the Markets sector in Oil & Energy and from 2003 he was head of Trading & Marketing in the same sector. Since joining Hydro in 1991, he has held a number of management positions in energy, finance and international business development in Norway, the United States and Singapore. Rostrup holds a Master's degree from the Norwegian School of Economics and Business Administration (NHH).

Tom Røtjer has been executive vice president with special responsibility for Projects since October 2007. This includes the construction of the metal plant Qatalum in Qatar. From 2004 to 2007 he was project director for the Ormen Lange and Langeled development project at the Norwegian Continental Shelf. From 1998 to 2004 he was head of Technology & Projects, and from 1995 to 1998 he was project director for the Njord Field Development. He has been employed in Hydro since 1980 and has held a variety of positions covering different areas of development projects. Røtjer holds a master's degree in mechanical engineering from the Norwegian Institute of Technology.

Torstein Dale Sjøtveit has been executive vice president with a special responsibility for Metals since 2006. In 2005 he was appointed head of the Primary Aluminium sector. From 2003 to 2005 he was head of Hydro Other Businesses. Between 2001 and 2003 he was head of Exploration and Development Norway. From 1996 to 2001 he was head of the company's West African Business Unit, based in Angola. He has been employed in Hydro since 1981 and has held a wide range of positions including total quality management, planning and finance, project management and international exploration. Sjøtveit holds a degree in civil engineering from the Stavanger School of Engineering.

Management compensation

Following is a summary of the remuneration, share-based compensation, share ownership and loans outstanding and loan policy relating to Hydro's Board of Directors and Corporate Management Board. For additional information, see note 11 Employee and management remuneration in the Notes to the Consolidated financial statements.

Board of directors' remuneration

Remuneration to the Board of Directors consists of the payment of fees, and is based on the position of the board member, specific board committee appointments and the number of extraordinary meetings held during the year. Total fees paid to individuals serving on the Board of Directors during 2007 amounted to NOK 5,2 million and total fees for board services provided to Hydro during the year amounted to NOK 4,5 million.

Corporate Management Board remuneration

Hydro has a compensation system for top management consisting of fixed salary and a performance-related bonus. The share-based compensation plan implemented in 2002 was discontinued in 2007. The fixed salary, or base pay, reflects the continuous performance of the individual corporate managment board member, and is in line with Hydro's remuneration policy for all employees related to the determination of base pay. The annual bonus scheme is linked to the achievement of agreed financial targets and key performance indicators that are related to other targets and goals (non-financial in nature). In 2007 Hydro paid NOK 29 million in salary and NOK 7 million in bonus to members of the Corporate Management Board.

Executive management share-based compensation

Hydro granted share appreciation rights (SARs) to executive management during the years 2002-2006. The share appreciation rights were granted to approximately thirty-five Hydro executives each year, including the President and CEO and members of the Corporate Management Board. In July 2007 the Board of Directors offered, and all SAR holders accepted, a redemption of all non-vested SARs. The cash consequence for Hydro and its shareholders of the redemption of non-vested SARs was a cash payout of NOK 98 million, excluding payroll taxes. At the same time the SAR holders agreed to exercise their vested SARs, which in total amounted to a cash payout of NOK 89 million, excluding payroll taxes. SAR payments to the individual Corporate Management Board members are given in note 11 Employee and management remuneration in the Notes to the consolidated financial statements.

As of 31 December 2007, Hydro has no outstanding share appreciation rights, and there are no share-based compensation plans in the form of share options or share appreciation rights in force.

Share ownership

The number of Hydro shares held by the Corporate Management Board and the Board of Directors as of 31 December 2007 amounted to 213,264 shares and 36,208 shares, respectively. Share ownership includes Hydro shares held directly and indirectly through related party shareholdings. Their share ownership in total represents substantially less than one percent of Hydro's issued and outstanding shares.

Loans to members of the BOD and CMB

Loans extended to members of the Corporate Management Board or employee members of the Board of Directors have been extended under terms and conditions that are equivalent to those made available to all Norway-based Hydro employees. Loans extended to employees appointed to the Board of Directors during 2007 were granted prior to their appointment to the Board of Directors. Individuals joining the Corporate Management Board during 2007 were extended loans prior to their appointment to the Corporate Management Board. Since their election to the Board of Directors or appointment to the Corporate Management Board, there have been no modifications to any of the loan agreements. No additional credit has been extended after election to the Board of Directors or appointment to the Corporate Managment Board. The payment plan schedule has remained the same, and all payments have been made in a timely fashion. None of the loans are in default. As of year-end, loans outstanding to employee members of the Board of Directors and the members of the Corporate Management Board totaled NOK 0.25 million and NOK 2.34 million, respectively.

Governance bodies

Description	Developments and events in 2007	References
General Meeting of Shareholders Company shareholders exercise ultimate authority through the General Meeting. Shareholders registered in VPS, the Norwegian Central Securities Depository, can vote in person or by proxy. Invitations are sent to shareholders or to the shareholder's security deposit bank. The General Meeting of Shareholders: • Elects the shareholders' representatives to the Corporate Assembly • Elects the external auditor and determines the auditor's remuneration • Approves the report according to Norwegian requirements and financial statements, including the dividend proposed by the Board of Directors and recommended by the Corporate Assembly • Deals with any other maters listed in the notice convening the meeting • Shareholders may, at least 14 days before an ordinary General Meeting, request that proposals for resolutions are submitted to the General Meeting, or that items are added to the agenda.	General Meetings in May and July	The protocols can be found at www.hydro.com/governance
Corporate assembly 18 members. 12 are elected by the General Meeting of Shareholders, six are elected by and among the group's employees in Norway. In accordance with Norwegian law, the Corporate Assembly: • Elects the Board of Directors and determines their remuneration • Nominates the external auditor to be elected by the General Meeting of Shareholders • Based on recommendations from the Board of Directors, makes decisions in matters relating to investments that are substantial in relation to Hydro's resources, and when closures and reorganizations will lead to significant changes for the workforce • Provides recommendations to the General Meeting of Shareholders with respect to approval of the Board of Director's proposal regarding the financial statements and dividend	Seven meetings Members: Svein Steen Thomassen (chairperson) Siri Teigum (deputy chairperson) Westye Høegh, Nils Roar Brevik, Anne Margrethe Firing, Aase Gudding Gresvig, Michael Hall, Idar Kreutzer, Kjell Kvinge, Dag Harald Madsen, Bjørn Nedreaas, Anne Merete Steensland, Svein K. Sund, Sten-Arthur Sælør, Lars Tronsgaard, Karen Helene Ulltveit-Moe, Terje Venold, Svein Aaser Deputy members: Øystein Bråthen, Ove Ellefsen, Trygve Eriksen, Odd Arne Fodnes, Terje Friestad, Erik Garaas, Merete Jonas, Line Melkild, Wolfgang Ruch, Arne Rønningen, Tor Egil Skulstad, Unni Steinsmo, Brit Sæverud, Gunvor Ulstein, Georg Vikshåland, Bente Linnerud Østlyngen, Bjørn Øvstetun	See Note 45 to the Consolidated Financial Statements for remuneration paid to, and share ownership by, members of the Corporate Assembly See the Articles of Association §§ 7-8 at www.hydro.com/governance
Nomination commitee Four members. Two appointed by the General Meeting of Shareholders, two appointed by the Corporate Assembly. The chair of the Corporate Assembly has a permanent seat on the committee. Nominates candidates to the Board of Directors and the Corporate Assembly and proposes remuneration to the Board, its sub-committees and to the Corporate Assembly.	23 meetings Members: Svein Steen Thomassen (chairperson) Siri Teigum, Westye Høegh, Reier Søberg	See Articles of Association § 5A Biographical information of the Nomination committee members can be found at www.hydro.com/governance
Board of directors Nine members. Six elected by the Corporate Assembly. Three elected by and among the company's employees in Norway, normally for a period of two years. In accordance with Norwegian law, the Board of Directors assumes the overall governance of the company, ensures that appropriate steering and control systems are in place and supervises the day-to-day management as carried out by the President and CEO. All shareholder-elected members are external. No members elected by employees belong to the company's executive management. Employee directors have no other service contractual agreements with the company outside of their employee contracts, though they are subject to their duties as Board members.	36 meetings. 93 percent meeting attendance by the Board members. Jan Reinås withdrew as chairperson of the Board of Directors in August. Elisabeth Grieg, who was then deputy chairperson, was constituted new chairperson until Terje Vareberg was elected in November. Finn Jebsen, Heidi M Petersen, Bente Rathe, Svein Rennemo, Billy Fredagsvik and Jørn B. Lilleby were elected to the Board of Directors. They replaced Elisabeth Grieg, Kurt Anker Nielsen, Lena Olving, Håkan Mogren, Terje Friestad and Geir Nilsen	The Board's mandate can be found at www.hydro.com/governance See page 146 for biographical information on the Board members

Description	Developments and events in 2007	References
Board of directors (cont.)	The Board has an annual plan for its work. This includes a review of its way of working, competency, priorities and of the cooperation between the Board and the Company's management. Following substantial changes in the composition of the Board, a broad program was initiated to give the new Board sufficient information about Hydro's organization, corporate governance and strategy. All shareholder-elected members were deemed to be independent in accordance with Norwegian standards. Except as noted below, none of the company's non-employee Board members had any other service contractual agreements with the company. Elisabeth Grieg partly owns the family company Grieg Maturitas AS, which indirectly holds 20 percent of the ownership of AON Grieg. AON Grieg acted as a broker for Hydro in relation to offshore insurance in 2007 and received NOK 8,280,000 in fees from Hydro. Her husband, Stig Grimsgaard Andersen, was a Board member in AON Grieg in 2007. In addition, Grieg Maturitas AS and other family companies holds directly and indirectly 75 percent of the ownership of Grieg Logistics. Her husband, Stig Grimsgaard Andersen, is a board member of Grieg Logistics. Grieg Logistics has provided logistics/transportation services to Hydro entities, mainly offshore operations and the Ormen Lange project, from January 1 til October 1, 2007 at the total amount of NOK 67,673,197. For the period after October 1, 2007, Grieg Logistics has provided logistics/ transportation services to Hydro entities for the total amount of NOK 2,086,011. In 2007 the total amount for transactions to Hydro was NOK 69,759,208. In 2006 the total amount for transactions from Grieg Logistics to Hydro was NOK 123,222,009. Of the total income (NOK 67,673,197) received from Norsk Hydro from January 1 until October 1 2007, NOK 63,098,587 relates to the activities transferred to StatoilHydro ASA through the demerger.	See Note 45 to the Consolidated Financial Statements for remuneration, share ownership and loans to Board members
Compensation committee Consists of three of the Board of Directors' nine members. The committee reviews performance makes recommendations on compensation for the President & CEO to the Board of Directors. The committee assists in the evaluation of compensation for the Corporate Management Board and in the determination of performance-promoting schemes for management.	3 meetings Members*: Terje Vareberg (chairperson) Finn Jebsen Heidi M. Petersen * The Board has concluded that each of the members of the Compensation Committee is independent under Norwegian listing standards.	The mandate can be found on www.hydro.com/ governance

Description	Developments and events in 2007	References
Audit committee Consists of four of the Board of Directors' nine members. The Audit Committee meets Norwegian requirements regarding independence and competence. The Audit Committee assists the Board of Directors in matters relating to the integrity of the Company's financial statements, financial reporting processes and internal controls. The Company's risk assessment and risk management policies related to financial reporting; the qualifications, independence and performance of the external auditor; and the performance of the internal audit function related to internal controls over financial reporting. To ensure the independence of the internal audit function, the head of Internal Audit may report any matters directly to the Board Audit Committee, at his own discretion. The Audit Committee maintains a pre-approval policy governing the engagement of the company's primary and other external auditors to ensure auditor independence.	Eight meetings Conducted a self-evaluation in accordance with its mandate. Members: Svein Rennemo (chairperson) Grete Faremo Jørn Lilleby* Bente Rathe * Lilleby is employed in Hydro and represents the employees through the Central Cooperative Council. We believe that such reliance does not materially adversely affect the ability of the Audit Committee to act independently or to satisfy the other requirements. All members of the Audit Committee were changed late in 2007. The previous committee consisted of Kurt Anker Nielsen,(chairperson), Elisabeth Grieg, Terje Friestad and Lena Olving who all stepped down from the Board during the year. Due to the changes, the committee did not perform a self-evaluation in 2007.	The mandate can be found on www.hydro.com/governance See Pre-Approval of Audit Services on page 147.
President & CEO and Corporate Management Board According to Norwegian corporate law, the President & CEO constitutes a formal governing body that is responsible for the daily management of the company. The division of functions and responsibilities between the President & CEO and the Board of Directors is defined in greater detail in the rules of procedures established by the Board. The Corporate Management Board (CMB), including the President & CEO, has a shared responsibility for promoting Hydro's objectives and securing the company's property, organization and reputation. Members of the Corporate Management Board are also Executive Vice Presidents (EVPs) with responsibility for the respective business areas, Projects, Finance, Legal and Corporate Social Responsibility, and HR and Organizational Development.	Met on a weekly basis • Odd Ivar Biller was appointed EVP with responsibility for Legal and Corporate Social Responsibility in April. • Anne Harris was appointed EVP with responsibility for HR and Organizational Development in June. • In October, Tom Røtjer was appointed EVP with responsibility for Projects and Jørgen C. Arentz Rostrup was appointed EVP with responsibility for Energy. • Hilde Aasheim and Tore Torvund resigned from CMB to join the Corporate Management Board of StatoilHydro. • Cecilie Ditlev-Simonsen resigned from the Corporate Management Board. No member of Hydro's Board of Directors or the Corporate Management Board has any family relationship with any other director or member of the Corporate Management Board.	See page 148 for biographical information on the Corporate Management Board See Note 11 to the Consolidated Financial Statements for remuneration, share ownership and loans to the President & CEO and members of the Corporate Management Board

Norwegian code of practice for corporate governance

Page numbers and notes to the consolidated financial statements refer to this report. All other references can be found at www.hydro.com/governance

	Corporate governance topic	Comments	References
1	Implementation and reporting on Corporate Governance	Hydro follows the Norwegian Code of Practice for Corporate Governance of 2007 and complies with all recommendations. The Hydro Way represents our framework for leadership, organization and culture and is the foundation for our governance system.	Principles
2	Hydro business	The objectives of the company are to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises.	Hydro's articles of association Hydro's strategy is described at page 6
3	Equity and dividends	Hydro's equity capital is appropriate to the company's objectives, strategy and risk profile. Hydro's dividend policy is to pay out on average payout 30 percent of net earnings on average. Mandate for buyback of Hydro shares may be granted to the Board by the General Meeting. The mandate should be limited in time to no later than the date of the next annual general meeting.	Page 134 The Hydro Share
4	Equal treatment of shareholders	Hydro has one share class. Transactions are generally carried out through stock exchanges. Buy-backs of own shares are carried out at market prices. Shareholders registered in VPS, the Norwegian Central Securities Depository, can vote in person or by proxy. Invitations are sent to shareholders or to the shareholder's security deposit bank.	Page 134 The Hydro Share
	Transactions with close associates	Employee share allocations are granted at a discount to market value. Hydro's Code of Conduct includes guidelines for handling possible conflicts of interest. The Code is valid to all Board members and Hydro employees. Regulation of share issues and pre-emptive rights are described in the Articles of Association. The Company has not issued shares since 1999 in connection with the aquisition of Saga Petroleum, and the Board holds no current mandates for such at present.	Note 11 to the consolidated financial statements Code of conduct
5	Freely negotiable shares	The Hydro shares are freely negotiable. The stock is among the five most traded stocks at Oslo Børs and subject to efficient pricing. The Norwegian state, through Ministry of Trade and Industry and Folketrygdfondet, owns 47.5 percent of the shares.	Page 134 The Hydro share

	Corporate governance topic	Comments	References
6	General meetings	The notice of a general meeting is normally published on hydro.com minimum four weeks prior to the meeting and sent to the shareholders minimum two weeks before the meeting. Our aim is that the proposals for resolution and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. Deadline for shareholders to give notice of attendance in the meeting, is normally maximum two working days before the meeting. Shareholders who cannot attend the meeting in person, can vote by proxy. The members of the board of directors and the nomination committee and the auditor are present at the general meeting. "The Annual General Meeting is presided over by the Chairperson of the Corporate Assembly or, in his or her absence, by the Deputy Chairperson." The notice calling the general meeting provides information on the procedures shareholders must observe in order to participate in and vote at the general meeting. This include • the procedure for representation at the meeting through a proxy, including a form to appoint a proxy • the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting • the web pages where the notice calling the meeting and other supporting documents will be made available	Page 151
		The following information is available at www.hydro.com: • information on the right of shareholders to propose matters to be considered by the general meeting • how to make proposals for resolutions to be considered by the general meeting, alternatively comments on matters where no resolution is proposed • a form for appointing a proxy	The Hydro share
		The general meeting votes separately for each candidate nominated for election to the company's corporate bodies.	
7	Nomination committee	The Nomination Committee consists of four members who shall be shareholders or shareholders' representatives. They are appointed by the General Meeting of Shareholders. Minimum two including the chairperson are appointed among the shareholder elected members of the Corporate Assembly. The committees compensation is determined by Corporate Assembly.	Articles of association
		Shareholders may nominate candidates for the board of directors and the corporate assembly	Nominations for the Corporate Assembly and the Board of Directors
8	Corporate assembly and board of directors: Composition and independence	All board directors and members of the corporate assembly are independent of the executive management of Hydro and its main business connections. Lars Tronsgaard, who is a member of the corporate assembly, represens Folketrygdfondet, owned by the Norwegian State.	Page 151 Note 45 to the consolidated financial statements
		The Chair of the Board is elected by the Corporate Assembly.	Governance bodies
		Board members are elected for a period of two years.	Articles of association
		Five board members owned a totality of 36,208 shares as of December 31, 2007. Hydro has no program for board members to acquire shares. All share transactions are conducted according to the Norwegian Securities Trading Act.	

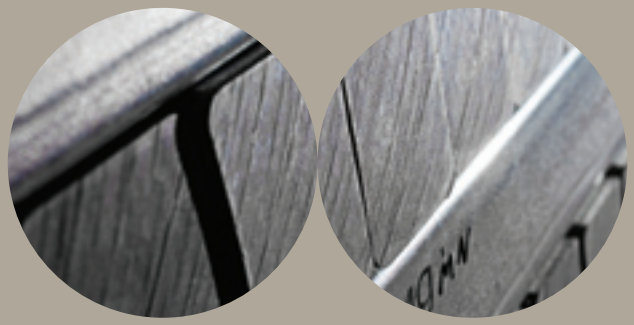
	Corporate governance topic	Comments	References
9	Board work and responsibilities	The Board has an annual plan for its work with particular emphasis on objectives, strategy and implementation.	Page 151
		The Board has developed rules of procedures for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.	The Board's mandate
		The Corporate Assembly elects both a chairperson and a deputy chairperson of the Board.	
		The Board's Audit Committee and Compensation Committee were both established in 2001.	
		The Board conducts annually a self-evaluation of its work, competence and cooperation with management.	
		In addition the Nomination Committee evaluates the Board's competence.	Nomination Committee
10	Risk management and internal control	The Board ensures sound internal control and systems for risk management through e.g. an annual Board review of most important risk factors and internal control.	Page 128
11	Remuneration of the Board of Directors	The shareholder elected members of the Board have no assignment for the company other than the board work.	Note 45 to the consolidated financial statements
		The compensation is determined by the Corporate Assembly.	
12	Remuneration of the executive management	The Board of Directors has establish guidelines for the remuneration of the members of the executive management. These guidelines are communicated to the annual general meeting.	Articles of Association Note 11 to the consolidated financial statements
13	Information and communication	Hydro has establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. This includes contact with shareholders other than through the shareholder meetings.	Page 134 Shareholder information
		A financial calendar is available in this report and at www.hydro.com.	
		Shareholder information is both published at www.hydro.com, and also sent directly to the shareholders when required by Norwegian law.	
14	Take-overs	The Board will handle any possible take-over in accordance with Norwegian corporate law. There are no defence mechanisms against take-over bids in our Articles of Association or in any underlying steering document. Neither have we implemented any measures to limit the opportunity to acquire shares in the company. The Norwegian state through Ministry of Trade and Industry, and Folketrygdfondet owns 47.5 percent of the shares.	
15	Auditor	The external auditor participates in relevant agenda items at all meetings in the Audit Committee. Minutes of these meetings are distributed to all Board members. This practice is in line with the EU Audit Directive.	Page 153
		The auditor presents the view on internal control procedures through the annual management letter.	Auditing
		Hydro emphasizes independence and has clear guidelines for use of services performed by auditor.	
		The Audit Committee meets with the external auditor and the head of Internal Audit at least once a year without the presence of Corporate Management.	
		Remuneration to auditor is disclosed in the annual report and approved by the general meeting.	Note 44 to the consolidated financial statements

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), that are also approved by the European Union and Norwegian authorities and effective as of 31 December 2007.

Key figures

NOK million	2007	2006
Revenue	**94,316**	98,752
Income from continuing operations	**9,158**	5,966
Total assets	**92,046**	234,459
Total equity	**55,008**	96,601
Net cash provided by continuing operating activities	**14,273**	9,926

9,158 *Income from continuing operations in 2007 in NOK million*



HIGHLIGHTS

IFRS conversion

The financial statements for the fiscal year ended 31 December 2007 are Hydro's first IFRS financial statements. Hydro's date of transition to IFRS is 1 January 2006.

Prior to adoption of IFRS, Hydro's primary financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The financial statements have been prepared on a historical cost basis except as regards certain assets, liabilities and financial instruments, which are at fair value.

The functional currency of Norsk Hydro ASA is the Norwegian krone (NOK). The Hydro group accounts are presented in NOK.

08:

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Consolidated income statements

Amounts in NOK million (except per share amounts), Year ended 31 December	Notes	**2007**	2006
Revenue	8	**94,316**	98,752
Share of the profit (loss) in equity accounted investments	8, 25, 26	**1,000**	736
Other income, net	9	**1,093**	558
Total revenue and income		**96,409**	100,045
Raw material and energy expense	10	**58,905**	62,790
Employee benefits expense	11	**12,440**	13,414
Depreciation and amortization expense	22	**3,407**	3,987
Impairment of non-current assets	13	**145**	529
Other	14, 15	**12,488**	12,126
Total expenses	8	**87,385**	92,845
Earnings before financial items and tax	8	**9,025**	7,200
Financial income	16	**1,403**	1,292
Financial expense	16	**1,805**	(574)
Financial income (expense), net		**3,208**	718
Income from continuing operations before tax		**12,233**	7,918
Income tax expense	17, 33	**(3,075)**	(1,952)
Income from continuing operations		**9,158**	5,966
Income from discontinued operations	7	**9,447**	11,967
Net income		**18,604**	17,933
Net income attributable to minority interests		**408**	273
Net income attributable to equity holders of the parent		**18,196**	17,660
Basic and diluted earnings per share from continuing operation		**7.20**	4.60
Basic and diluted earnings per share from discontinuing operation		**7.70**	9.60
Basic and diluted earnings per share attributable to equity holders of the parent		**14.90**	14.20

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

Consolidated balance sheets

Amounts in NOK million, 31 December	Notes	**2007**	2006
Assets			
Cash and cash equivalents		**9,330**	6,609
Short-term investments	18	**2,742**	15,020
Accounts receivable	19	**15,564**	17,786
Inventories	20	**12,227**	14,220
Other current financial assets	21, 40	**967**	2,365
Total current assets continuing operations	8	**40,830**	55,999
Assets held for sale	7	**6,741**	3,691
Assets discontinued operations	7	**-**	123,979
Total assets held for sale/discontinued operations		**6,741**	127,670
Property, plant and equipment	22	**26,750**	32,151
Intangible assets	23, 24	**1,514**	1,600
Investments accounted for using the equity method	25, 26	**9,659**	8,929
Other non-current financial assets	21, 40	**4,341**	5,275
Prepaid pension	32	**1,246**	1,085
Deferred tax assets	33	**963**	1,750
Total non-current assets continuing operations	8	**44,474**	50,790
Total assets	8	**92,046**	234,459

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

Consolidated balance sheets

Amounts in NOK million, 31 December	Notes	**2007**	2006
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	28	**1,045**	2,509
Trade and other payables	29	**12,911**	14,521
Provisions	31	**882**	1,072
Taxes payable	33	**2,361**	2,065
Other current financial liabilities	21, 40	**1,157**	2,714
Total current liabilities continuing operations		**18,355**	22,880
Liabilities included in disposal groups	7	**2,021**	1,011
Liabilities discontinued operations	7	**-**	96,532
Total liabilities in disposal groups/discontinued operations		**2,021**	97,543
Long-term debt	30	**263**	367
Provisions	31	**752**	1,101
Pension obligation	32	**8,920**	9,264
Other non-current financial liabilities	21, 40	**2,795**	2,226
Other liabilities		**1,685**	1,668
Deferred tax liabilities	33	**2,246**	2,808
Total non-current liabilities continuing operations		**16,662**	17,434
Total liabilities		**37,038**	137,857
Share capital	34	**1,370**	4,708
Additional paid-in capital	34	**360**	9,736
Other reserves	34	**(1,348)**	(1,533)
Retained earnings	34	**57,950**	89,544
Treasury shares	34	**(4,283)**	(6,624)
Equity attributable to equity holders of the parent	34	**54,049**	95,831
Minority interest		**959**	771
Total equity		**55,008**	96,601
Total liabilities and equity		**92,046**	234,459

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

Consolidated statements of cash flows

Amounts in NOK million, Year ended 31 December	Notes	**2007**	2006
Operating activities:			
Net income		**18,604**	17,933
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations	7	**(9,447)**	(11,967)
Depreciation, amortization and impairment losses	8, 12, 13	**3,552**	4,516
Share of profits in equity accounted investments	8, 25, 26	**(1,000)**	(736)
Dividends received from equity accounted investments	25, 26	**456**	349
Deferred taxes		**44**	(729)
Gain on sale of non-current assets		**(598)**	(168)
Loss (gain) on foreign currency transactions	16	**(2,254)**	148
Net sales of trading securities		**114**	24
Capitalized interest	16	**(5)**	(25)
Other		**(34)**	(655)
Working capital changes that provided (used) cash:			
Receivables		**146**	(1,385)
Inventories		**545**	(1,730)
Other current assets		**4,251**	1,930
Other current liabilities		**(101)**	2,421
Net cash provided by continuing operating activities	43	**14,273**	9,926
Investing activities:			
Purchases of property, plant and equipment		**(3,485)**	(3,008)
Purchases of other long-term investments		**(1,403)**	(1,107)
Purchases of short-term investments		**(5,000)**	(22,650)
Proceeds from sales of property, plant and equipment		**122**	316
Proceeds from sales of other long-term investments		**4,330**	271
Proceeds from sales of short-term investments		**17,200**	11,550
Net cash provided by (used in) continuing investing activities		**11,764**	(14,628)
Financing activities:			
Loan proceeds		**25**	89
Principal repayments		**(1,210)**	(589)
Ordinary shares purchased		**(2,887)**	(3,949)
Ordinary shares issued		**66**	59
Dividends paid		**(6,134)**	(5,506)
Net cash used in continuing financing activities		**(10,140)**	(9,896)
Foreign currency effects on cash and bank overdraft		**(285)**	325
Net cash provided by (used in) discontinued operations	7	**(12,799)**	11,101
Net increase (decrease) in cash, cash equivalents and bank overdraft		**2,813**	(3,172)
Cash, cash equivalents and bank overdraft reclassified to assets held for sale		**(105)**	(47)
Cash, cash equivalents and bank overdraft at beginning of year		**6,548**	9,767
Cash, cash equivalents and bank overdraft at end of year	43	**9,256**	6,548

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

Consolidated statements of changes in equity

Amounts in NOK million, Year ended 31 December	Notes	**2007**	2006
Ordinary shares Issued - amount			
Balance at 1 January		**4,708**	4,739
Cancellation treasury shares	34	**(79)**	(17)
Redeemed shares, the Ministry of Trade and Industry	34, 35, 46	**(62)**	(13)
Demerger	34	**(3,197)**	-
Balance at 31 December		**1,370**	4,708
Additional paid-in capital			
Balance at 1 January		**9,736**	10,501
Treasury stock reissued to employees	34	**53**	56
Cancellation treasury shares	34	**-**	(363)
Redeemed shares, the Ministry of Trade and Industry	34, 35, 46	**(2,701)**	(458)
Demerger	34	**(6,727)**	-
Balance at 31 December		**360**	9,736
Other reserves			
Balance at 1 January		**(1,533)**	723
Currency translation differences	34	**(4,279)**	(1,401)
Net unrealized gain (loss) on securities, net of tax	34	**(295)**	(84)
Cash flow hedges, net of tax	34, 42	**585**	(772)
Demerger	34	**4,174**	-
Balance at 31 December		**(1,348)**	(1,533)
Retained earnings			
Balance at 1 January		**89,544**	77,390
Net income attributable to equity holders of the parent		**18,196**	17,660
Dividend declared and paid		**(6,134)**	(5,506)
Cancellation treasury shares	34	**(2,317)**	-
Demerger	34	**(41,339)**	-
Balance at 31 December		**57,950**	89,544
Treasury shares issued - amount			
Balance at 1 January		**(6,624)**	(3,589)
Purchase of treasury shares	34	**(123)**	(3,477)
Treasury shares reissued to employees	34	**68**	61
Cancellation treasury shares	34	**2,396**	380
Balance at 31 December		**(4,283)**	(6,624)
Equity interests attributable to equity holders of the parent			
Balance at 1 January		**95,831**	89,763
Transactions with equity holders		**(2,765)**	(3,831)
Distributions to equity holders		**(6,134)**	(5,506)
Demerger	7	**(47,089)**	-
Other changes in shareholders equity		**14,207**	15,403
Balance at 31 December		**54,049**	95,831

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

Consolidated statements of changes in equity

Amounts in NOK million, Year ended 31 December	Notes	**2007**	2006
Minority interest			
Balance at 1 January		**771**	980
Minority's share of net income current period		**408**	273
Minority's share of dividend declared and paid		**(102)**	(231)
Equity interest purchased		**-**	(184)
Currency translation differences		**(117)**	(68)
Balance at 31 December		**959**	771
Total Equity		**55,008**	96,601

Share information

Ordinary shares issued - numbers in thousands			
Balance at 1 January		**1,286,455**	1,294,772
Cancellation treasury shares	34	**(21,627)**	(4,672)
Redeemed shares, the Ministry of Trade and Industry	34, 35, 46	**(16,872)**	(3,645)
Balance at 31 December		**1,247,957**	1,286,455
Treasury shares issued - numbers in thousands			
Balance at 1 January		**(60,280)**	(44,080)
Purchase of treasury shares	34	**(622)**	(21,627)
Treasury shares reissued to employees	34	**622**	755
Cancellation treasury shares	34	**21,627**	4,672
Balance at 31 December		**(38,653)**	(60,280)

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

Oslo, 12 March 2008

Terje Vareberg
Chair

Grete Faremo
Deputy chair

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Bente Rathe
Board member

Jørn B. Lilleby
Board member

Heidi M. Petersen
Board member

Svein Rennemo
Board member

Sten Roar Martinsen
Board member

Eivind Reiten
President and CEO

NOTE 1
Significant accounting policies and reporting entity

The parent company Norsk Hydro ASA and consolidated subsidiaries (Hydro) is a supplier of aluminium and aluminium products. Hydro's headquarters are in Oslo, Norway, and the group employs around 25,000 people in more than 30 countries. Hydro is the second largest producer of electric power in Norway and the world's fifth largest primary aluminium producer. We are a major worldwide supplier of value-added casthouse products, including extrusion ingots, sheet ingots and foundry alloys. We are a significant supplier to the building industry, especially in Europe, and of rolled products to the packaging and graphics industries. Hydro is listed on the Oslo and London stock exchanges.

Prior to 1 October 2007, Norsk Hydro ASA was an integrated energy and aluminium company, operating as an offshore producer of oil and gas, transacting as a major player in the Nordic and European energy market, taking a active role in the development of new energy forms and supplying aluminium and aluminium products.

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), that are also endorsed by the European Union (EU) and Norwegian authorities and effective as of 31 December 2007.

Prior to adoption of IFRS, Hydro's primary financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Hydro's date of transition to IFRS is 1 January 2006 and the financial statements for the fiscal year ended 31 December 2007 are Hydro's first IFRS financial statements. Hydro's IFRS transition accounting choices and an explanation of the US GAAP to IFRS accounting differences are presented in note 47 Conversion to IFRS, together with the following reconciliations: US GAAP consolidated equity to IFRS consolidated equity as of 1 January 2006 and 31 December 2006; the US GAAP consolidated income statement to the IFRS consolidated income statement for 2006; and the US GAAP consolidated balance sheets to the IFRS consolidated balance sheets as of 1 January 2006 and 31 December 2006.

The following description of accounting principles applies to Hydro's 2007 financial reporting, including all 2006 IFRS comparative figures. See note 3 Basis of presentation and measurement of fair value, and note 4 Critical accounting judgments and key sources of estimation uncertainty for additional information related to the presentation, classification and measurement of Hydro's financial reporting.

Basis of consolidation

The consolidated financial statements include Norsk Hydro ASA and subsidiaries. Hydro consolidates subsidiaries where Hydro has the ability to exercise control. Control is achieved when Hydro has the power to govern the financial and operating policies of the entity. Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Control can also be achieved through power over more than half of the voting rights by virtue of an agreement with other investors, or exercise of de facto control.

Inter-company transactions and balances have been eliminated. Profits and losses resulting from intra-group transactions have been eliminated.

Business combinations

Business combinations are accounted for using the purchase method in accordance with IFRS 3 Business Combinations (IFRS 3). The purchase price is the sum of the fair values, as of the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by Hydro in exchange for control of the acquiree, plus any costs directly attributable to the combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized separately at the acquisition date at their fair value irrespective of any minority interest.

Goodwill is recognized from the date of exchange and is initially measured as the excess of the purchase price over Hydro's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is not amortized, but is tested for impairment annually and more frequently if indicators of possible impairment are observed, in accordance with IAS 36 Impairment of Assets. Goodwill is allocated to the groups of cash generating units expected to benefit from the synergies of the combination and that are monitored for internal management purposes. For Hydro this is at the sector level, which is the next organizational level within Hydro's reportable segments Aluminium Metal, Aluminium Products, and Energy.

The interest of minority shareholders in the acquiree is initially measured as the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Subsequent adjustments include the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates and joint ventures

Associates Hydro accounts for associates using the equity method. The definition of an associate is based on Hydro's ability to exercise significant influence, which is the power to participate in the financial and operating policies of the entity. Significant influence is assumed to exist if Hydro owns between 20 to 50 percent of the voting rights. However, exercise of judgment may lead to the conclusion of significant influence at ownership levels less than 20 percent or a lack of significant influence at ownership percentages greater than 20 percent. Hydro uses the equity method for a limited number of investees where Hydro owns less than 20 percent of the voting rights, based on an evaluation of the governance structure in each investee.

Joint Ventures A joint venture is an entity, asset or operation that is subject to contractually established joint control. In jointly controlled entities, special voting rights in some companies give simultaneously the partners decision rights that exceed what normally would follow from the ownership share. This may be in the form of a specified number of board representatives, in the form of a right of refusal on important decisions, or by requiring a qualified majority for all or most of the important decisions which effectively impose joint control with the specific ownership situation. Participation in joint ventures which are conducted in an entity, normally a legal company, a jointly controlled entity, is accounted for using the equity method.

