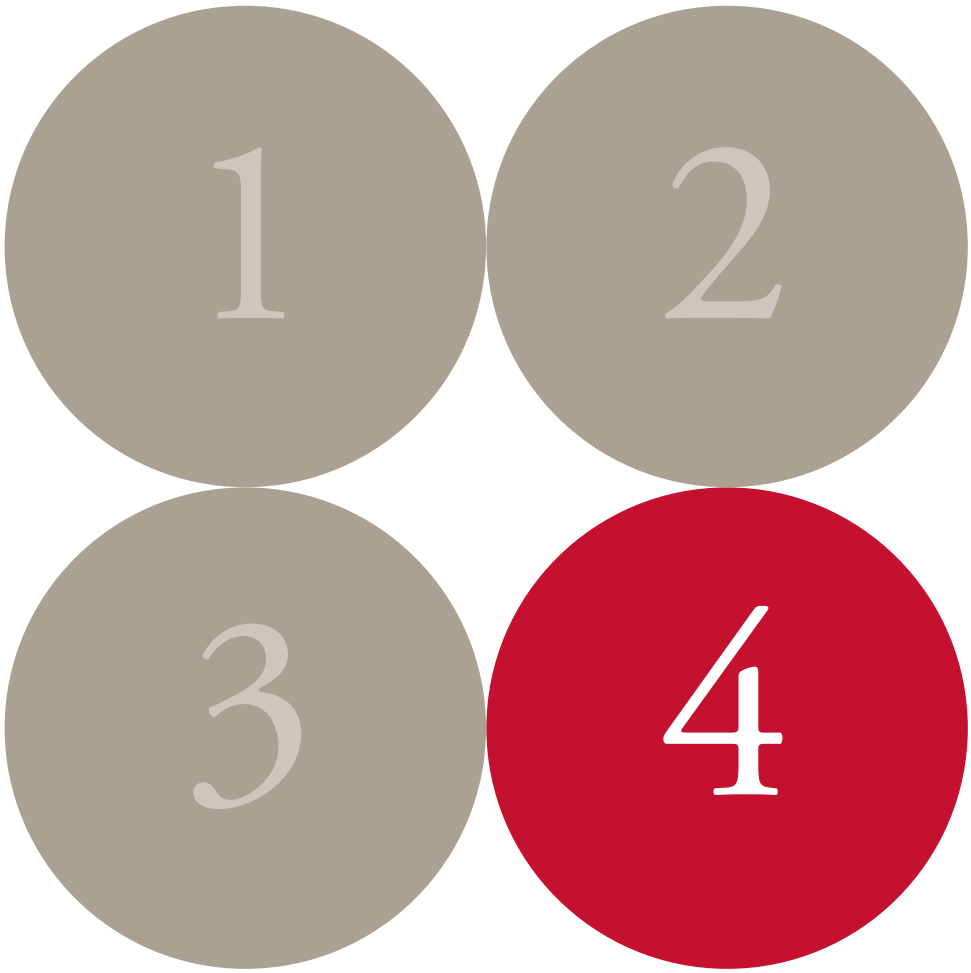
HYDRO

Fourth quarter report 2007



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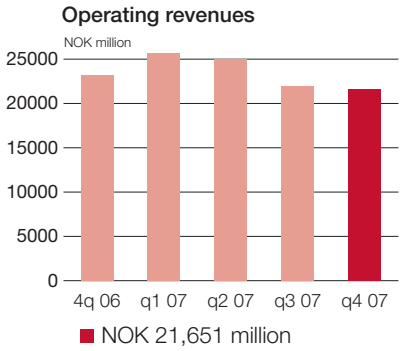
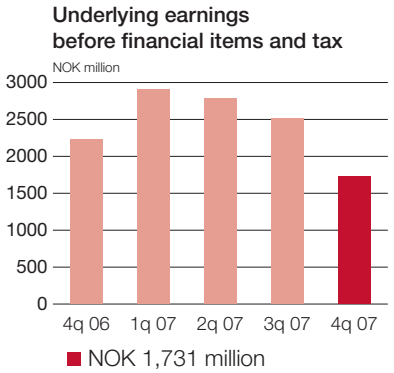
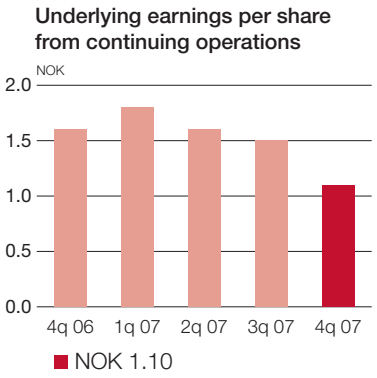






The merger of Hydro's petroleum activities into the combined oil and gas company StatoilHydro was finalized on 1 October 2007. The following discussion is a summary of results of operations for Hydro's ongoing business, which includes the Aluminium Metal, Aluminium Products and Energy operations. Comparisons to periods prior to 1 October 2007 exclude the demerged oil and gas activities. See note 5 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 later in this report "Items excluded from underlying EBIT and income from operations" for more information on these items.

Key Financial information

NOK million, except per share data	**Fourth quarter 2007**	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	**Year 2007**	Year 2006
Revenue	**21,651**	21,966	(1)%	23,234	(7)%	**94,316**	98,752
Earnings before financial items and tax (EBIT)	**338**	2,013	(83)%	(664)	>100%	**9,025**	7,200
Items excluded from underlying EBIT [1]	**1,393**	494	-	2,899	-	**905**	2,965
Underlying earnings before financial items and tax (EBIT)	**1,731**	2,507	(31)%	2,235	(23)%	**9,930**	10,165
Underlying earnings before financial items and tax (EBIT):							
Aluminium Metal	**1,364**	1,945	(30)%	1,755	(22)%	**8,041**	8,127
Aluminium Products	**74**	288	(74)%	260	(71)%	**1,353**	1,294
Energy	**341**	207	65%	294	16%	**1,184**	1,464
Corporate, other and eliminations	**(49)**	67	>(100)%	(75)	(34)%	**(648)**	(721)
Underlying earnings before financial items and tax (EBIT)	**1,731**	2,507	(31)%	2,235	(23)%	**9,930**	10,165
Income from continuing operations	**527**	2,792	(81)%	324	63)%	**9,158**	5,966
Underlying income from continuing operations [1]	**1,425**	1,981	(28)%	1,960	(27)%	**7,847**	7,811
Earnings per share from continuing operations [2]	**0.40**	2.20	(82)%	0.30	33%	**7.20**	4.60
Underlying earnings per share from continuing operations [2]	**1.10**	1.50	(27)%	1.60	(31)%	**6.10**	6.10
Financial data:							
Investments	**2,173**	1,305	67%	1,855	17%	**5,206**	4,526
Adjusted net interest bearing debt (net cash) [3]	**-**	-	-	-	-	**(0.05)**	0.10

1) See section later in this report "Items excluded from underlying EBIT and income from 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

	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	Year 2007	Year 2006
Realized aluminium price LME (USD/mt) [1]	**2,447**	2,597	(6)%	2,430	1%	**2,559**	2,352
Realized aluminium price LME (NOK/mt) [1]	**13,921**	15,512	(10)%	15,793	(12)%	**15,522**	15,371
Primary aluminium production (kmt) [2]	**439**	435	1%	450	(2)%	**1,742**	1,799
Rolled Products sales volumes to external market (kmt)	**246**	254	(3)%	247	-	**1,030**	1,003
Extrusion sales volumes to external market (kmt)	**117**	123	(5)%	124	(6)%	**508**	526
Automotive sales volumes to external market (kmt) [3]	**29**	29	-	25	15%	**117**	102
Power production (GWh)	**2,321**	3,294	(30)%	1,823	27%	**11,018**	8,326

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.

Within a strong year for Hydro, underlying income from continuing operations in the fourth quarter fell to NOK 1,425 million from NOK 1,981 million in the third quarter and NOK 1,960 million in the fourth quarter of 2006, mainly due to lower aluminium prices, weakening markets for downstream operations and unfavorable currency developments.

Hydro achieved solid results for the full-year 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.

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.

"The year 2007 was an exceptional year for Hydro, with sweeping structural changes resulting in a streamlined aluminium company well-positioned for further growth," Hydro President and CEO Eivind Reiten said. "Hydro now has the necessary financial muscle, 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.