The equity method involves showing the investment in the associate or joint venture at Hydro's percentage ownership of the equity in the associate or joint venture, including any excess values or goodwill. Hydro's share of net income, including depreciation and amortization of excess values, is included in Share of the profit or loss of associates and joint ventures. Hydro's relative share of unrealized profits resulting from transactions with an associate or joint venture is eliminated.

The financial statements of most associates and joint ventures are prepared for the same reporting year as the group, but for some associates a lag of up to three months exists. Adjustments are made to the associates' and joint ventures' financial statements to bring the accounting policies used into line with Hydro's accounting policies.

Hydro reviews investments in associates and joint ventures for impairment when indicators of a possible loss in value are identified. As Hydro's investments generally are not listed on a stock exchange or regularly traded, our impairment review for such investments can only in rare cases be based on market prices. Impairment indicators include such items as operating losses or adverse market conditions. The fair value of the investment is estimated based on valuation model techniques. If the estimated fair value of the investee is below Hydro's carrying value and the impairment is considered to be significant or prolonged, the investment is written down as impaired to its recoverable amount. Impairment losses are reversed if the impairment situation is deemed to no longer exist.

Jointly controlled assets or operations Hydro accounts for jointly controlled assets or operations using the proportional method of accounting. In some instances Hydro participates in arrangements, where Hydro and the other partners have a direct ownership in specifically identified assets or direct participation in certain operations of another entity. These jointly controlled assets or operations are accounted for by including Hydro's percentage ownership share of the assets, liabilities, income and expense on a line-by-line basis in the group financial statements (the proportional method).

Jointly owned assets or operations Hydro accounts for jointly owned assets or operations using the proportional method of accounting. Based on a contractual commitment, Hydro and the other parties to the contract have direct ownership in specifically identified assets or direct participation in certain operations. These jointly owned assets or operations are accounted for by including Hydro's percentage ownership share of the assets, liabilities, income and expense on a line-by-line basis in the group financial statements (the proportional method).

Assets held for sale and discontinued operations

When an asset or a group of assets are decided to be sold, they are reported separately as Assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, provided that the sale is highly probable, which includes the criteria that management is committed to the sale, and that the sale will be completed within one year. Assets held for sale are not depreciated, but are measured at the lower of carrying value and the fair value less costs to sell. Assets meeting the criteria for presentation as an Asset held for sale are not reclassified as an Asset held for sale in prior period balance sheets. Immaterial disposal groups are not classified as assets held for sale.

A discontinued operation is a component of Hydro that can be clearly distinguished from the rest of Hydro, both operationally and for financial reporting purposes. A discontinued operation is a separate major line of business or geographical area of operations. Cash flows, results of operations and any gain or loss from disposal are excluded from Earnings before financial items and tax and reported separately as Income from discontinued operations.

Components disposed of through a spin-off to shareholders are presented as Discontinued operations as of the date of disposal. Hydro has elected to reclassify assets and liabilities in prior periods as discontinued operations to facilitate a better understanding of the effect of such transactions.

Foreign currency transactions

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. The realized and unrealized currency gains or losses are included in financial expenses.

Foreign currency translation

In the consolidated financial statements, the assets and liabilities of non-Norwegian krone functional currency subsidiaries, joint ventures and associates, including the related goodwill, are translated into Norwegian krone using the rate of exchange as of the balance sheet date. The results and cash flows of non-Norwegian krone functional currency subsidiaries, joint ventures and associates are translated into Norwegian krone using the average exchange rate for the period reported. Exchange adjustments arising when the opening net assets and the net income for the year retained by the non-Norwegian krone operation are translated into Norwegian krone are taken into Other reserves and reported in the statement of changes in equity. On disposal of a non-Norwegian krone functional currency subsidiary, joint venture or associate, the deferred cumulative amount recognized in equity relating to that particular non-Norwegian krone entity is recognized in the income statement.

Provisions

Provisions are recognized when Hydro has a present obligation (legal or constructive) as a result of a past event, and it is probable that Hydro will be required to settle the obligation. Hydro recognizes provisions only when a reliable estimate can be made of the amount, taking into account the risks and uncertainties. If a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows. See also the accounting policy discussion for asset retirement obligations.

Restructuring costs Hydro recognizes a provision for costs associated with an exit or disposal activity after formal commitment to an exit plan and communication of the restructuring measures to those who will be affected by the restructuring. A provision for termination benefits related to the involuntary termination of employees is recognized as of the date of employee notification.

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. Rebates and incentive allowances are deferred and recognized in income upon the realization or at the closing of the rebate period. In arrangements where Hydro acts as an agent, such as commission sales, only the net commission fee is recognized as revenue. In pass-through arrangements where Hydro effectively passes through terms of a purchase arrangement to a sales arrangement with virtually no change in terms or risks, the arrangement is reported net with the fee or margin reported as revenue.

To the extent a transaction consists of multiple elements, the transaction is analyzed into the separately identifiable components for revenue recognition.

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).

Activities related to the trading of derivative commodity instruments, or related to the purchase or delivery of physical commodities on a widely recognized commodity exchange or delivery hub, as well as physical commodity swaps with a single counterparty, are presented on a net basis in the income statement, with the margin from trading recognized in revenues.

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 purchase price of the inventory. Abnormal amounts of idle facility expense, freight, handling costs, and wasted materials are recognized as expense in the current period.

Property, plant and equipment

Property, plant and equipment (PP&E) is recognized when there is probable future economic benefit and when the acquisition cost can be measured reliably. PP&E book value is the historical cost less accumulated depreciation and any accumulated impairment losses. If a legal obligation for the retirement of a tangible non-current asset is incurred, the carrying value of the related asset is increased by the estimated fair value of the asset retirement obligation upon initial recognition of the liability.

Periodic maintenance Expenditures for maintenance and repairs applicable to production facilities are capitalized when these costs meet the criteria in accordance with IAS 16 Property, Plant and Equipment (IAS 16). Maintenance and repair costs incurred on a scheduled basis with a time interval of greater than one year are capitalized. Expenditures related to maintenance and repairs that occur at regular intervals of less than twelve months, for example daily, weekly or monthly servicing, are expensed as incurred. Major replacements and renewals are capitalized and any assets replaced are retired.

Capitalized interest Hydro capitalizes borrowing costs on qualifying assets in accordance with IAS 23 Borrowing Costs (IAS 23). Currency gains or losses related to Hydro's foreign currency denominated borrowings are not capitalized.

Leased assets Leases which transfer to Hydro substantially all the risks and benefits incidental to ownership of the leased item are accounted for as finance leases in accordance with IAS 17 Leases (IAS 17) and IFRIC 4 Determining whether an Arrangement contains a lease (IFRIC 4). Finance leases are capitalized at inception as assets under Property, plant and equipment at the fair value of the leased property, or, if lower, at the present value of the minimum lease payments. The liability is included in Long-term debt. The assets related to finance leases are depreciated over the shorter of the estimated useful life of the asset or the lease term. The related liability is amortized by the amount of the lease payment less the effective interest expense. All other leases are classified as operating leases and the lease payments are recognized as an expense over the term of the lease.

Depreciation and amortization Depreciation and amortization expense are measured on a straight-line basis over the estimated useful life of the asset. Estimated useful life by category is as follows:

Machinery and equipment	4-30 years
Buildings	20-50 years
Other (including intangibles)	5-10 years

Hydro depreciates separately any component of an item of property, plant and equipment when that component has a useful life and cost that is significant in relation to the total PP&E cost and PP&E useful life. At each financial year-end Hydro reviews the residual value and useful life of our assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Oil and gas producing properties are depreciated individually using the unit-of-production method as proved developed reserves are produced. Proved reserves are reviewed at least once a year. Any revisions in the rates are accounted for prospectively.

Asset retirement obligations

Hydro recognizes the estimated fair value of asset retirement obligations (ARO) in the period in which it is incurred in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This cost includes the cost of dismantlement or removal of buildings or other assets, including oil and gas installations, and the restoration or rehabilitation of site or other liabilities related to the retirement of an item of PPE. The present value of the obligations are recognized when the assets are constructed and ready for production, or at the later date when the obligation is incurred. Related asset retirement costs are capitalized as part of the carrying value of the non-current asset and the liability is accreted for the change in its present value each reporting period. Asset retirement costs are depreciated over the useful life of the related non-current asset. Accretion expense related to the time value of money is classified as part of Financial expense. Liabilities that are conditional on a future event (e.g. the timing or method of settlement), whether under the control of Hydro or not, are recognized if the fair value of the liability can be reasonably estimated.

Exchanges of nonmonetary assets

Nonmonetary transactions that have commercial substance are accounted for at fair value and any resulting gain or loss on the exchange is recognized in the income statement. A nonmonetary exchange has commercial substance if Hydro's future cash flows are expected to change significantly as a result of the exchange. Hydro accounts for certain nonmonetary exchanges of oil and gas related assets at fair value and accounts for certain other nonmonetary exchanges of oil and gas producing assets where Hydro has substantial continuing involvement without recognizing a gain or loss on the exchange.

Intangible assets

Intangible assets acquired individually or as a group are recorded at fair value when acquired. Intangible assets acquired in a business combination are recognized at fair value separately from goodwill when they arise from contractual or legal rights or can be separated from the acquired entity and sold or transferred. Intangible assets with finite useful lives are amortized on a straight-line basis over their useful life. Intangible assets determined to have an indefinite useful life are not amortized but are subject to impairment testing on an annual basis.

Emission rights Hydro accounts for government granted and purchased CO_2 emission allowances at nominal value (cost) as an intangible asset. The emission rights are not amortized as they are either settled on an annual basis before year-end (matched specifically against actual CO_2 emissions) or rolled over to cover the next year's emissions; impairment testing is done on an annual basis. Actual CO_2 emissions over the level granted by the government are recognized as a liability at the point in time when emissions exceed the level granted. Any sale of government granted CO_2 emission rights is recognized at the time of sale at the transaction price.

Research and development All expenditures on research are expensed as incurred. Development costs are capitalized as an intangible asset at cost when all of the recognition criteria in IAS 38 Intangible Assets (IAS 38) are met. These criteria are when it is probable that Hydro will receive a future economic benefit that is attributable to the asset and when the cost can be measured reliably.

Impairment of property, plant and equipment and intangible assets

Hydro reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36 Impairment of Assets (IAS 36). The carrying amount is not recoverable if it exceeds the asset's or cash generating group's fair value less costs to sell or the value in use. If the carrying

amount is not recoverable, an impairment loss is recognized in the amount that the carrying value exceeds its recoverable amount. In the event of a subsequent increase in the recoverable amount, previously recognized impairment losses are reversed.

Contingencies and guarantees

Hydro recognizes a liability for the fair value of obligations it has undertaken in issuing guarantees, including Hydro's ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

Contingent liabilities are recognized in the financial statements when probable of occurrence and can be estimated reliably. Contingent assets are not recognized in the financial statements.

Financial assets

Financial assets represent a contractual right by Hydro to receive cash or another financial asset in the future. Financial assets include financial instruments used for cash flow hedges, financial derivatives and commodity derivative contracts. Financial assets classified as non-current include long-term financial instruments, other investments, long-term loans to employees, long-term bank accounts and restricted cash and other long-term receivables.

Financial assets are derecognized when the rights to receive cash from the asset have expired or when Hydro has transferred its rights to receive cash flows from the asset and has either transferred substantially all of the risks and rewards of the asset or has transferred control of the asset.

Cash and cash equivalents, short-term investments and accounts receivable are discussed below. All other financial assets are measured at amortized cost.

Cash and cash equivalents Cash and cash equivalents includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition.

Cash and cash equivalents, as defined for reporting purposes in the statement of cash flows, consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts connected to cash management activities.

Short-term investments Short-term investments 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. The resulting unrealized holding gains and losses are included in financial income and expense. Investment income is recognized when earned.

Non-current investments Investments include Hydro's portfolio of long-term equity securities that are not consolidated or accounted for using the equity method. The portfolio is considered as available-for-sale securities and is measured at fair value with changes in fair value recognized through equity. Other investment income is recognized when earned.

Investments are reviewed for impairment if indications of a loss in value are identified. Fair value of the investment is estimated based on valuation model techniques for non-marketable securities. When the estimated fair value of the investee is below Hydro's carrying value the impairment is recognized in earnings.

Accounts receivable Accounts receivable are presented at fair value at inception in the balance sheet and reviewed for impairment on an ongoing basis. Hydro recognizes an impairment loss on individual accounts based on an assessment of delayed payments, and other indicators of financial difficulty of the customer. Excluding the account balances that have been impaired based on the individual account evaluation process, Hydro then assesses all remaining overdue accounts receivable for impairment based on prior collection experience, the customer portfolio and management assessment.

Financial liabilities

Financial liabilities represent a contractual obligation by Hydro to deliver cash in the future, and are classified as either short or long-term. Financial liabilities include financial instruments used for cash flow hedges, financial derivatives and commodity derivative contracts.

Financial liabilities, with the exception of derivatives, are initially recognized at fair value including transaction costs directly attributable to the transaction. Subsequently, all liabilities, with the exception of derivatives, are accounted for at amortized cost.

Financial liabilities are derecognized when the obligation is discharged through payment or when Hydro is legally released from the primary responsibility for the liability.

Derivative instruments

Hydro applies IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation (IAS 32) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) when reporting and accounting for financial instruments and derivatives, as well as when determining whether contracts are financial instruments and derivatives. The implementation date for IFRS 7 is for annual periods beginning on or after 1 January 2007. However, as 2007 is Hydro's adoption year for IFRS, all accounting standards applied in 2007 are also applied in 2006, and IFRS 7 is therefore also applied for 2006 disclosures.

Derivative instruments are marked-to-market with the resulting gain or loss reflected in profit and loss, except when the instruments meet the criteria for cash flow hedge accounting. Derivatives and embedded derivatives are classified as short-term, provided that the final maturity date is before twelve months after the balance sheet date, or they are held solely for the purpose of trading. Derivatives and embedded derivatives are classified as long-term provided that their final maturity date is more than 12 months after the balance sheet date. Hedging instruments are classified accordingly.

If Hydro has payment netting agreements and the intention and ability to settle two or more derivatives, or contracts accounted for as derivatives, net, the contracts are presented net on the face of the balance sheet. The ability to settle net is conditional on simultaneous offsetting cash-flows from the two contracts. Otherwise, derivative contracts are presented gross at their fair value.

Physical commodity contracts are considered on a portfolio basis. If a portfolio of contracts contains contracts of a similar nature that are settled net in cash, or the assets are not intended for own use, the entire portfolio of contracts is recognized at fair value, and classified as a derivative. Physical commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of the commodity in accordance with Hydro's expected purchase, sale or usage requirements (own use) are not accounted for at fair value.

Forward currency contracts and currency options are recognized in the financial statements and measured at fair value at each balance sheet date with the resulting unrealized gain or loss recorded in financial expense.

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 krone at applicable exchange rates as of the balance sheet date with the resulting unrealized exchange gain or loss recorded in Financial income (expense), net.

Derivative commodity instruments are marked-to-market with their fair value recorded in the balance sheet as either assets or liabilities. Adjustments for changes in the fair value of the instruments are reflected in the current period's revenue and/or operating cost, unless the instrument is designated as a cash flow hedge instrument and qualifies for hedge accounting.

The fair value option is currently not utilized by Hydro.

Hedge accounting is applied when specific hedge criteria are met. The changes in fair value of the qualifying hedging instruments are offset in part or in whole by the 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 Other reserves until the underlying transaction is recognized in earnings. When it is determined that a forecasted hedged transaction is no longer expected to occur, all the corresponding gains and losses deferred in Other reserves are immediately recognized in earnings. Any amounts resulting from hedge ineffectiveness for both fair value and cash flow hedges are recognized in the current period's income statement. For fair value hedges, both the changes in the fair value of the designated derivative instrument and the changes in the fair value of the hedged item are recognized currently in earnings.

An embedded derivative is bifurcated and accounted for as a separate financial instrument provided that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the host contract is not accounted for at fair value. Embedded derivatives are classified both in profit and loss and on the balance sheet based on the derivatives' underlying.

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, and is in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. Exploratory costs, excluding the cost of exploratory wells and acquired exploration rights, 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 capitalized, pending the determination of the existence of proved reserves. The acquired exploration rights are charged to operating expense when a determination is made that proved reserves will not be found in the area. Each block or area is assessed separately.

All development costs for wells, platforms, equipment and related interest are capitalized. Capitalized exploration and development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that Hydro uses future net cash flows to evaluate unproved properties for impairment, the unproved reserves are risk adjusted before estimating future cash flows associated with those resources. Preproduction costs are expensed as incurred.

Other income, net

Transactions resulting in income from sources other than normal production and sales operations are classified as Other income, net. Gains and losses resulting from the sale or disposal of PP&E, investments in associates or joint ventures, and subsidiaries are included in Other income, net as well as rental income and certain other incremental income and gains.

Income taxes

Current income tax The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years. In addition, it also excludes items that are never taxable or deductible. Hydro's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax expense Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes (IAS 12). Deferred tax assets and liabilities are classified as non-current in the balance sheet and are measured based on the difference between the carrying value of assets and liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. Temporary differences related to intercompany profits are deferred using the buyer's tax rate. Deferred tax assets are reviewed for recoverability every balance sheet date, and the amount probable of recovery is recognized.

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year except for the 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. Uncertain tax positions are recognized in the financial statements based on management's expectations.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Group intends to settle its current tax assets and liabilities on a net basis.

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, when such earnings are assessed by management to be capable of being repatriated to Norway without tax effect.

Share-based compensation

Hydro accounts for share-based compensation in accordance with IFRS 2 Share-based Payment (IFRS 2). During 2007 Hydro terminated its executive stock option plan, with a cash payout to option holders. No share appreciation rights (SARs) were granted to top management in 2007, and there are no SARs outstanding as of 31 December 2007.

Hydro has an employee share purchase rebate plan, where the plan payout is based on share price performance. Compensation expense in connection with this plan is measured at fair value over the service period. All share-based compensation expense includes social security taxes that will be paid by Hydro at the settlement date. All changes in fair value are recognized in profit and loss for the period.

See note 11 Employee and management remuneration for additional information.

Employee benefits and post-employment benefits

Short-term employee benefits, such as wages, salaries, social security contributions, paid annual leave, as well as short-term bonus agreements are accrued in the period in which the associated services are rendered by the employee.

Post-employment benefits are recognized in accordance with IAS 19 Employee Benefits (IAS 19). The cost of providing pension benefits under a defined benefit plan is determined separately for each plan using the projected unit method. Past service costs are recognized in the income statement on a straight-line basis over the remaining vesting period. Net cumulative actuarial gains and losses in excess of the greater of 10 percent of the benefit obligation (before deducting plan assets) and 10 percent of the fair value of any plan assets are amortized in the income statement over the remaining service period of active plan participants. The funded status of a defined benefit pension plan is measured as of 31 December and disclosed in note 32 Pensions and other post-employment benefit plans.

Contributions to defined contribution schemes are recognized in the income statement in the period in which they accrue.

Segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments (IFRS 8). IFRS 8 is required for accounting periods beginning on or after 1 January 2009, with earlier adoption permitted. Hydro has chosen to early adopt IFRS 8 as of 1 January 2006.

NOTE 2
Changes in accounting principles and new pronouncements

Changes in accounting principles

The financial statements for the year ending 31 December 2007 are Hydro's first IFRS financial statements. Hydro has prepared an opening IFRS balance sheet as of 1 January 2006, the date of transition to IFRS, in accordance with IFRS 1 First-time adoption of International Financial Reporting Standards (IFRS 1). As required by IFRS 1, Hydro uses the same accounting policies in our opening balance sheet and throughout all periods presented. These are the accounting policies that are applicable as of our reporting date, 31 December 2007. Therefore, there are no changes in accounting principles between 2006 and 2007.

New pronouncements

As of the date of authorization of these financial statements, other than IFRS 8 Operating Segments which was adopted early by Hydro, the following standards and interpretations listed below are those that were in issue but not yet effective, have not yet been adopted by Hydro and are relevant related to Hydro's IFRS financial reporting (effective date is applicable to accounting periods beginning on or after that date):

- IFRS 3 Business Combinations (revised 2008) (IFRS 3 revised) (effective date 1 July 2009)
- IAS 27 (revised 2008) Consolidated and Separate Financial Statements (IAS 27 revised) (effective date 1 July 2009)
- IAS 23 (revised 2007) Borrowing Costs (effective date 1 January 2009)
- IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum funding Requirements and their Interaction (IFRIC 14) (effective date 1 January 2008)

As of the date of issue of Hydro's financial statements, none of the above listed standards and interpretations were endorsed by the EU.

The impact of IFRS 3 revised and IAS 27 revised on Hydro's financial statements is in part dependent upon the specific fact pattern of future business combination transactions. Adoption of IAS 23 will have no impact on Hydro's financial statements as Hydro already capitalizes interest. IFRC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognized as an asset. Hydro is currently evaluating the potential accounting impact of IFRIC 14.

NOTE 3
Basis of presentation and measurement of fair value

Basis of presentation

The financial statements have been prepared on a historical cost basis except as regards certain assets, liabilities and financial instruments, which are at fair value. Financial statement preparation requires management to make 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. Interest rates used when performing any net present value analysis, for example discounted cash flows, impairment testing, or measurement of post retirement obligations, are rounded to the nearest 25 basis points. See note 4 Critical accounting judgments and key sources of estimation uncertainty.

The presentation and classification of items in the financial statements is consistent for all periods presented. Gains and losses on the disposal of non-current assets are presented net, as well as expenditures related to a provision that is reimbursed by a third party.

The functional currency of Norsk Hydro ASA is the Norwegian krone (NOK). The Hydro group accounts are presented in NOK.

The revenues, expenses, assets and liabilities presented in Hydro's financial statements are not necessarily representative of how Hydro's financial statements would have appeared had Hydro applied IFRS over it's entire reporting history. Due to Hydro's adoption of certain available transition accounting choices, our IFRS financial statements are a combination of the effect of our application of US GAAP accounting standards prior to 1 January 2006 and IFRS accounting standards as of 1 January 2006. Specifically, this may be create a difference in reported balances of goodwill, related to the transition choice to not restate business combinations to IFRS, and the reported pension figures, given our choice to recognize all 1 January 2006 cumulative actuarial gains and losses with the effect posted directly to equity. Hydro has also upon transition to IFRS reset to zero all 1 January 2006 cumulative translation differences. This has the effect that reported IFRS gains (losses) on the disposal or sale of an entity will not include any cumulative translation differences related to that subsidiary prior to 1 January 2006. See note 47 Conversion to IFRS for additional information.

As a result of rounding adjustments, the figures in one or more columns included in the financial statements may not add up to the total of that column.

Measurement of fair value

The following discussion on the measurement of fair value applies to the entirety of the financial statements, both to the specific statements themselves and to the disclosures in the notes which accompany the financial statements.

Financial instruments The estimated fair value of Hydro's financial instruments is based on market prices and valuation methodologies as described below. For all valuations Hydro attempts to incorporate all factors market participants would consider in setting a price and also to apply accepted economic methodologies for the pricing of financial instruments.

Cash and short term deposits Fair value is assumed to be equal to the carrying amount.

Interest bearing liabilities The fair value of debt instruments issued by Norsk Hydro ASA is calculated using yield curves, which incorporates estimates of the Norsk Hydro ASA credit spreads as of the balance sheet date. As of 31 December 2007 Hydro had no externally issued debt instruments outstanding.

Hydro accounts for interest bearing financial liabilities at amortized cost.

Derivatives The fair value of financial derivatives, including currency swaps, foreign currency forward contracts and interest rate swaps, is estimated as the present value of future cash flows, calculated by using quoted swap curves and exchange rates as of the end of the reporting periods 31 December 2007 and 31 December 2006.

The fair value of commodity derivatives, including futures, forwards and options, is measured as the present value of future cash flows, calculated by using forward curves and exchange rates as of 31 December 2007 and 2006. Estimates from brokers and extrapolation techniques are applied for non-quoted periods to achieve the most relevant forward curve. In addition, when deemed appropriate, correlation techniques between commodities are applied.

Options are re-valued using appropriate option pricing models.

Credit spreads are applied where deemed to be significant.

Trade receivables and trade payables Trade receivables and trade payables are initially recognized at fair value, and subsequently accounted for at amortized cost. Discounting is, however, usually not considered to have a material effect on trade receivables and trade payables. In special cases discounting may be applied.

Embedded derivatives Hydro measures embedded derivatives that are separated (i.e. bifurcated) from the host contract by comparing the forward curve at contract inception to the forward curve as of the balance sheet date. Changes in the present value of the cash flows related to the embedded derivative are recognized in the balance sheet and in the income statement. Forward curves are established as described above under Derivatives. For contracts that contain embedded caps or floors, Asian option valuation models are used.

Marketable and non-marketable equity securities The fair value for listed shares is based on quoted prices as of the end of the relevant reporting period. The fair value for unlisted shares is calculated by using commonly accepted and recognized valuation techniques, or recognized at cost if fair value cannot be measured reliably.

NOTE 4
Critical accounting judgement and key sources of estimation uncertainty

Inherent in many of the accounting policies is the need for management to make estimates and judgments in the determination of certain revenues, expenses, assets, and liabilities. The following accounting policies represent the more critical areas that involve a higher degree of judgment and complexity which, in turn, could materially impact Hydro's financial statements if various assumptions were changed significantly.

Employee retirement plans

Hydro's employee retirement plans consist primarily of defined benefit pension plans. Measurement of pension cost and obligations under the plans require us to make a number of assumptions and estimates. These include future salary levels, discount rates, turnover rate, and the rate of return on plan assets. The discount rate used for determining pension obligations and pension cost is based on the yield from a portfolio of long-term debt instruments. Hydro provides defined benefit plans in several countries and in various economic environments that will affect the actual discount rate applied. Around 70 percent of Hydro's projected benefit obligation relates to Norway. The discount rate applied for Norwegian plans as of 31 December 2007 is 4.75 percent. This is in line with the guidance from the Norwegian Accounting Standards Board on pension assumptions for use as of 31 December 2007 when considering the duration of Hydro's pension obligations and the rounding practice for such estimates. The discount rates applied in Germany and the UK are based on high quality corporate bonds, which are available in those markets. The discount rates used are 6 percent and 5.5 percent, respectively. The expected rate of return on plan assets is, based on the current portfolio of plan assets, determined to be approximately 1.5 percentage points above the yield on government bonds (Norway) and 0.75 to 1 percentage points above the yield on high quality corporate bonds (abroad) dependent on the mix of plan assets. Assump-

tions for salary increase in the remaining service period for active plan participants are based on expected salary increases for each country or economic area. Hydro expects limited deviation compared to the average development.

Changes in these assumptions can influence the funded status of the plan as well as the net periodic pension cost. The Projected Benefit Obligation (PBO) is sensitive to changes in assumed discount rates and assumed compensation rates. Based on indicative sensitivities calculated for the Norwegian plans, a 0.5 percentage point reduction or increase in the discount rate will increase or decrease the PBO in the range of 8 percent, for 2007 this is around NOK 1.6 billion. For 2007, Hydro incurred a change in the average discount rate of 0.5 percentage points as a result of the increase of interest levels in the areas where Hydro's main pension obligations are situated. Hydro incurred an actuarial gain of NOK 1,453 million for the year, mainly resulting from discount rate increases in excess of compensation increases and higher than estimated return on plan assets. A 0.5 percentage point reduction or increase in compensation rates for all plan member categories in Norway will decrease or increase the PBO in the range of 5 percent, for 2007 around NOK 1 billion. The PBO is also sensitive to demographic assumptions. An indicative sensitivity for change in mortality assumptions indicates that a one year increase in expected life for each plan member increases the PBO with around 4 percent, for 2007 around NOK 0.8 billion. Changes in the aforementioned parameters and changes in the PBO will affect net periodic pension cost in subsequent periods, both the service cost and interest cost components, in addition to the amortization of any unrecognized net gains or losses.

Financial instruments

Certain commodity contracts deemed to be financial instruments under IAS 39 are required to be recognized at fair value or to contain embedded derivatives which are required to be recognized at fair value, with changes in fair value impacting earnings. Determining whether contracts qualify as financial instruments at fair value involves evaluation of markets, Hydro's use of those instruments and historic or planned use of physically delivered products under such contracts. Determining whether embedded derivatives are required to be bifurcated for separate valuation involve assessing price correlations and normal market pricing mechanisms for various products and market places. When market prices are not directly observable through market quotes, the estimated fair value is calculated using valuation models, relying on internal assumptions as well as observable market information. Such assumptions include forward curves, yield curves and interest rates. The use of models and assumptions are in accordance with prevailing guidance from the IASB and valuations are based on Hydro's best estimate. However, changes in observable market information and assumptions will likely occur and such changes may have a material impact on the estimated fair value of financial instruments, in particular on long-term contracts, resulting in corresponding gains and losses affecting future periods' income statements. It is important to note that the use of such instruments and other commodity contracts may preclude or limit Hydro's ability to realize the full benefit of a market improvement. To further understand Hydro's sensitivity to these factors please refer to the "Indicative income statement sensitivities" table included in note 41 Financial and commercial risk management.

There is currently a debate ongoing on whether the obligation to deliver concession power to local and/or central government in Norway is a legal or a contractual obligation. Hydro has concluded that the obligation to deliver concession power is not a contractual obligation and thus not automatically included in the fair value of future deliveries as financial instruments even if financially settled. Future clarification of the regulation or interpretation of the regulation may change the treatment in the future. Hydro has delivery commitments relating to power stations to be reverted to the government of 17.6 TWh. Concession power delivery commitments relating to power stations not subject to reversion is 249 GWh annually.

Business combinations and goodwill

In accounting for the acquisition of businesses, Hydro is required to determine the fair value of assets, liabilities, and intangible assets at the time of acquisition. Any excess purchase price is included in Goodwill. In the businesses Hydro operates, fair values of individual assets and liabilities are normally not readily observable in active markets, which require us to estimate the fair value of acquired assets and liabilities through valuation techniques. Such valuations are subject to a number of assumptions including the useful lives of assets, replacement costs and the timing and amounts of certain future cash flows, which may be dependent on future commodity prices, currency rates, discount rates and other factors.

Under IAS 36 Impairment of Assets, goodwill and certain intangible assets are reviewed at least annually for impairment. The impairment test for goodwill involves estimating the fair value of the group of cash generating units to which goodwill is assigned, and comparing the estimated fair value to the carrying value of the group of cash generating units including goodwill. Should the carrying value exceed the estimated fair value, the excess is written down as impaired. To determine whether and how much goodwill is impaired we must develop estimates on highly uncertain matters, see discussion below.

Impairment of non-current assets

Hydro accounts for the impairment of non-current assets in accordance with IAS 36 Impairment of Assets. Under IAS 36, we are required to assess the conditions that could cause an asset to become impaired and to perform a recoverability test for potentially impaired assets held by Hydro. These condi-

tions include whether a significant decrease in the market value of the asset has occurred, whether changes in the Company's business plan for the asset have been made or whether a significant adverse change in the business and legal climate has arisen. Most of Hydro's productive assets are assigned to Cash Generating Units (CGUs), which is the lowest level where largely independent cash flows are deemed to exist. This is usually the individual plant or production line, unless the asset or asset group is an integral part of a value chain where no independent prices for the intermediate products exist.

If there are indications of loss in value, the recoverable amount is estimated. The recoverable amount is the higher of the asset or CGU's fair value less cost to sell, or its value in use. Directly observable market prices rarely exists for our assets, however, fair value may be estimated based on observed transactions on comparable assets, bids or other discussions of potential transactions involving the asset, or internal models used by Hydro for transactions involving the same type of assets. Internal fair value models reliy primarily on market prices, but must also include assumptions on production volumes, cost of operations, investments costs and needs and similar. Calculation of value in use is a discounted cash flow calculation based on continued use of the assets in its present condition, excluding potential exploitation of improvement or expansion potential. Determination of the recoverable amount involves management estimates on highly uncertain matters, such as commodity prices and their impact on markets and prices for upgraded products, development in inflation and operating expenses, and technology changes. We use internal business plans, quoted forward prices and our best estimate of commodity prices, currency rates, discount rates and other relevant information. Such estimates are consistent with Hydro's business plans, and may vary with business cycles and other changes. Hydro does not include a general growth factor to volumes, prices or cash flows for the purpose of impairment tests. Estimated cash flows are discounted with a risk adjusted discount rate derived as the weighted average cost of capital (WACC) for a similar business in the same business environment. For Hydro's businesses the pre tax discount rate is estimated at between 12.5 and 14.5 percent.

Goodwill is allocated to sectors as described in note 1 Significant accounting policies and reporting entity. The allocation of goodwill to segments is included in note 24 Goodwill. All goodwill included in Aluminium Metal is allocated to Commercial Products, in total NOK 226 million. The sector is profitable, and the calculated fair value exceeds the carrying value substantially.

The following table sets out the allocation of goodwill to sectors within Aluminium Products:

In NOK million	
Extrusion Eurasia	270
Building Systems	221
Extrusion Americas	145
Precision Tubing	37
Automotive Structures	27
Total Aluminium Products	700

The Extrusion Eurasia sector and the Building Systems sector are profitable, and the calculated fair value exceeds the carrying value substantially. The estimates are based on continued growth in the market over time. Seriously depressed volumes and margins may change the outcome of the test. The Extrusion Americas sector has experienced difficult market conditions and reported an operating loss for 2007. The impairment test suggests a fair value of the sector with limited coverage over carrying value. The fair value is sensitive to sold volumes as well as margins. Continued depressed markets may result in an impairment situation whereby the goodwill, and possibly also fixed assets might be impaired in a future period. The Automotive Structures sector also has experienced losses in 2007. Management expect the business to defend its carrying value based on new contracts scheduled to start deliveries over the next two years combined with strong cost control. Based on current plans and contracts, the carrying value is recoverable with a substantial margin. The test is, however, sensitive to both volumes and the development of fixed and variable costs. Should the measures fail to improve results and cash flows, the goodwill and certain fixed assets might be impaired in a future period.

Hydro's smelter in Neuss, Germany, was written down as impaired in 2004. The CGU was evaluated for potential reversal of the impairment loss. However, continued high energy prices in the German market puts the current cash flows at risks. The impairment test suggests that the carrying value is recoverable with the current forward prices for aluminium, energy, and the Euro to US dollar exchange rate, however, the value is highly sensitive to all of those assumptions, indicating that either reversal of the previous impairment or further impairment losses may occur in a future period.

In addition, all CGUs or single fixed assets that are not part of a CGU are reviewed for impairment triggers at each balance sheet date. Certain smaller CGUs have been tested during 2007. The resulting impairment write-downs are discussed in note 13 Impairments.

Asset retirement obligations and similar liabilities

Hydro accounts for asset retirement obligations, including decommissioning, restoration and similar liabilities related to the retirement of non-current assets under IAS 37 Provisions, Contingent Liabilities and Contingent Assets which prescribes the accounting for obligations associated with the retirement of non-current assets, and IAS 16 Property, plant and equipment. The fair value of the asset retirement obligation is recognized as a liability when it is incurred, and added to the carrying amount of the non-current asset as an element of its cost. The effect of the passage of time on the liability is recognized as an accretion expense, included in Financial expense, and the costs added to the carrying value of the asset are subsequently depreciated over the assets' useful life. Measurement of an asset retirement obligation requires us to evaluate legal, technical and economic data to determine which activities or sites are subject to asset retirement obligations, as well as the method, cost and timing of such obligations.