Underlying results for Aluminium Metal, Hydro's upstream aluminium business, declined from the previous three-month period, mainly due to lower realized aluminium prices measured in Norwegian kroner. Hydro's joint venture with Qatar Petroleum on the 585,000-tonne Qatalum smelter project, in which Hydro holds 50 percent, was about 9 percent completed by the end of 2007, on track for the planned completion by the end of 2009.

Aluminium Products, Hydro's downstream operations, delivered weak underlying results in the fourth quarter. Rolled Products underlying results were negatively affected by unfavorable currency developments, lower volumes - especially in the high value-added market sectors - as well as higher costs. Strong underlying results from Hydro's European extrusion activities were offset by a continued decline in volumes in U.S. operations and losses in Automotive Structures.

Hydro's Energy business delivered firm underlying results in the fourth quarter, mainly due to a sharp rise in spot power prices, while solar power activities showed good progress.

"Although Hydro delivers strong full-year results in 2007, we are not satisfied with the fourth-quarter results," Reiten said. "Lower realized aluminium prices and weaker markets for our Aluminium Products business have had a negative impact on the results."

The demand for primary aluminium continued to grow in the fourth quarter. 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 dip 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

Beginning with our fourth quarter reporting for 2007, we are presenting our Aluminium metal business operations on the basis of three sub-segments 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 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 includes 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 Slovakia, Norway, Australia, and Canada. Primary Aluminium also includes development activities relating to the construction of the new Qatalum primary aluminium plant 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.

Earnings before financial items and tax (EBIT)

NOK million	**Fourth quarter 2007**	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	**Year 2007**	Year 2006
Aluminium Metal EBIT	**1,194**	2,172	(45)%	899	33%	**8,365**	7,302
Items excluded from underlying EBIT	**170**	(227)	-	856	-	**(324)**	825
Aluminium Metal underlying EBIT	**1,364**	1,945	(30)%	1,755	(22)%	**8,041**	8,127
Bauxite & Alumina	**27**	100	(73)%	244	(89)%	**681**	898
Primary Aluminium	**1,142**	1,720	(34)%	1,351	(15)%	**6,552**	6,651
Commercial	**136**	123	10)%	221	(38)%	**722**	643
Other and eliminations	**60**	2	>100%	(60)	>(100)%	**84**	(65)
Aluminium Metal underlying EBIT	**1,364**	1,945	(30)%	1,755	(22)%	**8,041**	8,127

Operating and financial information [1)]

	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	**Year 2007**	Year 2006
Aluminium Metal							
Realized premium above LME (USD/mt) [2)]	**346**	344	1%	292	18%	**343**	277
Realized premium above LME (NOK/mt) [2)]	**1,934**	2,001	(3)%	1,887	2%	**2,037**	1,778
Bauxite & Alumina:							
Alumina production (kmt)	**541**	512	6%	522	4%	**2,007**	1,891
Primary Aluminium:							
Primary aluminium production (kmt) [3)]	**439**	435	1%	450	(2)%	**1,742**	1,799
Total casthouse production (kmt)	**539**	546	(1)%	535	1%	**2,164**	2,162
Realized aluminium price LME (USD/mt) [4)]	**2,447**	2,597	(6)%	2,430	1%	**2,559**	2,352
Realized aluminium price LME (NOK/mt) [4)]	**13,921**	15,512	(10)%	15,793	(12)%	**15,522**	15,371
Realized NOK/USD exchange rate [5)]	**5.69**	5.97	(5)%	6.50	(12)%	**6.06**	6.54
Commercial:							
Remelt production (kmt)	**153**	163	(6)%	165	(7)%	**685**	719
Sale of metal products from own production (kmt) [6) & 7)]	**680**	699	(3)%	682	-	**2,888**	2,916
Sale of third-party metal products (kmt)	**73**	80	(9)%	78	(6)%	**315**	307
Total metal products sales excluding ingot trading (kmt) [6)]	**753**	779	(3)%	760	(1)%	**3,203**	3,223
External sales (kmt) [6)]	**449**	459	(2)%	422	6%	**1,858**	1,784
External revenue (NOK million)	**8,441**	8,954	(6)%	10,379	(19)%	**37,952**	41,340
Sales revenue (NOK million) [8)]	**6,393**	6,977	(8)%	7,055	(9)%	**29,090**	28,421

1) Operating and financial statistics includes proportionate share of production, prices, premiums and exchange rates in equity accounted investments.
2) Average realized margin above LME for total metal products sold from Primary Aluminium and Commercial, excluding ingot trading volumes.
3) Including Hydro`s share of Søral volumes.
4) Including effect of strategic hedges and equity accounted investments (Søral).
5) Including effects of strategic currency hedging for which hedge accounting applies.
6) Excluding Slovalco sales to local market.
7) Including sales of liquid metal directly to Karmøy Rolling Mill.
8) 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.

Market statistics [1)]

	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	**Year 2007**	Year 2006
LME three month average (USD/mt)	**2,495**	2,605	(4)%	2,725	(8)%	**2,661**	2,594
LME three month average (NOK/mt)	**13,567**	15,021	(10)%	17,455	(22)%	**15,627**	16,616
Global production of primary aluminium (kmt)	**10,033**	9,787	3%	8,868	13%	**38,156**	33,908
Global consumption of primary aluminum (kmt)	**9,796**	9,536	3%	8,796	11%	**37,811**	34,352
Reported primary aluminium inventories (kmt)	**2,830**	2,840	0%	2,718	4%	**2,830**	2,718

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

Market developments [1)]

During the fourth quarter of 2007 developments on the LME were characterized by deteriorating market conditions, with three-month prices ranging between USD 2,665 and USD 2,375 per mt. The ongoing credit crisis continued to impact consumer sentiment, putting pressure on industrial commodities. Average LME prices measured in US dollars declined 4 percent for the quarter compared with the third quarter of 2007 and by 8 percent compared with the fourth quarter of 2006. Due to the weakening US dollar, the decline in average LME prices was substantially higher measured in Norwegian kroner.

Primary aluminium production in China increased about 5 percent from the third to the fourth quarter of 2007. The increase in apparent consumption of primary aluminium was also about 5 percent over the same period. Chinese increase in production in the fourth quarter of 2007 was approximately 850,000 mt or 32 percent higher than fourth quarter of 2006. The corresponding increase in apparent consumption was more than 800,000 mt or 33 percent. Chinese net exports of primary aluminium during the fourth quarter were estimated at 40,000 mt, compared with an average quarterly volume of 175,000 mt during 2006.

The extrusion ingot market in Europe eased over the quarter with slower demand especially in the construction market. The weakness in the US extrusion ingot market continued during the fourth quarter. The European market for sheet ingot ended 2007 with moderate growth and higher stock levels than normal. Demand from the downstream automotive, engineering and aerospace market sectors remained firm while demand from the construction market sector weakened. Market conditions for foundry alloys in Europe remained positive.

The average spot alumina price was relatively stable during the quarter trading in the range of USD 370 per mt to USD 390 per mt up from roughly USD 340 at the end of the third quarter of 2007.

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.

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 from 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.

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.

1) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated.

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. 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. Market demand for casthouse products in the US is expected to remain weak.

Key development activities

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 late in 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 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.

Underlying earnings before financial items and tax

Underlying EBIT for Aluminium Metal amounted to NOK 1,364 million in the fourth quarter of 2007, declining 30 percent from the strong results in the third quarter of 2007 and 22 percent from the fourth quarter of 2006, mainly due to lower realized aluminium prices.

Our realized aluminium prices declined compared with the third quarter of 2007 measured both in US dollars and, to a greater extent, measured in Norwegian kroner, due to the weakening US dollar, reducing operating results by NOK 684 million. Our primary aluminium production was relatively unchanged compared both with the third quarter 2007 and the fourth quarter of 2006.

Underlying results for our Bauxite and Alumina operations fell in the fourth quarter, compared with both the previous quarter and the fourth quarter of 2006, influenced by a decline in the underlying results of Alunorte, our most important alumina investment. Results for Alunorte were impacted by lower alumina prices, mainly due to the decline in LME prices and higher energy costs. During the quarter, Alunorte commenced the start-up of new coal-fired boilers which is an important step towards improving the plant's energy supply mix. Fourth quarter alumina production rose 6 percent compared with the previous quarter and 4 percent compared with the same period last year.