Hydro's asset retirement obligations are mainly related to contaminated material used in electrolyses when producing aluminium, and are disclosed in note 31 Provisions. In addition, remediation of certain contaminated areas used in the Polymers operations, which was disposed of in February 2008, was included in liabilities in disposal groups.

The asset retirement obligation is estimated as the present value of the future expected dismantlement and removal costs based on an expected retirement concept and timing and current prices for goods and services. Changes to technology, regulations, prices for necessary goods and services and other factors may affect the timing and scope of retirement activities, and may substantially alter the book value of property, plant and equipment, decommissioning liabilities and future operating costs.

Contingencies and environmental liabilities

Contingencies and environmental liabilities are recorded when such items are asserted, or are probable of assertion, and a loss is probable and can be reasonably estimated. Evaluation of contingencies requires management to make assumptions about the probability that contingencies will be realized and the amount or range of amounts that may ultimately be incurred. Such estimates may vary from the ultimate outcome based on differing interpretations of laws and the assessment of the amount of damages. The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each site, and considers factors such as type and level of contamination, present laws and regulations related to such contamination, prior experience in remediation of contaminated material and existing technology. Environmental liabilities require interpretation of scientific and legal data, in addition to assumptions about probability and future costs. The liabilities are reviewed periodically and adjusted to reflect updated information as it becomes available. Actual costs to be incurred may vary from the estimates following the inherent uncertainties in the evaluation of such exposures. Further description of contingencies is included in note 38 Contingent liabilities and contingent assets. Provisions for contingencies and environmental liabilities are included in Other current liabilities and Other long-term liabilities in the balance sheet.

Income tax

Hydro calculates income tax expense based on reported income in the different legal entities. Deferred income tax expense is calculated based on the differences between the tax assets' carrying value for financial reporting purposes and their respective tax basis that are considered temporary in nature. The total amount of income tax expense and allocation between current and deferred income tax requires management's interpretation of complex tax laws and regulations in the many tax jurisdictions where Hydro operates. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the near future, planned transactions or planned tax optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect the results for each reporting period. Tax authorities in different jurisdictions may challenge Hydro's calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change. During the period when tax authorities may challenge the taxable income, management is required to make estimates of the probability and size of possible tax adjustments. Such estimates may change as additional information becomes known.

NOTE 5
Acquisitions

Hydro has not entered into any significant business combinations during 2007 or 2006.

In March 2006, Hydro entered into an agreement with Qatar Petroleum to establish the joint venture Qatalum with the aim to develop and operate an aluminium smelter in Qatar. The jointly controlled entity Qatar Aluminium Limited was established during the third quarter of 2007, and is accounted for under the equity method.

Hydro has also entered into the solar industry through investments in two associated companies, 18 percent in Norsun AS in November 2006 and 23 percent in Ascent Solar Technologies Inc. in March 2007 and one joint venture, 49 percent in HyCore ANS in June 2007. In total, Hydro invested around NOK 300 million in these solar companies.

NOTE 6
Disposals

During 2007 and 2006, Hydro entered into the following significant disposals.

In May 2007 Hydro's Board of Directors decided to sell the Polymers activities. Contracts to sell the 100 percent owned subsidiary Kerling ASA, with production facilities in Norway, Sweden and the UK, and Hydro's 29.7 percent interest in Qatar Vinyl Company (QVC) were entered into in late May 2007. The transaction was subject to clearance by competition authorities and the sale of the 29.7 percent ownership interest in QVC was subject to pre-emption rights. The regulatory approval was received on 29 January 2008. The pre-emptive rights in QVC were utilized by Qatar Petroleum. Following these events, the sale of Kerling ASA with subsidiaries to INEOS was completed on 1 February 2008. The sale of QVC will be closed as a separate transaction. The Polymers business is reported as Discontinued operations and Assets held for sale as of the time of the sales decision. For further information, see note 7 Discontinued operations and Assets held for sale.

Towards the end of 2006, Hydro decided to exit the magnesium industry. In December 2006, Hydro agreed to sell it 49 percent ownership interest in Meridian Technologies Inc. The sale was completed on 28 February 2007 resulting in a small gain. The two magnesium remelters in Botrop, Germany and Xian, China, were sold with a small loss. In addition, the magnesium smelter operation in Becancour, Canada, was closed in March 2007. The magnesium business is not a separate major line of business, and has therefore not been reported as discontinued operations. The individual businesses sold have not been reported as assets held for sale due to their insignificant size.

In November 2006 Hydro's Board of Directors decided to sell the Company's Automotive Castings activities. Contracts to sell the 100 percent owned operations in Europe and Hydro's 50 percent interest in a joint venture company in Mexico was entered into in late November. The transaction was completed on 28 February 2007 after receiving clearance from competition authorities, and resulted in a gain of NOK 639 million. The Automotive Castings business is reported as Assets held for sale as of the time of the sales decision. For further information, see note 7 Discontinued operations and assets held for sale.

NOTE 7
Discontinued operations and assets held for sale

Demerger of Hydro in 2007

On 12 March 2007 Hydro's Board of Directors and the Board of Directors of StatoilHydro ASA (previously Statoil ASA) agreed to a proposed merger of Hydro's petroleum activities (Hydro Petroleum) with Statoil to form StatoilHydro ASA. The agreed economic effective date of the merger was 1 January 2007. From this date, the merged company StatoilHydro assumed the risks and rewards of Hydro's petroleum activities. The merger was completed as of 1 October 2007.

Upon the completion of the merger, all assets, rights and obligations of Hydro Petroleum were transferred to StatoilHydro. In accordance with the merger plan, all cash and short-term investments held by the parent company were allocated to Hydro. All debenture loans were transferred to StatoilHydro. To establish the agreed level of NOK 1 billion in net interest-bearing debt as of the 1 January 2007 effective date, a demerger receivable of NOK 18,196 million payable by Hydro to StatoilHydro was established. Transactions during the period until completion of the demerger increased the receivable, and a total of NOK 26,163 million was paid as of 1 October 2007. As a result of the demerger, Hydro's share capital was reduced by 70 percent, representing the estimated relative value of the transferred petroleum activities compared to the retained businesses. The total equity reduction amounted to NOK 47,089 million, including Other reserves temporary recognized directly in equity of NOK 4,174 million. In accordance with the demerger plan, adjustments to the equity reduction through a different final allocation of assets and/or liabilities may occur relating to the allocation of certain costs and liabilities where amounts are not fully determinable, and following a verification process for the demerger of Hydro currently ongoing. The verification period is agreed to end during the first quarter of 2008 for the majority of items, while certain items will be open to verification through the third quarter of 2008. A potential adjustment would affect cash and equity. There is no limitation of the period for which revisions are possible.

The demerger took place by reducing the share capital of Hydro through a reduction of par value of each share, while increasing the share capital of StatoilHydro by issuing new shares as consideration to Hydro shareholders. This resulted in the Hydro shareholders receiving 0.8622 shares in StatoilHydro for each share owned in Hydro as of the transaction date. For the impact on Hydro's equity, please refer to Statement of changes in equity and note 34 Shareholders' equity. Hydro did not receive any ownership in StatoilHydro or retain any continued interest in the petroleum activities.

The transaction is structured as a spin-off to the shareholders, and was therefore not reclassified as assets held for sale or discontinued operations until the demerger was completed. Hydro has elected to reclassify assets and liabilities in previous periods as discontinued operations to facilitate a better understanding of the effect of the transaction. The demerger was reflected in the accounts based on historical values of the transferred assets and liabilities. The demerger was not taxable for Hydro. Hydro did not recognize any gain or loss, or receive any proceeds as result of the demerger transaction.

Under the Norwegian public limited companies act section 14-11, Hydro and StatoilHydro are jointly liable for liabilities accrued before the demerger date. This statutory liability is unlimited in time, but is limited in amount tot the net value allocated to the non-defaulting party in the demerger.

Income from discontinued operations, assets and liabilities in discontinued operations

The financial information for Hydro Petroleum as discontinued operations is based on the provisions in the Merger Plan. Income from discontinued operations includes results from activities which have been transferred to StatoilHydro. Effects directly related to the demerger process, including legal transfer of subsidiaries, costs and expenses related to the demerger transaction and the operational separation of Hydro Petroleum for Hydro's other activities, have been included in discontinued operations. The majority of costs originate in the individual business units. Costs related to shared services and corporate services, such as legal, IS/IT, human resources services and other, are charged to units based on services delivered in each period. General corporate overhead has been allocated discontinued operations to the extent these costs will be transferred or terminated following the demerger. These costs are mainly related to general management, governance functions, accounting, investor relations and finance functions.

During 2006, the Hydro Petroleum operations did not have separate cash funds, as cash balances for Hydro are managed centrally. Cash balances held by subsidiaries of Hydro Petroleum are included in assets in discontinued operations. As of 1 January 2007, separate funds were established for Hydro Petroleum in the internal cash pool system, in accordance with the Merger Plan.

Hydro uses a centralized approach to the financing of its operations. Therefore, neither the Hydro Petroleum operations nor other Hydro operations, have had separate external financing. Based on the Merger Plan, Hydro's debenture loan balance in its entirety has been allocated to Hydro Petroleum as discontinued operations (with the associated income statement adjustments for interest and foreign currency exchange effects).

Currency exposure is managed centrally based on Hydro's total exposure. To the extent currency gains and losses are directly attributable to the units' operating activities, the gains and losses are reported as part of the results of the relevant unit. Management's review of the currency exposure in the group shows that the currency exposure is mainly driven by the currencies in which revenue and significant costs are denominated or determined. Hydro's continuing operations and Hydro Petroleum have sales and expenses in foreign currencies with similar patterns, where USD and EUR are the main transaction currencies. Management believes that an allocation key derived from revenues best represents the currency exposures within Hydro's businesses, and this allocation key was used to allocate these costs in the 2006 financial information. For 2007, costs were maintained in separate accounts from 1 January 2007 (the financial effective date of the demerger). Therefore, these costs for 2007 are not based on an allocation.

All Norwegian employees in the parent company participate in a combined pension plan. The actual service cost, liabilities and assets associated with employees and retired plan members associated with Hydro's continuing operations are included in continuing operations.

Significant effects of the tax consolidation of taxable income in Hydro's continuing and discontinued operations the various countries have been eliminated to arrive at an income tax expense as if separate tax returns had been filed for previous periods.

Contracts between Hydro's continuing and discontinued operations have been recognized as if they were contracts with unrelated parties at arm's length. These contracts include the sale and purchase of goods and services, and certain derivative instruments, primarily with currency and electricity underlying. Effects of such contracts are included in results of operations for continuing and discontinued operations, respectively, but have no effect on reported revenues, assets and liabilities.

The operations and companies of Hydro Petroleum are not identical with the operations previously reported as Oil & Energy in Hydro's segment reporting. In accordance with the Merger Plan, Hydro IS Partner, previously reported as part of Other Businesses, was transferred to StatoilHydro in the demerger. The Power activities, previously reported as part of Energy and Oil Marketing within Oil & Energy, have been retained in Hydro, along with solar activities, as a separate segment, Energy.

Demerger of Hydro in 2007

Summary of financial data for discontinued operations

Amounts in NOK million	**2007**	2006
Revenue	**65,149**	95,684
Share of the profit (loss) in equity accounted investments	**66**	201
Other income, net	**675**	909
Depreciation, amortization and impairment	**(11,163)**	(17,762)
Other expenses	**(21,987)**	(31,967)
Earnings before financial items and tax (EBIT)	**32,739**	47,066
Financial income (expense), net	**748**	638
Income before tax	**33,486**	47,704
Income tax expense	**(24,633)**	(36,306)
Net income from discontinued operations	**8,853**	11,398
Net cash provided by operating activities	**23,980**	27,802
Net cash used in investing activities	**(10,665)**	(16,223)
Net cash used in financing activities	**(26,772)**	(771)
Foreign currency effects on cash and bank overdraft	**(14)**	(7)
Net cash provided by (used in) discontinued operations	**(13,471)**	10,801
Cash and cash equivalents	**-**	152
Receivables and other current assets	**-**	21,042
Inventories	**-**	2,277
Current assets from discontinued operations	**-**	23,470
Property, plant and equipment	**-**	86,924
Other non-current assets	**-**	13,584
Non-current assets from discontinued operations	**-**	100,508
Total assets from discountinued operations	**-**	123,979
Bank loans and other interest-bearing short-term debt	**-**	1,146
Other current liabilities	**-**	36,698
Current liabilities from discontinued operations	**-**	37,844
Long-term debt	**-**	19,252
Other long-term liabilities	**-**	18,974
Deferred tax liabilities	**-**	20,462
Non-current liabilities from discontinued operations	**-**	58,688
Total liabilities from discontinued operations	**-**	96,532
Assets from discontinued operations, net	**-**	27,447

Sale of businesses

In May 2007 Hydro's Board of Directors decided to sell the Polymers activities. Contracts were entered into in late May 2007. The transaction was subject to clearance by competition authorities and the sale of the 29.7 percent ownership interest in QVC is subject to pre-emption rights. The regulatory approval was received on 29 January 2008. The pre-emptive rights in QVC were utilized by Qatar Petroleum. Following these events, the sale of Kerling ASA with subsidiaries to INEOS was completed on 1 February 2008. The sale of QVC will be closed as a separate transaction.

The Polymers business is reported as Assets held for sale and Discontinued operations as of the end of May 2007, and depreciation ceased from the same date. The results of operations in the businesses to be disposed of are reported separately under the caption Income from discontinued operations for the current and all prior periods. No interest expense related to loans is allocated to discontinued operations. Depreciation in the businesses held for sale of around NOK 32 million per month after tax are excluded from reported income from discontinued operations for the period after May 2007. As of 31 December 2007, the investment was impaired by NOK 120 million as a consequence of the cessation of depreciations and contract clauses for adjustment of the sales price whereby parts of the currency risk for foreign operations during the period until closing was retained by Hydro.

Hydro will continue to supply electricity to Polymers' production facilities in Norway under existing contracts until the existing internal contracts expire in the period 2010 to 2015. At closing, the accumulated currency translation effects related to translation of foreign subsidiaries included in Other reserves will be recycled through the income statement. As of 31 December 2007, this element represented a loss of NOK 199 million, which will be included in a loss as of the closing date. The final price for the sale was dependent on development in the period until closing, and secured that Hydro retain the results of operations after depreciation charges and currency translation effects. Hydro's loss on the sale, after direct sales expenses and taxes, will be reported as part of Discontinued operations for the first quarter of 2008. Cash flows from discontinued operations are presented separately, and include cash flows from the Polymers activities. In balance sheets after the sales decision was made, including the 31 December 2007 balance sheet, assets in the businesses to be disposed of and the related liabilities are reported as Assets held for sale and Liabilities included in disposal groups, respectively. Prior period balance sheets are not reclassified.

The discontinued Polymers activities were previously included as part of Other activities. The following table summarizes the financial information for discontinued operations related to Polymers for the periods 2006 and 2007, and the balance sheet as of 31 December 2007.

In November 2006 Hydro's Board of Director decided to sell the Company's Automotive Castings activities. As of the end of 2006, the automotive castings business was classified as Assets held for sale. The sale was completed at 28 February 2007. The gain on the sale of NOK 639 million is included in Other income, net. No tax was recognised on the gain. For further information about the disposal transactions, see note 6 Disposals.

Sale of businesses

Summary of financial data for discontinued operations

Amounts in NOK million	2007	2006
Revenue	**7,087**	6,848
Share of the profit (loss) in equity accounted investments	**161**	53
Other income, net	**-**	3
Depreciation, amortization and impairment	**(297)**	(429)
Other expenses	**(6,105)**	(5,730)
Earnings before financial items and tax (EBIT)	**846**	744
Financial income (expense), net	**(36)**	26
Income before tax	**810**	770
Income tax expense	**(217)**	(201)
Net income from discontinued operations	**593**	569
Net cash provided by operating activities	**1,020**	656
Net cash used in investing activities	**(290)**	(357)
Net cash used in financing activities	**-**	-
Foreign currency effects on cash and bank overdraft	**(58)**	1
Net cash provided by discontinued operations	**672**	300

Asset groups held for sale

Amounts in NOK million	2007 [1]	2006 [2]
Cash and cash equivalents	**105**	47
Receivables and other current assets	**1,341**	798
Inventories	**816**	278
Current assets held for sale	**2,262**	1,122
Property, plant and equipment	**3,270**	2,131
Other non-current assets	**1,209**	438
Non-current assets held for sale	**4,479**	2,569
Total assets held for sale	**6,741**	3,691
Bank loans and other interest-bearing short-term debt	**-**	5
Other current liabilities	**1,389**	718
Current liabilities in disposal groups	**1,389**	723
Long-term debt	**-**	4
Other long-term liabilities	**558**	56
Deferred tax liabilities	**74**	229
Non-current liabilities in disposal groups	**632**	289
Total liabilities in disposal groups	**2,021**	1,011
Assets held for sale, net	**4,720**	2,680

1) The Polymers business. 2) The Automotive Castings activities.

NOTE 8
Operating and geographic segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Hydro to identify its segments according to the organization and reporting structure used by management. 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 business area that offers different products and serves different markets. Hydro's operating segments are the three business areas Aluminium Metal, Aluminium Products and Energy.

Aluminium Metal activities include the production of bauxite and alumina, primary aluminium, remelting of metal, and the international trading of aluminium and aluminium products.

Aluminium Products comprises the downstream activities. The main operations are within Rolled Products, Extrusion, Building systems, Automotive structures and Precision tubing. During 2007, the operations within Automotive castings and Magnesium were sold or closed. Rolled Products delivers foil, strip, sheet, litho and plate for application in such sectors as packaging, automotive and transport industries, as well as for offset printing plates. Extrusion delivers custom-made general extrusion products, surface treatment, fabrication and components and finished products. Building systems supplies complete designs and solution packages to metal builders, including products such as facades, partion walls, doors and windows. Automotive structures is involved in the manufacture and sale of extruded aluminium products and components for the automotive industry. Precision tubing produces extrusion based products for use in heat transfer applications and tube lines for carrying liquids or gases.

Energy is responsible for external sourcing of energy to Hydro's worldwide aluminium operations and the operation of Hydro's power stations in Norway. Energy includes Hydro's commercial operations in the power markets.

Other activities consist of Polymers (reported as discontinued operations) and certain other activities. Polymers is a producer of the plastic raw material polyvinyl chloride (PVC) in Scandinavia and in the UK.

Operating segment information

Hydro uses two measures of segment results, Earnings before financial items and tax - EBIT and EBITDA. EBIT is consistent with the same measure for the group. Hydro defines EBITDA as Income/(loss) before tax, financial income and expense, depreciation, amortization and write-downs. EBITDA is different from EBIT as it excludes depreciation, write-downs and amortization, as well as amortization of excess values in equity accounted entities. Hydro's definition of EBITDA may differ from that of other companies. Hydro's management makes regular use of both these measures to evaluate performance in the operating segments, both in absolute terms and comparatively from period to period, and to allocate resources among its operating segments. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding - for management and for investors - of the operating results of its business segments for the period under evaluation compared to relying on one of the measures.

Hydro manages long-term debt and taxes on a Group basis. Therefore, Net income is presented only for the Group as a whole.

Intersegment sales and transfers reflect arm's length prices as if sold or transferred to third parties. Transfers of businesses or assets within or between Hydro's segments are not considered to be intersegment sales, and are reported without recognizing gains or losses. 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, other and eliminations. These amounts principally include interest income and expenses, realized and unrealized foreign exchange gains and losses and the net effect of pension schemes. In addition, elimination of gains and losses related to transactions between the operating segments are included in Corporate, other and Eliminations.

The accounting policies used for segment reporting reflect those used for the group with the following exceptions: Certain internal commodity contracts may meet the definition of a financial instrument in IAS 39 or contain embedded derivatives that are required to be bifurcated and valued at fair value under IAS 39. However, Hydro considers these contracts as sourcing of raw materials or sale of own production even though the contracts for various reasons include clauses that meet the definition of a derivative or an embedded derivative. Such internal contracts are accounted for as executory contracts. Certain other internal contracts may contain lease arrangements that qualify as capital leases. However, the segment reporting reflects the responsibility allocated by Hydro's management for those assets. Costs related to certain pension schemes covering more than one segment are allocated to the operating segments based either on the premium charged or the estimated service cost. Any difference between these charges and pension expenses measured in accordance with IFRS is included in Corporate, other and Eliminations. Similarly, a pension liability or prepaid pension expense for these defined benefit plans is reported on an unallocated basis as part of Corporate, other and eliminations. The following pages include information about Hydro's operating segments.

Amounts in NOK million	External revenue 2007	External revenue 2006	Internal revenue 2007	Internal revenue 2006	Total revenue 2007	Total revenue 2006
Aluminium Metal	**40,506**	43,603	**21,086**	24,657	**61,592**	68,259
Aluminium Products	**51,166**	53,331	**233**	257	**51,399**	53,588
Energy	**1,268**	1,007	**5,200**	6,302	**6,468**	7,309
Corporate, other and eliminations [1) 2)]	**1,376**	811	**(26,519)**	(31,216)	**(25,143)**	(30,404)
Total	**94,316**	98,752	**-**	-	**94,316**	98,752

Amounts in NOK million	Other income, net 2007	Other income, net 2006	Share of the profit (loss) in equity accounted investments 2007	Share of the profit (loss) in equity accounted investments 2006	Depreciation, amortization and impairment 2007	Depreciation, amortization and impairment 2006
Aluminium Metal	**145**	154	**975**	854	**2,186**	2,192
Aluminium Products	**742**	175	**46**	(168)	**1,207**	2,159
Energy	**8**	12	**(24)**	22	**97**	120
Corporate, other and eliminations [1)]	**199**	217	**3**	27	**62**	45
Total	**1,093**	558	**1,000**	736	**3,552**	4,516

Amounts in NOK million	Earnings before financial items and tax (EBIT) 2007	Earnings before financial items and tax (EBIT) 2006	Adjusted EBITDA 2007	Adjusted EBITDA 2006
Aluminium Metal	**8,365**	**7,302**	**10,597**	9,536
Aluminium Products	**1,098**	**(104)**	**2,361**	2,353
Energy	**1,303**	**1,457**	**1,432**	1,582
Corporate, other and eliminations [1) 2) 3) 4)]	**(1,741)**	**(1,456)**	**(1,678)**	(1,427)
Total	**9,025**	**7,200**	**12,711**	12,044

Amounts in NOK million	Current assets [5)] 2007	Current assets [5)] 2006	Non-current assets 2007	Non-current assets 2006	Total assets [5)] 2007	Total assets [5)] 2006
Aluminium Metal	**16,441**	18,575	**25,757**	25,788	**42,198**	44,363
Aluminium Products	**15,081**	16,611	**11,076**	12,655	**26,158**	29,266
Energy	**1,311**	1,670	**6,090**	5,400	**7,402**	7,070
Corporate, other and eliminations [1)]	**7,997**	19,143	**1,551**	6,947	**9,547**	26,090
Total continued operations	**40,830**	55,999	**44,474**	50,790	**85,304**	106,789
Classified as held for sale and/or discontinued operations					**6,741**	127,670
Total					**92,046**	234,459

1) Corporate, other and eliminations includes business activities outside the reportable segments. The main activities are Hydro Production Partner, the industrial insurance company Industriforsikring, and Hydro's internal service providers.
2) Corporate, other and eliminations include elimination of unrealized gains and losses on power contracts between Energy and other units in Hydro with a loss of 920 million in 2007, and a loss of NOK 1,391 million in 2006.
3) Total segment Earnings before financial items and tax is the same as Hydro group's total Earnings before financial items and tax. Financial income and financial expense are not allocated to the segments. There are no reconciling items between segment Earnings before financial items and tax to Hydro Earnings before financial items and tax. Therefore, a separate reconciliation table is not presented.
4) Corporate, other and elimination's EBIT and EBITDA includes a net periodic pension cost of NOK 326 million for 2007, and a pension credit NOK 89 million for 2006.
5) Current assets and total assets exclude internal cash accounts and accounts receivables related to group relief.
6) Investments accounted for using the equity method comprises investments and advances, see note 25 Investments in associates and note 26 Investments in jointly controlled entities.
7) Segment debt is defined as short-term interest free liabilities excluding income tax payable and short-term deferred tax liabilities.
8) Additions to property, plant and equipment plus long-term securities, intangibles assets, long-term advances and investments in equity accounted investments.

Amounts in NOK million	Investments accounted for using the equity method [6] 2007	2006	Segment debt [7] 2007	2006	Investments [8] 2007	2006
Aluminium Metal	**6,648**	4,926	**8,445**	10,764	**3,541**	2,515
Aluminium Products	**1,437**	1,913	**8,183**	8,782	**866**	1,252
Energy	**660**	378	**1,043**	1,557	**233**	140
Corporate, other and eliminations [1]	**915**	1,712	**(2,722)**	(2,796)	**566**	619
Total continued operations	**9,659**	8,929	**14,949**	18,307	**5,206**	4,526

Amounts in NOK million	Total assets 2007	2006	Non-current assets 2007	2006	Investments 2007	2006
Norway	**42,753**	60,219	**19,368**	24,422	**1,866**	1,793
Germany	**13,367**	14,372	**6,072**	6,512	**646**	539
Italy	**2,725**	2,698	**984**	1,075	**82**	185
France	**2,276**	2,399	**789**	962	**66**	64
Slovakia	**2,273**	2,063	**1,183**	1,383	**140**	90
Spain	**1,009**	996	**303**	319	**44**	22
Denmark	**947**	940	**412**	450	**59**	43
Great Britain	**787**	2,512	**299**	1,122	**45**	55
Austria	**446**	506	**201**	198	**35**	94
Other	**1,625**	3,270	**859**	1,748	**180**	346
Total EU	**25,455**	29,756	**11,102**	13,769	**1,296**	1,438
Other Europe	**48**	43	**6**	11	**3**	5
Total Europe	**68,256**	90,018	**30,476**	38,202	**3,165**	3,236
USA	**2,760**	2,659	**1,509**	604	**113**	254
Canada	**1,877**	2,337	**1,716**	2,203	**48**	66
Brazil	**6,675**	5,442	**6,290**	5,133	**749**	619
Other Americas	**758**	512	**647**	372	**19**	80
Australia and New Zealand	**3,227**	3,968	**2,584**	3,061	**307**	258
Asia	**1,705**	1,801	**1,223**	1,179	**804**	12
Africa	**45**	53	**29**	36	**-**	-
Total outside Europe	**17,048**	16,770	**13,999**	12,588	**2,041**	1,290
Total continued operations	**85,304**	106,789	**44,474**	50,790	**5,206**	4,526
Classified as held for sale and/or discontinued operations	**6,741**	127,670				
Total	**92,046**	234,459				

Amounts in NOK million	Revenue 2007	2006
Norway	**6,770**	7,026
Germany	**18,477**	16,466
France	**6,773**	6,585
Italy	**6,493**	6,230
Spain	**5,634**	5,915
Great Britain	**5,029**	5,881
Poland	**2,699**	2,859
The Netherlands	**2,305**	2,966
Sweden	**2,075**	1,883
Other	**12,180**	11,802
Total EU	**61,666**	60,588
Switzerland	**3,764**	4,018
Other Europe	**2,450**	3,091
Total Europe	**74,650**	74,723
USA	**8,706**	12,886
Canada	**419**	326
Other Americas	**1,838**	1,667
Asia	**7,287**	7,719
Australia and New Zealand	**1,160**	1,155
Africa	**257**	279
Total outside Europe	**19,666**	24,031
Total	**94,316**	98,752

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.

NOTE 9
Other income

Amounts in NOK million	2007	2006
Gain (loss) on sale of property, plant and equipment	**77**	149
Gain (loss) on sale of subsidiaries, associates and jointly controlled entities [1]	**636**	(55)
Revenue from utilities [2]	**134**	110
Rental revenue	**75**	64
Other	**171**	291
Other income, net	**1,093**	558

1) Significant gains and losses are discussed in note 6 Disposals.
2) Revenue from utilities include quay structures, infrastructure, pipe network, process water and grid rental.

NOTE 10
Raw material and energy expense

Amounts in NOK million	2007	2006
Raw material expense and production supplies	**58,504**	63,791
Change in inventories own production	**338**	(1,025)
Write-downs of inventories	**63**	24
Raw material and energy expense	**58,905**	62,790

Raw material expense and production supplies include effect of commodity derivative instruments. See note 42 Derivative instruments and hedge accounting.

NOTE 11
Employee and management remuneration

Board of Directors' statement on Corporate Management Board remuneration

The following statement and guidelines for Corporate Management Board salary and benefits will be presented to the Annual General Meeting for their recommendation at the May 2008 meeting. The Board of Directors proposes that the statement below applies for 2008 and 2009 until the Annual General Meeting.

Statement for 2008, the current financial year until the 2009 Annual General Meeting, the coming financial year

General Principles The Board of Directors currently performs, and will continue to perform, an annual evaluation of the remuneration plan for the President and CEO. The President and CEO consults with the Board of Directors in respect of the remuneration plans for the other corporate management members.

In respect of remuneration for the coming financial year, there will be no material changes from the principles applying for the current financial year, 2008.

Hydro's remuneration policy will continue to be based on Hydro's People Policy:

"Hydro should offer employees a compensation package that is competitive and in accordance with good industry standards locally. Where appropriate, this should include an incentive element, and the base pay should reflect individual performance."

Corporate Management Board remuneration will, at all times, reflect the President and CEO's and the Executive Vice Presidents' responsibility for the management of Hydro, taking into account the complexity and breadth of the operations, growth and sustainability of Hydro. The determination of the level of the total compensation package will be, first and foremost, based on being competitive within the relevant labor market, while at the same time reflecting Hydro's international focus.

Specific principles Remuneration to the Corporate Management Board will consist of both variable and fixed elements. The variable portion of total remuneration will consist of a bonus element. The annual bonus will be determined based on the achievement of agreed financial targets and key performance indicators (KPIs) that are related to other targets and goals (non-financial in nature). The financial targets and KPIs will be established for the current and coming financial years as part of the annual business planning. The President and CEO will have a maximum annual bonus potential of fifty percent of his annual salary. The other Corporate Management Board members will have a maximum bonus potential of forty percent of their annual salary. Bonus payments will not be included when determining pension or vacation pay.

There will not be any share-based compensation plans in the form of share options or share appreciation rights in force.

The fixed components of the Corporate Management Board remuneration will be a base salary and other remuneration. In this regard, other remuneration will consist of a company car or car allowance, telephone and electronic communication, newspapers and similar benefits, as well as pension benefits. All Corporate Management Board members will continue to be covered by the insurance arrangements applicable within Hydro for all vice presidents and above. In respect of Hydro's employee share purchase plan, as described later in this note, the Corporate Management Board has the opportunity to participate fully at the same terms as all other eligible employees.

The President and CEO Eivind Reiten will continue to be entitled to retire at 60 years of age with a pension benefit representing sixty-five percent of his base salary. Full pension rights are earned by the President and CEO Eivind Reiten upon reaching the age of 55. For all other members of the Corporate Management Board, the pension benefit will represent sixty-five percent of the individual's base salary and the retirement age will continue to be set at 65 years. For the other Corporate Management Board members full pension rights are earned after thirty years employment in Hydro. Currently two members of the Corporate Management Board have a retirement age of 62 years. This is as a result of an arrangement previously offered to about 50 executive managers, and is not specifically connected to their position on the Corporate Management Board.

The President and CEO Eivind Reiten will continue to have a termination package. In the event that employment of Eivind Reiten terminates for reasons other than serious misconduct, he has the right to salary and benefits (excluding bonus) for a three-year period, but not to extend beyond 60 years of age. Hydro's obligation can be reduced by salary received from other sources.

The President and CEO will be the only member of the Corporate Management Board that has a predetermined termination agreement as part of their compensation package. Hydro will not agree predetermined termination packages with other Corporate Management Board members, but may, if relevant, agree a termination package to facilitate the ending of the individual's employment relationship.

Statement for 2007, the prior financial year

The remuneration of the CEO and President and the Corporate Management Board for the previous financial year (2007) was based on the same general principles as set out above for the coming financial year.

All of the specific principles given for 2008 and 2009 applied except to the extent described below.

In the beginning of 2007 Hydro had a share apreciation right (SAR) plan (SAR plan) that applied to approximately thirty-five top managers. In connection with the merger of Hydro's Petroleum Business with Statoil, the consequences for the SAR plan had to be reviewed. Following this review, in July 2007 the Board of Directors offered, and all SAR holders accepted, a redemption of all non-vested SARs, (thus securing equal treatment of the SAR holders leaving for StatoilHydro and those remaining in Hydro). The consequence for Hydro and its shareholders of the redemption of non-vested SARs was a cash payout of NOK 98 million, excluding payroll taxes. At the same time the SAR holders agreed to exercise their vested SARs, which in total amounted to a cash payout of NOK 89 million, excluding payroll taxes. Payments to the individual Corporate Management Board members are given in a table below. No new share appreciation rights were granted in 2007, and thus Hydro's SAR plan was terminated.

Subsequent to the termination of the executive share apreciation right program in July 2007, Hydro has a compensation system for top management consisting of two elements, fixed salary and performance-related bonus which continues in 2008 and 2009. For more details reference is made to the specific principles for the current and coming financial year, given above.

In July 2007 the Board of Directors decided to adjust the President and CEO's salary from NOK 4.6 million to NOK 5.6 million from January 1, 2007. The increase comprised a regular annual salary increase and an adjustment for the fact that share apreciation rights will no longer be part of Hydro's compensation scheme. The bonus potential for the President and CEO, up to a maximum of 50 percent of annual salary, remained unchanged in 2007.

The fixed salary for the other members of Corporate Management Board was adjusted between 5.5 percent and 11.8 percent, on average 9.2 percent. The bonus potential for the other members of the Corporate Management Board was changed with effect from 1 July 2007 from twenty-five percent to forty percent of annual salary.

In September 2007 Executive Vice President and Chief Communications Officer Cecilie Ditlev-Simonsen and Hydro negotiated and agreed the terms for ending her position with Hydro. Cecilie Ditlev-Simonsen was exempt from the obligation to work during her six months notice period beginning 1 November 2007, but Hydro could to a reasonable extent draw on her expertise during this period. After expiry of the notice period, 1 May 2008, a salary guarantee is effective for the following eleven month period. Other salary and remuneration she receives from other sources in the eleven month period shall be deducted from the salary guarantee. As of 31 December 2007 Hydro has recognized a provision of NOK 3.3 million in connection with this settlement.

This concludes the section "Board of Directors' statement on Corporate Management Board remuneration."

Corporate Management Board remuneration

Corporate management board member's salaries, remuneration in kind, bonus for 2006 paid in 2007, cash received upon the exercise of SARs, cash received upon the termination of SARs and the estimated increase in the value of their pension benefits for 2007, as well as any loans outstanding and Hydro share ownership as of 31 December 2007 are shown in the table below. Hydro did not have any guarantees made on the behalf of any of the corporate management board members during 2007.

Corporate Management Board remuneration and share holdings

Name	Salary [1) 2)]	Remuneration in kind [1) 2)]	Bonus [1) 3)]	Exercise of SARs [1) 4)]	Termination of SARs [1) 5)]	Estimated change in value of pension benefits [1) 6)]	Outstanding loans [1) 7)]	Hydro share ownership [8)]
Eivind Reiten	5,848	295	1,300	12,141	7,817	19,162	-	80,456
John Ove Ottestad	2,895	233	414	12,913	7,295	4,748	-	61,441
Torstein Dale Sjøtveit	2,504	159	295	2,436	4,633	3,992	314	20,112
Svein Richard Brandtzæg	3,200	237	663	2,436	4,633	3,627	264	21,851
Jørgen C. Arentz Rostrup [9)]	1,995	165	575	-	1,120	3,407	240	1,396
Tom Røtjer [9)]	2,113	139	571	2,436	2,553	1,433	-	8,266
Odd Ivar Biller [10)]	2,308	168	642	2,088	2,189	4,699	300	13,606
Anne Harris [11)]	1,726	154	428	1,740	1,824	3,423	1,223	6,136
Tore Torvund [12)]	2,688	175	690	6,960	7,295	2,687	-	38,702
Hilde Aasheim [13)]	1,559	111	684	-	3,200	1,233	-	136
Cecilie Ditlev-Simonsen [14)]	1,900	170	560	1,740	1,824	1,493	-	4,146

1) Amounts in NOK thousands.
2) Salary is the amount paid to the individual during 2007, including any payments made before they joined the Corporate Management Board or after stepping down from the board. Remuneration-in-kind is the total of all non-cash related benefits received by the individual during 2007 and includes such items as the taxable portion of insurance premiums, car and mileage allowances and electronic communication items. Salary and remuneration-in-kind is disclosed for the first nine months of 2007 only for Tore Torvund and Hilde Aasheim, as they became employees of StatoilHydro as of 1 October 2007.
3) Except as otherwise noted, bonus is the amount paid in 2007 based on performance achieved in 2006. Individuals not members of the Corporate Management Board in 2006 were paid bonus in 2007 based on their previous position in Hydro. Bonus was paid in October 2007 to Tore Torvund and Hilde Aasheim of NOK 464 thousand and NOK 375 thousand, respectively, related to their business performance for the first nine months of 2007. Odd Ivar Biller, Anne Harris and Cecilie Ditlev-Simonsen each received an additional one-time payment in the amount of two months salary for their extraordinary contributions in connection with the StatoilHydro demerger transaction.
4) All vested SARs outstanding as of 10 July 2007 were voluntarily exercised by the Corporate Management Board in accordance with their SAR agreements, as shown in the table Exercise of SARs (exercise price and average share price per share have not been restated and are shown at the historical share price levels in July 2007).
5) All SARs granted in 2005 and 2006 were terminated as of 7 August 2007 prior to vesting. Termination payments were made to Corporate Management Board SAR holders as shown in the table Termination of SARs. The Black-Scholes fair value per SAR has not been restated and is based on historical share price levels existing in July 2007.
6) The estimated change in the value of pension benefits reflects both the effect of earning an additional year's pension benefit and the adjustment to present value of previously earned pension rights. For all individuals listed in the table except Tore Torvund and Hilde Aasheim, this is the estimated change from 1 January 2007 to 31 December 2007. Tore Torvund and Hilde Aasheim's estimated change is from 1 January 2007 to 1 October 2007, as they became employees of StatoilHydro in connection with the demerger as of 1 October 2007. The estimated change in the value of the pension benefit is calculated as the increase in Projected Benefit Obligations (PBO) calculated with stable assumptions. As such, the number includes both the annual accrual of pension benefits and the interest element related to the total accrued pension benefits.
7) The loans to corporate management board members were extended under an employee benefit scheme applicable to all employees in Norway. The loan to Torstein Dale Sjøtveit has an interest rate of 5.5 percent and a repayment period of 3 years. The loan to Svein Richard Brandtzæg has an interest rate of 5.0 percent and a repayment period of 9 years.The loan to Jørgen C. Arentz Rostrup has an interest rate of 5.0 percent and a repayment period of 4 years. The loan to Odd Ivar Biller has an interest rate of 5.0 percent and a repayment period of 7.5 years. The loans to Anne Harris have an interest rate of 5.0-5.5 percent and a repayment period of 2-19 years. Loans to corporate management board members were extended to them prior to their appointment on the Corporate Management Board. Since their appointment to the Corporate Management Board, there have been no modifications to any loan agreements. No additional credit has been extended post appointment and the payment plan schedule has remained the same. Payments have been made in a timely fashion and the loans are not in default.
8) Hydro share ownership is the number of shares held directly by the corporate management board member and any related party shareholdings. Hydro share ownership for all corporate management board members is as of 31 December 2007, except for Tore Torvund, Hilde Aasheim, and Cecilie Ditlev-Simonsen. Hydro share ownership is disclosed as of 1 October 2007 for Tore Torvund and Hilde Aasheim, who became employees of StatoilHydro in connection with the demerger as of this date. Hydro share ownership is disclosed for Cecilie Ditlev-Simonsen as of 19 September 2007, the date of her resignation from the Corporate Management Board.
9) Jørgen C. Arentz Rostrup and Tom Røtjer became members of the Corporate Management Board as of 1 October 2007.
10) Odd Ivar Biller became a member of the Corporate Management Board as of 1 April 2007.
11) Anne Harris became a member of the Corporate Management Board as of 1 June 2007.
12) Tore Torvund stepped down from the Hydro Corporate Management Board as of 1 October 2007 in connection with becoming an employee of StatoilHydro .
13) Hilde Aasheim stepped down from the Corporate Management Board 16 January 2007 to manage the integration process between Hydro and StatoilHydro, and became an employee of StatoilHydro as of 1 October 2007.
14) Cecilie Ditlev-Simonsen resigned her position as a member of the Corporate Management Board 19 September 2007. In connection with her resignation, Hydro agreed to make salary payments to Cecilie Ditlev-Simonsen through 31 March 2009. Hydro has a provision of NOK 3.3 million as of 31 December 2007 in respect of this agreement. In accordance with the agreement, the amount paid will be reduced by the amount of taxable income and other remuneration she receives from other sources. The amount of the reduction is not material to Hydro's reported financial statements.

Exercise of SARs

Name	Exercise date	Number of SARs	Exercise price, NOK per share	Average share price five preceding trading days, NOK	Cash remuneration, NOK thousands
Eivind Reiten	10 July 2007	10,000	64.32	234.40	1,701
Eivind Reiten	10 July 2007	75,000	95.20	234.40	10,440
John Ove Ottestad	10 July 2007	35,000	64.32	234.40	5,953
John Ove Ottestad	10 July 2007	50,000	95.20	234.40	6,960
Torstein Dale Sjøtveit	10 July 2007	17,500	95.20	234.40	2,436
Svein Richard Brandtzæg	10 July 2007	17,500	95.20	234.40	2,436
Tom Røtjer	10 July 2007	17,500	95.20	234.40	2,436
Odd Ivar Biller	10 July 2007	15,000	95.20	234.40	2,088
Anne Harris	10 July 2007	12,500	95.20	234.40	1,740
Tore Torvund	10 July 2007	50,000	95.20	234.40	6,960
Cecilie Ditlev-Simonsen	10 July 2007	12,500	95.20	234.40	1,740

Termination of SARs

Name	Termination date	Number of SARs	Black-Scholes fair value per SAR as of 2 July 2007	Voluntary reduction in payout taken, NOK thousands	Cash remuneration, NOK thousands
Eivind Reiten	7 August 2007	75,000	117.01	4,388	4,388
Eivind Reiten	7 August 2007	75,000	91.43	3,429	3,429
John Ove Ottestad	7 August 2007	50,000	117.01	1,755	4,095
John Ove Ottestad	7 August 2007	50,000	91.43	1,371	3,200
Torstein Dale Sjøtveit	7 August 2007	17,500	117.01	614	1,433
Torstein Dale Sjøtveit	7 August 2007	50,000	91.43	1,371	3,200
Svein Richard Brandtzæg	7 August 2007	17,500	117.01	614	1,433
Svein Richard Brandtzæg	7 August 2007	50,000	91.43	1,371	3,200
Jørgen C. Arentz Rostrup	7 August 2007	17,500	91.43	480	1,120
Tom Røtjer	7 August 2007	17,500	117.01	614	1,433
Tom Røtjer	7 August 2007	17,500	91.43	480	1,120
Odd Ivar Biller	7 August 2007	15,000	117.01	527	1,229
Odd Ivar Biller	7 August 2007	15,000	91.43	411	960
Anne Harris	7 August 2007	12,500	117.01	439	1,024
Anne Harris	7 August 2007	12,500	91.43	343	800
Tore Torvund	7 August 2007	50,000	117.01	1,755	4,095
Tore Torvund	7 August 2007	50,000	91.43	1,371	3,200
Hilde Aasheim	7 August 2007	50,000	91.43	1,371	3,200
Cecilie Ditlev-Simonsen	7 August 2007	12,500	117.01	439	1,024
Cecilie Ditlev-Simonsen	7 August 2007	12,500	91.43	343	800

Executive management share-based compensation

Hydro has granted executive management share appreciation rights (SARs) during the years 2002-2006. The awards were granted to approximately 30 Hydro executives each year, including the president and CEO and members of the corporate management board. SARs granted in 2004, 2005 and 2006 had a three year vesting schedule and three year exercise period. The 2002 and 2003 grant year SARs had a three year vesting period and two year exercise period. As of 1 January 2007 there were no 2002 SARs outstanding.

The SAR vesting schedule for the 2003 plan was based on total shareholder return. If shareholder return was less than 12 percent between the grant date and vesting date, none of the granted SARs would be vested. If the shareholder return was between 12 percent and 20 percent over the vesting period, the corresponding percentage of SARs that vested would increase linearly between 20 percent and 100 percent. On 30 June 2006, the vesting date for the 2003 SARs, the total shareholder return target of 20 percent was met, and all 487,500 SARs outstanding were vested 100 percent. The SARs granted in 2004-2006 did not have any performance related vesting requirement. The 2004 granted SARs vested on 30 June 2007.

In July 2007 the Board of Directors terminated the Executive Share Apreciation Right Plan (SAR Plan) for corporate officers and certain key employees. As of the SAR Plan termination date, the SARs granted in 2004 and earlier were vested and the 2005 and 2006 grant year SARs had a remaining life of four years and five years, respectively. Upon termination of the SAR Plan, the Board of Directors approved the exercise of the outstanding 2003 and 2004 SARs at an exercise price based on the five previous trading day's average market price on 10 July 2007. The average closing price 4 July – 10 July 2007 was NOK 234.40 and the corresponding exercise values are NOK 170.08 for the 2003 SARs (closing price NOK 234.40 less the exercise price of NOK 64.32) and NOK 139.20 for the 2004 SARs (closing price NOK 234.40 less the exercise price of NOK 95.20). The 2005 and 2006 SARs were terminated with a payout to SAR holders based on the Black-Scholes fair market value as of 2 July 2007. The Black Scholes fair value as of 2 July 2007 was NOK 117.01 and NOK 91.43 for the 2005 and 2006 SARs, respectively.

Previously, all SAR holders were restricted from exercising SARs that would result in gross cash proceeds upon exercise per calendar year that exceeded the SAR holder's annual base salary. This restriction applied to SARs granted in 2004 and later, and was waived upon termination of the SAR Plan. All granted SARs that have not been exercised are forfeited if the SAR holder resigns from the company.

Previously, in order to remain eligible to exercise vested SARs in the future and to receive new grants, plan participants were required to convert the net after-tax value of exercised SARs into an equivalent value of Hydro shares until a specified percentage of their annual salary was reached. In connection with the termination of the SAR Plan, the requirement to purchase shares was waived.

SAR activity during 2007 for the Corporate Management Board is given in the table below.

Corporate Management Board SAR activity

Name	SARs 31.12.2006	SARs granted in 2007	SARs vested in 2007	SARs exercised in 2007	SARs terminated in 2007	SARs forfeited in 2007	SARs outstanding 31.12.2007
Eivind Reiten	235,000	-	85,000	85,000	150,000	-	-
John Ove Ottestad	185,000	-	85,000	85,000	100,000	-	-
Torstein Dale Sjøtveit	85,000	-	17,500	17,500	67,500	-	-
Svein Richard Brandtzæg	85,000	-	17,500	17,500	67,500	-	-
Jørgen C. Arentz Rostrup [1]	17,500	-	-	-	17,500	-	-
Tom Røtjer [1]	52,500	-	17,500	17,500	35,000	-	-
Odd Ivar Biller [2]	45,000	-	15,000	15,000	30,000	-	-
Anne Harris [3]	37,500	-	12,500	12,500	25,000	-	-
Tore Torvund [4]	150,000	-	50,000	50,000	100,000	-	-
Hilde Aasheim [5]	50,000	-	-	-	50,000	-	-
Cecilie Ditlev-Simonsen [6]	37,500	-	12,500	12,500	25,000	-	-

1) Jørgen C. Arentz Rostrup and Tom Røtjer became members of the Corporate Management Board as of 1 October 2007.
2) Odd Ivar Biller became a member of the Corporate Management Board as of 1 April 2007.
3) Anne Harris became a member of the Corporate Management Board as of 1 June 2007.
4) Tore Torvund stepped down from the Hydro Corporate Management Board as of 1 October 2007 in connection with becoming an employee of StatoilHydro.
5) Hilde Aasheim stepped down from the Corporate Management Board 16 January 2007 to manage the integration process between Hydro and StatoilHydro, and became an employee of StatoilHydro as of 1 October 2007.
6) Cecilie Ditlev-Simonsen resigned her position as a member of the Corporate Management Board 19 September 2007.

SAR compensation expense was remeasured each reporting period, until the date of the termination of the SARs, at fair value using a Black-Scholes option valuation model, and accrued pro-rata over the vesting period. The accrued liability for the SARs as of 1 January 2007 was NOK 109 million, including social security taxes. Pre-tax SAR compensation expense recognized in 2007 was NOK 119 million. Cash paid during the year upon exercise and termination of SARs was NOK 200 million, excluding social security taxes. Pre-tax SAR compensation expense recognized in 2006 was NOK 98 million and cash paid during the year upon exercise of SARs during 2006 totaled NOK 55 million.

The fair value at grant date is measured using a Black-Scholes option pricing model. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Hydro's SARs may have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option. Information related to the measurement of the SAR fair value at grant date using the Black-Scholes model is given below, including the assumptions that were used to estimate the SAR fair value at grant date for the SARs granted in 2006. No SARs were granted in 2007.

Fair value at grant date [1)]

	2007	2006
Expected SAR life at grant date	-	3.5
Risk-free interest rate	-	3.93%
Expected volatility	-	27.67%
Expected dividend per share	-	4.00
Estimated weighted average fair value per SAR, NOK	-	31.97
Fair value of total SARs granted during fiscal year, NOK thousands	-	22,536

1) The disclosure of the fair value at grant date is for information purposes only, as Hydro's SARs are cash settled. Hydro accrued SAR expense based on the current fair value, pro-rata over the vesting period. Upon exercise, the total expense recognized over the life of the SAR is limited to the cash paid.

As of 31 December 2007 there were no SARs outstanding. Information related to SAR activity during 2007 and 2006 is given in the table below.

Share apreciation rights activity

Share Appreciation Rights [1]	SARs	Weighted average exercise price (NOK)	Exercise Price at Grant Date	Market Price at Grant Date [2]	Vesting period	Exercise period
Outstanding 1 January 2006	1,801,500	94.83				
Granted 1 July 2006	705,000		175.00	165.00	01.07.2006 - 30.06.2009	01.07.2009 - 30.06.2012
Exercised [3]	(436,500)	68.48				
Forfeited [4]	(82,500)	114.17				
Expired	-					
Outstanding 31 December 2006	1,987,500	128.26				
Exercisable 31 December 2006	175,000	64.32				
Granted in 2007	-					
Exercised [5]	710,000	87.59				
Terminated [6]	1,185,000	152.90				
Forfeited [4]	92,500	124.66				
Expired	-					
Outstanding 31 December 2007	-					
Exercisable 31 December 2007	-					

1) Previously reported number of SARs, exercise prices and market prices have been adjusted to reflect the 5-for-1 stock split effective 10 May 2006. Exercise prices and SAR prices have not been adjusted to reflect the change in the share price due to the demerger on 1 October 2007 of the oil and gas business to StatoilHydro as all SARs were exercised or terminated prior to 1 October 2007.
2) Close of day share prices.
3) Includes exercise of 2004 and 2005 granted SARs that vested upon retirement.
4) SARs forfeited in 2006 and 2007 relate to SAR holders terminating their employment with Hydro before SARs were vested.
5) Exercised SARs of 710, 000 consists of 175,000 SARs granted in 2003 that vested 30 June 2006 and 535,000 SARs granted in 2004 that vested 30 June 2007.
6) All SARs outstanding in 2007 that were granted in 2005 and 2006 were terminated. Terminated SARs of 1,185,000 consists of 517,500 SARs granted in 2005 that would have vested 30 June 2008 and 667,500 SARs granted in 2006 that would have vested 30 June 2009.

United Kingdom employee share-based compensation

In 1988, Hydro established a stock option share purchase program for employees in the United Kingdom. The stock option purchase program is organized in an independent trust. The trust acquired shares in the market at the time the options were granted. The last options were granted in July 2002 and the program will be operational until July 2012, when the last remaining options expire. No further options will be granted. The program consists of three different schemes following amendments to the original scheme rules.

Each year the employees were given the option to acquire a limited number of shares at a fixed price during a period from the third to the tenth year from the grant date. The exercise price of the shares equals the share price at the time the options were granted.

At 1 January 2006, 174,585 options were outstanding and the trust's balance of shares at 1 January 2006 was 614,580. During 2006, 26,985 options were exercised and 3,630 options expired.

At 1 January 2007, 143,970 options were outstanding and the trust's balance of shares at 1 January 2007 was 614,580. During 2007 114,947 options were exercised and 235 options expired.

On 1 October 2007, in connection with the demerger of Hydro's oil and gas business to StatoilHydro, the value of the options was reduced. The options remain options over Hydro shares only and do not give an option to purchase the StatoilHydro shares which were issued for each Hydro share to the trust. As of 31 December 2007 the trust's balance of Hydro shares was 534,580 and of StatoilHydro shares was 460,914. There were 28,788 options outstanding as of 31 December 2007.

Activity during 2007 is given in the table below.

UK employee share-based compensation

	Average number of shares	Strike price (NOK) [1]
Options outstanding as of 31 December 2006	143,970	70.66
Options exercised during 2007	(114,947)	62.16
Options expired during 2007	(235)	66.05
Options outstanding as of 31 December 2007	28,788	62.48

1) Presentation in NOK is based on a translation from GBP using the 31 December 2007 exchange rate of 10.810 and the 31 December 2006 exchange rate of 12.268 (unaudited).

Employee share purchase plan

Hydro has established a share purchase plan for employees in Norway. The plan payout is based on share price performance. Under the plan offered in 2007, eligible Hydro employees receive a NOK 1,500 share-purchase rebate to purchase NOK 7,500 of shares of Norsk Hydro ASA, which corresponds to a 20 percent discount from the market price. However, since shareholder return exceeded 12 percent in the period from 1 January to 31 December (the performance measurement period), employees received an additional rebate of NOK 4,500 in accordance with the plan, for a total rebate of NOK 6,000 on their purchase of NOK 12,000 of Norsk Hydro ASA shares. The total rebate of NOK 6,000 corresponds to a 50 percent discount from the market price.

Employees were eligible to receive an offer to purchase shares under this plan if they were 1) employed by Norsk Hydro ASA or a 90 percent or more owned Norwegian subsidiary, and 2) were employed as of 31 December through the final acceptance date of the share purchase offer.

Compensation expense related to the 2006 performance measurement period was accrued and recognized over the service period of 31 December 2006 through 4 April 2007, the final acceptance date of the offer.

The terms of the employee share purchase plan related to performance in 2007, to be offered in 2008, will be evaluated by the Board of Directors.

In 2006 and 2007 the participation rate of eligible employees in the employee share purchase plan was approximately 87 percent. Details related to the employee share purchase plan are given in the table below.

Employee share purchase plan

Performance measurement period	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006	01.01.2005 - 31.12.2005
Total shareholder return performance target achieved	≥12%	≥12%	≥12%
Employee rebate, NOK	6,000	6,000	6,000
Employee rebate, percent	50%	50%	50%

Share purchase plan compensation	**2007**	2006
Award share price, NOK	**97.73**	77.77
Number of shares issued, per employee	**61**	75
Total number of shares issued to employees	**621,895**	755,250
Compensation expense related to the award, NOK thousands	**60,778**	58,736

Employee benefit expense

The average number of employees for 2007 and 2006 was 28,928 and 33,185, respectively. As of year end 2007 and 2006 Hydro employed 24,692 and 33,605 people, respectively. The decrease in the number of employees is primarily due to the transfer of employees to StatoilHydro in connection with the demerger of the oil and gas activities on 1 October 2007. The specification of employee benefit expenses from continuing operations for 2007 and 2006 is given in the table below:

Employee benefit expense

Amounts in NOK million	**2007**	2006
Salaries	**9,102**	9,792
Social security costs	**2,077**	2,147
Social benefits	**361**	596
Net periodic pension cost (note 32)	**900**	879
Total	**12,440**	13,414

NOTE 12
Depreciation and amortization expense

Specification of depreciation and amortization by asset category:

Amounts in NOK million	**2007**	2006
Buildings	**459**	521
Machinery and equipment	**2,990**	3,635
Intangible assets	**136**	261
Depreciation and amortization from discontinued operations	**(177)**	(429)
Depreciation and amortization expense	**3,407**	3,987

NOTE 13
Impairment

Classification by asset category:

Amounts in NOK million	**2007**	2006
Impairment losses		
Property, plant and equipment	**150**	487
Intangible assets	**-**	41
Impairment reversals		
Property, plant and equipment	**(5)**	-
Total impairment of non-current assets	**145**	529

Classification by segment:

Amounts in NOK million	**2007**	2006
Impairment losses		
Aluminium Metal	**143**	77
Aluminium Products	**4**	451
Corporate, other and eliminations	**3**	-
Impairment reversals		
Aluminium Products	**(5)**	-
Total impairment of non-current assets	**145**	529

The impairment charges for 2007 is mainly related to remelters in Ellenville, New York and in St. Augustine, Florida.

In 2006 the impairment charges were mainly related to the operations in Malaysia and in the US. A renewed evaluation of the situation in Malaysia was carried out based on continuing operating losses. An impairment loss of NOK 150 million was recognized. In addition there were impairment losses of NOK 116 million related to the Ellenville extrusion plant and NOK 67 million related to the Ellenville remelter in the US.

See note 4 Critical accounting judgements and key sources of estimation uncertainty for information about impairment testing.

NOTE 14
Research and development

Total expensed research and development cost is NOK 507 million in 2007 and NOK 480 million in 2006. Research and development activities are intended to make production of aluminium more efficient. Improvement efforts revolve around electrolysis technology. In addition, research and development activities in focus on developing technologies within casthouse, extrusion, precision tubing and rolled products. Improvement efforts around alloy development are also prioritised.

To the extent development costs are directly contributing to the construction of a fixed asset, the development costs are capitalized as part of the asset provided all criteria for capitalizing the cost are met. Costs incurred during the preliminary project stage, as well as maintenance costs, are expensed as incurred. Other research and development costs are expensed as incurred, when they do not meet the criteria for capitalization.

NOTE 15
Operating leases

Total minimum future rentals due under non-cancellable operating leases are as follows:

Amounts in NOK million	Less than 1 year	1-5 years	Thereafter
Operating lease obligation	399	1,351	2,693

Operating lease expense

Operating lease expense for office space, machinery and equipment amounts to NOK 748 million for 2007 and NOK 795 million for 2006.

NOTE 16
Financial income and expense

Amounts in NOK million	2007	2006
Interest income	**1,228**	985
Net gain on securities	**37**	124
Dividends received	**138**	183
Financial income	**1,403**	1,292
Interest expense	**(415)**	(458)
Capitalized interest	**5**	25
Net foreign exchange gain (loss)	**2,254**	(148)
Other, net	**(39)**	8
Financial expense	**1,805**	(574)
Financial income (expense), net	**3,208**	718

NOTE 17
Income tax expense

Amounts in NOK million	2007	2006
Income from continuing operations before taxes and minority interests:		
Norway	**6,401**	3,805
Other countries	**5,832**	4,113
Total	**12,233**	7,918
Current taxes:		
Norway	**1,602**	1,253
Other countries	**1,565**	1,266
Current income tax expense	**3,167**	2,519
Deferred taxes:		
Norway	**502**	(254)
Other countries	**(594)**	(312)
Deferred tax expense (benefit)	**(92)**	(567)
Total income tax expense	**3,075**	1,952

Components of deferred income tax expense

Amounts in NOK million	2007	2006
Deferred tax expense (benefit), excluding items below	**130**	1
Benefit tax loss carryforwards	**(144)**	490
Effect of tax law changes	**(329)**	39
Net change not recognized tax asset	**182**	(746)
Tax expense (benefit) allocated to Other reserves	**70**	(351)
Deferred tax expense (benefit)	**(92)**	(567)

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Amounts in NOK million	2007	2006
Expected income taxes at statutory tax rate [1]	**3,425**	2,217
Hydro-electric power surtax [2]	**286**	120
Tax law changes	**(329)**	39
Losses and other deductions with no tax benefit	**366**	360
Non-deductable costs	**37**	50
Foreign tax rate differences	**(20)**	230
Tax free income	**(593)**	(401)
Dividend exclusions	**(28)**	(25)
Losses and other benefits not previously recognized	**(163)**	(770)
Other, net	**94**	132
Income tax expense	**3,075**	1,952
Effective tax rate	**25.1%**	24.6%

1) Norwegian nominal statutory tax rate is 28 percent.
2) 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 surtax increased in 2007 to 30 percent.

NOTE 18
Short-term investments

Amounts in NOK million	**2007**	2006
Bank, time deposits	**750**	12,950
Equity securities	**503**	646
Debt securities and other	**1,489**	1,423
Total short-term investments	**2,742**	15,020

NOTE 19
Accounts receivable

Amounts in NOK million	**2007**	2006
Accounts receivable, net of allowance for credit losses	**11,967**	14,328
VAT receivables	**1,446**	1,525
Other receivables	**2,151**	1,932
Accounts receivable	**15,564**	17,786
Allowance for credit losses		
1 January	**685**	638
Change in allowance for credit losses	**(135)**	54
Reclassified to asset held for sale	**(27)**	(10)
Foreign exchange adjustments	**(22)**	4
31 December	**502**	685

NOTE 20
Inventories

Amounts in NOK million	**2007**	2006
Raw materials	**4,255**	5,029
Work in progress	**2,359**	2,723
Finished goods	**5,614**	6,468
Inventories	**12,227**	14,220

All amounts are net of any write-downs. Raw materials include spare parts with a minor amount.

NOTE 21
Other financial assets and liabilities

Other current financial assets

Amounts in NOK million	**2007**	2006
Currency derivative instruments	**236**	768
Commodity derivative instruments	**729**	1,217
Cash flow hedging derivative instruments	**2**	380
Other current financial assets	**967**	2,365

Other non-current financial assets

Amounts in NOK million	**2007**	2006
Non-marketable equity securities	**1,150**	1,705
Employee loans	**446**	862
Currency derivative instruments	**66**	74
Commodity derivative instruments	**1,349**	1,241
Other financial assets	**1,329**	1,394
Other non-current financial assets	**4,341**	5,275

Other current financial liabilities

Amounts in NOK million	**2007**	2006
Currency derivative instruments	**42**	135
Commodity derivative instruments	**932**	1,633
Cash flow hedging derivative instruments	**183**	946
Other current financial liabilities	**1,157**	2,714

Other non-current financial liabilities

Amounts in NOK million	**2007**	2006
Commodity derivative instruments	**2,765**	1,873
Cash flow hedging derivative instruments	**30**	353
Other non-current financial liabilities	**2,795**	2,226

NOTE 22
Property, plant and equipment

Amounts in NOK million	Land	Buildings	Machinery and equipment	Plant under construction	Total
Cost					
1 January 2006	1,004	17,487	53,596	2,378	74,464
Additions	8	138	1,656	1,802	3,604
Disposals	(50)	(956)	(4,080)	(91)	(5,177)
Assets classified as held for sale	(59)	(570)	(2,610)	(172)	(3,411)
Transfers	(2)	292	2,350	(2,640)	-
Foreign currency translation effect	12	(83)	(205)	(36)	(312)
31 December 2006	913	16,307	50,705	1,243	69,169
Additions	6	182	1,209	2,325	3,723
Disposals	(20)	(376)	(2,579)	(471)	(3,445)
Assets classified as held for sale	(18)	(1,173)	(8,086)	(77)	(9,354)
Transfers	2	181	1,623	(1,805)	-
Foreign currency translation effect	(43)	(498)	(1,998)	(74)	(2,613)
31 December 2007	840	14,624	40,874	1,140	57,479
Accumulated depreciation and impairment					
1 January 2006	(1)	(8,167)	(30,474)	-	(38,641)
Depreciation for the year	-	(521)	(3,635)	-	(4,156)
Impairment losses	(18)	(18)	(452)	-	(487)
Disposals	18	918	3,977	-	4,913
Assets classified as held for sale	-	112	1,169	-	1,280
Transfers	-	2	(2)	-	-
Foreign currency translation effect	-	19	54	-	73
31 December 2006	(1)	(7,655)	(29,363)	-	(37,018)
Depreciation for the year	-	(459)	(2,990)	-	(3,449)
Impairment losses	-	(27)	(122)	-	(150)
Impairment reversals	-	-	5	-	5
Disposals	-	286	2,436	-	2,722
Assets classified as held for sale	-	753	5,207	-	5,960
Transfers	-	(25)	25	-	-
Foreign currency translation effect	-	171	1,030	-	1,201
31 December 2007	(1)	(6,956)	(23,772)	-	(30,728)
Carrying value					
31 December 2006	912	8,653	21,342	1,243	32,151
31 December 2007	840	7,668	17,102	1,140	26,750

NOTE 23
Intangible assets

Amounts in NOK million	Capitalized software systems	Other intangible assets	Total
Cost			
1 January 2006	812	2,082	2,894
Additions	85	24	109
Assets classified as held for sale	(108)	(211)	(318)
Disposals	(10)	(606)	(616)
Transfers	(13)	13	-
Foreign currency translation effect	20	30	50
31 December 2006	786	1,332	2,119
Additions	147	38	185
Assets classified as held for sale	-	(4)	(4)
Disposals	(13)	(75)	(89)
Transfers	26	(26)	-
Foreign currency translation effect	(30)	(36)	(66)
31 December 2007	916	1,228	2,144
Accumulated amortization and impairment			
1 January 2006	(530)	(1,564)	(2,095)
Amortization for the year	(103)	(158)	(261)
Impairment losses	(34)	(8)	(41)
Assets classified as held for sale	99	172	272
Disposals	10	607	617
Transfers	2	(2)	-
Foreign currency translation effect	(15)	(22)	(37)
31 December 2006	(570)	(975)	(1,544)
Amortization for the year	(84)	(52)	(136)
Assets classified as held for sale	-	4	4
Disposals	13	62	76
Transfers	(22)	22	-
Foreign currency translation effect	17	26	43
31 December 2007	(646)	(911)	(1,557)
Carrying value			
31 December 2006	217	358	574
31 December 2007	271	317	587

Intangible assets with indefinite useful lives are included in other intangible assets, with a carrying value of NOK 2 million and NOK 5 million as of 31 December 2007 and 2006, respectively.

NOTE 24
Goodwill

Amounts in NOK million	Aluminium Metal	Aluminium Products	Total
Cost			
1 January 2006	275	819	1,094
Acquisitions through business combinations	-	35	35
Goodwill derecognized	-	(2)	(2)
Assets classified as held for sale	-	(68)	(68)
Foreign currency translation effect	(16)	(19)	(34)
31 December 2006	260	766	1,026
Goodwill derecognized	-	(7)	(7)
Foreign currency translation effect	(33)	(59)	(92)
31 December 2007	226	700	926
Carrying value			
31 December 2006	260	766	1,026
31 December 2007	226	700	926

See note 4 Critical accounting judgements and key sources of estimation uncertainty, for information about the impairment testing of goodwill on an annual basis.

NOTE 25
Investments in associates

Investments in associates

Amounts in NOK million	Alunorte	Aluchemie	SKS Produksjon	NorSun	Ascent Solar	QVC	Other	Total
1 January 2006	2,368	537	380			512	342	4,140
Investments (sale), net	628						(43)	585
Hydro's share of net income (loss) [1]	630	12	27			13	52	733
Amortization and impairment [1]	(19)	(17)	(6)				(40)	(83)
Dividends and other payments received by Hydro	(55)	(3)	(23)				-	(80)
Foreign currency translation and other	(155)	14				(17)	9	(148)
31 December 2006	3,397	542	378	-	-	508	320	5,147
Investments (sale), net	294			150	119		13	576
Change in long-term advances, net	435						52	488
Hydro's share of net income (loss) [1]	807	14	31	(5)	(6)	84	76	1,000
Amortization and impairment [1]	(17)	(16)	(5)	(4)	(3)		3	(43)
Dividends and other payments received by Hydro	(136)	(7)	(18)				(18)	(179)
Foreign currency translation and other	188	(24)	(5)		(12)	(73)	(93)	(18)
Reclassified to assets held for sale [2]						(519)	(180)	(697)
31 December 2007	4,968	509	381	141	98	-	174	6,273

1) Share of net income relating to associates classified as assets held for sale in the balance sheet and discountinued operations in the income statement amounted to NOK 91 million in 2007 and NOK 37 million in 2006. Reversal of impairment amounted to NOK 8 million in 2007 and impairment in 2006 amounted to NOK 43 million.
2) Assciates owned by Polymers are classified as assets held for sale in balance sheet in 2007. These associates are classified as discontinued operations in the income statement.

Specification of associates

	Percentage owned by Hydro	Investments in and advances to associates		Hydro's current receivable (payable), net with associates [1]	
Amounts in NOK million, except ownership	**2007**	**2007**	2006	**2007**	2006
Alunorte	**34.0%**	**4,968**	3,397	**(240)**	-
Aluchemie	**36.2%**	**509**	542	**(9)**	(8)
SKS Produksjon	**20.9%**	**381**	378	**-**	-
NorSun	**16.2%**	**141**	-	**-**	-
Ascent Solar	**22.2%**	**98**	-	**-**	-
QVC	**29.7%**	**-**	508	**-**	1
Others		**174**	320	**(44)**	(19)
Total		**6,273**	5,147	**(293)**	(26)

1) Hydro's current receivables include receivable (payable) with associates owned by Polymers in 2007 and 2006.

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

Alumina do Norte do Brasil S.A. (Alunorte) is an alumina refinery located in Brazil. Hydro's ownership share is 34 percent. Hydro purchased alumina from Alunorte amounting to NOK 2,885 million, and NOK 2,751 million in 2007, and 2006, respectively. Pricing of Hydro's purchases from Alunorte is based on a percentage of aluminium prices as quoted on the LME. Hydro has right and obligation to purchase a share of Alunorte's offtake equal to it's percentage interest in the company. During 2007 Hydro has contributed capital in amount of NOK 296 million, and issued loans in amount of NOK 435 million, related to third expansion of the refinery. Alunorte is part of Aluminium Metal.