Underlying results for our Commercial operations were somewhat higher in the quarter, compared with the third quarter of 2007 but declined compared with the fourth quarter of the previous year. Underlying results were affected by losses in our North American remelt operations due to difficult market conditions, with volumes at severely depressed levels. Our remelt operations in Europe have delivered solid underlying results in recent years and results for the quarter have increased compared to both the previous quarter and the fourth quarter of last year. In addition, results for other activities within our commercial products operations increased compared to third quarter, while underlying results from our sourcing and trading operations declined significantly in the quarter.

Underlying EBIT - Sub segments

Following is a discussion of the 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 the sub-segments EBIT.

Bauxite and alumina

Underlying EBIT for our bauxite and alumina operations amounted to NOK 27 million in the fourth quarter of 2007, down by NOK 73 million from the third quarter of 2007 and substantially lower than underlying EBIT of NOK 244 million in the fourth quarter of 2006.

Hydro's major alumina investment is its 34 percent interest in Alunorte, the Brazilian alumina refinery. 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 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 prices linked to the LME. Earnings from our investment in MRN are included in Financial income.

Underlying results from Alunorte amounted to NOK 52 million for the quarter, compared with NOK 76 million in the third quarter of 2007 and NOK 203 million in the fourth quarter of 2006. Results for Alunorte were impacted by lower alumina prices, mainly due to the decline in LME prices and higher costs for energy. Realized alumina prices measured in Norwegian kroner declined by 10 percent in the fourth quarter, compared with the third quarter of 2007. Higher energy costs had a significant impact on results for the quarter due to increased costs for heavy oil and electricity. During the quarter, 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.

Alumina production increased by 6 percent for the quarter, compared with the third quarter of 2007 and by 4 percent compared with fourth quarter of 2006.

Underlying EBIT for our alumina and bauxite operations were also influenced by losses from our Alpart alumina operations compared with relatively minor underlying EBIT in the third quarter of 2007 and fourth quarter of 2006. The fourth quarter also included our share of costs relating to the Kimberley bauxite exploration project in western Australia, amounting to NOK 9 million.

Underlying EBIT amounted to NOK 681 million in 2007, down 24 percent compared with 2006, despite higher revenues due to higher LME prices and higher volumes as a result of the second expansion of the Alunorte plant. Increased energy costs had a substantial negative impact on the results for the year. 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. Reported results were also negatively impacted as a result of translation effects due to the decline in the US dollar versus NOK.

Primary aluminium

Underlying EBIT for our primary aluminium operations amounted to NOK 1,142 million in the fourth quarter of 2007, declining 34 percent from the good results in the third quarter of 2007 and 15 percent lower than the fourth quarter of 2006 mainly due to lower aluminium prices.

Our realized aluminium price declined 6 percent measured in US dollars, compared with the third quarter of 2007, but declined by 10 percent measured in Norwegian kroner due to the weakening US dollar reducing operating results by NOK 684 million. Realized aluminium prices measured in Norwegian kroner decreased by 12 percent compared with the fourth quarter of 2006, reducing operating results by NOK 818 million. Measured in US dollars, realized aluminium prices increased slightly compared to the fourth quarter of 2006.

Primary aluminium production, including our share of production from part owned companies, amounted to 439,000 mt in the fourth quarter of 2007 increasing slightly from the third quarter of 2007 due to performance improvements and amperage increases in our smelter system. Primary aluminium production declined 2 percent compared to the fourth quarter of 2006 mainly 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, including our share of production from part owned companies, declined slightly to 539,000 mt in the fourth quarter, compared with the third quarter of 2007 due to lower market demand.

Underlying results for our partly owned Søral metal plant amounted to NOK 47 million for the quarter, compared with NOK 61 million in the third quarter of 2007 and NOK 60 million in the fourth quarter of 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.

Underlying EBIT for our primary metal 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 were relatively unchanged measured in Norwegian kroner due to the weak US dollar. Production of primary metal amounted to 1,742 mt, 3 percent lower than 2006 due to the closures mentioned above. Casthouse production in our primary smelters was substantially unchanged for the year.

Commercial

Underlying EBIT for our Commercial operations amounted to NOK 136 million in the fourth quarter of 2007, up 10 percent compared with the third quarter of 2007 but 38 percent lower than the fourth quarter of 2006.

Our 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. Underlying EBIT for our commercial products activities increased to NOK 67 million in the fourth quarter compared with NOK 37 million in the third quarter of 2007 and NOK 126 million in the fourth quarter of 2006. Both in the fourth quarter and for 2007 as a whole our remelt operations in Europe continued to deliver good results, but these were more than offset by losses from our North American remelt operations, which amounted to NOK 193 million for 2007 as a whole. The losses mainly result from the difficult market conditions with volumes at severely depressed levels.

Total remelt production volumes declined by 6 percent compared with the third quarter and 7 percent compared to the fourth quarter of 2006 due to the market decline in the US and the closure of our remelter in Ellenville.

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. Underlying EBIT for our sourcing and trading activities amounted to NOK 58 million in the fourth quarter compared with NOK 238 million in the third quarter of 2007 and NOK 133 million in the fourth quarter of 2006.

Total metal sales excluding ingot trading amounted to 753,000 mt in the fourth quarter of 2007, declining by 3 percent compared to third quarter of 2007 mainly due to reduced customer offtake towards the end of the year. Total metal sales declined slightly, compared with the fourth quarter of 2006.

Underlying EBIT for our Commercial operations increased by 12 percent to NOK 722 million for the total 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 due to the difficult market conditions with volumes well below 2006. 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 for 2007 compared with 2006.

Aluminium Products

Earnings before financial items and tax (EBIT)

NOK million	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	Year 2007	Year 2006
Aluminium Products EBIT	**(326)**	(247)	32%	(481)	(32)%	**1,098**	(104)
Items excluded from underlying EBIT	**400**	535	-	741	-	**255**	1,398
Aluminium Products underlying EBIT	**74**	288	(74)%	260	(71)%	**1,353**	1,294
Rolled Products	**(30)**	136	>(100)%	158	>(100)%	**562**	520
Extrusion	**179**	201	(11)%	165	9%	**852**	818
Automotive	**(75)**	(49)	53%	(66)	13%	**(67)**	(51)
Other and eliminations	**-**	-	-	3	(90)%	**6**	8
Aluminium Products underlying EBIT	**74**	288	(74)%	260	(71)%	**1,353**	1,294

Operational information

Sales volume to external market (1,000 mt)	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	Year 2007	Year 2006
Rolled Products	**246**	254	(3)%	247	-	**1,030**	1,003
Extrusion	**117**	123	(5)%	124	(6)%	**508**	526
Automotive [1]	**29**	29	-	25	15%	**117**	102

1) Excluding divested businesses Casting, Magnesium and Worchester.

Market statistics [1]

Total market consumption (1,000 mt)	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	Year 2007	Year 2006
Rolled products - Europe [2]	**1,004**	979	3%	965	4%	**4,000**	3,924
Rolled products - US [2]	**1,153**	1,218	(5)%	1,192	(3)%	**4,769**	5,065
Extruded products - Europe	**654**	632	3%	676	(3)%	**2,741**	2,763
Extruded products - US	**330**	359	(8)%	362	(9)%	**1,451**	1,702

1) Source CRU.
2) Apparent consumption.

Market developments [2]

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 market 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 with around 7 million units sold during the year.

2) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated

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 and rationalization programs

The sale of our Nordic Aviation Products unit was completed in early November resulting in a gain of around NOK 17 million included in the reported results for the fourth quarter.

Underlying earnings before financial items and tax

Underlying EBIT for Aluminium Products amounted to NOK 74 million for the fourth quarter, down by NOK 214 million from the third quarter of 2007 and NOK 186 million from the fourth quarter of 2006. Underlying results for the fourth quarter of 2006 included operating profits from the divested Castings and Magnesium operations of around NOK 70 million.

Compared to the third quarter of 2007, underlying results for our Rolled Products business were negatively impacted by lower volumes, mainly within our high added-value foil and lithographic market segments, unfavorable currency developments, and seasonally higher maintenance and general cost increases, mainly energy.