Aluminium & Chemie Rotterdam B.V. (Aluchemie) is an anode producer located in the Netherlands. Hydro owns 36.2 percent. Other shareholders include Rio Tinto Alcan (53.3 percent) and Søral (10.5 percent). Hydro purchased anodes from Aluchemie amounting to NOK 613 million in 2007 and NOK 587 million in 2006 on the basis of cost plus. Sales of butts from Hydro to Aluchemie amounted to NOK 102 million in 2007 and NOK 111 million in 2006. During 2007, Hydro issued loans to Aluchemie in the amount of NOK 34 million. Aluchemie is part of Aluminium Metal.

SKS Produksjon AS (SKS Produksjon) is a power producer located in Northern Norway. SKS Produksjon is owned 20.9 percent by Hydro and 79.1 percent by Salten Kraftsamband AS. There have not been any sales to or from Hydro in 2007. SKS Produksjon is part of Energy.

NorSun AS (NorSun) was established in 2005 and is engaged in production of mono crystalline wafers for the photovoltaic industry. It has currently one production facility in Vantaa, Finland, and is in the process of constructing a second plant in Årdal, Norway. Hydro owns 16.2 percent. Other main shareholders are Scatec with 25.8 percent and Good Energies with 20.0 percent. There have not been any material sales to or from Hydro in 2007. In February 2008, Hydro's ownership share increased to 18.4 percent through a disproportional capital contribution. NorSun is part of Energy.

Ascent Solar Technologies Inc. (Ascent Solar) is located in Denver, USA and listed on NASDAQ as a Development Stage Company and is engaged in development of thin-film photovoltaic modules. Hydro owns 22.2 percent. In addition, Hydro holds warrants exercisable until 11 July 2011 that gives Hydro the opportunity to acquire additional shares up to a total share holding of 35 percent. Other main shareholders are Quercus Trust with 15.2 percent and ITN with 7.4 percent. A cooperation agreement with Hydro was signed on 19 December 2007 to collaborate in the development of integrated photovoltaic products for the Building Industry. There have not been any sales to or from Hydro in 2007. The financial information for Ascent Solar has a three months lag to Hydro's reporting dates. Ascent Solar is part of Energy.

Hydro owns 29.7 percent of Qatar Vinyl Company Ltd. (QVC). QVC is part of Polymers, reported as assets held for sale.

Income statement data

Amounts in NOK million (unaudited)	**2007** [1]	2006 [1]
Revenues	**10,705**	10,371
Earnings before financial items and tax	**2,948**	2,763
Income before tax	**3,297**	2,768
Net income	**2,696**	2,096
Hydro's share of net income from contiuing operations	**908**	697

1) Both periods do not include associates owned by Polymers.

Balance sheet data

Amounts in NOK million (unaudited)	**2007** [1]	2006
Current assets	**3,948**	5,496
Non-current assets	**17,958**	17,890
Assets	**21,906**	23,386
Current liabilites	**2,524**	3,592
Non-current liabilities	**4,227**	6,772
Equity attributable to equity holders of parent	**15,155**	13,022
Minority interest	**-**	-
Liabilites and equity	**21,906**	23,386
Hydro's investments and advances	**6,273**	5,147

1) 2007 balance figures do not include associates owned by Polymers.

NOTE 26
Investments in jointly controlled entities

Amounts in NOK million	Alunorf	Søral	Qatalum	Alpart	Meridian	Noretyl	Other	Total
1 January 2006	1,375	708		324	688	394	933	4,423
Investments (sale), net				16			66	82
Change in long-term advances, net	353					(8)	(544)	(198)
Hydro's share of net income (loss) [1]	54	241			48	59	26	427
Amortization and impairment [1]	(56)				(238)		4	(289)
Dividends and other payments received by Hydro	(16)	(249)			(31)		(6)	(302)
Foreign currency translation and other	76	19		(26)	(35)		(115)	(81)
Reclassified to assets held for sale [2]							(279)	(279)
31 December 2006	1,786	719	-	315	433	445	85	3,783
Investments (sale), net			547	10	(440)		169	286
Change in long-term advances, net	(124)		153			(50)	(5)	(26)
Hydro's share of net income (loss) [1]	92	209	(68)		4	61	(11)	288
Amortization and impairment [1]	(56)						(28)	(84)
Dividends and other payments received by Hydro	(21)	(249)					(8)	(278)
Foreign currency translation and other	(61)		(17)	(44)	3		(6)	(126)
Reclassified to assets held for sale [2]						(456)	-	(456)
31 December 2007	1,616	679	615	281	-	-	197	3,387

1) Share of net income relating to jointly controlled entities classified as asset held for sale in the balance sheet and discountinued operations in the income statement amounted to NOK 61 million in 2007 and NOK 59 million in 2006. There were no amortization or impairment related to these investments in 2007 or 2006.
2) The jointly controlled entity Noretyl (owned by Polymers) is classified as asset held for sale in the balance sheet in 2007 and Castech is classified as assets held for sale in 2006. Noretyl is classified as discontinued operations in the income statement.

Specification of jointly controlled entities

	Percentage owned by Hydro	Investments in and advances to investees		Hydro's current receivable (payable), net with investees [1]	
Amounts NOK million, except ownership	**2007**	**2007**	2006	**2007**	2006
Alunorf	**50.0%**	**1,616**	1,786	**310**	262
Søral	**49.9%**	**679**	719	**(181)**	(178)
Qatalum	**50.0%**	**615**	-	**(15)**	-
Alpart	**35.0%**	**281**	315	**9**	-
Meridian	**0.0%**	**-**	433	**-**	-
Noretyl	**50.0%**	**-**	445	**54**	52
Others		**197**	85	**(62)**	116
Total		**3,387**	3,783	**114**	252

1) Hydro's current receivable (payable) include receivables with Noretyl in 2007. Noretyl and Castech are included in 2006.

Below a description of significant jointly controlled entities' business, owners, the nature of relationship with Hydro and related party transactions with Hydro. If applicable the description includes contractual and capital commitments, contingent liabilities and guarantees reported by the jointly controlled entity:

Aluminium Norf GmbH (Alunorf) the world's largest rolling mill is located in Germany. Alunorf is jointly owned by Hydro and Hindalco Industries (50 percent each). Through a tolling arrangement, each partner supplies Alunorf with raw material, which is transformed to flat rolled coils and delivered to the partners. Sales from Alunorf to Hydro amounted to NOK 1,527 million in 2007 and NOK 1,433 million in 2006. The tolling fee is based on cost recovery, in which each partner bears its share of cost. Hydro's capital and financing commitments are regulated in the Joint Venture agreement. Alunorf has investment commitments amounting to NOK 88 million as of December 31, 2007. Hydro's financing commitment based on its interest is NOK 44 million as of 31 December, 2007. Alunrof is part of Aluminium Products.

Sør-Norge Aluminium AS (Søral) is the fourth largest primary aluminium manufacturer in Norway located in Husnes, Hordaland. Hydro owns 49.9 percent and Rio Tinto Alcan 50 percent. Søral sells 50 percent of its production to each major owner at current market prices. Sale of aluminium from Søral to Hydro amounted to NOK 1,751 million in 2007 and NOK 1,531 million in 2006. Sale of alumina, metal and carbon from Hydro to Søral amounted to NOK 873 million in 2007 and NOK 568 million in 2006. Hydro's share of investment commitments in amounted to NOK 27 million as of 31 December, 2007. Søral is part of Aluminium Metal.

Qatar Aluminium Ltd. (Qatalum) is a jointly controlled entity established in August 2007. The owners of Qatalum are Hydro and Qatar Petroleum Ltd., each with an ownership of 50 percent. Qatalum will develop and construct an aluminium smelter and a power plant in Qatar with production capacity of 580,000 mt. Planned production start-up is by the end of 2009. During construction and start-up phase Hydro will deliver expertise and Technology to the project. Several agreements have been established to regulate the deliveries of services between Hydro and Qatalum; Technical Services Agreement, Project Management Agreement and Technology Licence Agreement. Sales from Hydro to Qatalum were NOK 40 million in 2007.

Hydro has entered in to agreements with Qatalum, in which it is committed to sell fixed quantities of alumina and purchase all products from Qatalum from commencement of production. Pricing is market based.

Hydro is in connection with the Joint Venture agreement with Qatar Petroleum Ltd. committed to finance Qatalum on the basis of its percentage share for capital requirements exceeding those covered through external financing. Qatalum is currently bound by several agreements in connection with both the construction of the plant and in connection with raw material purchases (e.g. natural gas from Qatar Petroleum, alumina, etc.) upon commencement of production. In addition a long term land lease is currently effective. Total investment costs for the project are estimated at USD 5,6 billion (for the entire joint venture). As of 31 December, 2007, construction and development of the primary aluminium plant was 9 percent completed. Substantially all of the total estimated investment costs are represented by contractual commitments as of 31 December, 2007. Qatalum is part of Aluminium Metal.

Alumina Partners of Jamaica (Alpart) is an alumina refinery located in Jamaica. Hydro's ownership share is 35 percent. Hydro is committed through the shareholder agreement to purchase alumina in relation to its ownership interest in Alpart, and on the basis of cost recovery. Purchases in 2007 and 2006 amounted to USD 149 million and USD 134 million, respectively. Hydro has in 2007 sold caustic soda to Alpart in the amount of USD 8,6 million. Hydro's capital commitments are regulated in the shareholder agreement. Hydro is committed to financing capital expenditures on the basis of its ownership interest. Alpart is part of Aluminium Metal.

Meridian Technologies Inc. (Meridian). Hydro's shares in Meridian were sold at the end of February 2007. Meridian was part of Aluminium Products.

Hydro owns 50 percent of Noretyl AS (Noretyl). Noretyl is part of Polymers, reported as assets held for sale.

Income statement data

Amounts in NOK million (unaudited)	**2007** [1]	2006 [2]
Revenues	**7,757**	10,162
Earnings before financial items and tax	**687**	1,010
Income before tax	**590**	947
Net income	**453**	673
Hydro's share of net income continuing operations	**228**	330

1) Noretyl is not included in 2007.
2) Noretyl is not included in 2006. Castech is included in 2006.

Balance sheet data

Amounts in NOK million (unaudited)	**2007** [1]	2006 [2]
Current assets	**3,965**	4,872
Non-current assets	**8,373**	8,456
Assets	**12,337**	13,328
Current liabilites	**3,286**	3,223
Non-current liabilities	**3,887**	4,533
Equity attributable to equity holders of parent	**5,164**	5,537
Minority interest	**-**	35
Liabilites and equity	**12,337**	13,328
Hydro's investments and advances	**3,387**	3,783

1) 2007 balance figures exclude Noretyl.
2) 2006 balance figures exclude Castech.

NOTE 27
Jointly owned assets

Hydro is involved in certain assets where the legal ownership takes various forms of undivided direct ownership in the assets, and where operational and strategic decisions are made by supermajority among the owners. These arrangements are not joint ventures as defined by IFRS. Hydro accounts for its relative share of assets, liabilities, expenses and, where relevant, revenues related to these arrangements. Assets, liabilities, revenues and expenses are classified with other items of the same nature incurred as part of Hydro's controlled operations.

The most significant of these arrangements are Hydro's 20 percent ownership in the Alouette plant in Canada, and the 12.4 percent ownership in the Tomago plant in Australia. Both plants produce primary aluminium. Hydro provides alumina relative to its share of the m etal production, and receives produced metal for further processing or sale through Hydro's Metal operation. Other costs of operations, including power consumption and labor, are incurred on a joint basis by the owners.

The following key figures represent the impact of these two arrangements:

Amounts in NOK million	**2007**	2006
Current assets	**137**	151
Property, plant and equipment	**2,451**	2,969
Jointly owned assets	**2,588**	3,120
Current liabilites	**49**	55
Non-current liabilities	**87**	83
Total liabilities	**136**	138
Share of expenses	**1,056**	952
Depreciation and amortization	**224**	236
Expenses included in EBIT	**1,280**	1,188
Produced volume (kmt)	**179**	178

NOTE 28
Bank loans and other interest-bearing short-term debt

Amounts in NOK million, except interest rates	**Weighted average interest rates 2007**	**2007**	2006
Bank loans and overdraft facilities	**6.4%**	**176**	194
Other interest bearing short-term debt	**4.4%**	**798**	1,891
Current portion of long-term debt	**-**	**71**	424
Bank loans and other interest-bearing short-term debt		**1,045**	2,509

As of 31 December 2007, Norsk Hydro ASA had unused short-term credit facilities with various banks totaling NOK 1,676 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.

NOTE 29
Trade and other payables

Amounts in NOK million	**2007**	2006
Accounts payable	**8,457**	9,718
Payroll and value added taxes	**2,016**	2,185
Accrued liabilities and other payables	**2,438**	2,617
Trade and other payables	**12,911**	14,521

NOTE 30
Long-term debt

Long-term debt payable in various currencies Amounts in NOK million, except interest rates	Weighted average interest rates	Denominated amount 2007	Balance in NOK 2007	Balance in NOK 2006
USD	5.7%	38	**206**	298
EUR	3.6%	2	**19**	28
Other	6.7%		**80**	79
Total unsecured bank loans			**306**	405
Finance lease obligations			**2**	5
Mortgage loans			**5**	14
Other long-term debt			**21**	368
Outstanding debt			**334**	792
Less: Current portion			**(71)**	(424)
Total long-term debt			**263**	367

As of 31 December 2007 the fair value of long-term debt equals the carrying value.
Foreign currency swaps are not reflected in the table above. (See note 42 Derivative instruments and hedge accounting).

Payments on long-term debt fall due as follows

Amounts in NOK million	Bank-loans	Finance lease and other	Total
2008	60	11	71
2009	66	3	69
2010	128	4	132
2011	52	5	57
2012	-	3	4
Thereafter	-	2	2
Total	306	28	334

In 2007 Norsk Hydro ASA replaced the USD 2,000 million credit facility from 2005, with a new USD 1,700 million, seven-year revolving multi-currency credit facility with a syndicate of international banks. The commitment fee on the facility is 0.06 percent per annum for the first five years, and 0.0675 percent thereafter. There is no borrowing under this facility as of 31 December 2007.

Secured debt

Amounts in NOK million	2007	2006
Amount of secured debt	**5**	14
Assets used as security:		
Machinery and equipment	**34**	29
Buildings	**46**	56
Other	**2**	3
Total	**83**	88

NOTE 31
Provisions

Amounts in NOK million	2007 Short-term	2007 Long-term	2007 Total	2006 Short-term	2006 Long-term	2006 Total
Warranties	**110**	**-**	**110**	141	-	141
Exit and disposal activities	**262**	**42**	**303**	265	183	448
Environmental clean-up	**57**	**137**	**194**	76	100	176
Asset retirement obligations	**32**	**570**	**603**	64	740	804
Share-based compensation	**-**	**-**	**-**	20	71	91
Other	**420**	**4**	**424**	507	6	512
Provisions	**882**	**752**	**1,634**	1,072	1,101	2,173

Amounts in NOK million	Warranties	Exit and disposal activities	Environmental clean-up	Asset retirement obligations	Other	Total
31 December 2006	141	448	176	804	512	2,081
Additions	94	213	43	87	329	766
Used during the year	(44)	(311)	(17)	(62)	(251)	(685)
Reversal of unused provisions	(76)	(25)	(2)	(20)	(120)	(244)
Accretion expense and effect of change in discount rate	-	-	-	9	-	9
Transfers	-	-	21	(21)	-	-
Foreign currency translation	(5)	(21)	(4)	(32)	(9)	(70)
Classified as liabilities included in disposal groups	-	-	(24)	(162)	(37)	(223)
31 December 2007	110	303	194	603	424	1,634

Exit and disposal activities include demanning costs, demolition costs and certain other costs. More than 50 percent of the payments related to the provision for environmental clean-up are expected to be made the first two years, some payments the next three years, and more than 25 percent is expected to be paid later than 2012. Asset retirement obligations related to relining of the smelters, are going to be paid out in one to six years. Payments related to other asset retirement obligations are usually paid at the time of plant closure. For more information about environmental clean-up and asset retirement obligations, see note 4 Critical accounting judgments and key sources of estimations of uncertainty. Other provisions include performance related pay to be paid in spring 2008. Share-based compensation is described in note 11 Employee and management remuneration.

NOTE 32
Employee retirement plans

Pension Benefits

Norsk Hydro ASA and many of its subsidiaries have defined benefit retirement plans that 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	**2007**	2006
Defined benefit plans:		
Benefits earned during the year, net of participants' contributions	**560**	541
Interest cost on prior period benefit obligation	**945**	837
Expected return on plan assets	**(872)**	(721)
Recognized loss	**3**	-
Past service cost	**30**	32
Curtailment gain	**(5)**	(78)
Settlement (gain) loss	**(3)**	(5)
Net periodic pension cost	**658**	605
Defined contribution plans	**24**	25
Multiemployer plans	**1**	-
Termination benefits and other	**218**	248
Total net periodic pension cost	**900**	879

Change in projected benefit obligation (PBO)

Amounts in NOK million	**2007**	2006
Projected benefit obligation at beginning of year	**(23,695)**	(22,394)
Benefits earned during the year	**(630)**	(612)
Interest cost on prior period benefit obligation	**(1,042)**	(922)
Actuarial gain (loss)	**1,070**	(419)
Plan amendments	**(20)**	(22)
Benefits paid	**967**	845
Curtailment gain	**54**	78
Settlements	**(3)**	(5)
Special termination benefits	**(9)**	(10)
Divestments	**283**	20
Assets Held for Sale	**1,838**	-
Foreign currency translation	**603**	(253)
Projected benefit obligation at end of year	**(20,584)**	(23,695)

Change in pension plan assets

Amounts in NOK million	**2007**	2006
Fair value of plan assets at beginning of year	**16,843**	14,599
Actual return on plan assets	**1,502**	1,602
Company contributions	**366**	1,070
Plan participants' contributions	**22**	21
Benefits paid	**(674)**	(560)
Settlements	**(36)**	1
Divestments	**(221)**	(12)
Assets Held for Sale	**(1,746)**	-
Foreign currency translation	**(475)**	122
Fair value of plan assets at end of year	**15,579**	16,843

Status of pension plans reconciled to balance sheet

Amounts in NOK million	**2007**	2006
Defined benefit plans:		
Funded status of the plans at end of year	**(5,005)**	(6,853)
Unrecognized net (gain) loss	**(1,893)**	(462)
Past service cost	**5**	16
Net accrued pension recognized	**(6,893)**	(7,298)
Termination benefits and other	**(780)**	(881)
Total net accrued pension recognized	**(7,674)**	(8,179)
Amounts recognized in the balance sheet consist of:		
Prepaid pension	**1,246**	1,085
Accrued pension liabilities	**(8,920)**	(9,264)
Net amount recognized	**(7,674)**	(8,179)

Weighted-average assumptions used to determine net periodic pension cost

	2007	2006
Discount rate	**4.5%**	4.2%
Expected return on plan assets	**5.9%**	5.6%
Rate of compensation increase	**3.4%**	3.1%

Weighted-average assumptions used to determine pension obligation at end of year

	2007	2006
Discount rate	**5.0%**	4.5%
Rate of compensation increase	**3.7%**	3.4%

Analysis of projected benefit obligation (PBO)

Amounts in NOK million	2007	2006
PBO arising from plans that are wholly or partly funded	**(13,921)**	(16,572)
PBO arising from plans that are unfunded	**(6,664)**	(7,124)
Total PBO	**(20,584)**	(23,695)

Weighted-average investment profile plan assets at end of year

Asset category		Target Allocation
Equity securities	**37%**	23-41%
Debt securities	**32%**	26-51%
Real estate	**17%**	18%
Other	**14%**	8-15%
Total	**100%**	

Management of plan assets must comply with applicable laws and regulations in the countries where Hydro provides funded defined benefit plans. Within constraints imposed by laws and regulations, and given the assumed pension obligations and future contribution rates, the majority of assets are managed actively to obtain a long-term rate of return that at least reflects the chosen investment risk.

Based on the current portfolio of plan assets the expected rate of return on plan assets is determined to be one to two percentage points above the yield on a portfolio of long-term high-quality debt instruments that receive one of the two highest ratings given by a recognized rating agency.

Social security tax imposed on pensions has been recognized and accrued for where applicable, together with social security tax imposed on other personnel benefits, and has not been treated as pensions.

Total pension benefit payments expected to be paid to participants, which include payments funded from Hydro's assets as well as payments paid from the plans are as follows:

Other Retirement Benefits

Hydro has unfunded retiree medical and life insurance plans for certain of its employees outside Norway. Related net periodic postretirement cost was NOK 9 million in 2007 and NOK 12 million in 2006. The post retirement liability as of 31 December, 2007 was NOK 120 million and NOK 143 million in 2006.

NOTE 33
Deferred tax

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 2007 and 31 December 2006:

Amounts in NOK million	**Asset 2007**	**Liabilities 2007**	Asset 2006	Liabilities 2006
Marketable securities	**10**	**-**	14	-
Inventory valuation	**209**	**(313)**	192	(601)
Accrued expenses	**2,068**	**(1,862)**	2,245	(1,505)
Unrealized exchange (gains) losses	**77**	**(1,522)**	585	(1,672)
Property, plant and equipment	**4,445**	**(5,425)**	3,474	(5,642)
Ground rent surtax	**306**	**-**	266	-
Capitalized interest	**-**	**(79)**	-	(126)
Other non-current assets	**287**	**(377)**	318	(437)
Pensions	**1,697**	**(416)**	2,921	(1,479)
Deferred (gains) losses on sales	**22**	**(622)**	27	(192)
Derivatives	**778**	**(734)**	1,192	(1,023)
Cash Flow Hedges	**76**	**(31)**	306	(38)
Other	**336**	**(249)**	328	(276)
Tax effect tax loss carryforwards	**1,109**	**-**	1,094	-
Subtotal	**11,420**	**(11,630)**	12,962	(12,990)
Of which not recognized as tax asset	**(1,073)**		(1,030)	
Gross deferred tax assets and liabilities	**10,347**	**(11,630)**	11,932	(12,990)

At the end of 2007, Hydro had tax loss carryforwards of NOK 2,898 million, primarily in the United States, Malaysia, Jamaica, Spain, Brazil, Italy and Belgium. Carry forward amounts expire as follows:

Amounts in NOK million	
2008	48
2009	5
2010	72
2011	175
2012	399
After 2012	842
Without expiration	1,357
Total tax loss carryforwards	2,898

NOTE 34
Shareholders' equity

Share capital

On 5 July 2007 an extraordinary General Meeting approved the plan for the demerger of Norsk Hydro ASA as part of the merger of Norsk Hydro ASA's oil and gas activities with Statoil ASA. The extraordinary General Meeting also approved a capital reduction to be effected before completion of the merger with the cancellation of 21,627,000 treasury shares and the redemption of 16,871,506 shares owned by the Ministry of Trade and Industry in Norway. The Ministry agreed to participate in the redemption in order to leave its ownership interest unchanged, and received a compensation of NOK 2,763 million. The cancellation and redemption were completed in September 2007. As a result of the demerger the par value of each share was reduced from NOK 3.66 to NOK 1.098.

On 9 May 2006 the Annual General Meeting approved a share split whereby one old Hydro share with a nominal value of NOK 18.30 was split into five new shares with a nominal value of NOK 3.66. The share split was effective on 10 May 2006. The Annual General Meeting also approved a reduction in share capital by means of the cancellation of 4,672,000 treas-

ury shares and the redemption of 3,644,685 shares owned by the Ministry of Trade and Industry. The Ministry's ownership interest remained unchanged, and the compensation to the Ministry was NOK 471 million. The cancellation and redemption were completed in July 2006.

Norsk Hydro ASA had authorized and issued 1,247,956,949 ordinary shares as of 31 December 2007 and 1,286,455,455 ordinary shares as of 31 December 2006. The number of outstanding shares was 1,209,304,379 as of 31 December 2007 and 1,226,175,885 as of 31 December 2006. The weighted average number of outstanding shares used for calculating basic and diluted earnings per share was 1,221,195,650 for the year 2007 and 1,240,804,344 for 2006.

Treasury shares

Norsk Hydro ASA had 38,652,570 treasury shares as of 31 December 2007 and 60,279,570 treasury shares as of 31 December 2006. Total buyback of shares was 621,895 in 2007 and 21,627,000 in 2006. Shares reissued to employees were 621,895 in 2007 and 755,250 in 2006. The number of treasury shares cancelled was 21,627,000 in 2007 and 4,672,000 in 2006. The remaining 38,652,570 treasury shares may, pursuant to the decision of the General Meeting at the time these shares were acquired, 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. The treasury shares amount per 31 December 2007 of NOK 4,283 million was comprised of NOK 42 million share capital and NOK 4,241 million retained earnings, and the treasury shares amount of NOK 6,624 million per 31 December 2006 was comprised of NOK 221 million share capital and NOK 6,404 million retained earnings.

The extraordinary General Meeting on 5 July 2007 authorized a buyback of 621,895 shares in the market in a price interval of NOK 100 to NOK 300. The authorization applied from 5 July until 30 September 2007, and the shares were used for the purpose of fulfillment of the share purchase program for employees.

Demerger

Hydro's equity was reduced by NOK 47,089 million as a result of the demerger. Par value of the shares was reduced by 70 percent from NOK 3.66 to NOK 1.098 per share reducing the share capital by NOK 3,197 million from NOK 4,568 million to NOK 1,370 million. Additional paid-in capital was reduced by NOK 6,727 million, which corresponds to 70 percent of additional paid-in capital as of 1 January 2007.

Retained earnings were reduced by NOK 41,339 million. This amount represents the portion of assets, rights and obligations transferred to StatoilHydro which exceeds the reduction in share capital and additional paid-in capital.

Other reserves related to the oil and gas activities transferred to StatoilHydro upon completion of the merger amounted to NOK 4,174 million. This NOK 4,174 million consists of accumulated currency translation differences of NOK (4,349) million and net unrealized gains on long-term marketable equity securities of NOK 175 million.

Change in Other reserves

The table below specifies the changes in Other reserves for 2007 and 2006.

	2007			2006		
Amounts in NOK million	**Pretax**	**Tax**	**Net of tax**	Pretax	Tax	Net of tax
Currency translation differences						
Currency translation differences during the year	**(4,390)**	**-**	**(4,390)**	(1,425)	-	(1,425)
Companies sold	**112**	**-**	**112**	24	-	24
Net currency translation differences	**(4,279)**	**-**	**(4,279)**	(1,401)	-	(1,401)
Unrealized gain (loss) on securities						
Unrealized gain (loss) on securities	**(449)**	**154**	**(295)**	(137)	54	(84)
Cash flow hedges - see note 42 Derivative instruments/Hedge accounting						
Period gain (loss) booked into equity	**152**	**(41)**	**111**	(1,548)	431	(1,117)
Reclassification of hedging gain	**656**	**(183)**	**474**	479	(134)	345
Net change cash flow hedges	**809**	**(224)**	**585**	(1,069)	297	(772)

NOTE 35
Capital management

Hydro's capital management policy is to maintain a strong financial position and an investment grade credit rating. Capital is defined and managed using the measures Adjusted net interest-bearing debt, Adjusted net interest-bearing debt to Adjusted equity and Adjusted funds from operations to Adjusted net interest-bearing debt.

Hydro currently has an investment grade credit rating from the leading rating agencies, Standard & Poor's (BBB) and Moody's (Baa1). To maintain this credit rating, Hydro intends to keep Adjusted funds from operations of at least 40 percent of Adjusted net interest-bearing debt, and an Adjusted net interest-bearing debt to Adjusted equity ratio of 55 percent. Investments during 2007 were financed through drawing on accumulated cash positions, primarily generated from operations and divestments.

Hydro intends to use its access to the multiple national and international bond markets as its primary source for external funding of long-term capital requirements, as has been done in the past. The last time Hydro issued shares was in connection with the acquisition of Saga Petroleum ASA in 1999. On 1 October 2007 all outstanding bond debt was transferred to and assumed by StatoilHydro ASA on existing terms, in connection with the demerger of Hydro's oil and gas activities. In July 2007, Hydro replaced the existing USD 2 billion credit facility with a new USD 1.7 billion seven-year multi-currency revolving credit facility with a syndicate of banks. The facility is for general corporate purposes, and provides readily available and flexible long-term funding. As of 31 December 2007 this credit facility was fully undrawn. See note 30 Long-term debt for additional information.

Any borrowings under the revolving facility will be unsecured, but the agreement contains provisions restricting the pledging of assets in Norsk Hydro ASA to secure future borrowings without granting equivalent status to existing lenders. The agreement further contains cross-default provisions under which a default under any other loan, indebtedness or other obligation for borrowed money on the part of Hydro would trigger a default under that debt agreement. The cross-default provisions are generally limited to borrowing obligations of Norsk Hydro ASA or any of its principal subsidiaries (defined to mean any wholly-owned subsidiary the gross assets of which represent more than 10 percent of the consolidated gross assets of Hydro), and require that the indebtedness in default under another agreement be greater than USD 100 million. The debt agreement contains no financial ratio covenants and no provisions connected to the value of underlying assets. The agreement contains a change of control clause whereby a defined change of ownership combined with downgrading of credit rating would give the banks a right to demand repayment of any outstanding debt under the agreement.

It is Hydro's intention to use these terms for any future bond issues or bank financing.

Hydro manages its liquidity at the corporate level, ensuring sufficient liquidity to cover group operational requirements. In addition, Hydro has multiple short-term borrowing facilities supporting our ability to raise funds at a short notice. As of 31 December 2007, Hydro had short-term credit facilities totaling approximately NOK 1.7 billion. There were no borrowings under any of these agreements as of 31 December 2007. See note 28 Bank loans and other interest-bearing short-term debt for additional information.

Hydro normally borrows on the corporate level and extends loans or an equity investment to wholly-owned subsidiaries to fund capital requirements within the group. When partially–owned subsidiaries or investments in associates and jointly controlled entities are financed, it is Hydro policy to finance according to ownership share and on equal terms with the other owners. All financing of subsidiaries and equity investments is at arm's-length and according to prudent business principles. Project financing may be used in certain cases, with the primary objective generally being to achieve risk mitigation while also taking into account partnership and other relevant considerations. Hydro's ongoing development of the aluminium smelter in Qatar, through Qatalum, will, in addition to equity from the owners, be financed through a USD 2.6 billion syndicated bank facility. The facility is with limited recourse to Hydro during development of the project and without recourse to Hydro after completion of the project. Qatar Aluminium Ltd. signed the bank facility in August 2007. See note 37 Guarantees for additional information.

Shareholder return consists of dividends and share price development, and long-term is a measure of the value created by Hydro for our owners. Our dividend policy is to pay an average of 30 percent of net income over time in dividends to our shareholders. The dividend for a specific year is determined after taking into consideration expected future earnings, future investment opportunities, the outlook for world commodity markets and Hydro's current financial position. Share buybacks or extraordinary dividends may be used to supplement dividends during periods of strong financials, due consideration being given to the commodity cycle and capital requirements for future growth. The total dividend payout reflects Hydro's goal to give shareholders a competitive return benchmarked against alternative investments in comparable companies. See note 36 Dividends for additional information.

In May 2006 the General Assembly authorized a share buy-back program of up to 40 million shares, including the Ministry of Trade and Industry's relative share. Shares at a total value of NOK 3.6 billion were bought in the market during 2006, whereas the cash redemption of the Ministry's relative share of NOK 2.8 billion and the subsequent cancellation of all of the shares took place in September 2007. See note 34 Shareholders' equity and note 46 Related party information for additional information.

The Adjusted net debt/Adjusted equity ratio is comprised of Adjusted net interest-bearing debt divided by Adjusted equity. Adjusted net interest-bearing debt is defined as net interest-bearing debt, plus net unfunded pension obligations, after tax, the present value of operating lease obligations and long-term debt held by equity accounted investments.

Net interest-bearing debt is comprised of interest-bearing debt less cash and cash equivalents and short-term investments. Hydro uses net interest-bearing debt to calculate the Adjusted net interest-bearing debt/Adjusted equity ratio in order to reflect the considerable variances in ability to assume additional debt from changes in cash holdings over time.

Net interest-bearing debt is adjusted for the estimated effects of changes in the fair value of net pension liabilities. Under Hydro's elected accounting principles, this liability is not necessarily fully recognized in the balance sheet. Hydro also adjusts Net interest-bearing debt for liabilities relating to operating lease agreements. Additionally, Hydro adjusts Net interest-bearing debt for the long-term debt held by companies in which Hydro has an equity investment and are accounted for using the equity method. Both the pension and leasing obligations described above are considered debt-like in nature, and therefore affect Hydro's ability to incur additional debt. Similarly, the indebtedness of equity accounted investments affects their net income and net cash flows, and thereby also affects Hydro's ability to assume additional debt.

Adjusted equity consists of equity, including minority interests, less unrecorded pension liabilities which are not reflected in equity under IFRS. The adjustment is net of the expected income tax benefit. No adjustment is made for operating lease agreements because the value of the right to use leased assets is considered to be similar to the payment obligation.

The measurement of the Adjusted net debt/Adjusted equity ratio as described above is considered important to measure Hydro's financial position. Since market conditions may result in significant differences between pension liabilities recognized under Hydro's accounting principles and the fair value of these liabilities, and because leases represent commitments affecting Hydro's financial capacity going forward, these adjustments add information value when measuring Hydro's financial position. The Adjusted debt/Adjusted equity ratio is calculated by Hydro using similar methodology as the major credit rating agencies, and we believe it helps management and investors to evaluate potential changes in credit rating.

Management makes regular use of the Adjusted net interest-bearing debt/Adjusted equity ratio in its assessment of Hydro's financial stability and ability to incur new debt. However, this measure does not recognize the fact that cash may not be available for debt repayments, but may be required for operational needs including tax payments on periodic results, contractual obligations or necessary investments. Management therefore also uses Adjusted funds from operations and the ratio Adjusted funds from operations/Adjusted net interest-bearing debt as a measure of Hydro's financial position. Adjusted funds from operations is net income adjusted for depreciation, amortization, deferred tax expense/income and depreciation and amortization recognized by equity accounted investments.

Adjusted net interest-bearing debt, Adjusted equity, Adjusted funds from operations and Adjusted net interest-bearing debt/Adjusted equity ratio are presented in the following table.

Adjusted net interest-bearing debt to equity

NOK million, except ratio	31 December 2007	2006
Cash and cash equivalents	**9,330**	6,609
Short-term investments	**2,742**	15,020
Bank loans and other interest-bearing short-term debt	**(1,045)**	(2,509)
Long-term debt	**(263)**	(367)
Demerger debt	**-**	(18,196)
Net interest-bearing debt	**10,764**	556
Net pension liability at fair value	**(5,785)**	(7,727)
Expected income tax benefit on pension liability	**1,736**	2,318
Operating lease commitments [1]	**(744)**	(1,548)
Interest-bearing debt equity accounted investments [2]	**(3,283)**	(3,126)
Adjusted net interest-bearing debt	**2,687**	(9,526)
Total equity	**(55,008)**	(96,601)
Net pension assets not recognized	**(1,889)**	(452)
Expected income tax benefit (liability)	**567**	136
Equity adjustment off-balance sheet pension liabilities	**(1,322)**	(317)
Adjusted equity	**(56,330)**	(96,918)
Adjusted net interest-bearing debt / Adjusted equity ratio	**(0.05)**	0.10

1) Operating lease commitments are discounted using a rate of 5.5% and 5.0% for 2007 and 2006, respectively.
2) Interest-bearing debt equity accounted investments represents Hydro's implicit indebtedness due to the fact that the equity accounted investments have substantial long-term interest-bearing debt on their balance sheets not reflected in the Hydro group accounts.