Overall volumes declined by 5 percent for our Extrusion operations compared with the third quarter of 2007, mainly driven by a 12 percent decline in volumes for our US operations. Margins remained strong for our European Extrusion and Building Systems operations, partly offsetting the decline in shipments.

Underlying EBIT for our remaining Automotive business was negatively impacted by losses in our Automotive structure operations. Shipments for our Automotive structures were stable in the fourth quarter compared with the third quarter of 2007 and increased somewhat compared to the fourth quarter of 2006. However, results were impacted by costs related to future business with the start-up of new production lines and costs relating to new contracts. Improved results for our Precision Tubing operations made a small contribution to underlying EBIT for the fourth quarter.

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 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 the sub-segments EBIT.

Rolled Products

Rolled products incurred an underlying loss of NOK 30 million for the fourth quarter, declining by NOK 167 million compared to the third quarter 2007. Shipments were down by 3 percent, mainly within our high added value foil and lithographic market segments. Results were also impacted by seasonally higher maintenance cost and general cost increases, mainly energy. 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 60 million. Approximately 20 percent of our total sales volume is sold in dollar denominated markets.

Compared to fourth quarter 2006 underlying results declined by NOK 190 million. Overall shipments were stable compared with the fourth quarter of 2006, but with differences between our market segments. Lower shipments in the high value-added foil segment had a negative influence on our average margins achieved amounting to approximately NOK 70 million, including the effect of higher alloying costs. Currency effects due to the weak dollar had a negative impact on margins for our US dollar sales of around NOK 110 million compared to the fourth quarter of 2006.

Underlying result amounted to NOK 562 million for 2007, an increase of NOK 40 million compared to 2006. Overall shipments increased about 3 percent compared to 2006 driven by positive developments within our strip market segment. Higher volumes and increased margins were partly offset by substantially higher energy costs. The margin effects of the declining US dollar amounted to about NOK 140 million.

Extrusion

Underlying EBIT for our Extrusion business amounted to NOK 180 million down by 11 percent from third quarter 2007. Overall volumes declined 5 percent mainly driven by 12 percent decline in volumes for our US operations. Margins remained strong for our European extrusion and building systems operations partly offsetting the effect of the decline in shipments.

Underlying results for our Extrusion business improved by 9 percent in the quarter compared with the fourth quarter of 2006. Continued good margins and reduced costs more than offset a moderate decline in volumes for our European extrusion activity. Operating results for our US operations continued to be impacted by the substantial downturn in the market. Compared with the fourth quarter 2006 volumes for our US operations declined 16 percent, impacted both by the depressed markets and the closure of the extrusion plant in Ellenville. Negative developments for our US operations were partially offset by improved results in our South American operations.

Underlying EBIT of NOK 850 million for 2007 improved 4 percent compared with 2006. Shipments of general extrusions and building systems in Europe were up by 2 percent, compared with record high volumes in 2006. Strong margins from our European operations also contributed to the improved result. However, the effects of positive developments for our European operations were largely offset by the poor financial performance from our US operations. Results for our US operations were mainly driven by the substantial downturn in the US market with our shipments falling by 19 percent for the year as a whole. Margins for the US operations were stable in US dollar terms. Total underlying operating losses amounted to around NOK 100 million for our combined US and South American operations for 2007 as a whole. Significant measures have been taken to compensate for the substantial decline in volumes in North America, 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

Our Automotive operations incurred an underlying loss of NOK 75 million in the fourth quarter, compared with losses of NOK 49 million in the third quarter of 2007 and losses of NOK 67 million in the fourth quarter 2006. Results for the fourth quarter of 2006 included operating profits from the divested Casting and Magnesium operations of around NOK 70 million.

Underlying EBIT was heavily influenced by losses in our Automotive structure operations. Shipments for our Automotive structures were stable in the quarter compared with the third quarter of 2007 and increased somewhat compared to the fourth quarter 2006. However, results were impacted by costs related to starting up new production lines and costs relating to new contracts [3)]. Our Precision tubing operations contributed a small underlying profit in the fourth quarter, improving somewhat from a small positive result in the third quarter of 2007 and operating losses in the fourth quarter of 2006.

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, compared with losses of NOK 51 million in 2006, which included around NOK 175 million of operating profits from the divested activities. Negative underlying results from our Automotive structures operations amounting to around NOK 100 million for the year were partly offset by improved results for our Precision tubing business and lower overhead costs following the restructuring of our Automotive business portfolio. Results for our Precision tubing business showed good improvements compared to 2006 influenced by stable margins, higher volumes and reduced costs.

3) 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

Earnings before financial items and tax (EBIT)

NOK million	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	Year 2007	Year 2006
Energy EBIT	**376**	242	55%	415	(9)%	**1,303**	1,457
Items excluded from underlying EBIT	**(35)**	(35)	-	(121)	-	**(119)**	7
Energy underlying EBIT	**341**	207	65%	294	16%	**1,184**	1,464

Operating and financial information

	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	Year 2007	Year 2006
Direct production cost, incl. transmission (NOK million) [1]	**112**	131	(15)%	105	7%	**490**	505
Power production (GWh)	**2,321**	3,294	(30)%	1,823	27%	**11,018**	8,326
External sourcing (GWh) [2]	**2,267**	2,401	(6)%	2,832	(20)%	**8,760**	11,469
Internal contract sales (GWh) [3]	**3,575**	3,570	-	3,944	(9)%	**14,109**	15,897
External contract sales (GWh) [4]	**264**	130	103%	345	(23)%	**1,042**	1,204
Net spot sales (GWh) [5]	**748**	1,996	(63)%	367	104%	**4,629**	2,698

1) Includes maintenance and operational costs, transmission costs, property taxes and concession fees.
2) Includes 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.

Market statistics

NOK	Fourth quarter 2007	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year	Year 2007	Year 2006
Southern-Norway spot price (NO1)	**338**	96	252%	380	(11)%	**206**	397
Nordic system spot price	**337**	156	116%	370	(9)%	**224**	391

Market developments

The average Nordic system price more than doubled in the fourth quarter compared with the third quarter of 2007 reaching NOK 338 per MWh. While the third quarter of 2007 was characterised by wet hydrological conditions with forced hydropower production to avoid reservoir overflows, the situation has normalized during the fourth quarter influencing both prices and production levels.

The strong increase in fourth quarter prices was supported by normalized reservoir inflows, colder weather, increasing thermal fuel costs and higher winter forward prices that gave hydropower producers incentives to defer production. In the Southern-Norway price area, where Hydro's main hydropower plants are located, developments in the average spot price were influenced by the same factors.

Compared with the fourth quarter of 2006, which was influenced by lower than normal reservoir levels, the average Nordic system price declined by 9 percent.

Outlook

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.

Average water reservoir levels in Norway were reported at 77 percent of full capacity at the end of the fourth quarter, which is 5 percentage points 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 the fourth quarter.

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 activities

Business development activities in the solar companies in which Hydro has ownership interests developed positively in the fourth quarter of 2007. Ascent Solar Technologies Inc., in which Hydro has a 22 percent interest, is presently constructing a pilot plant for a new cost-efficient, roll-to-roll process for the production of flexible thin film materials. Norsun AS is constructing an ingot pulling and wafering plant in Årdal, Norway, with expected production start-up in the second quarter of 2008. Hydro has a 16 percent interest in Norsun AS. Hydro's partnership with Umicore SA in HyCore ANS also showed progress in the development of a new solar-grade polysilicon manufacturing process.

Underlying earnings before financial items and tax

Underlying EBIT for our Energy operations amounted to NOK 341 million in the fourth quarter, up substantially from the third quarter of 2007 and somewhat higher compared with the fourth quarter of 2006. The increase from the third quarter of 2007 was mainly due to the significantly higher spot prices in the Nordic electricity market, which more than offset the effects of lower production. Compared with the fourth quarter of 2006, results were impacted by weaker results from equity accounted investments. The effect of somewhat lower power prices was more than offset by increased production.

Hydro's power production in Norway amounted to 2.3 TWh in the fourth quarter of 2007, down 30 percent from the record high production in the third quarter of 2007. Production increased by 27 percent compared to the fourth quarter of 2006. Net spot sales amounted to 0.7 TWh, up from 0.4 TWh in the same quarter last year, but down from 2.0 TWh in the third quarter of 2007.