Funds from operations

NOK million	2007	2006
Net income	**18,604**	17,933
Depreciation, amortization and impairment losses [1]	**3,717**	4,844
Deferred income taxes	**44**	(729)
Funds from operations	**22,365**	22,048
Depreciation and amortization equity accounted investments [2]	**428**	373
Adjusted funds from operations	**22,794**	22,421

1) Depreciation, amortization and impairment losses includes amortization of excess values related to Hydro's equity accounted investments.
2) Depreciation and amortization equity accounted investments is Hydro's percentage share of the depreciation and amortization recognized in the financial statements of the equity accounted investments.

NOTE 36
Dividends

Hydro's Board of Directors' normally proposes a dividend per share in connection with the annual accounts that are published in March each year. The Annual General Meeting considers this proposal, normally in May, and the approved dividend is then paid to the shareholders. Dividends are paid once each calendar year; generally occurring in May. For non-Norwegian shareholders, Norwegian withholding tax will be deducted at source in accordance with the applicable Norwegian tax regulations. For additional information related to Hydro's dividend and shareholder policy see note 35 Capital management.

For fiscal year 2007 the Board of Directors' has proposed a dividend of NOK 5.00 per share to be paid in May 2008, consisting of NOK 1.50 in ordinary dividend and NOK 3.50 in extraordinary dividend. The Annual General Meeting scheduled to be held 6 May 2008 will consider this dividend proposal. If approved, this would be a total dividend of approximately NOK 6,047 million.

In accordance with IFRS, the fiscal year 2007 proposed dividend is not recognized as a liability in the 2007 financial statements.

Dividends declared and paid in 2007 and 2006 for the prior fiscal year, respectively, are as follows:

	2007	2006
Dividend per share paid, NOK	**5.00**	4.40
Total dividends paid, NOK million	**6,134**	5,506
Date proposed	**19 February 2007**	14 February 2006
Date approved	**8 May 2007**	9 May 2006
Dividend payment date	**21 May 2007**	23 May 2006

NOTE 37
Guarantees

Amounts in NOK million	**2007**	2006
Guarantees (off-balance sheet):		
Guarantees related to associates	**-**	10
Guarantees related to jointly controlled entities	**7,108**	142
Sales guarantees	**3,591**	2,920
Other guarantees	**65**	-
Total	**10,764**	3,072

Guarantees in respect of jointly controlled entities primarily relates to Qatar Aluminium Ltd. (Qatalum). Qatalum has secured USD 2.6 billion in debt to finance project costs during construction of the aluminum smelter and the power plant. Qatar Petroleum and Hydro have issued a completion guarantee in favor of the lenders on a pro rata (50/50) but not joint basis. The guarantee covers due and punctual payment of interest and repayments. The guarantee terminates when a set of objective criteria related to the completion of the project has been fulfilled. The amount included in the table above of NOK 7 billion plus accrued interest and fees represents the maximum exposure under the guarantee when the facility is fully drawn. The current exposure based on outstanding debt under the credit facility as of 31 December 2007 is approximately NOK 750 million. In addition, performance guarantees have been given in line with Hydro's ownership interest for the due and punctual performance by Qatalum in favor of two contractors. The guarantees expire when completion certificates have been issued by Qatalum, planned in the third quarter of 2010. One of the guarantees is unspecified in amount and is not included in the table above.

Guarantees in connection with the sale of companies, referred to as sales guarantees in the table above, reflect the maximum contractual amount that Hydro could be liable for in the event of certain defaults or the realization of specific uncertainties. In addition, Hydro has certain guarantees relating to sales of companies that are unspecified in amount and unlimited in time. No amounts relating to such guarantees are included in the table above. Other guarantees primarily relate to guarantees in respect of companies sold during 2007, were the guarantee has not yet been replaced by the acquiring company. Hydro believes that the likelihood of any material liability arising from guarantees relating to sales of companies is remote. Historically, Hydro has not made any significant indemnification payments under such guarantees and no amount has been accrued in the consolidated financial statements. Hydro estimates that the fair value of guarantees related to sale of companies is immaterial.

For guarantees made directly or on behalf of subsidiaries by the parent company, Norsk Hydro ASA, in the normal course of business refer to note 11 Guarantees in the financial statements to Norsk Hydro ASA.

NOTE 38
Contingent liabilities and contingent assets

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.

Hydro has certain joint liabilities under Norwegian statutory regulations following from demergers. Under the Norwegian public limited companies act section 14-11, Hydro and StatoilHydro are jointly liable for liabilities accrued before the demerger date of 1 October 2007. This statutory liability is unlimited in time, but is limited in amount to the net value allocated to the non-defaulting party in the demerger. Similarly, Hydro and Yara International ASA are jointly liable for liabilities accrued before the demerger date of 24 March 2004 on the same conditions.

In connection with the merger of Hydro's petroleum activities with StatoilHydro, StatoilHydro has assumed a share of 70 percent of the liability for any obligations related to activities that on the time of the demerger were no longer a part of Hydro, including among other things environmental obligations related to the former fertilizer and magnesium activities.

NOTE 39
Contractual commitments and other commitments for future investments

31 December 2007 Amounts in NOK million	**2008**	Investments thereafter	Total
Contract commitments for investments in property, plant and equipment	**599**	88	687
Additional authorized future investments in property, plant and equipment	**331**	102	433
Contract commitments for other future investments	**2,881**	4,770	7,651
Total	**3,811**	4,960	8,771

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.

A substantial part of contract commitments for other future investment is related to the Qatalum project.

The non-cancelable future fixed and determinable obligation as of 31 December 2007 is as follows:

Take-and-pay and Long-term contracts

Amounts in NOK million	Finished goods	Raw materials	Energy related	Other	Sales commitments
2008	2,128	268	1,940	741	(12,590)
2009	245	-	3,384	349	(2,132)
2010	292	-	1,666	171	(553)
2011	270	-	1,853	35	(560)
2012	304	-	1,844	30	(327)
Thereafter	5,470	-	15,228	163	(707)
Total	8,709	268	25,915	1,488	(16,869)

Hydro has entered into take-and-pay and long-term contracts providing for future payments to secure transportation capacity, processing services, raw materials and electricity. In addition, Hydro has entered into long-term sales commitments. This principally relates to delivering of electricity. Hydro has delivery commitments relating to power stations to be reverted to the government of 17.6 TWh. Annual concession power delivery commitments relating to power stations not subject to reversion is 249 GWh annually. Payment commitments relating to concession power not subject to reversion are not included for the period 2013 and forward.

Hydro has also entered into take-and-pay and other long-term contracts as part of shareholders agreement in associates and jointly controlled entities, including contracts to purchase alumina according to ownership share and production, where Hydro's share is estimated to be 63 million tonnes of alumina over the next 19 years. These commitments are not included in the figures above.

Terms of certain of these agreements include additional charges covering variable operating expenses in addition to the fixed and determinable component shown above. This including contracts to purchase 19.4 million tonnes of alumina over the next 23 years where the variable part of the prices are normally linked to the London Metal Exchange quoted aluminium prices.

The total purchases under the take-and-pay agreements and long-term contracts were NOK 3,416 million in 2007 and NOK 5,994 million in 2006.

NOTE 40
Financial instruments

Financial instruments, and contracts accounted for as such, are in the balance sheet included in several line items and classified in categories for accounting treatment. Below a reconciliation of the financial instruments in Hydro is presented:

2007 Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	**Total**
Assets - current							
Cash and cash equivalents	7	-	9,323	-	-	-	**9,330**
Short-term investments	1,992	-	750	-	-	-	**2,742**
Accounts receivable	-	-	13,425	-	-	2,139	**15,564**
Other current financial assets	964	2	-	-	-	-	**967**
Assets - non-current							
Investments accounted for using the equity method	-	-	982	-	-	8,677	**9,659**
Other non-current financial assets	1,416	-	1,775	1,150	-	-	**4,341**
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	1,045	-	**1,045**
Trade and other payables	-	-	-	-	7,162	5,748	**12,911**
Other current financial liabilities	974	183	-	-	-	-	**1,157**
	-	-	-	-	-	-	
Liabilities - non-current	-	-	-	-	-	-	
Long-term debt	-	-	-	-	263	-	**263**
Other non-current financial liabilities	2,765	30	-	-	-	-	**2,795**

All line items not specified above, as existing in the balance sheet, does not include financial instruments.

Financial assets, classified as current and non-current, represent the maximum exposure Hydro has towards credit risk as at the reporting date.

2006 Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	Total
Assets - current							
Cash and cash equivalents	6	-	6,603	-	-	-	6,609
Short-term investments	2,069	-	12,950	-	-	-	15,020
Accounts receivable	-	-	15,693	-	-	2,093	17,786
Other current financial assets	1,985	380	-	-	-	-	2,365
Assets - non-current							
Investments accounted for using the equity method	-	-	879	-	-	8,051	8,929
Other non-current financial assets	1,315	-	2,256	1,705	-	-	5,275
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	2,509	-	2,509
Trade and other payables	-	-	-	-	8,308	6,213	14,521
Other current financial liabilities	1,768	946	-	-	-	-	2,714
	-	-	-	-	-	-	
Liabilities - non-current	-	-	-	-	-	-	
Long-term debt	-	-	-	-	367	-	367
Other non-current financial liabilities	1,873	353	-	-	-	-	2,226

Realized and unrealized gains and losses from financial instruments and contracts accounted for as financial instruments are in the income statement included in several line items. Below is a reconciliation of the effects from Hydro's financial instruments in the consolidated financial statements:

2007 Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	**Total** [1]
Income statement line item							
Revenue	(188)	652	-	-	-	-	**464**
Raw material and energy expense	701	-	-	-	-	-	**701**
Financial income	(45)	-	-	(130) [2]	-	-	**(175)**
Financial expense	(3,092)	-	-	-	-	-	**(3,092)**
Gain/loss directly to equity							
Recognized directly in equity (before tax)				453			

2006 Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	Total [1]
Income statement line item							
Revenue	405	484	-	-	-	-	889
Raw material and energy expense	2,573	-	-	-	-	-	2,573
Financial income	(85)	-	-	(222) [2]	-	-	(307)
Financial expense	(1,452)	-	-	-	-	-	(1,452)
Gain/loss directly to equity							
Recognized directly in equity (before tax)				145			
Removed from equity and recognized in profit or loss (before tax)				(44)			

1) Amount indicates the total gains and losses related to financial instruments for each specific income statement line item.
2) Dividends from equity instruments classified as available-for-sale.

Currency effects, with the exception of currency derivatives, are not included above.

Negative amounts indicate a gain.

NOTE 41
Financial and commercial risk management

Hydro is exposed to market risks from prices on commodities bought and sold, prices of other raw materials, currency exchange rates and interest rates. Depending on the degree of price volatility, such fluctuations in market prices may create fluctuations in Hydro's results. To manage this exposure to fluctuations in results, Hydro's main strategy is to maintain a strong financial position.

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. Natural hedging positions are established where possible and if economically viable. Hydro uses financial derivatives to some extent to manage financial and commercial risk exposures.

Commodity price risk exposure

Electricity Hydro is a producer and consumer of electricity. Hydro's consumption of electricity exceeds its production both in Norway and in Continental Europe. The deficit is principally bought through long-term contracts with other producers and suppliers to secure electricity for Hydro's own consumption and delivery commitments. A major part of contracted volumes have rated counterparts.

In order to manage and mitigate risks related to unfavorable fluctuations in electricity prices and production volumes, Hydro utilizes both physical contracts and financial derivative instruments such as futures, forwards and options. These are traded either bilaterally or over electricity exchanges such as the Nordic power exchange (Nord Pool). Hydro participates in limited speculative trading.

From time to time Hydro will settle obligations to physically deliver electric power in concession power agreements financially. If the agreement for financial settlement changes the risk exposure compared to the original physical delivery, it will be recognized at fair value. Currently the fair value exposure on the balance sheet relating to concession power is limited.

Aluminium Hydro produces primary aluminium and fabricated aluminium products. Hydro's sourcing and trading activities procure raw materials and primary aluminium for use in Hydro's smelters and casthouses or in downstream operations. These materials are also sold to external customers. In addition, the trading activities contribute to optimize capacity utilization and to reduce logistical costs, as well as strengthening market positions by providing customers with flexibility in pricing and sourcing. Hydro has considerable activities relating to remelting and long-term commercial agreements to secure sourcing of casthouse products.

Hydro enters into future contracts with the London Metal Exchange (LME) mainly for two purposes. The first is to achieve an average LME aluminium price on smelter production. Second, because Hydro's downstream business and the sale of third party products are based on margins above the LME price, Hydro hedges metal prices when entering into customer and supplier contracts with corresponding physical or derivative future contracts at fixed prices (back-to-back hedging). The majority of these contracts mature within one year. Hydro manages these hedging activities on a portfolio basis, taking external LME positions based upon net exposures within given limits. Aluminium price volatility can result in significant fluctuations in earnings as the derivative positions are marked to their market value with changes to market value recognized in earnings, while the underlying physical transactions normally are not marked-to-market, except for trading portfolios.

In order to secure the margins for certain projects or related to special situations, Hydro has sold forward on a longer-term basis. In these situations, hedge accounting has normally been applied. See the section on cash flow hedges in note 42 Derivative instruments and hedge accounting.

Natural gas Hydro is to a limited extent a consumer of natural gas, and sources the demanded volumes through long-term purchase contracts. The natural gas is mainly used for heating anode baking furnaces at smelters and casthouses. Currently none of the gas contracts are accounted for at fair value, as they are entered into for own use. Commodity price, foreign exchange rate and credit exposures arising from these natural gas contracts were not significant during 2007 and 2006.

CO_2 emission rights Hydro has on a low scale entered into trading of CO_2 emission rights. The fair value exposure and realized effects were not material for neither 2007 nor 2006.

Foreign currency risk exposure

The price of Hydro's most important product, aluminium, is either denominated in US dollars or is influenced by movements in the value of other currencies against the US dollar. Further, the cost of raw materials, including alumina, is affected by the US dollar price of aluminium, and variations in the US dollar exchange rates against local currencies. Hydro's primary foreign currency risk is therefore linked to fluctuations in the value of the US dollar.

Hydro also incurs costs related to the production, distribution and marketing of products in a number of different currencies, mainly Euro, Norwegian Krone, US dollar, Canadian dollar, Australian dollar, Brazilian Real and British Pound. Consequently, the effects of changes in currency rates on the translation of local currencies into Norwegian Krone for subsidiaries outside of Norway will in some cases influence the comparative results of operations.

Contractual arrangements for the majority of the purchase and sales activities within the European aluminium business are committed in Euro based on the prevailing exchanges rates between the US dollar and Euro at the time of entering into the contracts. This gives a Euro exposure in the results, from the time of entering into the contractual arrangements until settlement. This exposure is quite short-term as the contracts generally are committed and settled within six months.

To reduce the long-term effects of fluctuations in the US dollar and other exchange rates, Hydro employs foreign currency swaps and forward currency contracts to manage the currency exposures. Forward currency contracts are entered into to safeguard cash flows for forecasted future transactions or to cover short-term liquidity needs in one currency through excess liquidity available in another currency.

Such derivative contracts have partly been established to replace the currency hedging effects of long term debt in foreign currencies which Hydro used to carry in the balance sheet prior to the demerger of the oil and gas activities to StatoilHydro.

Interest rate exposure

Hydro is exposed to changes in interest rates, primarily as a result of funding the business operations and management of liquidity in different currencies. Hydro has currently a low interest bearing debt, and the main interest exposure is therefore connected to current accounts and time deposits with banks. From time to time Hydro uses foreign exchange and/or interest rate swaps and other derivatives to optimize currency and interest rate exposure. The fair value of interest rate derivatives as of 31 December 2007 and 2006 is immaterial and not presented here.

However, Hydro has interest rate exposure included in other financial and commodity contracts, included in the sensitivity analysis below.

Sensitivity analysis

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. The sensitivity analysis depicted in the tables below reflects the hypothetical gain/loss in fair values that would occur assuming a 10 percent change in rates or prices and no changes in the portfolio of instruments as of 31 December 2007 and 31 December 2006, respectively. Only effects that would ultimately be accounted for in profit and loss, or equity, as a result of a change in rates or prices are included. All changes are before tax.

Amounts in NOK million	Fair value as of 31 December 2007 [1]	Hypothetical gain/loss from +/- 10 percent change in Interest rates	Foreign currency exchange rates	Commodity prices	Volatility	Other
Derivative financial instruments [2]	246	6	1,183	-	-	-
Other financial instruments [3]	16,647	-	550	-	-	199
Derivative commodity instruments [4]	(1,600)	25	682	393	6	-
Financial instruments directly to equity [5]	940	1	72	171	-	115

Amounts in NOK million	Fair value as of 31 December 2006 [1]	Hypothetical gain/loss from +/- 10 percent change in Interest rates	Foreign currency exchange rates	Commodity prices	Volatility	Other
Derivative financial instruments [2]	693	2	1,994	-	-	-
Other financial instruments [3]	26,675	-	673	-	-	207
Derivative commodity instruments [4]	(335)	2	831	653	10	-
Financial instruments directly to equity [5]	790	-	104	534	-	170

1) The change in fair value due to price changes is calculated based on pricing formulas for certain derivatives, the Black-Scholes/Turnbull-Wakeman models for options and the net present value of cash flows for certain financial instruments or derivatives. Discount rates vary as appropriate for the individual instruments.
2) Includes mainly forward currency contracts and currency swaps
3) Includes cash and cash equivalents, investments in marketable securities, bank loans and other interest-bearing short-term debt and long-term debt. Trade payables and trade receivables are also included.
4) Includes all contracts with commodities as underlying, both financial and physical contracts, such as LME contracts and Nord Pool contracts.
5) In the category financial instruments directly to equity, shares classified as available for sale are recognized in the "Other" column, while commodity hedging derivatives are included in the column "Commodity prices".

Hydro's management emphasizes that the sensitivity analysis contains material limitations. This is due to the arbitrary nature of assumptions involved as well as the inability of such a simple analysis to model reality and continuous changes to Hydro's portfolio. 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 3 in the table above). The analysis does not include all related physical positions, contracts, and anticipated transactions that many of the derivative 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.
- The computations, which provide the most positive/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 above.
- It is not likely that all rates or prices would simultaneously move in directions that would have negative/positive effects on Hydro's portfolio of instruments.

The above discussion about Hydro's risk management policies 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 above should not be considered projections of future events, gains or losses.

Credit risk management

Hydro is limiting the credit risk by setting counterparty risk limits, purchasing credit insurance, and establishing procedures for monitoring exposures and timely settlement of customer accounts. The overall credit risk level is reduced through a diversified customer base representing various industries and geographic areas.

Credit risk arising from the inability of a counterparty to meet the terms of derivative financial instrument contracts is gener-

ally limited to amounts by which the counterparty's obligations exceed the obligations of Hydro. Pre-approval of exposure limits is required for financial institutions relating to current accounts, deposits and other obligations. Credit risk related to derivative commodity instruments is substantially limited since most instruments are settled through commodity exchanges. Counterparty risk related to the use of derivative instruments and financial operations is regarded as minimal.

Liquidity risk

The volatility observed in commodity prices for products sold and raw materials required also imply a high degree of fluctuations in Hydro's cash positions and borrowing requirements. Funds generated from operations may not be sufficient to cover Hydro's financial commitments to investment programs and other financial commitments like pension obligation payments and servicing of debt.

To fund cash deficits of a more permanent nature Hydro will normally raise long-term debt in available markets, e.g. international bond markets. Hydro has entered into a seven year stand-by credit facility of USD 1.7 billion (established 2007), and a number of short-term credit facilities. Such credit facilities with banks can be used to bridge temporary cash deficits.

Hydro has disclosed repayments of long-term debt in note 30 Long-term debt. Further all other financial liabilities, such as trade payables, with the exception of derivatives, have a final maturity date within one year. An overview of estimated gross cash flows from derivatives accounted for as liabilities is presented below. The cash flows from physical sale and purchase contracts are included based on expected forward prices, and will thus not be reconcilable to the fair values on the balance sheet. Many of these liabilities are offset by cash-flows from contracts being financial assets or not accounted for as derivatives.

Expected gross cash-flow from derivatives accounted for as financial liabilities as of end of year:

Amounts in NOK million	2007
2008	(12,451)
2009	(1,447)
2010	(822)
2011	(881)
2012	(1,248)
Thereafter	(14,495)
Total	(31,344)

For further information on what contracts are accounted for at fair value, see note 42 Derivative instruments and hedge accounting.

NOTE 42
Derivative instruments and hedge accounting

Many of Hydro's commodity contracts are deemed to be derivatives under IFRS. Derivative instruments, whether physically or financially settled, are accounted for under IAS 39. All derivative instruments are accounted for on the balance sheet at fair value with changes in the fair value of derivative instruments recognized in earnings, unless specific hedge criteria are met. For further explanation on what physical commodity contracts that are accounted for as derivatives, and which are considered own use, see note 1 Significant accounting policies and reporting entity.

Commodity derivatives

The following types of commodity derivatives were recorded at fair value on the balance sheet as of 31 December 2007 and 31 December 2006. Contracts that are designated as hedging instruments in cash flow hedges are not included. The presentation of fair values for electricity and aluminium contracts shown in the table below include the fair value of traditional derivative instruments such as futures, forwards and swaps, in conjunction with the physical contracts accounted for at fair value.

Amounts in NOK million	**2007**	2006
Assets		
Electricity contracts	**1,218**	1,413
Aluminium futures, forwards, swaps and options	**855**	503
Total	**2,073**	1,916
Liabilities		
Electricity contracts	**(548)**	(1,024)
Coal forwards	**(1,085)**	(636)
Aluminium futures, forwards, swaps and options	**(2,138)**	(1,594)
Total	**(3,770)**	(3,253)

The underlying commodities for bifurcated embedded derivatives are included.

Changes in the fair value of commodity derivatives are included in operating revenues or cost of goods sold.

Currency derivatives

The following types of financial derivatives were recorded at fair value on the balance sheet as of 31 December 2007 and 31 December 2006. Currency contracts that are designated as hedging instruments in cash flow hedges are not included.

Amounts in NOK million	**2007**	2006
Assets		
Currency forwards and swaps	**279**	828
Embedded currency derivatives	**23**	14
Liabilities		
Currency forwards and swaps	**(33)**	(135)
Embedded currency derivatives	**(9)**	-

The currency contracts listed below were outstanding as of 31 December 2007. Bifurcated embedded currency derivatives are not included.

Currency	Nominal value in currency	Fair value in NOK	Maturity by nominal amount in currency	
Amounts in million			Within one year	More than one year
Buying currency				
AUD	215	1,007	215	-
CAD	56	309	56	-
EUR	514	4,059	514	-
NOK	12,179	12,074	12,179	-
USD	63	296	-	63
Selling currency				
USD	3,147	(16,928)	3,147	-
GBP	21	(226)	21	-
DKK	105	(112)	105	-
JPY	5,017	(234)	75	4,942

Unless used in connection with hedge accounting, changes in the fair value of currency derivatives are included in Financial expense, net, in the income statement.

Embedded derivatives

Some contracts contain pricing links that affect cash flows in a manner different than the underlying commodity or financial instrument in the contract. For accounting purposes, these embedded derivatives are in some circumstances separated from the host contract and recognized at fair value. In some cases, the entire contract, including the embedded derivative, may be recognized at fair value. Hydro has separated and recognized at fair value embedded derivatives related to aluminium, inflation and coal links, in addition to currency forwards, from the underlying contracts.

Cash flow hedges

Hydro has over time entered into hedge programs to secure the price of aluminium ingot to be sold. Aluminium futures and swaps on the London Metal Exchange and with external banks have been used for this purpose. Some of these hedge programs are accounted for as cash flow hedges, where gains and losses on the hedge derivatives are recorded to Other reserves in equity and will be reclassified into operating revenues (cost of goods sold) when the corresponding forecasted sale (purchase) of aluminium ingot is recognized. As the critical terms of the commodity derivatives and the forecasted aluminium sales are substantially similar, no ineffectiveness was recognized in 2007 or 2006 in connection with these cash flow hedges.

The table below gives aggregated numbers related to the aluminium cash flow hedges for the period 2006 to 2007.

	2008	**2007**	2006
Aluminium sold forward with hedge accounting (kmt) [1]		**212**	485
of which open at year-end (kmt) [2]		**165**	410
Average prices achieved in hedges in USD (per mt) [3]		**2,252**	2,108
Expected to be reclassified to earnings (after tax) during the year (NOK million) [4]	(183)	**(541)**	(154)
Reclassified to earnings from Other reserves after tax (NOK million) [5]		**(471)**	(349)

1) Remaining volume sold forward at inception of hedge programs. Hydro has sold forward in the period 2008-2010. Positions at end of year.
2) Including closed out positions / repurchases of hedge derivatives.
3) Weighted average of remaining volume sold forward at inception of hedge program.
4) In the period 2004 - 2007 part of the hedged ingot has also been hedged for currency risk at an exchange rate of 9.3-9.5 NOK to USD. For 2007 a currency gain after tax of NOK 370 million was expected to be reclassified into earnings, and is included in the negative NOK 541 million. Negative amounts indicate a loss. Currency effects of NOK 395 million after tax was actually realized and reversed in 2007.
5) Deviates from expected reclassifications due to changes in market prices throughout the year. Negative amounts indicate a loss.

At the end of 2007 the maximum horizon for existing cash-flow hedging instruments is 36 months.

Hydro hedged the foreign currency exposure between US and Canadian dollar in connection with a major expansion project at the Alouette plant in Canada over the period March 2003 to March 2006. No amount of ineffectiveness was recognized during the life of the hedge. An annual gain after tax of 3 and 4 NOK million was reclassified from Other reserves in equity into earnings during the period ending 31 December 2007 and 31 December 2006, respectively. A gain after tax of NOK 3 million is expected to be reclassified from Other reserves in equity into earnings during the period ending 31 December 2008.

The following fair values were recorded on the balance sheet for hedging instruments as of 31 December 2007 and 31 December 2006.

Amounts in NOK million	**2007**	2006
Assets		
Cash flow hedging instruments, aluminium	**2**	-
Cash flow hedging instruments, currency	**-**	380
Total	**2**	380
Liabilities		
Cash flow hedging instruments, aluminium	**(213)**	(1,299)
Total	**(213)**	(1,299)

In addition to the commodity hedges described above, Hydro also performs trading operations to reduce currency exposures on commodity positions. The effect of such operations is recognized as a part of Financial expense, net, in the income statement, unless subject to hedge accounting.

In addition to the cash flow hedge accounting performed by Hydro entities, some of Hydro's associates and jointly controlled entities included in the consolidated financial statements through the equity method also affect Other reserves through their cash-flow hedge accounting. The after tax movement in Hydro equity relating to cash-flow hedges for 2007 and 2006 is composed as follows:

Amounts in NOK million	**2007**	2006
1 January	**712**	(59)
Period (gain) loss booked into equity	**(42)**	1,173
of which relating to associates	**7**	-
Period gain (loss) reclassified to earnings	**(474)**	(345)
Currency translation effect (gain)	**(69)**	(56)
31 December	**128**	712

Hydro has not applied net investment or fair value hedge accounting for 2007 and 2006.

Fair value of derivative instruments

The fair market value of derivative financial instruments such as currency forwards and swaps is based on quoted market prices. The fair market value of aluminium and electricity futures/forwards and option contracts is based on quoted market prices obtained from the London Metals Exchange and Nord Pool/EEX (European Energy Exchange) respectively. The fair value of other commodity over-the-counter contracts and swaps is based on quoted market prices, estimates obtained from brokers and other appropriate valuation techniques. Where long-term physical delivery commodity contracts are recognized at fair value in accordance with IAS 39, such fair market values are based on quoted forward prices in the market and assumptions of forward prices and margins where market prices are not available.

For further information on fair values, see note 3 Basis of presentation and measurement of fair value. See note 30 Long-term debt for fair value information on Hydro's long-term debt.

NOTE 43
Cash flow information

Reconciliation of cash and cash equivalents

Amounts in NOK million	**2007**	2006
Cash and cash equivalents	**9,330**	6,609
Bank overdraft	**(74)**	(61)
Cash, cash equivalents and bank overdraft	**9,256**	6,548

Cash disbursements and receipts included in cash from operations

Amounts in NOK million	**2007**	2006
Income taxes paid	**2,672**	1,669
Interest paid	**433**	466
Interest received	**1,228**	985
Other dividends received	**138**	183

NOTE 44
External auditor's remuneration

Deloitte AS is the auditor of Norsk Hydro ASA. During 2007, Hydro completed or was in the process of finalizing several transactions and as of 1 October 2007 has been operating as a focused aluminium company. See note 6 Disposals and note 7 Discontinued operations and assets held for sale for additional information. In November 2007, Hydro gave notice to the New York Stock Exchange (NYSE) of de listing from the NYSE. In parallel, Hydro filed an application with the Securities and Exchange Commission (SEC) to terminate the SEC registration of Hydro's debt securities and ordinary shares. The delisting from NYSE became effective on 23 November 2007. The termination of SEC registration became effective on 27 February 2008 and Hydro will, therefore, not be filing any 2007 year-end related financial reporting with the SEC.

Hydro's 2007 audit fees are not comparable to the 2006 audit fees reported here. 2006 fees have not been restated, and are as reported in the 2006 annual report. 2007 audit fees are primarily lower than 2006 fees due to the demerger of the oil and gas business and the elimination of audit activities related to the SEC reporting requirements. Audit related fees were substantially higher in 2007 due to the significant transactions Hydro conducted during the year, as compared to the level of transactions in 2006.

The following table shows total audit, audit-related, non-audit and tax-related fees for the fiscal years 2007 and 2006.

2007 Amounts in NOK thousand	Audit fees	Audit related fees	Other non-audit fees	Tax fees	Total
Norway	21,672	6,145	954	459	29,230
Outside Norway	35,969	551	62	1,739	38,321
Total [1]	57,641	6,696	1,016	2,198	67,551

2006 Amounts in NOK thousand	Audit fees	Audit related fees	Other non-audit fees	Tax fees	Total
Deloitte Norway [2]	51,412	664	1,729	125	53,930
Deloitte Outside Norway	54,929	451	186	6,224	61,790
Total Deloitte	106,341	1,115	1,915	6,349	115,720
Other auditors	3,014		30	20	3,064
Total	109,355	1,115	1,945	6,369	118,784

1) Reported audit fees include NOK 177 thousand to non-Deloitte audit firms.
2) Reported audit fees for Deloitte Norway includes fees for the audit of Hydro's oil and gas license related activities.

NOTE 45
Board of Directors' and Corporate Assembly remuneration

Board of Directors' remuneration and share ownership

Remuneration to the Board of Directors consists solely of the payment of fees. Board members do not have any incentive or share-based compensation. Hydro has not made any guarantees on behalf of any of the board members. The only board members with loans are the employee-elected members of the board.

Fees are based on the position of the board members, board committee assignments and the number of extraordinary meetings held during the year. Annual fees for 2007 for the chairperson of the board, deputy chairperson and directors are NOK 505,000, NOK 315,000 and NOK 260,000, respectively. The chairperson of the audit and the chairperson of the compensation committee receive an additional NOK 160,000 and NOK 23,000 annually in fees, respectively, and audit and compensation committee members receive NOK 105,000 and NOK 18,000 annually, respectively, for their participation on these committees.

The number of board meetings during 2006 and 2007 has been especially high, primarily due to the demerger of the oil and gas business. During 2007 there were a total of 36 board meetings, of which 24 meetings were extraordinary. During 2006 there were 21 board meetings, of which 11 were extraordinary. The chairperson of the board's remuneration for an extraordinary meeting is NOK 30,000 per meeting attended and NOK 10,000 for participation in an extraordinary meeting conducted via telephone. Board member remuneration for an extraordinary meeting is NOK 15,000 per meeting attended and NOK 5,000 for participation in an extraordinary meeting conducted via telephone. Board fees for extraordinary meetings held in 2007 and 2006 have been paid during 2007.

A summary of total board fees, as well as individual board member fees for 2007, and outstanding loans and board member share ownership as of 31 December 2007, are shown in the tables below.

Board of Directors' Fees

Amounts in NOK thousands	**2007**	2006
Fees paid to board members during the year	**5,180**	2,875
Fees paid during the year for prior year's extraordinary meetings [1]	**(705)**	-
Fees related to board service and/or extraordinary meetings during the year not yet paid	**54**	770
Total fees for board services provided to Hydro during the year	**4,529**	3,645

Amounts in NOK thousands	**2007**	2006
Fees - normal board activities	**2,567**	2,457
Fees - compensation committee	**51**	54
Fees - audit committee	**416**	364
Fees related to extraordinary meetings held during the year	**1,495**	770
Total fees for board services provided to Hydro during the year	**4,529**	3,645

1) Fees paid during the year for prior year's extraordinary meetings excludes NOK 65,000 accured in 2006 and paid in 2007 to board members who served on the board in 2006 but not in 2007.

Board of Directors' fees, loans and shareholdings

Board member	Board fees [1]	Outstanding loans [1] [2]	Number of shares [3]
Board members as of 31 December 2007			
Terje Vareberg [4]	104	-	-
Grete Faremo [5]	489	-	-
Finn Marum Jebsen [6] [7]	53	-	12,545
Heidi M. Petersen [6] [7]	53	-	10,000
Bente Rathe [6] [8]	43	-	-
Svein Rennemo [9]	53	-	12,700
Billy Fredagsvik [10] [11]	95	102	326
Jørn B. Lilleby [8] [10] [11]	95	147	501
Sten Roar Martinsen [11]	505	-	136
Board members during 2007 not on the board as of December 31 2007			
Jan Reinås [12]	685	-	-
Elisabeth Grieg [8] [13]	652	-	30,400
Håkan Mogren [7] [14]	424	-	-
Lena Olving [8] [14]	493	-	-
Kurt Anker Nielsen [15]	566	-	-
Geir Nilsen [11] [16]	420	-	526
Terje Friestad [8] [11] [17]	282	-	1,431
Ragnar Fritsvold [11] [18]	168	149	301
Total	5,180	398	68,866

1) Amounts in NOK thousands.
2) Loans are extended to board members who are also Hydro employees under an employee benefit scheme available to all employees in Norway. Since their election to the Board of Directors, there have been no individual modifications to their loan agreements. No additional credit has been extended after election to the Board of Directors. The payment plan schedule has remained the same, and all payments have been made in a timely fashion. Jørn B. Lilleby's loan is at an interest rate of 5.5-6.2 percent and has a repayment period of 6 years. Billy Fredagsvik's loan has an interest rate of 5.5 percent and a repayment period of 4 years. Ragnar Fritsvold's loan has been repaid in its entirety as of 29 January 2008.
3) Number of shares owned as of 31 December 2007 for board members as of 31 December 2007; otherwise it is the number of shares owned as of the date the individual stepped down from the Board of Directors. Shareholdings disclosed include all related party share holdings, in addition to shares held directly by the board member/former board member.
4) Chairperson of the board and board member as of 8 November 2007, and is chairperson of the board compensation committee.
5) Deputy chairperson of the board as of 8 November 2007. Member of the compensation committee 1 January - 30 November 2007, and currently a member of the audit committee.
6) Board member as of 8 November 2007.
7) Member board compensation committee.
8) Member board audit committee.
9) Board member and chair audit committee as of 8 November 2007.
10) Board member as of 1 October 2007.
11) Employee representative on the board elected by the employees in accordance with Norwegian Company Law. As such, these individuals also are paid regular salary, remuneration in kind and pension benefits that are not included in the table above.
12) Chairperson of the board and compensation committee chair until 4 August 2007.
13) Deputy chairperson 1 January - 3 August 2007 and Acting board chairperson from 4 August 2007 until stepping down from the board 8 November 2007.
14) Board member until 8 November 2007.
15) Chair audit committee and board member until 8 November 2007.
16) Board member until 1 October 2007.
17) Board member until 16 May 2007.
18) Board member from 25 May to 1 October 2007.