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, decreased by 15 percent from third quarter of 2007, primarily due to higher maintenance activity in the third quarter. Compared with the fourth quarter of 2006, direct power production costs increased by 7 percent.

Results for our Solar business, including share of profit/loss in equity accounted investments, amounted to a loss of NOK 49 million in the fourth quarter of 2007, compared with a loss of NOK 14 million in the third quarter of 2007.

Corporate, other and eliminations

Corporate, other and eliminations incurred an underlying loss of NOK 49 million in the fourth quarter of 2007 compared to underlying EBIT of NOK 67 million in the third quarter of 2007 and an underlying loss of NOK 75 million for the fourth quarter of 2006.

Net pension and social security costs amounted to a charge of NOK 219 million in the fourth quarter compared with NOK 3 million in the third quarter of 2007 and NOK 121 million for the fourth quarter of 2006. The higher charge in the fourth quarter of 2007 was mainly due to an additional social security tax accrual as a result of the split of one combined pension scheme in the demerger on 1 October 2007.

Items excluded from underlying EBIT and income from continuing operations

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

EBIT for Hydro amounted to NOK 338 million in the quarter, compared with NOK 2,013 million in the previous quarter and a loss of NOK 664 million in the fourth quarter of 2006. In addition to our operating performance, the items included in the table above have a substantial effect on our EBIT for the periods presented and are explained below.

Income from continuing operations amounted to NOK 527 million in the quarter, compared with NOK 2,792 million in the previous quarter and NOK 324 million in the fourth quarter of 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 underlying 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 included in our balance sheet for the periods presented. The amounts included in the table below 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.

Items excluded from underlying income from continuing operations

NOK million	**Fourth quarter 2007**	Third quarter 2007	Fourth quarter 2006	**Year 2007**	Year 2006
Unrealized derivative effects on LME related contracts	**132**	149	371	**(92)**	157
Unrealized derivative effects on power contracts	**666**	265	1,848	**928**	1,605
Unrealized derivative effects on currency contracts	**(5)**	(35)	(12)	**(137)**	(76)
Metal effect, Rolled Products	**301**	55	164	**235**	(261)
Rationalization charges and closure costs	**55**	20	436	**224**	1,023
Impairment charges	**-**	-	303	**144**	728
Gains/(losses) on divestments	**(5)**	40	-	**(641)**	-
Correction of elimination of profit in inventory	**296**	-	-	**291**	-
Reversal insurance loss provision	**-**	-	(211)	**-**	(211)
Germany, change in tax rate	**(47)**	-	-	**(47)**	-
Items excluded from underlying EBIT	**1,393**	494	2,899	**905**	2,965
Net foreign exchange (gain)/loss	**(74)**	(1,199)	(93)	**(2,254)**	148
Calculated income tax effect	**(370)**	144	(669)	**339**	(767)
Germany, change in tax rate	**(50)**	(250)	-	**(300)**	-
Tax losses/(benefits) not previously recognized	**-**	-	(500)	**-**	(500)
Items excluded from underlying income from continuing operations	**899**	(811)	1,636	**(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.

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 includes 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 includes 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, effecting eliminations relating to Aluminium metal and Corporate, other activities and eliminations. No corrections were made to prior periods since the amounts were deemed insignificant.

Finance

Financial income (expense)

NOK million	**Fourth quarter 2007**	Third quarter 2007	% change prior quarter	Fourth quarter 2006	% change prior year quarter	**Year 2007**	Year 2006
Interest income	**175**	403	(57)%	260	(33)%	**1,228**	985
Dividendes received and net gain (loss) on securities	**21**	40	(46)%	63	(66)%	**174**	307
Financial income	**196**	443	(56)%	323	(39)%	**1,403**	1,292
Interest expense	**(139)**	(77)	(80)%	(154)	10 %	**(415)**	(458)
Capitalized interest	**2**	1	57 %	11	(84)%	**5**	25
Net foreign exchange gain (loss)	**74**	1,199	(94)%	93	(21)%	**2,254**	(148)
Other	**(3)**	(21)	86 %	23	(113)%	**(39)**	8
Financial expense	**(66)**	1,102	(106)%	(27)	(144)%	**1,805**	(574)
Financial income (expense), net	**131**	1,544	(92)%	296	(56)%	**3,208**	718

Exchange rates

	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	**Year 2007**	Year 2006
NOK/USD Average exchange rate	**5.44**	5.76	6.41	**5.86**	6.41
NOK/USD Balance sheet date exchange rate	**5.41**	5.44	6.26	**5.41**	6.26
NOK/EUR Average exchange rate	**7.89**	7.91	8.27	**8.02**	8.05
NOK/EUR Balance sheet date exchange rate	**7.96**	7.72	8.24	**7.96**	8.24

Source: Norges Bank

Net financial income for the fourth quarter of 2007 amounted to NOK 131 million, including a net foreign currency gain of NOK 74 million. The currency gain was mainly due to a weakening of the US dollar against the Norwegian kroner during the quarter, resulting in gains on Hydro's foreign currency contracts. Net currency gain for the year 2007 amounted to 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 dollar.

Net currency gains amounted to NOK 1,199 million in the third quarter of 2007 and NOK 93 million in the fourth quarter of 2006 mainly due to the weakening US dollar.

Interest income declined in the fourth quarter 2007 compared to the third quarter 2007 and the fourth quarter of 2006 due to lower cash balances. Interest expense increased in the fourth quarter of 2007, compared with the previous quarter mainly due to interest on tax claims.

Cash and short term investments exceeded adjusted interest bearing debt by NOK 2.7 billion at the end of the fourth quarter. On 1 October, demerger debt to StatoilHydro of NOK 26.2 billion was paid. External long-term debt of 17.1 billion was allocated to StatoilHydro as part of the demerger transaction, and in 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 quarter.

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

Tax

Income tax expense amounted to a positive amount of NOK 58 million in the fourth quarter compared with a charge of NOK 765 million in the third quarter of 2007 and a positive amount of NOK 692 million in the fourth quarter of 2006. Income tax expense for the fourth quarter and third quarter of 2007 included positive effects from a reduction of statutory tax rates in Germany amounting to about NOK 50 million and about NOK 250 million respectively. Income tax expense in the fourth quarter of 2006 included positive effects from the recognition of tax assets not previously recognized amounting to about NOK 500 million.

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.

Discontinued operations

Income from discontinued operations amounted to NOK 3 million in the fourth quarter of 2007, compared with NOK 3,629 million in the third quarter and NOK 3,037 million in the fourth quarter of 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 3,333 million in the third quarter of 2007 and NOK 2,890 million in the fourth quarter of 2006 relating to the demerger. There was no Income from discontinued operations relating to the demerger in the fourth quarter of 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 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 3 million in the fourth quarter of 2007 compared with NOK 296 million in the third quarter of 2007, and NOK 147 million in the fourth quarter of 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.

Oslo, 19 February 2008
Board of Directors

Condensed consolidated statements of income (unaudited)

	Fourth quarter		Year	
NOK million, except per share data	**2007**	2006	**2007**	2006
Revenue	**21,651**	23,234	**94,316**	98,752
Share of the profit (loss) in equity accounted investments	**160**	27	**1,000**	736
Other income, net	**174**	253	**1,093**	558
Total revenue and income	**21,986**	23,514	**96,409**	100,045
Depreciation, amortization and impairment	**839**	1,431	**3,552**	4,516
Other expenses	**20,809**	22,748	**83,833**	88,329
Total expenses	**21,648**	24,178	**87,385**	92,845
Earnings before financial items and tax (EBIT)	**338**	(664)	**9,025**	7,200
Financial income (expense), net	**131**	296	**3,208**	718
Income from continuing operations before tax	**468**	(368)	**12,233**	7,918
Income taxes	**58**	692	**(3,075)**	(1,952)
Income from continuing operations	**527**	324	**9,158**	5,966
Income from discontinued operations	**3**	3,037	**9,447**	11,967
Net income	**529**	3,361	**18,604**	17,933
Net income attributable to minority interests	**91**	8	**408**	273
Net income attributable to equity holders of the parent	**438**	3,353	**18,196**	17,660
Basic and diluted earnings per share from continuing operations (in NOK) [1) 2)]	**0.40**	0.30	**7.20**	4.60
Basic and diluted earnings per share from discontinued operations (in NOK) [1)]	**0.00**	2.50	**7.70**	9.60
Basic and diluted earnings per share attributable to equity holders of the parent (in NOK) [1)]	**0.40**	2.70	**14.90**	14.20
Weighted average number of outstanding shares (million)	**1,209**	1,229	**1,221**	1,241

1) Basic earnings per share are computed using the weighted average number of ordinary shares outstanding. There were no diluting elements.
2) Calulated using Income from continuing operations less Net income attributable to minority interests. There are no minority interests in Income from discontinued operations.

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Condensed consolidated balance sheets (unaudited)

NOK million, except number of shares	31 December 2007	2006
Assets		
Cash and cash equivalents	**9,330**	6,609
Short-term investments	**2,742**	15,020
Receivables and other current assets	**16,531**	20,151
Inventories	**12,227**	14,220
Total current assets from continuing operations	**40,830**	55,999
Assets held for sale, Discontinued operations	**6,741**	127,670
Property, plant and equipment	**26,750**	32,151
Other non-current assets	**17,724**	18,639
Total non-current assets	**44,474**	50,790
Total assets	**92,046**	234,459
Liabilities and equity		
Bank loans and other interest-bearing short-term debt	**1,045**	2,509
Other current liablities	**17,310**	20,372
Total current liabilities from continuing operations	**18,355**	22,880
Liabilities included in disposal groups, Discontinued operations	**2,021**	97,543
Long-term debt	**263**	367
Other long-term liabilities	**14,152**	14,258
Deferred tax liabilities	**2,246**	2,808
Total non-current liabilities	**16,662**	17,433
Total liabilities	**37,038**	137,857
Equity attributable to equity holders of the parent	**54,049**	95,831
Minority interest	**959**	771
Total equity	**55,008**	96,601
Total liabilities and equity	**92,046**	234,459
Total number of outstanding shares (million)	**1,209**	1,226

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Condensed consolidated statements of cash flows (unaudited)

NOK million	Year 2007	2006
Operating activities:		
Net income	**18,604**	17,933
Depreciation, amortization and impairment losses	**3,552**	4,516
Income from discontinued operations	**(9,447)**	(11,967)
Other adjustments	**1,564**	(556)
Net cash provided by operating activities	**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) 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 financing activities	**(10,140)**	(9,896)
Foreign currency effects on cash and bank overdraft	**(285)**	325
Cash provided by (used in) discontinued operations	**(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 period	**6,548**	9,767
Cash, cash equivalents and bank overdraft at end of period	**9,256**	6,548

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Condensed consolidated statements of changes in equity (unaudited)

NOK million	Year 2007	2006
Ordinary shares issued - amount		
Balance at 1 January	**4,708**	4,739
Cancellation treasury shares	**(79)**	(17)
Redeemed shares, the Norwegian State	**(62)**	(13)
Demerger	**(3,197)**	-
Balance at end of period	**1,370**	4,708
Additional paid-in capital		
Balance at 1 January	**9,736**	10,501
Treasury shares reissued to employees	**53**	56
Cancellation treasury shares	**-**	(363)
Redeemed shares, the Norwegian State	**(2,701)**	(458)
Demerger	**(6,727)**	-
Balance at end of period	**360**	9,736
Other reserves		
Balance at 1 January	**(1,533)**	723
Currency translation differences	**(4,279)**	(1,401)
Net unrealized gain (loss) on securities	**(295)**	(84)
Cash flow hedges, net of tax	**585**	(772)
Demerger	**4,174**	-
Balance at end of period	**(1,348)**	(1,533)
Retained earnings		
Balance at 1 January	**89,544**	77,390
Net income current period	**18,196**	17,660
Dividend declared and paid	**(6,134)**	(5,506)
Cancellation treasury shares	**(2,317)**	-
Demerger	**(41,339)**	-
Balance at end of period	**57,950**	89,544
Treasury shares issued - amount		
Balance at 1 January	**(6,624)**	(3,589)
Purchase of treasury shares	**(123)**	(3,477)
Treasury shares reissued to employees	**68**	61
Cancellation treasury shares	**2,396**	380
Balance at end of period	**(4,283)**	(6,624)
Equity interests attributable to equity holders of the parent		
Balance at 1 January	**95,831**	89,763
Increase (decrease) in equity interests	**(41,782)**	6,067
Balance at end of period	**54,049**	95,831
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 end of period	**959**	771
Total Equity	**55,008**	96,601

Changes in shares outstanding

Number of shares in thousands	Year 2007	2006
Share information:		
Ordinary shares issued		
Balance at 1 January	**1,286,455**	1,294,772
Cancellation treasury shares	**(21,627)**	(4,672)
Redeemed shares, the Norwegian State	**(16,872)**	(3,645)
Balance at end of period	**1,247,957**	1,286,455
Treasury shares issued		
Balance at 1 January	**(60,280)**	(44,080)
Purchase of treasury shares	**(622)**	(21,627)
Treasury shares reissued to employees	**622**	755
Cancellation treasury shares	**21,627**	4,672
Balance at end of period	**(38,653)**	(60,280)

The accompanying notes are an integral part of the condensed consolidated financial statements (unaudited).

Notes to the condensed consolidated financial statements

Note 1: Accounting policies

All figures are based on International Financial Reporting Standards (IFRS) unless otherwise stated. Hydro's IFRS accounting principles are presented in the document Conversion to International Financial Reporting Standards.

The IFRS accounting principles used by Hydro as discussed in the Conversion to IFRS document are the same for the interim accounts. The interim accounts are presented in accordance with IAS 34 Interim Financial Reporting.

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.

Note 2: Operating segment information

Segment measures

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. See the Annual Report 2006 note 5 for a description of Hydro's management model. Following the demerger of Hydro on 1 October 2007 whereby the oil and gas activities were transferred to StatoilHydro, the retained power and solar operations previously managed as part of Oil & Energy now constitute a separate segment, Energy.

Hydro uses two measures of segment results, "Earnings before financial items and tax - EBIT" and Adjusted EBITDA. EBIT is consistent with the same measure for the group. Hydro defines "Adjusted EBITDA" as "Income/(loss) before tax, financial income and expense, depreciation, amortization and write-downs." Adjusted 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 Adjusted EBITDA may differ from that of other companies.

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 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 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 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 and Eliminations.

The following pages include information about Hydro's operating segments, including a reconciliation of Adjusted EBITDA to EBIT for the core business areas and sub-segments.

Total revenue

NOK million	Fourth quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Aluminium Metal	**14,099**	16,239	**61,592**	68,259
Aluminium Products	**11,477**	13,819	**51,399**	53,588
Energy	**2,261**	2,161	**6,468**	7,309
Corporate, other and eliminations	**(6,185)**	(8,985)	**(25,143)**	(30,404)
Total	**21,651**	23,234	**94,316**	98,752

External revenue

NOK million	Fourth quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Aluminium Metal	**8,933**	10,482	**40,506**	43,603
Aluminium Products	**11,418**	13,740	**51,166**	53,331
Energy	**664**	(823)	**1,268**	1,007
Corporate, other and eliminations	**636**	(165)	**1,376**	811
Total	**21,651**	23,234	**94,316**	98,752

Internal revenue

NOK million	Fourth quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Aluminium Metal	**5,166**	5,757	**21,086**	24,657
Aluminium Products	**59**	80	**233**	257
Energy	**1,597**	2,983	**5,200**	6,302
Corporate, other and eliminations	**(6,822)**	(8,820)	**(26,519)**	(31,216)
Total	**-**	-	**-**	-

Share of profit (loss) in equity accounted investments

NOK million	Fourth quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Aluminium Metal	**141**	(12)	**975**	854
Aluminium Products	**43**	9	**46**	(168)
Energy	**(25)**	16	**(24)**	22
Corporate, other and eliminations	**1**	15	**3**	27
Total	**160**	27	**1,000**	736

Depreciation, amortization and impairment

NOK million	Fourth quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Aluminium Metal	**508**	694	**2,186**	2,192
Aluminium Products	**290**	709	**1,207**	2,159
Energy	**24**	16	**97**	120
Corporate, other and eliminations	**16**	12	**62**	45
Total	**839**	1,431	**3,552**	4,516

Earnings before financial items and tax (EBIT) [1)]

NOK million	Fourth quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Aluminium Metal	**1,194**	899	**8,365**	7,302
Aluminium Products	**(326)**	(481)	**1,098**	(104)
Energy	**376**	415	**1,303**	1,457
Corporate, other and eliminations	**(907)**	(1,498)	**(1,741)**	(1,456)
Total	**338**	(664)	**9,025**	7,200

1) 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.