Corporate Assembly remuneration and share ownership

Corporate Assembly members receive an honorarium from Hydro for services rendered during the year. The Corporate Assembly Chairperson and Deputy Chairperson receive an annual fee of NOK 80,000 and NOK 40,000, respectively, plus a fee for each meeting attended. All members, including any deputy members, receive NOK 5,500 per meeting attended.

The chairperson of the nomination committee and at least one other member of the nomination committee are elected from the shareholder-elected members of the Corporate Assembly. Members of the nomination committee receive NOK 21,000 annually in fees.

A summary of Corporate Assembly fees for 2007 and 2006 and individual Corporate Assembly member share ownership as of 31 December 2007 are given in the tables below.

Corporate Assembly fees

Amounts in NOK thousands	**2007**	2006
Fees paid to Corporate Assembly Chairperson	**139**	120
Fees paid to Corporate Assembly Deputy Chairperson	**105**	70
Fees paid to all other members of Corporate Assembly	**681**	363
Total fees paid to corporate assembly members during the year	**925**	553
Fees paid in 2007 (2006) related to meetings attended and/or nomination committee assignment in 2006 (2005)	**(139)**	(60)
Fees related to 2007 to be paid in 2008/ Fees related to 2006 to be paid in paid in 2007	**63**	139
Total fees for Corporate Assembly services provided to Hydro during the year	**850**	632

Corporate Assembly shareholdings

Corporate Assembly member	Number of shares [1]
Svein Steen Thomassen (Chairperson) [2]	500
Siri Teigum (Deputy Chairperson) [2]	-
Westye Høegh [2]	67,000
Nils Roar Brevik [3]	141
Anne-Margrethe Firing	5,820
Aase Gudding Gresvig	-
Michael Hall [4]	1
Idar Kreutzer	-
Kjell Kvinge	746
Dag Harald Madsen	251
Bjørn Nedreaas [3]	331
Anne Merete Steensland	121,360
Svein K. Sund [5]	316
Sten-Arthur Sælør	-
Lars Tronsgaard	-
Karen Helene Ulltveit-Moe	-
Terje Venold	500
Svein Aaser	360

Deputy Member	Number of shares [1]
Øystein Bråthen [3]	1,676
Ove Ellefsen [3]	576
Trygve Eriksen [3]	1
Odd Arne Fodnes	361
Terje Friestad [3]	1,431
Erik Garaas	-
Merete Jonas [4]	766
Line Melkild	101
Wolfgang Ruch	875
Arne Rønningen [3]	251
Tor Egil Skulstad [4]	25
Unni Steinsmo	-
Brit Sæverud [3]	2,006
Gunvor Ulstein	-
Georg Vikshåland [3]	251
Bente Linnerud Østlyngen [4]	445
Bjørn Øvstetun	136

1) Number of shares owned as of 31 December 2007; includes any related party shareholdings, in addition to the shares held directly by the corporate assembly member.
2) Member of the nomination committee.
3) Member of the Corporate Assembly as of 6 December 2007.
4) Member of the Corporate Assembly as of 16 May 2007.
5) Member of the Corporate Assembly as of 8 November 2007.

NOTE 46
Related party information

As of 31 December 2007, The Ministry of Trade and Industry of Norway owned 546,902,099 ordinary shares in Hydro, representing 43.8 percent of the total number of ordinary shares authorized and issued and 45.2 percent of the total shares outstanding. In addition, the National Insurance Fund, "Folketrygdfondet" owned, 45,868,635 ordinary shares, representing 3.7 percent of the total number of ordinary shares issued and 3.8 percent of the total shares outstanding. The National Insurance Fund is an independently managed administrative body which is an integral part of the Norwegian State. In total the Norwegian State owns 592,770,734 ordinary shares. This represents 47.5 percent of the total number of ordinary shares issued and 49.0 percent of the total shared outstanding. There are no preferential voting rights associated with the ordinary shares held by the Norwegian State. Other shares are held by a widespread group of shareholders, in total around 42,000 registered share holders. No other shareholder holds more than 5 percent of Hydro's outstanding shares. On this basis, Hydro has concluded that the Norwegian state's share holding represents de facto control.

The Norwegian State has ownership interests in around 80 companies. We have, for the purpose of this disclosure, related to public information from the State [1)], and we have not assessed which of these companies are controlled by the state. Hydro has business transactions with a number of these companies, including purchase of power from Statkraft SF. Generally, transactions are agreed independent of the common control exercised by the State. In December 2006, the Board of Directors in Hydro and Statoil (now StatoilHydro) agreed to propose a plan whereby Hydro's petroleum activities would be demerged and merged with Statoil to form StatoilHydro. The plan was approved by the general meeting in July 2007, and the demerger and merger was completed on 1 October 2007. See note 7 Discontinued operations for further information.

In the discussion that follows, all previously reported share amounts or share prices have been adjusted to reflect the 5-for-1 stock split effective 10 May 2006.

The Annual General Meeting held on 9 May 2006 approved a buyback authorization of 22,470,482 shares over a one-year period. The Ministry of Trade and Industry agreed to participate in the redemption of a proportional number of shares in order to leave its ownership interest unchanged. Including the share redemption, the authorization provided for a maximum of 40,000,000 shares to be cancelled. Share repurchases could be made in the share price interval of NOK 50 to NOK 300 per share, and the shares acquired in accordance with the authorization were for no other purpose than cancellation by means of capital reduction. In total, Hydro bought back 21,627,000 shares at an average price of NOK 160.79 per share under this authorization. A decision to cancel the shares repurchased, and 16,871,506 shares owned by the Ministry, was approved at the General Meeting of shareholders on 5 July 2007. The Ministry received a total compensation of NOK 2,702 million for the shares, which corresponds to the average price per share for the buy-back in the market, pluss interest compensation and with reduction for dividends paid in May for the cancelled shares.

A significant share of Hydro's defined benefit post-employment benefit plans are managed by the independent pension trust Norsk Hydro Pensjonskasse. This trust owns some of the office buildings rented by Hydro. The rental arrangements are based on market price benchmarks, however, competing offers are generally not obtained when pricing is agreed. In total, Hydro rents around 63,000 m^2 office and related buildings, plus certain other buildings on contracts with a remaining life of around 13 years. Of this, around 43,000 m^2 is subleased to StatoilHydro. Hydro also has a contract with the pension trust to rent an office building at the head office site currently under construction to Hydro's specification. Hydro has paid a total rental of NOK 132 million and NOK 130 million for 2007 and 2006, respectively. These amounts include certain other buildings not rented by Hydro as of the end of 2007. Areas where the lease arrangement were transferred to StatoilHydro in the demerger on 1 October 2007 are excluded from the figures above, while areas used for combined purposes of both the Hydro's continued business and the transferred business for the period until the completion of the demerger, and areas subleased after the demerger, are included. In addition, Hydro is involved with pension trusts in Great Britain and some other countries. There are no similar arrangements with those trusts.

The current and prior year members of Hydro's board of directors are stated in note 45 Board of Directors remuneration, where their remuneration and share ownership is outlined. Some of the board members or their close members of family serve as board members or executive directors in other companies. In addition, some members of Hydro's corporate management board or their close members of family serve as board members in other companies. Hydro has not identified any transactions where the relationship is known to have influenced the transaction.

Hydro's significant associated companies and transactions with those companies are described in note 25 Investments in associates. Hydro's significant jointly controlled entities and transactions with those entities are described in note 26 Investments in jointly controlled entities. Hydro has joint venture arrangements with a number of other companies. Generally, the relationships are limited to a combined effort within a limited area, often raw material production in the form of power, alumina or anode production, smelter production or combined production of semi fabricated products. Hydro considers the joint venture partners competitors in other business transactions, and do not see these relationships as related party relationships.

1) According to information on the Government web site www.regjeringen.no, state ownership

NOTE 47
Conversion to IFRS

Each year since around 1986, Hydro has presented financial statements under US GAAP, up to and including the fiscal year ending 31 December 2006. As of 1 January 2007, Hydro converted to IFRS and now uses IFRS for all financial reporting for the group. Hydro's transition date to IFRS is 1 January 2006.

This footnote presents Hydro's IFRS financial statements for the IFRS transition period. The IFRS information included in this footnote is reconciled to the previously reported US GAAP 2006 income statement and the 1 January 2006 and 31 December 2006 US GAAP balance sheets, as well as to the US GAAP shareholders' equity as of 1 January 2006 and 31 December 2006. This footnote also discloses the IFRS transition principles adopted by Hydro and includes a discussion of the principle differences between IFRS and US GAAP for Hydro. See note 1 Summary accounting principles and reporting entity for information related to Hydro's IFRS accounting policies. Additional information related to our US GAAP reporting is available in Hydro's Annual Report 2006.

Transition to IFRS – IFRS 1 elected exemptions

Hydro's transition to IFRS follows the regulation in IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). IFRS 1 offers the possibility to utilize certain exemptions from retrospective implementation of IFRS as if always applied. Hydro has evaluated the options available in IFRS 1, and has elected to adopt transition implementation policies in the areas of business combinations, employee benefits, cumulative translation differences, designation of previously recognized financial instruments, share-based payment transactions and asset retirement obligations. A summary of these transition accounting policies is given below. Transition policies available in IFRS 1 that are not material for Hydro are not included in the discussion.

Business combinations

IFRS 3 Business Combinations (IFRS 3) deviates in certain respects when compared to the US GAAP standards applicable for accounting for business combinations. The implementation guidance for the current US GAAP standards gives, for certain acquisitions, a different result compared to full retrospective implementation of IFRS 3.

Hydro has elected to utilize the option in IFRS 1 to not apply IFRS 3 retrospectively to past business combinations completed as of 1 January 2006. The impact of this policy decision is that all prior business combinations will continue to be accounted for as they originally were under US GAAP, including the allocation of acquisition cost. This includes the recognition of any goodwill identified in these transactions.

Employee benefits

IFRS 1 allows for all cumulative actuarial gains and losses at the date of transition to be recognized as of the date of transition as an alternative to full retrospective application of IAS 19 Employee Benefits. Hydro has chosen to adopt this transition policy, and has recognized all 1 January 2006 cumulative actuarial gains and losses at the date of transition with the effect posted directly against equity. Hydro applies the same economic and actuarial assumptions under IFRS as applied under US GAAP, and will continue to use the corridor approach when accounting for actuarial gains and losses on an ongoing basis.

Cumulative translation differences

IFRS 1 offers the first-time adopter of IFRS the option to reset the cumulative translation differences that existed at the date of adoption (i.e. the US GAAP translation differences) to zero as of the date of transition to IFRS as an alternative to establishing a cumulative translation difference as if the accounting and translation principles in IAS 21 The Effects of Changes in Foreign Exchange Rates had always been used and the measurement of assets and liabilities had been as required by currently implemented IFRS. Hydro has elected to utilize this option, and has reset the cumulative translation differences for all foreign operations to zero as of 1 January 2006. Future gains or losses on a subsequent disposal of any foreign operation will therefore exclude translation differences that arose before 1 January 2006.

Designation of previously recognized financial instruments

Marketable and non-marketable trading shares as defined under US GAAP are classified as financial assets at fair value through profit and loss under IFRS. Shares held for trading are classified as part of Short-term investments. Hydro has elected that non-marketable shares previously classified under US GAAP as not held for trading are classified as available-for-sale under IFRS with changes in fair value booked against equity. The shares are presented in the balance sheet as part of Financial Assets. Non-marketable shares in the US GAAP balance sheet were classified as Prepaid pension, investment and other non-current assets, and measured at cost.

Share-based payment transactions

Hydro adopted IFRS 2 Share-based Payment (IFRS 2) as of 1 January 2006. IFRS 1 encourages first-time adopters of IFRS to apply IFRS 2 to equity instruments granted on or before 7 November 2002. Hydro has applied IFRS 2 to all share-based payments, including the share appreciation rights granted prior to 7 November 2002.

Asset retirement obligations

IFRS 1 allows for a simplified treatment of historic changes when estimating the asset retirement obligations between the initial inception of the liability and the adoption of IFRS. Hydro has elected to utilize this option. The asset retirement obligations have been calculated as of Hydro's 1 January 2006 transition date in accordance with IAS 37 Provisions using the best estimate of removal cost and timing, and the risk free interest rates for the relevant currencies and expected life of the asset as of the date of estimation. The IFRS estimate resulted in an increase in recognized asset retirement obligations of NOK 3,040 million as of 1 January 2006. The estimated amount that would have been included in the historical cost of the asset, based on historical interest rates and accumulated depreciation based on that amount, have been calculated. That estimated amount is only insignificantly different from the asset value recognized under US GAAP. Hydro has therefore not recognized any difference in historical cost or carrying value of the related fixed assets in connection with the transition to IFRS.

Consolidated income statement 2006 US GAAP to IFRS

Year ended 31 December 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Operating revenues	**196,234**	(196,234)	-					
Revenue		198,862	198,862	-	2,422	-	-	**201,283**
Share of the profit (loss) in equity accounted investments		971	971	-	-	-	19	**990**
Other income, net		1,496	1,496	-	-	(43)	17	**1,470**
Total revenue and income		201,329	201,329	-	2,422	(43)	36	**203,744**
Raw material and energy expense	**98,961**	(17,994)	80,966	-	1,844	-	-	**82,810**
Employee benefits expense / Payroll and related costs	**19,404**	706	20,110	(564)	-	-	-	**19,546**
Depreciation and amortization expense	**16,937**	(110)	16,826	-	-	389	-	**17,215**
Impairment of non-current assets / Impairment losses	**5,228**	-	5,228	-	-	264	-	**5,492**
Other	**3,481**	20,804	24,285	-	-	(572)	(43)	**23,670**
Total expenses / Operating costs and expenses	**144,010**	3,406	147,415	(564)	1,844	81	(43)	**148,733**
Operating income	**52,224**	(52,224)						
Earnings before financial items and tax		53,914	53,914	564	578	(124)	79	**55,010**
Financial income (expense), net	**1,785**	(1,785)	-					
Financial income		1,425	1,425	-	-	-	-	**1,425**
Financial expense		(82)	(82)	-	(46)	85	-	**(43)**
Financial income (expense), net	**1,785**	(441)	1,343	-	(46)	85	-	**1,382**
Equity in net income of non-consolidated investees	**962**	(962)	-					
Other income (expense), net	**53**	(53)	-					
Income before tax / Income from continuing operations before taxes and minority interest	**55,024**	233	55,257	564	532	(39)	79	**56,392**
Income tax expense	**(37,598)**	(66)	(37,665)	(189)	(645)	(11)	50	**(38,459)**
Mintority interest	**(202)**	202	-					
Income from continuing operations	**17,224**	(17,224)	-					
Income from discontinued operations	**167**	(167)	-					
Net income	**17,391**	202	17,593	375	(113)	(50)	129	**17,933**
Net income attributable to minority interests		202	202	-	-	71	1	**273**
Net income attributable to equity holders of the parent		17,391	17,391	375	(113)	(120)	127	**17,660**

Consolidated balance sheets 1 January 2006 US GAAP to IFRS

1 January 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Assets								
Cash and cash equivalents	**10,463**	-	10,463	-	-	-	-	**10,463**
Short-term investments	**3,865**	-	3,865	-	-	-	-	**3,865**
Accounts receivable	**23,333**	12,106	35,438	-	-	-	-	**35,438**
Inventories	**14,553**	-	14,553	-	-	-	-	**14,553**
Other current financial assets / Prepaid expenses and other current assets	**15,912**	(12,106)	3,806	-	1,536	-	-	**5,342**
Current deferred tax assets	**2,166**	(2,166)	-					
Total current assets	**70,293**	(2,166)	68,126	-	1,536	-	-	**69,662**
Property, plant and equipment	**128,191**	(5,443)	122,747	-	-	1,285	-	**124,032**
Intangible assets	**5,153**	5,443	10,596	(225)	-	-	-	**10,371**
Investments accounted for using the equity method / Non-consolidated investees	**10,814**	-	10,814	-	-	-	30	**10,844**
Other non-current financial assets		7,175	7,175	-	(829)	-	919	**7,265**
Prepaid pension, investments and other non-current assets	**11,910**	(7,175)	4,735	(4,639)	-	-	-	**96**
Deferred tax assets	**833**	982	1,815	-	-	-	-	**1,815**
Total non-current assets	**156,902**	982	157,884	(4,864)	(829)	1,285	949	**154,424**
Total assets	**227,195**	(1,184)	226,010	(4,864)	706	1,285	949	**224,086**

Consolidated balance sheets 1 January 2006 US GAAP to IFRS (cont.)

1 January 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Liabilities and equity								
Bank loans and other interest-bearing short-term debt	**4,658**	379	5,037	-	-	-	-	**5,037**
Trade and other payables		27,832	27,832	-	-	-	-	**27,832**
Current portion of long-term debt	**379**	(379)	-	-	-	-	-	**-**
Provisions		1,209	1,209	-	-	(10)	-	**1,200**
Taxes payable		13,843	13,843	-	-	-	-	**13,843**
Other current financial liabilities	**47,239**	(42,885)	4,355	-	3,579	-	-	**7,933**
Current deferred tax liabilities	**980**	(980)	-					
Total current liabilities	**53,256**	(980)	52,277	-	3,579	(10)	-	**55,846**
Long-term debt	**21,387**	-	21,387	-	-	-	-	**21,387**
Provisions		7,905	7,905	-	-	2,908	70	**10,883**
Pension obligation	**9,939**	(45)	9,895	3,026	-	-	-	**12,921**
Other non-current financial liabilities		2,336	2,336	-	(600)	-	-	**1,736**
Other liabilities	**12,424**	(10,196)	2,228	544	-	-	(22)	**2,750**
Deferred tax liabilities	**33,713**	(205)	33,508	(2,423)	(1,480)	(1,924)	139	**27,820**
Total non-current liabilities	**77,462**	(205)	77,258	1,148	(2,080)	984	187	**77,497**
Total liabilities		129,535	129,535	1,148	1,499	975	187	**133,343**
Minority shareholders' interest in consolidated subsidiaries	**981**	(981)	-					
Share capital	**4,739**	-	4,739	-	-	-	-	**4,739**
Additional paid-in capital	**10,501**	-	10,501	-	-	-	-	**10,501**
Other reserves / Accumulated other comprehensive income (loss)	**(2,083)**	-	(2,083)	1,306	-	-	1,500	**723**
Retained earnings	**85,927**	-	85,927	(7,317)	(740)	258	(738)	**77,390**
Treasury shares	**(3,589)**	-	(3,589)	-	-	-	-	**(3,589)**
Equity attributable to equity holders of the parent / Shareholders' equity	**95,495**	-	95,495	(6,012)	(740)	258	762	**89,763**
Minority interest		981	981	-	(53)	52	(1)	**980**
Total equity		96,476	96,476	(6,012)	(792)	310	762	**90,743**
Total liabilities and equity / shareholders' equity	**227,195**	(1,184)	226,010	(4,864)	706	1,285	949	**224,086**

Consolidated balance sheets 31 December 2006 US GAAP to IFRS

31 December 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Assets								
Cash and cash equivalents	**6,760**	-	6,760	-	-	-	-	**6,760**
Short-term investments	**15,020**	-	15,020	-	-	-	-	**15,020**
Accounts receivable	**25,608**	8,901	34,508	-	-	-	-	**34,508**
Inventories	**16,497**	-	16,497	-	-	-	-	**16,497**
Other current financial assets / Prepaid expenses and other current assets	**14,025**	(8,901)	5,124	-	1,559	-	-	**6,683**
Current deferred tax assets	**3,099**	(3,099)	-					
Assets held for sale / Current assets held for sale	**1,122**	2,569	3,691	-	-	-	-	**3,691**
Total current assets	**82,131**	(530)	81,602	-	1,559	-	-	**83,161**
Property, plant and equipment	**124,976**	(6,604)	118,372	-	-	702	-	**119,075**
Intangible assets	**4,861**	6,604	11,464	-	-	-	11	**11,475**
Investments accounted for using the equity method / Non-consolidated investees	**10,455**	-	10,455	-	-	-	235	**10,690**
Other non-current financial assets		6,464	6,464	-	(1,018)	-	782	**6,229**
Prepaid pension / Prepaid pension, investments and other non-current assets	**7,763**	(6,464)	1,298	(995)	-	-	-	**303**
Deferred tax assets	**1,239**	938	2,177	-	-	-	-	**2,177**
Non-current assets held for sale	**2,569**	(2,569)	-					
Total non-current assets	**151,862**	(1,631)	150,231	(995)	(1,018)	702	1,028	**149,950**
Total assets	**233,993**	(2,160)	231,833	(995)	542	702	1,028	**233,110**

Consolidated balance sheets 31 December 2006 US GAAP to IFRS (cont.)

31 December 2006 Amounts in NOK million	US GAAP	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	IFRS
Reference		A		B	C	D	E	
Liabilities and equity								
Bank loans and other interest-bearing short-term debt	**3,213**	441	3,655	-	-	-	-	**3,655**
Trade and other payables		29,785	29,785	-	-	-	-	**29,785**
Current portion of long-term debt	**441**	(441)	-					
Provisions		2,217	2,217	-	-	(45)	25	**2,197**
Taxes payable		18,995	18,995	-	-	-	-	**18,995**
Other current financial liabilities	**55,550**	(51,561)	3,989	-	2,105	-	-	**6,094**
Current deferred tax liabilities	**1,134**	(1,134)	-	-	-	-	-	**-**
Liabilities included in disposal groups / Current liabilities in disposal groups	**738**	273	1,011	1	-	-	-	**1,011**
Total current liabilities	**61,076**	(1,425)	59,651	1	2,105	(45)	25	**61,736**
Long-term debt	**19,619**	-	19,619	-	-	-	-	**19,619**
Provisions		11,913	11,913	-	-	2,433	10	**14,357**
Pension obligation	**12,391**	522	12,913	(308)	-	-	-	**12,605**
Other non-current financial liabilities		2,047	2,047	-	179	-	-	**2,226**
Other liabilities	**16,126**	(13,918)	2,208	510	-	-	(16)	**2,702**
Deferred tax liabilities	**27,307**	(1,027)	26,280	(294)	(855)	(1,914)	47	**23,265**
Long-term liabilities in disposal groups	**273**	(273)	-					
Total non-current liabilities	**75,715**	(735)	74,980	(91)	(676)	519	41	**74,773**
Total liabilities		134,631	134,631	(90)	1,429	474	66	**136,509**
Minority shareholders' interest in consolidated subsidiaries	**707**	(707)	-					
Share capital	**4,708**	-	4,708	-	-	-	-	**4,708**
Additional paid-in capital	**9,736**	-	9,736	-	-	-	-	**9,736**
Other reserves / Accumulated other comprehensive income (loss)	**(9,135)**	-	(9,135)	6,078	-	-	1,524	**(1,533)**
Retained earnings	**97,811**	-	97,811	(6,983)	(835)	112	(561)	**89,544**
Treasury shares	**(6,624)**	-	(6,624)	-	-	-	-	**(6,624)**
Equity attributable to equity holders of the parent / Shareholders' equity	**96,496**	-	96,496	(905)	(835)	112	963	**95,831**
Minority interest		707	707	-	(53)	117	-	**771**
Total equity		97,202	97,202	(905)	(888)	229	963	**96,601**
Total liabilities and equity / shareholders' equity	**233,993**	(2,160)	231,833	(995)	542	702	1,028	**233,110**

Reconciliation of equity - US GAAP to IFRS

Amounts in NOK million	US GAAP	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	IFRS
Reference		A		B	C	D	E	
1 January 2006								
Equity attributable to equity holders of the parent / Shareholders' equity	**95,495**	-	95,495	(6,012)	(740)	258	762	**89,763**
Minority interest / Minority shareholders' interest in consolidated subsidiaries	**981**	-	981	-	(53)	52	(1)	**980**
Total equity			96,476	(6,012)	(792)	310	762	**90,743**
31 December 2006								
Equity attributable to equity holders of the parent / Shareholders' equity	**96,496**	-	96,496	(905)	(835)	112	963	**95,831**
Minority interest / Minority shareholders' interest in consolidated subsidiaries	**707**	-	707	-	(53)	117	-	**771**
Total equity			97,202	(905)	(888)	229	963	**96,601**

Conversion to IFRS: Explanation of differences

During the conversion process from US GAAP to IFRS, Hydro analyzed in detail all standards relevant for our financial statements. When comparing an IFRS to an US GAAP principle, many standards have the same reporting objective; however when comparing the details we have identified practical implementation differences for specific transactions or classes of transactions. The areas identified by Hydro include capitalized interest, share-based payments, business combinations and financial instruments. None of these identified differences were of a material nature for Hydro in 2006, and are therefore not discussed in detail below, as the 2006 IFRS financial statements are not affected.

The following discussion corresponds to the difference columns A-E in the US GAAP to IFRS reconciliation income statements, balance sheets and reconciliation of equity presented in this footnote. The discussion covers the transition effects on the 1 January 2006 opening balance, balance sheet differences as of 31 December 2006 and income differences during 2006. The US GAAP to IFRS income statements and balance sheets give the new IFRS line name first, followed by the US GAAP line name that is being replaced. Presentation and classification changes are shown first, using US GAAP figures. The IFRS classified US GAAP figures are then adjusted in columns B-E, in respect of IFRS measurement changes.

A – Presentation and classification

Income statement

There are presentation and classification differences when comparing Hydro's IFRS to US GAAP income statement. Operating revenues is now called Revenue. Under US GAAP, Operating revenues include some miscellaneous revenue items that are classified as Other income, net under IFRS. The line item Share of the profit (loss) from equity accounted investments moves up the income statement and is now included as part of Total revenue and income. The amount of Share of the profit (loss) from equity accounted investments is different after the presentation change as discontinued operations are included in the amount; IFRS does not have a line item Discontinued operations in the 2006 financial statements. The line item Other income, net, comprises some miscellaneous revenue items and gain or loss on sale of property, plant and equipment and investments previously reported as part of Other operating expenses.

One significant classification difference is that the Automotive Castings business is not considered a separate major line of business and thus not separately reported as discontinued operations. As a result, the line Discontinued operations is not part of the IFRS income statement for 2006, and the NOK 167 million US GAAP loss on discontinued operations is therefore distributed among the IFRS income statement line items (in column A) between Revenues, Other income, net, Raw materials and energy costs, Employee benefits expense, Depreciation and amortization expense, Other, and Financial income and Financial expense.

Accretion expense related to the asset retirement obligations is now classified as part of Financial expense; under US GAAP this is classified as part of Depreciation and amortization expense. The Depreciation and amortization expense NOK (110) million adjustment in column A represents NOK 332 million related to discontinued operations and NOK (442) million related to the ARO accretion expense.

The line item Operating income is replaced by Earnings before financial items and tax as the primary measure of earnings in the segments. Financial items are now shown separately as Financial income, and Financial expense. Financial expense includes exchange gains and losses (no change from US GAAP) and accretion expense related to ARO and provisions (a change as compared to US GAAP). Provision accretion expense under US GAAP is classified as Other expenses.

Minority interest is now located on the IFRS income statement after the subtotal Net income. The final figure in the IFRS income statement is a new line item, Net income attributable to equity holders of the parent, which is the equivalent line to the US GAAP line Net income. The IFRS line Net income is found on the income statement above Net income attributable to minority interests.

Balance sheet

Other short-term receivables that were included as part of Other current assets for US GAAP reporting are now classified for IFRS financial reporting as part of Accounts Receivable. These short-term receivables primarily relate to VAT receivable and other external prepaid items. Capitalized exploration costs, classified as part of Property, plant and equipment under US GAAP are now classified as part of Intangible assets. Non-current financial assets are now shown on the face of the balance sheet, reclassified from Other non-current assets.

Shares held for trading are classified as part of Short-term investments with a fair value of NOK 586 million in the 1 January 2006 balance sheet under both IFRS and US GAAP. Non-marketable shares previously classified under US GAAP as not held for trading are classified as available-for-sale under IFRS with changes in fair value booked against equity. The shares are presented in the balance sheet as part of Financial Assets. Non-marketable shares in the US GAAP balance sheet were classified as Prepaid pension, investment and other non-current assets, and measured at cost.

Trade and other payables, Taxes payable and Provisions (current) are reclassified from Other current liabilities and shown separately in the IFRS balance sheet. The current portion of long-term debt is not presented as a separate line item in the IFRS balance sheet, but instead is included as part of Bank loans and other interest-bearing debt. Provisions (non-current) and Other financial liabilities are reclassified from Other liabilities, non-current and shown separately as non-current liabilities. To achieve a more correct presentation under IFRS, NOK 45 million in the 1 January 2006 balance sheet relating to an accrual for long-term employee benefits has been reclassified from accrued pension liabilities to other liabilities, non-current. The adjustment in the 31 December 2006 balance sheet was NOK 42 million.

All deferred tax assets and deferred tax liabilities are classified as non-current; under US GAAP the requirement is to show the current and non-current deferred tax assets and liabilities separately.

The elements included in the US GAAP line item Accumulated other comprehensive income are now included in the IFRS line item Other reserves.

Statement of cash flows

The 2006 IFRS statement of cash flows is very similar in presentation and format to Hydro's 2006 US GAAP statement of cash flows, with only four presentation, classification or measurement differences related to the measurement of cash, classification of capitalized interest, presentation of capitalized capital maintenance and presentation related to Assets held for sale. These differences are discussed below. A reconciliation of the US GAAP to IFRS statement of cash flows is not presented, as it is not an IFRS requirement and our differences are not significant. See the Annual Report 2006 for the US GAAP statement of cash flows.

The IFRS statement of cash flows includes bank overdrafts in the definition of cash; bank overdrafts are excluded from the US GAAP cash definition. In the 2006 statement of cash flows, the IFRS 1 January and 31 December 2006 cash balances in the statement of cash flows are NOK 9,964 million and NOK 6,674 million, respectively. This is NOK 499 million and NOK 86 million lower than the US GAAP cash balances reported for 1 January and 31 December 2006, respectively.

Capitalized interest in the amount NOK 1,231 million is classified as an operating activity in the IFRS statement of cash flows, and is classified as an investing activity in the US GAAP statement of cash flows, included as part of Purchases of property, plant and equipment.

In the IFRS statement of cash flows, the capitalized capital maintenance for the period is presented as part of investing activities. Under US GAAP for 2006, the accrual method was used and costs related to capital maintenance are expensed in the income statement and therefore included in the US GAAP statement of cash flows as part of net income. See also the section below "D – Property, plant & equipment, Periodic maintenance."

In the fourth quarter of 2006 the results and cash flows of the Automotive Castings business were reported as discontinued operations in US GAAP. As this is not a separate major line of business, it is not separately reported under IFRS but is included in cash flows from continuing operations.

IFRS allows the financial statement preparer the choice to classify interest and dividends paid and received as part of operating activities or interest as part of investing activities and dividends as part of financing activities. Hydro has chosen the same classification as is currently required by US GAAP, which is to classify interest and dividends paid and received as part of operating activities.

Even excluding the above specific items, there will always be overall general differences when comparing the IFRS and US GAAP cash from operating, investing and financing activities. This is unavoidable as long as there are IFRS as compared to US GAAP measurement and recognition differences in the balance sheet and income statement. These differences are discussed throughout the rest of this document, and not specifically detailed here in relation to the statement of cash flows.

B – Pensions

IFRS requires either full retrospective application of IAS 19 Employee Benefits, or recognition of all cumulative actuarial gains and losses at the date of transition to IFRS. Hydro has elected to utilize the implementation provision to recognize prior periods' unrecognized gains and losses directly in equity as of 1 January 2006. As of 1 January 2006, the GAAP difference includes unrecognized prior service costs and unrecognized net losses of NOK 9,804 million. Both of these elements are amortized over the future service period in US GAAP. The US GAAP intangible assets and accrued liability related to the additional minimum liability of NOK 225 million and NOK 2,132 million, respectively, were reversed for IFRS reporting as IFRS does not allow for such an asset/liability to be recognized. Net of tax, the decrease in equity per 1 January 2006 related to pensions and other employee benefits is NOK 5,974 million.

As the funded status of the pension plans was recognized in the US GAAP balance sheet as of 31 December 2006, the impact on Hydro's IFRS balance sheet as of the end of 2006 was limited. The IFRS to US GAAP pre-tax difference of NOK 683 million represents net unrecognized gains and losses incurred during 2006. Under Hydro's IFRS accounting principles net cumulative actuarial gains and losses in excess of the greater of 10 percent of the benefit obligation (before deducting plan assets) and 10 percent of the fair value of any plan assets are amortized in the income statement over the remaining service period of active plan participants.

Pension costs during 2006 were NOK 564 million lower under IFRS as compared to US GAAP due to amortization differences related to past service costs and accumulated losses. Net of tax, the decrease in equity as of 31 December 2006 related to pensions and other employee benefits is NOK 714 million. Hydro applies the same economic and actuarial assumptions under IFRS as applied under US GAAP.

As of 31 December 2006, Hydro has a GAAP timing difference of NOK 78 million related to curtailments of certain defined benefit pension plans. Under IFRS, curtailment gains are recognized when curtailments occur. Under US GAAP, curtailment gains are deferred until realized.

C – Financial instruments

Measurement and scoping

Some contracts that contain embedded derivatives are accounted for as derivatives under US GAAP in their entirety, while only the embedded derivatives are separated under IFRS.

Under US GAAP, where the commodity in the contract is traded in a liquid market, Hydro would have to perform extensive documentation that the assets in the contract are for "Normal Purchase and Normal Sales" (NPNS) purposes. Otherwise, the contract would, in most cases, be accounted for at fair value. For many contracts, Hydro has elected not to document NPNS. Under IFRS, all commodity contracts that are not part of a "trading" portfolio are accounted for at cost. IFRS do not have any formal "own use" documentation requirements. This creates a difference for Hydro between IFRS and US GAAP.

Hydro enters into offsetting positions in the market for physical LME-grade and physical non-LME grade aluminium contracts. IFRS require that all of these contracts be accounted for at fair value. However, only physical LME-grade aluminium contracts are accounted for at fair value under US GAAP.

Hydro has, for US GAAP reporting, separated embedded currency derivatives from some sales and purchase contracts and values the derivatives as forward contracts. These derivatives are, for the most part, not separated for IFRS reporting purposes, as the currencies in the contracts are considered to be commonly used in the country to which the products are sold/sold from.

Contracts entered into before 1 January 1999 that contained embedded derivatives are not recognized as derivatives under US GAAP according to Hydro US GAAP implementation policy. These embedded derivatives are separated under IFRS and recognized at fair value.

Hydro currently has no contracts or other financial instruments to which the fair value option has been applied.

Valuation

Some embedded derivatives, previously valued as swap arrangements, are under IFRS valued as embedded forward contracts. This primarily relates to aluminium, coal and inflation price links in long-term electricity contracts.

Accounting practice has been to value contracts over the liquid horizon (typically 3-5 years) under US GAAP. Under IFRS, all commodity contracts scoped in to be accounted for at fair value are fair valued over the full contract horizon.

Classification

Under IFRS derivative contracts and financial instruments are netted only when an ability and intention to net settle exists, while under US GAAP contracts are netted based on the existence of a master netting agreement.

Effect on 1 January 2006 opening balance and 31 December 2006 ending balance The 1 January 2006 and 31 December 2006 balance sheet derivative differences, net are negative amounts, indicating that net assets decreased, net liabilities increased or a combination of a decrease in net assets and an increase in net liabilities occurred under IFRS as compared to US GAAP. The 1 January 2006 derivative difference, net is negative NOK 2,272 million and the 31 December 2006 derivative difference, net is negative NOK 1,742 million. The derivative difference, net effect on the 2006 income statement is a difference of NOK 532 million higher IFRS pre-tax income.

Different valuation horizons, and different scoping of contracts based on embedded derivatives under the two GAAPs, creates the majority of IFRS to US GAAP derivative reporting differences.

D – Property, plant & equipment

Periodic maintenance

Under US GAAP for the period prior to 1 January 2007, expenditures for periodic maintenance and repairs applicable to production facilities are accounted for on an accrual basis. Under IFRS periodic maintenance is capitalized and depreciated. In the 1 January 2006 US GAAP to IFRS balance sheet, Property, plant and equipment is increased by NOK 1,362 million related to periodic maintenance. US GAAP provisions of NOK 10 million, current and NOK 131 million, non-current, are reversed in the 1 January 2006 IFRS balance sheet. In the 2006 income statement IFRS depreciation is higher than US GAAP depreciation by NOK 436 million. Other (expenses) are lower for IFRS by NOK 522 million.

Asset retirement obligations

The total estimated present value of asset retirement obligations is NOK 10,733 million as of 1 January 2006 and NOK 14,633 million as of 31 December 2006, which is NOK 3,040 million and NOK 2,573 million above the estimated present value according to US GAAP as of 1 January 2006 and 31 December 2006, respectively. The majority of the obligation relates to future decommissioning of oil and gas installations on the Norwegian continental shelf and in other parts of the world where Hydro has an interest in oil and gas production. The removal is expected to take place in the period 2007 to 2041, with the majority of the estimated costs related to removals expected in the period 2020 to 2030. The estimates for decommissioning costs and time are the same for IFRS and US GAAP. However, the estimates are discounted using the current risk free interest rates in the interval 3 percent to 4.5 percent for IFRS purposes, while the discount rates used for US GAAP purposes represent credit adjusted risk free interest levels at inception of the obligation and range from 5.5 percent to 7.5 percent. The interest rates used for discounting refer to the duration of the liability and the currency in the economic environment where the liability is incurred. The lower interest rate level used for IFRS purposes will result in a comparatively lower accretion expense recognized under IFRS as compared to the accretion expense recognized under US GAAP.

Classification of the accretion expense related to the ARO is different under the two GAAPs. Under IFRS, the accretion expense is classified as part of Financial expenses, while it was previously classified under US GAAP as part of Depreciation, depletion and amortization.

Depreciation of the related asset will be higher under IFRS as compared to US GAAP, as the related assets are NOK 361 million higher under IFRS compared to US GAAP. This is due to interest rate differences during 2006.

Impairment of property, plant and equipment

The accounting principles under IFRS differ from those applied under US GAAP. The most important differences for Hydro are as follows. US GAAP requires a two-step test where the first step involves testing the asset's carrying value against the sum of undiscounted expected cash flows from the asset. If this test implies that the asset is impaired, the asset is written down to its estimated fair value. In IFRS, there is a one-step impairment test whereby the asset's carrying value is compared to the higher of its estimated fair value and its value in use based on discounted expected cash flows from the asset. Generally, the difference related to the impairment testing procedure implies that impairments can be expected to occur earlier under IFRS than when applying US GAAP. Additionally, under IFRS, impairment losses are reversed if the reason for the impairment is no longer present, whereas under US GAAP reversal of an impairment loss is not allowed.

As of the adoption of IFRS, Hydro recognized the reversal of previously reported NOK 174 million impairment loss related to one asset in the Oil & Energy segment. At the time of adoption of IFRS, market conditions had significantly improved and the basis for impairment of the field was no longer present. The impairment was reversed with a total of NOK 84 million, reflecting what would have been the carrying value after depreciation had the asset not been written down as impaired.

In addition, Hydro recognized impairment losses related to two plants, which both are considered cash generating units, in the Rolled Products sector of the Aluminium Products segment. For both the plants, expected future cash flows exceed the carrying value of the assets when not discounted, i.e. no impairment was recognized in US GAAP. However, discounted future cash flows did not cover the carrying value of the asset. An impairment loss of NOK 60 million was recognized on the Malaysian plant. For the Hamburg operation, the impairment loss identified was NOK 102 million.

During 2006, additional impairment losses were identified. An impairment loss of NOK 22 million was recognized related to the Automotive Products plant in Holland, USA, which is part of Automotive Products. A renewed evaluation of the situation in Malaysia was carried out based on continuing operating losses. An impairment loss of NOK 150 million was recognized. In addition an impairment loss of NOK 66 million was identified related to a remelt plant in Metal.

E – Other

Other comprises differences that have a less material impact on Hydro's equity and net income than the differences discussed above.

Provisions

The recognition criteria are different in IFRS compared to US GAAP. IFRS require recognition of a provision when outflow of economic resources is "probable" defined as more likely than not, generally any probability above 50 percent. US GAAP requires recognition of a provision when the outflow of economic resources is "probable", meaning a significantly higher probability than "more likely than not". This is generally interpreted to mean a probability of at least 70-80 percent.

There is also a difference in measurement when the expected outflow is a range of results where no single outcome has a higher probability than any other outcome within the range. In those situations US GAAP require recognition of the lowest possible outcome within the range, while IFRS require the mid point of the range. For exit activities, including costs related to work force reductions, IFRS require recognition of a liability when management commits to a plan to incur such costs, and communicates its intent in a way that raises valid expectations among those who will receive compensation as part of that plan. US GAAP does not allow recognition of such costs based on a communicated plan alone, and generally require later recognition than IFRS.

The IFRS to US GAAP differences resulted in an increase of recognized provisions of NOK 70 million as of 1 January 2006, mainly resulting from work force reductions in the Metal operations in Neuss, Germany, which was recognized as of 1 January 2006.

Equity accounted investments

The 2006 financial statements of Hydro's associate and joint venture investments have been reviewed for differences between US GAAP and IFRS, and between IFRS as applied by Hydro and as applied by our investment. For Hydro's investments there is a very limited accounting effect related to the different GAAPs. The identified US GAAP to IFRS differences of our investments are the same as for Hydro, and include defined benefit pension and other post employment schemes, capitalization and depreciation of maintenance costs, and differences related to recognition and measurement of contracts in scope of IAS 39 Financial Instruments versus the corresponding US GAAP standard, SFAS 133 Accounting for Derivative Instruments and Hedging Activities.

The previously recognized US GAAP impairment write-down related to the Naturkraft investment of NOK 85 million was reversed as of 1 January 2006 under IFRS. The reversal of the write-down reflects the fact that the partners as of 1 January 2006 had reassumed their work towards completing the planned investment after securing authority approval at acceptable terms; the reasons for impairing the asset no longer exist.

The IFRS gain on the sale of Hydro's investment in Hydro Texaco in the fourth quarter 2006 was NOK 70 million, which is NOK 17 million higher than the gain recognized under US GAAP. The difference is primarily due to Hydro setting to zero all 1 January 2006 foreign currency translation differences in the IFRS opening balance sheet and IFRS to US GAAP differences in the Hydro Texaco financial statements.

Equity investments

Under IFRS, non-marketable equity securities are recognized at fair value in the balance sheet. Hydro has elected to recognize changes in fair value directly in equity, thus no IFRS-US GAAP difference related to non-marketable equity investments is, or will be, recognized in the income statement. The 1 January 2006 IFRS carrying value of these investments is NOK 919 million above cost. The carrying amount under US GAAP was NOK 1,138 million as of 1 January 2006 while the IFRS fair value as of 1 January 2006 is NOK 2,058 million. Net of tax, the increase in carrying value compared to US GAAP is NOK 663 million. These investments are not traded on stock exchanges or similarly regulated markets. Valuation is, for the largest investments, based on an initial external valuation combined with periodic valuations based on Hydro's internal valuation models. For smaller investments, valuations are based on internal models. The valuations often are based on a model utilizing cash flow estimates and a market based discount rate for return on equity combined with earnings multiples.

Development costs

Under IFRS, development costs are capitalized providing certain criteria are met. Under US GAAP, development costs are expensed unless they relate to the development of information system software or information technology systems or in certain situations related to the construction of property, plant and equipment. Only one project during 2006, related to smelter technology, reached a stage during the fourth quarter requiring the capitalization of development costs under IFRS. These development costs continue to be expensed under US GAAP. The project will continue during 2007.

Deferred tax and tax expense

There are certain differences in how deferred tax is measured under IFRS as compared to US GAAP. The most important difference for Hydro results from subsidiaries having tax payments in a currency different from their functional currency. This relates to certain subsidiaries both within Oil & Energy and Aluminium Metal. These subsidiaries generally have the US dollar as their functional currency, while taxes are paid in the local currency in the country of incorporation or the country where the operations are conducted. Another difference relates to unrealized gains on inventory that are calculated with the buyer's tax rate under IFRS, while US GAAP require the seller's tax rate to be used. This difference is not material for Hydro.

Sale and leaseback contracts

Hydro has one sale and leaseback contract related to a production vessel in the Oil & Energy segment where the original gain is amortized over the lease term. As the lease contract is an operating lease, IFRS requires immediate recognition of the gain. The remaining unamortized gain in US GAAP of NOK 22 million (NOK 5 million after tax) has been recognized as reduced liabilities and increased equity as of 1 January 2006. The amortization of NOK 5 million during 2006 for US GAAP reporting purposes represents a difference in IFRS as compared to US GAAP net income.

Financial statements Norsk Hydro ASA

Income statements

Amounts in NOK million	Notes	**2007**	2006
Revenues		**258**	419
Raw materials and energy costs		**121**	82
Payroll and related costs	3, 4	**641**	932
Depreciation, depletion and amortization	5	**14**	15
Other		**(180)**	199
Total operating costs and expenses		**596**	1,228
Operating income		**(338)**	(809)
Financial income, net	6	**9,748**	21,595
Income before taxes		**9,410**	20,786
Income taxes	7	**56**	(336)
Net income		**9,466**	20,450
Appropriation of net income and equity transfers:			
Dividend proposed		**(6,047)**	(6,131)
Retained earnings		**(3,419)**	(14,319)
Total appropriation		**(9,466)**	(20,450)

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

Balance sheets

Amounts in NOK million	Notes	31 December 2007	2006
ASSETS			
Intangible assets	7	**209**	1,217
Property, plant and equipment	5	**172**	159
Shares in subsidiaries	8	**31,023**	46,863
Intercompany receivables		**29,589**	44,206
Associates and jointly controlled entities	9	**154**	185
Prepaid pension, investments and other non-current assets	3, 10	**2,661**	1,710
Total financial non-current assets		**63,427**	92,964
Accounts receivable		**63**	34
Intercompany receivables		**22,962**	27,224
Prepaid expenses and other current assets	10	**660**	2,885
Short-term investments		**750**	12,950
Cash and cash equivalents		**7,899**	5,677
Current assets		**32,334**	48,770
Total assets		**96,141**	143,110

Liabilities and shareholders' equity

Paid-in capital:			
Share capital 1,247,956,949 shares of NOK 1,098	12	**1,370**	4,708
Treasury shares 38,652,570 shares of NOK 1,098		**(42)**	(221)
Paid-in premium		**182**	9,611
Other paid-in capital		**178**	125
Retained earnings:			
Retained earnings		**22,580**	45,131
Treasury shares		**(4,241)**	(6,404)
Shareholders' equity	12	**20,027**	52,951
Other long-term liabilities		**2,134**	4,829
Intercompany payables		**261**	225
Other long-term interest-bearing debt		**-**	18,811
Long-term debt		**261**	19,036
Bank loans and other interest-bearing short-term debt	10	**599**	2,638
Dividends payable		**6,047**	6,131
Intercompany payables		**66,277**	55,206
Other current liabilities		**796**	2,319
Current liabilities		**73,719**	66,294
Total liabilities and shareholders' equity		**96,141**	143,110

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

Statements of cash flows

Amounts in NOK million	**2007**	2006
Net income	**9,466**	20,450
Depreciation, depletion and amortization	**14**	15
Write-down and loss on sale of non-current assets	**117**	3,207
Other adjustments	**(2,522)**	(16,668)
Net cash provided by operating activities	**7,075**	7,004
Investments in subsidiaries	**(54)**	(2,443)
Sales of subsidiaries	**1**	38
Net sales (purchases) of other investments	**12,192**	(10,848)
Net cash provided by (used in) investing activities	**12,139**	(13,253)
Dividends paid	**(6,134)**	(5,506)
Other financing activities, net [1]	**(10,666)**	7,747
Net cash provided by (used in) financing activities	**(16,800)**	2,241
Foreign currency effects on cash	**(192)**	328
Net increase (decrease) in cash and cash equivalents	**2,222**	(3,680)
Cash and cash equivalents 01.01	**5,677**	9,357
Cash and cash equivalents 31.12	**7,899**	5,677

1) Includes the effect of demerger in 2007, see note 2 Demerger.

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

NOTE 1
Summary of significant accounting policies

The financial statements of Norsk Hydro ASA are prepared in accordance with the Norwegian accounting act and accounting principles generally accepted in Norway (N GAAP). Financial statement preparation requires management to make 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. Interest rates used when performing any net present value analysis, or measurement of post retirement obligations, are rounded to the nearest 25 basis points. As a result of rounding adjustments, the figures in one or more columns included in the financial statements may not add up to the total of that column.

Shares in subsidiaries, associates and jointly controlled entities

Shares in subsidiaries, associates and jointly controlled entities are presented according to the cost method in Norsk Hydro ASA's financial statements. Group relief received is included in dividends from subsidiaries. Dividends from subsidiaries is recognized in the year for which it is proposed by the subsidiaries to the extent Norsk Hydro ASA can control the decision of the subsidiary through its share holdings.

Employee retirement plans

Hydro implemented NRS 6A whereby employee retirement plans are measured as required by IAS 19 in 2007, see note 1 Significant accounting policies and reporting entity to the consolidated financial statements for further information. Prior period information has been restated to be comparable. The main effect of the change was that NRS 6A allows us to recognize accumulated unrecognized gains and losses directly in equity as a one-time adjustment to allow for the same measurement basis in the parent company accounts under N GAAP as is used in the consolidated accounts under IFRS for the same employee retirement plans. The change in accounting principle resulted in a decrease of Prepaid pension of NOK 3,697 million, an increase of pension liabilities of NOK 1,567 million, and an after tax charge to equity of NOK 3,790 million. The corresponding change in net periodic pension cost for 2006 was a reduction of cost of NOK 279 million, increasing net income by NOK 201 million after tax.

Foreign currency transactions

Realized and unrealized currency gains or losses on transactions are included in net income. Similarly, unrealized currency gains or losses on assets and liabilities denominated in a currency other than the Norwegian kroner are also included in net income.

Cash and cash equivalents

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

Short-term investments

Short-term investments include bank deposits and all other monetary instruments with a maturity between three and twelve months at the date of purchase and current marketable equity and debt securities. Such securities are considered trading securities and are valued at fair value. The resulting unrealized holding gains and losses are included in financial income and expense. Investment income is recognized when earned.

Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment write-downs. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment of long-lived assets is recognized when the recoverable amount determined as the higher of fair value less cost to sell or value in use of the asset or group of assets is less than the carrying value. The amount of the impairment is the difference between the carrying value and the recoverable amount. An impairment loss is reversed if the impairment situation is deemed to no longer exist.

Contingencies and guarantees

Hydro recognizes a liability for the fair value of obligations it has undertaken in issuing guarantees, including Hydro's ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. Contingencies are recognized in the financial statements when probable of occurrence and can be estimated reliably.

Research and development

Research costs are expensed as incurred. Development costs are capitalized as an intangible asset at cost if, and only if, (a) it is probable that the future economic benefit that is attributable to the asset will flow to the enterprise; and (b) the cost of the asset can be measured reliably. To the extent development costs are directly contributing to the construction of a fixed asset, the development costs are capitalized as part of the asset provided all criteria for capitalization are met.

Derivative instruments

Forward currency contracts and currency options are recognized in the financial statements and measured at fair value at each balance sheet date with the resulting unrealized gain or loss recorded in interest expense and foreign exchange gain (loss).

Share-based compensation

Hydro accounts for share-based payment in accordance with NRS 15A Share-Based Payment. NRS requires share-based payments to be accounted for as required by IFRS 2 Share-based Payment, see note 1 Significant accounting policies and reporting entity to the consolidated accounts for further information.

Risk management

For information about risk management in Norsk Hydro ASA see note 41 Risk management to the consolidated financial statements.

NOTE 2
Demerger

On 12 March 2007 Hydro's Board of Directors and the Board of Directors of StatoilHydro ASA (previously Statoil ASA) agreed to a proposed merger of Hydro's petroleum activities with Statoil to form StatoilHydro ASA. The transaction took legal form of a demerger of Norsk Hydro ASA whereby the demerged business was transferred to the existing company StatoilHydro ASA (previously Statoil ASA). The demerged part of Norsk Hydro ASA primarily consisted of shares in subsidiaries engaged in oil and gas activities, and loans to those companies. In addition, the pension schemes were divided to reflect the transfer of employees and retirees to StatoilHydro, and all outstanding debenture debt were transferred. A demerger receivable was established according to the demerger plan. The demerger was accounted for based on the historical values of assets and liabilities, and no gain was recognized.

The agreed economic effective date of the merger was 1 January 2007. For the purpose of the separate accounts for Norsk Hydro ASA, the demerger takes effect as of 1 January 2007 according to the demerger plan. From this date, the merged company StatoilHydro assumed the risks and rewards of Hydro's petroleum activities. The merger was completed as of 1 October 2007. For further discussion of the demerger, see notes to the consolidated financial statements, note 7 Discontinued operations and assets held for sale. Norsk Hydro ASA does not present the demerged business as discontinued operations.

As a result of the demerger, Hydro's share capital was reduced by 70 percent, representing the estimated relative value of the transferred petroleum activities compared to the retained businesses. The total equity reduction amounted to NOK 33,403 million. In accordance with the demerger plan, adjustments to the equity reduction may occur. There is no limitation of the period for which revisions are possible.

NOTE 3
Employee retirement plans

Norsk Hydro ASA is affiliated with the Hydro Group's Norwegian pension plans that are administered by Norsk Hydro's independent pension trust. Norsk Hydro ASA's employee retirement plans covered 6.357 participants as of 31 December 2007 and 12,511 participants as of 31 December 2006.

Net periodic pension cost

Amounts in NOK million	**2007**	2006
Defined benefit plans:		
Benefits earned during the year	**176**	636
Interest cost on prior period benefit obligation	**307**	606
Expected return on plan assets	**(399)**	(587)
Recognized net loss	**-**	-
Past service cost	**21**	57
Net periodic pension cost	**105**	713
Termination benefits and other	**51**	111
Total net periodic pension cost	**156**	824

Change in projected benefit obligation (PBO)

Amounts in NOK million	**2007**	2006
Projected benefit obligation at beginning of year	**(16,501)**	(15,344)
Benefits earned during the year	**(176)**	(636)
Interest cost on prior periodbenefit obligation	**(307)**	(606)
Actuarial gain (loss)	**134**	(266)
Plan amendments	**(9)**	(37)
Benefits paid	**317**	376
Settlements	**535**	25
Special termination benefits	**(25)**	(13)
Divestments	**9,379**	-
Projected benefit obligation at end of year	**(6,655)**	(16,501)

Change in pension plan assets

Amounts in NOK million	**2007**	2006
Fair value of plan assets at beginning of year	**12,988**	11,073
Actual return on plan assets	**507**	1,604
Company contributions	**-**	630
Benefits paid	**(264)**	(312)
Settlements	**(356)**	(7)
Divestments	**(6,034)**	-
Fair value of plan assets at end of year	**6,840**	12,988

Status of pension plans reconciled to balance sheet

Amounts in NOK million	2007	2006
Defined benefit plans:		
Funded status of the plans at end of year	**185**	(3,513)
Unrecognized net loss	**(687)**	(751)
Unrecognized prior service cost	**4**	23
Net prepaid pension recognized	**(498)**	(4,242)
Termination benefits and other	**(186)**	(329)
Total net prepaid pension recognized	**(684)**	(4,570)
Amounts recognized in the balance sheet consist of:		
Prepaid pension	**1,163**	118
Accrued pension liabilities	**(1,847)**	(4,688)
Net amount recognized	**(684)**	(4,570)

Assumptions used to determine net periodic pension cost

	2007	2006
Discount rate	**4.50%**	4.00%
Expected return on plan assets	**6.00%**	5.50%
Expected salary increase	**4.00%**	3.50%
Expected pension increase	**3.50%**	3.00%

Assumptions used to determine pension obligation at end of year

	2007	2006
Discount rate	**4.75%**	4.50%
Expected salary increase	**4.25%**	4.00%
Expected pension increase	**3.75%**	3.50%

Investment profile plan assets at end of year

	2007	2006
Asset category		
Equity securities	**36%**	38%
Debt securities	**30%**	38%
Real estate	**20%**	17%
Other	**14%**	7%
Total	**100%**	100%

See note 32 Employee retirement plans in notes to the consolidated financial statements for further information.

NOTE 4
Management remuneration, employee costs and auditor fees

See note 11 Employee and management remuneration in the notes to the consolidated financial statements for information and details related to the Corporate Managment Board remuneration. See note 45 Board of Directors' and Corporate Assembly remuneration in the notes to the consolidated financial statements for information and details related to the Board of Directors' and Corporate Assembly.

Partners and employees of Hydro's appointed auditors, Deloitte AS (Deloitte), own no shares in Norsk Hydro ASA or any of its subsidiaries. Fees in 2007 and 2006 to Deloitte are given below:

Amounts in NOK thousand	2007	2006
Audit fees	**9,763**	23,424
Audit related fees	**6,145**	-
Tax fees	**-**	-
Non-audit fees	**954**	1,652
Total	**16,862**	25,076

The average number of employees in Norsk Hydro ASA was 5,097 in 2007 as compared to 6,037 in 2006. As of year end 2007 and 2006 Norsk Hydro ASA employed 2,369 and 6,503 employees, respectively. The decrease is primarily due to employees moving from Norsk Hydro ASA to StatoilHydro ASA in connection with the demerger of the oil and gas activities.

Total loans to the Company's employees as of 31 December 2007 were NOK 421 million. Loans to employees consists of NOK 248 secured loans (home and car loans) with the remainder unsecured. The unsecured loan balance as of 31 December 2007 related to the employee share purchase plan was NOK 10 million.

A substantial number of employees in Norsk Hydro ASA are engaged in activities for other Group companies. The cost for these employees is accounted for on a net basis, reducing Payroll and related costs. Employee related payroll expenses, on a net basis, are given in the table below:

Amounts in NOK thousand	2007	2006
Payroll and related costs:		
Salaries	**3,732**	4,201
Social security costs	**700**	672
Social benefits	**(2)**	20
Net periodic pension cost (note 3)	**156**	824
Internal invoicing of payroll related costs	**(3,944)**	(4,785)
Total	**641**	932

NOTE 5
Property, plant and equipment

Amounts in NOK million	Land	Buildings	Machinery, etc	Plant under construction	Total
Cost 31.12.2006	6	138	140	12	296
Demerger	-	-	(4)	-	(4)
Additions at cost	-	1	2	64	68
Retirements	-	(42)	(28)	(7)	(77)
Transfers	-	6	63	(69)	-
Accumulated depreciation 31.12.2007	-	(40)	(72)	-	(112)
Carrying value 31.12.2007	6	62	102	1	172
Depreciation in 2007	-	(3)	(8)	-	(12)

NOTE 6
Financial income and expense

Amounts in NOK million	**2007**	2006
Dividends from subsidiaries	**12,687**	23,917
Dividends from associates	**5**	3
Interest from group companies	**3,738**	3,700
Other interest income	**1,003**	644
Interest paid to group companies	**(4,670)**	(1,824)
Other interest expense	**(32)**	(1,423)
Write-down of shares	**(108)**	(3,135)
Net foreign exchange gain (loss)	**(2,800)**	(303)
Other, net	**(75)**	16
Financial income, net	**9,748**	21,595

NOTE 7
Income taxes

The tax effect of temporary differences resulting in the deferred tax assets (liabilities) are:

	Temporary differences Tax effected	
Amounts in NOK million	**2007**	2006
Short-term items	**(9)**	(202)
Prepaid pension	**(326)**	(33)
Pension liabilities	**517**	1,313
Other long-term	**20**	129
Deferred tax asset	**202**	1,207

In accordance with the preliminary accounting standard for tax under NGAAP, taxable temporary differences and deductible temporary differences, which reverse or may reverse in the same period, can be netted.

Reconciliation of nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2007**	2006
Income (loss) before taxes	**9,410**	20,786
Expected income taxes at statutory tax rate	**2,635**	5,820
Dividend exclusion	**(2,740)**	(5,975)
Losses and other deductions not previously recognized	**-**	(439)
Non-deductible expenses and write-down of shares	**-**	872
Other, net	**49**	58
Income taxes	**(56)**	336
Effective tax rate	**(0,01)%**	1.62%

Components of income tax expense

Amounts in NOK million	**2007**	2006
Current income tax	**261**	294
Change in deferred tax	**(317)**	42
Income tax expense	**(56)**	336

See note 17 and 33 in Notes to the consolidated financial statements for further information.

NOTE 8
Shares in subsidiaries

Company name:	Percentage of shares owned by Norsk Hydro		Total share capital of the company (1,000's)	Book value 31.12.2007 (in NOK 1,000's)
Norsk Hydro Kraft OY	100	EUR	34	269
Hydro Aluminium AS	100	NOK	7,236,126	22,004,269
Securus Industrier AS	100	NOK	59,644	360,510
Industriforsikring AS	100	NOK	20,000	20,000
Grenland Industriutvikling AS	100	NOK	26,750	110,950
Polymers Holding AS	100	NOK	66,300	2,629,158
Atletico Sport AS	70	NOK	100	4,550
Produksjonstjenester AS	100	NOK	1,000	49,410
Hydro Production Partner Holding AS	100	NOK	50,000	95,010
Norsk Hydro Plastic Pipe AS	100	NOK	10,000	48,872
Hydro Aluminium Deutschland GmbH [1]	25	EUR	295,106	92,478
Norsk Hydros Handelsselskap AS	100	NOK	1,000	1,000
Norsk Hydro Produksjon AS	100	NOK	880,000	5,602,846
Hydro Kapitalforvaltning ASA	100	NOK	2,500	3,500
Total				31,022,823

1) The company is owned 75 percent by Norsk Hydro Deutschland GmbH & CoKG., which is a subsidiary of Hydro Aluminium AS and 25 percent by Norsk Hydro ASA.

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.

NOTE 9
Shares in associates and jointly controlled entities

Associates and jointly controlled entities consist mainly of loans to such entities owned by subsidiaries.
The most significant investments for Norsk Hydro ASA are (amounts in NOK million):

Name	Percentage owned (equals voting rights)	Country	Carrying value as of 31 December 2007	Long-term advances	Total
Alumina Partners of Jamaica	35.0%	Jamaica	-	106	106
Aluminium & Chemie Rotterdam B.V.	27.7%	Netherlands	-	34	34
Other			4	10	14
Total			4	150	154

NOTE 10
Specification of balance sheet items

Amounts in NOK million	**2007**	2006
Securities	**536**	794
Prepaid pension	**1,163**	-
Other non-current assets	**962**	916
Total prepaid pension, investments and other non-current assets	**2,661**	1,710
Prepaid expenses	**166**	543
Other current assets	**495**	2,342
Total prepaid expenses and other current assets	**660**	2,885
Bank overdraft	**1**	10
Employee deposits	**556**	1,090
Other interest-bearing debt	**41**	1,538
Total bank loans and other interest-bearing short-term debt	**599**	2,638

NOTE 11
Guarantees

Norsk Hydro ASA provides guarantees arising in the ordinary course of business including stand-by letters of credit, performance bonds and various payment or financial guarantees. Guarantees in connection with the sale of companies, referred to as sales guarantees in the table below, reflect the maximum contractual amount that Hydro could be liable for in the event of certain defaults or the realization of specific uncertainties. See note 37 Guarantees to the consolidated financial statements for further information about guarantees.

Amounts in NOK million	**2007**	2006
Guarantees (off-balance sheet):		
Guarantees related to associates	**-**	10
Guarantees related to jointly controlled entities	**60**	177
Sales guarantees	**1,116**	1,156
Commercial guarantees	**12,785**	26,090
Other guarantees	**65**	-
Total	**14,026**	27,433

NOTE 12
Number of shares outstanding, shareholders, equity reconciliation

The share capital of the company is NOK 1,370,256,730 consisting of 1,247,956,949 ordinary shares at NOK 1.098 per share, after the redemption and cancellation of shares and the demerger of Hydro immediately followed by the merger of Hydro's oil and gas activities with Statoil ASA to form StatoilHydro ASA was completed on 1 October 2007. As of 31 December, 2007 the company had purchased 38,652,570 treasury shares at a cost of NOK 4,283 million. For further information on these issues see Statement of Changes in Equity and note 34 Shareholders' equity in the consolidated financial statements.

Shareholders holding one percent or more of the total 1,209,304,379 shares outstanding as of 31 December, 2007 are according to information in the Norwegian securities' registry system (Verdipapirsentralen):

Name	Number of shares
The Ministry of Trade and Industry of Norway	546,902,099
State Street Bank and Trust [2]	69,545,008
Morgan Guaranty Trust [1]	64,650,142
Folketrygdfondet	45,868,635
JP Morgan Chase Bank [2]	20,302,896
Euroclear Bank [2]	16,641,962
Mellon Bank [2]	16,019,264
JP Morgan Chase Bank [2]	14,788,248
UBS AG, London Branch [2]	12,980,689

1) Representing American Depositary Shares.
2) Nominee accounts.

Change in shareholders' equity

Amounts in NOK million	Paid-in capital	Retained earnings	Total Shareholders' equity
Balance 31 December, 2006	14,223	42,517	56,741
Change in accounting principles		(3,962)	(3,962)
Demerger	(9,925)	(23,478)	(33,403)
Net income		9,466	9,466
Dividend proposed		(6,047)	(6,047)
Dividend paid in 2007 not accrued [1]		(3)	(3)
Treasury shares	152	(154)	(2)
Redeemed shares, Ministry of Trade and Industry	(2,763)		(2,763)
Balance 31 December, 2007	1,688	18,340	20,027

1) Owners of shares sold from treasury shares in April 2007 received dividends for those shares in May 2007. However, this was not accrued in 2006.

Auditor's report and corporate assembly

To the Annual Shareholders' Meeting of Norsk Hydro ASA

Auditor's report for 2007

We have audited the annual financial statements of Norsk Hydro ASA as of 31 December 2007, showing a profit of NOK 9,466 million for the parent company and a profit of NOK 18,604 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 in the financial statements for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the parent company's financial statements. International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and President. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing 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. To the extent required by law and generally accepted auditing practice, 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 parent company's financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with generally accepted accounting practice in Norway
- the group accounts are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit, is consistent with the financial statements and complies with law and regulations.

Oslo, 12 March 2008
Deloitte AS

Aase Aa. Lundgaard
State Authorised 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 2007 and the Auditors' report have been submitted to the corporate assembly.

The corporate assembly recommends that the directors' proposal regarding the financial statements for 2007 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 2007 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, 12 March 2008
Svein Steen Thomassen

Terms and definitions

Term	Definition
ADRs	American Depositary Receipts, evidencing a specified number of ADSs
ADSs	American Depositary Shares, each ADS representing one deposited ordinary share
AluNorf	Aluminium Norf GmbH
Articles of Association	The articles of association of the Company, as amended and currently in effect
Audit Committee	The audit committee of the Company's Board of Directors
BAT	"Best Available Techniques" for pollution prevention and control
Code	The U.S. Internal Revenue Code of 1986, as amended.
Company	Norsk Hydro ASA, a Norwegian public company limited by shares, or Norsk Hydro ASA and its consolidated subsidiaries, as the context requires
Compensation Committee	The compensation committee of the Company's Board of Directors
Consolidated Financial Statements	The consolidated financial statements and notes included in the Company's annual report to shareholders for the year ended 31 December 2004, included in Exhibit 10 to this annual report on Form 20-F
Corporate Assembly	The corporate assembly, a body contemplated by Norwegian companies' law, with responsibility, among other things, for the election of the members of the Company's Board of Directors and nomination of the external auditor
Corporate Management Board	The corporate management board established by the Company's President and Chief Executive Officer to assist him in discharging his responsibilities
CRU	CRU International Limited
Disclosure Committee	The disclosure committee of the Company, comprised of members of senior management, which is responsible for reviewing financial and related information before it is made public
EEA	European Economic Area
EEA Agreement	The European Economic Area Agreement
EFTA	European Free Trade Association
EU	European Union
HSE	Health, safety and environment
Hydro	Norsk Hydro ASA and its consolidated subsidiaries
Hydro Aluminium	The aluminium business of Hydro, comprising the sub-segments Metals, Rolled Products, and Extrusion and Automotive
kWh	Kilowatt hour
LME	London Metal Exchange
mm	Millimeter
NOK	Norwegian kroner

Terms and definitions

Term	Definition
Nomination Committee	The nomination committee provided for in the Company's Articles of Association and operating under a charter established by the shareholders' representatives in the Corporate Assembly
NYSE	New York Stock Exchange
OSE	Oslo Stock Exchange
tonne	One metric tonne (approximately 1,000 kilograms or 2,205 pounds)
TWh	Terawatt hour (one billion kilowatt hours)
US GAAP	Generally accepted accounting principles in the United States
VAW	VAW Aluminium AG
VPS or VPS System	The Norwegian Central Securities Depository, Verdipapirsentralen.
WTO	World Trade Organization
Yara	Yara International ASA

Cautionary note in relation to certain forward-looking statements

Certain statements included within this Annual Report contain forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for Hydro, such as planned expansions, investments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in Hydro's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in Hydro's key markets and competition; and legislative, regulatory and political factors. For a description of factors that could cause our results to differ materially from those expressed or implied by such statements, please refer to the risk factors specified under "Risk review - Risk factors" earlier in this Annual Report.

No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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Hydro is a Fortune Global 500 supplier of aluminium and aluminium products. Based in Norway, the company employs 22,000 people in more than 30 countries and has activities on all continents. Rooted in a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.