Adjusted EBITDA

NOK million	Fourth quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Aluminium Metal	**1,720**	1,603	**10,597**	9,536
Aluminium Products	**(22)**	242	**2,361**	2,353
Energy	**425**	432	**1,432**	1,582
Corporate, other and eliminations	**(892)**	(1,493)	**(1,678)**	(1,427)
Total	**1,232**	785	**12,711**	12,044

EBIT - Adjusted EBITDA Fourth quarter 2007

NOK million	EBIT	Depr., amor. and impairment	Adjusted EBITDA
Aluminium Metal	1,194	526	1,720
Aluminium Products	(326)	304	(22)
Energy	376	49	425
Corporate, other and eliminations	(907)	16	(892)
Total	338	895	1,232

EBIT - Adjusted EBITDA Year

NOK million	EBIT	Depr., amor. and impairment	Adjusted EBITDA
Aluminium Metal	8,365	2,232	10,597
Aluminium Products	1,098	1,263	2,361
Energy	1,303	129	1,432
Corporate, other and eliminations	(1,741)	63	(1,678)
Total	9,025	3,687	12,711

Investments [1)]

NOK million	Fourth quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Aluminium Metal	**1,394**	993	**3,541**	2,515
Aluminium Products	**550**	552	**866**	1,252
Energy	**63**	117	**233**	140
Corporate, other and eliminations [2)]	**167**	193	**566**	619
Total	**2,173**	1,855	**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.

Note 3: Net periodic pension cost

	Fourth quarter		Year	
NOK million	**2007**	2006	**2007**	2006
Defined benefit plans:				
Benefits earned during the year, net of participants' contributions	**141**	135	**560**	541
Interest cost on prior period benefit obligation	**241**	210	**945**	837
Expected return on plan assets	**(222)**	(182)	**(872)**	(721)
Recognized (gain)/loss	**3**	-	**3**	-
Past service cost	**20**	15	**30**	32
Curtailment gain	**(5)**	(78)	**(5)**	(78)
Settlement gain	**(3)**	(5)	**(3)**	(5)
Net periodic pension cost	**174**	95	**658**	605
Defined contribution plans	**5**	6	**24**	25
Multiemployer plans	**1**	1	**1**	-
Termination benefits and other	**8**	88	**218**	248
Total net periodic pension cost	**189**	191	**900**	879

Note 4: Contingencies

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.

Note 5: Discontinued operations

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 was 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 of the share capital, representing the estimated relative value of the transferred petroleum activities compared to the retained businesses. The total equity reduction amounted to NOK 47,090 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 Statoil 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. 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. 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 to 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. The share of such costs allocated to discontinued operations is lower than the share carried by the demerged business. Such costs charged to continuing operations are thus higher than the share allocated to "new" Hydro in the financial information included in the third quarter report 2007.

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 effective date of the demerger). Therefore, these costs for 2007 are not based on an allocation.

All Norwegian employees in the parent companyparticipate 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 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

	Fourth quarter		Year	
NOK million	**2007**	2006	**2007**	2006
Revenue	**-**	23,148	**65,149**	95,684
Share of the profit (loss) in equity accounted investments	**-**	26	**66**	201
Other income, net	**-**	240	**675**	909
Depreciation, amortization and impairment	**-**	(6,854)	**(11,163)**	(17,762)
Other expenses	**-**	(7,963)	**(21,987)**	(31,967)
Earnings before financial items and tax (EBIT)	**-**	8,598	**32,739**	47,066
Financial income (expense), net	**-**	458	**748**	638
Income before tax	**-**	9,056	**33,486**	47,704
Income tax expense	**-**	(6,166)	**(24,633)**	(36,306)
Net income from discontinued operations	**-**	2,890	**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 [1]	**(26,772)**	(771)
Foreign currency effects on cash	**(14)**	(7)
Net cash provided by (used in) discontinued operations	**(13,471)**	10,801

	31 December	
NOK million	**2007**	2006
Current assets	**-**	23,470
Non-current assets	**-**	100,508
Total assets	**-**	123,979
Current liabilities	**-**	37,844
Non-current liabilities	**-**	58,688
Assets from discontinued operations, net	**-**	27,447

1) Hydro's payment of the agreed demerger debt to StatoilHydro on 1 October is included in Net cash used in financing activities

Sale of businesses

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 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 Polymers business is reported as Assets held for sale and Discontinued operations as of the end of May 2007, and depreciations ceased from the same date. The results of operations in the businesses to be disposed of are reported separately under the caption Discontinued operations for the current and all prior periods. Depreciations in the businesses held for sale of NOK 163 million 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 related to foreign operations during the period until closing was retained by Hydro.

No interest expense related to loans is allocated to discontinued operations. Hydro will continue to supply electricity to Polymers' production facilities in Norway under existing contracts until the existing internal contracts expire. As of 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 30 September 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 held for sale. The gain on the sale is included in Other income, net. The sale was completed at 28 February 2007.

Sale of businesses

Summary of financial data for discontinued operations

	Fourth quarter		Year	
NOK million	**2007**	2006	**2007**	2006
Revenue	**1,673**	1,831	**7,087**	6,848
Share of the profit (loss) in equity accounted investments	**52**	6	**161**	53
Other income, net	**1**	3	**-**	3
Depreciation, amortization and impairment	**(120)**	(141)	**(297)**	(429)
Other expenses	**(1,531)**	(1,488)	**(6,105)**	(5,730)
Earnings before financial items and tax (EBIT)	**75**	211	**846**	744
Financial income (expense), net	**(42)**	(9)	**(36)**	26
Income before tax	**33**	201	**810**	770
Income tax expense	**(30)**	(55)	**(217)**	(201)
Net income from discontinued operations	**3**	147	**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			**(58)**	1
Net cash provided by discontinued operations			**672**	300

Asset groups held for sale

	31 December	
NOK million	**2007**	2006
Current assets	**2,262**	1,122
Non-current assets	**4,479**	2,569
Total assets	**6,741**	3,691
Current liabilities	**1,363**	723
Non-current liabilities	**658**	289
Assets held for sale, net	**4,720**	2,680

Additional information - Aluminium Metal

Revenue

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Bauxite and Alumina	**948**	929	1,300	**4,176**	4,481
Primary Aluminium	**7,991**	8,920	8,815	**37,164**	36,907
Commercial	**14,625**	14,926	18,100	**64,898**	73,566
Other and eliminations	**(9,464)**	(10,550)	(11,976)	**(44,646)**	(46,695)
Total	**14,099**	14,226	16,239	**61,592**	68,259

External revenue

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Bauxite and Alumina	**3**	-	-	**3**	1
Primary Aluminium	**670**	602	435	**2,551**	2,344
Commercial	**8,441**	8,954	10,379	**37,952**	41,340
Other and eliminations	**(182)**	108	(332)	**0**	(82)
Total	**8,933**	9,665	10,482	**40,506**	43,603

Share of profit in equity accounted investments

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Bauxite and Alumina	**169**	219	78	**854**	624
Primary Aluminium	**(28)**	56	(90)	**121**	232
Commercial	**-**	-	-	**-**	(2)
Other and eliminations	**-**	-	-	**-**	-
Total	**141**	275	(12)	**975**	854

Depreciation, amortization and impairment

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Bauxite and Alumina	**-**	-	-	**-**	-
Primary Aluminium	**(473)**	-	(557)	**-**	(1,882)
Commercial	**(36)**	(33)	(138)	**(287)**	(311)
Other and eliminations	**-**	(465)	-	**(1,899)**	-
Total	**(508)**	(498)	(694)	**(2,186)**	(2,192)

Earnings before financial items and tax (EBIT)

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Bauxite and Alumina	**144**	243	119	**1,011**	831
Primary Aluminium	**1,030**	1,621	968	**6,281**	5,872
Commercial	**136**	123	154	**578**	576
Other and eliminations	**(115)**	185	(341)	**493**	23
Total	**1,194**	2,172	899	**8,365**	7,302

EBITDA

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Bauxite and Alumina	**148**	247	124	**1,029**	850
Primary Aluminium	**1,516**	2,091	1,530	**8,208**	7,774
Commercial	**172**	156	291	**865**	888
Other and eliminations	**(115)**	185	(341)	**493**	23
Total	**1,720**	2,679	1,603	**10,597**	9,536

Underlying EBIT

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Bauxite and Alumina	**27**	100	244	**681**	898
Primary Aluminium	**1,142**	1,720	1,351	**6,552**	6,651
Commercial	**136**	123	221	**722**	643
Other and eliminations	**60**	2	(60)	**84**	(65)
Total	**1,364**	1,945	1,755	**8,041**	8,127

Underlying EBITDA

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Bauxite and Alumina	**31**	104	249	**699**	917
Primary Aluminium	**1,628**	2,190	1,913	**8,479**	8,553
Commercial	**172**	156	291	**865**	888
Other and eliminations	**60**	2	(60)	**84**	(65)
Total	**1,890**	2,452	2,392	**10,129**	10,294

Additional information - Aluminium Products

Total revenue

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Rolled Products	**5,841**	6,021	6,053	**25,327**	23,132
Extrusion	**4,633**	4,821	4,722	**20,421**	20,402
Automotive	**1,186**	1,386	2,683	**6,506**	10,317
Other and eliminations	**(184)**	(236)	361	**(855)**	(263)
Total	**11,477**	11,991	13,819	**51,399**	53,588

External revenue

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Rolled Products	**5,729**	5,919	5,993	**24,853**	22,951
Extrusion	**4,540**	4,728	5,086	**19,994**	20,200
Automotive	**1,163**	1,361	2,661	**6,375**	10,128
Other and eliminations	**(14)**	(62)	-	**(56)**	51
Total	**11,418**	11,946	13,740	**51,166**	53,331

Share of profit in equity accounted investments

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Rolled Products	**42**	(6)	(6)	**36**	(2)
Extrusion	**2**	3	4	**7**	17
Automotive	**(1)**	-	10	**2**	(183)
Other and eliminations	**-**	-	-	**-**	-
Total	**43**	(3)	9	**46**	(168)

Depreciation, amortization and impairment

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Rolled Products	**(117)**	(116)	(277)	**(481)**	(651)
Extrusion	**(106)**	-	(131)	**-**	(630)
Automotive	**(67)**	(64)	(301)	**(279)**	(878)
Other and eliminations	**-**	(103)	-	**(448)**	(1)
Total	**(290)**	(283)	(709)	**(1,207)**	(2,159)

Earnings before financial items and tax (EBIT)

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Rolled Products	**(313)**	81	(156)	**345**	(2)
Extrusion	**196**	201	112	**806**	(1)
Automotive	**(105)**	(89)	(487)	**539**	(884)
Other and eliminations	**(104)**	(440)	50	**(592)**	783
Total	**(326)**	(247)	(481)	**1,098**	(104)

EBITDA

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Rolled Products	**(183)**	211	136	**882**	1,323
Extrusion	**303**	304	243	**1,254**	889
Automotive	**(38)**	(25)	(187)	**818**	235
Other and eliminations	**(104)**	(440)	50	**(592)**	(94)
Total	**(22)**	50	242	**2,361**	2,353

Underlying EBIT

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Rolled Products	**(30)**	136	158	**562**	520
Extrusion	**179**	201	165	**852**	818
Automotive	**(75)**	(49)	(66)	**(67)**	(51)
Other and eliminations	**-**	-	3	**6**	8
Total	**74**	288	260	**1,353**	1,294

Underlying EBITDA

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Rolled Products	**100**	266	300	**1,099**	1,077
Extrusion	**286**	304	296	**1,300**	1,332
Automotive	**(8)**	15	148	**212**	673
Other and eliminations	**-**	-	3	**6**	8
Total	**378**	585	747	**2,616**	3,090

Additional information - Energy

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Revenue	**2,261**	1,416	2,161	**6,468**	7,309
External revenue	**664**	125	(823)	**1,268**	1,007
Share of profit in equity accounted investments	**(25)**	(8)	16	**(24)**	22
EBIT	**376**	242	415	**1,303**	1,457
EBITDA	**425**	271	432	**1,432**	1,582
Underlying EBIT	**341**	207	294	**1,184**	1,464
Underlying EBITDA	**390**	236	311	**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.

Adjusted net interest-bearing debt, adjusted equity, adjusted net debt/equity and funds from operations

Hydro refers to "Adjusted net interest-bearing debt" , "Adjusted net debt/equity ratio" and "Funds from operations / adjusted net interest -bearing debt" in its discussion of its financial condition.

The "Adjusted net debt/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 Hydro`s share of long-term debt held by equity accounted investees.

"Net interest-bearing debt" is comprised of interest-bearing debt less cash and cash equivalents and short-term investments. Cash and cash equivalents are accumulated in periods with significant cash in-flow. Investments in 2007 have been financed through drawing on accumulated cash positions. Hydro uses net debt to calculate the adjusted net debt/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. Both of the obligations described above are considered debt-like in nature and therefore affect Hydro's ability to incur additional debt. Additionally Hydro adjusts Net interest-bearing debt for the long term debt held by companies in which Hydro has an equity investment and use the equity accounting method. The indebtedness of equity accounted investees affect 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 retained earnings and therefore excluded from equity under IFRS. The adjustment is net of the expected income tax benefit. No adjustment to "Equity" 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/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 in prior periods 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 net debt / 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 debt/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 "Funds from operations" and the ratio "Funds from operations / adjusted net interest -bearing debt" as a measure of Hydro`s financial position. "Funds from operations" (FFO) is net income adjusted for depreciation, impairment, amortization and deferred tax income/expense.

"Adjusted net interest-bearing debt", "Adjusted equity", "Adjusted net debt/Adjusted equity ratio" and "Funds from operations" 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
Short-term bank loans and other interest-bearing debt	**(974)**	(2,084)
Current portion of long-term loans	**(71)**	(424)
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 liabilities (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
Funds from operations, adjusted	**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. This amount is not recognized in Hydro's group accounts.

"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.

Aluminium Metal

NOK million	**Fourth quarter 2007**	Third quarter 2007	Fourth quarter 2006	**Year 2007**	Year 2006
Bauxite & Alumina:					
Reported EBIT	**144**	243	119	**1,011**	831
Equity accounted investments - unrealized currency (gains) / losses Alunorte [1]	**(35)**	(35)	(12)	**(167)**	(76)
Equity accounted investments - unrealized (gains)/losses on LME contracts Alunorte [2]	**(82)**	(108)	137	**(163)**	143
Total items excluded from underlying EBIT of Bauxite & Alumina	**(117)**	(143)	125	**(330)**	67
Underlying EBIT	**27**	100	244	**681**	898
Primary Aluminium:					
Reported EBIT	**1,030**	1,621	968	**6,281**	5,872
Closure costs [3]	**8**	20	48	**114**	572
Unrealized (gains)/losses on power contracts [4]	**76**	80	180	**108**	183
Equity accounted units - Unrealized (gains)/losses on power contracts Søral [5]	**(2)**	(1)	155	**19**	24
Equity accounted units - Embedded currency derivatives Qatar [6]	**30**	-	-	**30**	-
Total items excluded from underlying EBIT of Primary Aluminium	**112**	99	383	**271**	779
Underlying EBIT	**1,142**	1,720	1,351	**6,552**	6,651
Commercial:					
Reported EBIT	**136**	123	154	**578**	576
Impairment Ellenville [7]	**-**	-	67	**144**	67
Total items excluded from underlying EBIT of Commercial	**-**	-	67	**144**	67
Underlying EBIT	**136**	123	221	**722**	643
Other and eliminations:					
Reported EBIT	**(115)**	185	(341)	**493**	23
Unrealized (gains)/losses on LME contracts [8]	**110**	(183)	281	**(527)**	(88)
Correction of elimination of gain on inventory [9]	**65**	-	-	**118**	-
Total items excluded from underlying EBIT of Other and eliminations	**175**	(183)	281	**(409)**	(88)
Underlying EBIT	**60**	2	(60)	**84**	(65)
Metal:					
Reported EBIT	**1,194**	2,172	899	**8,365**	7,302
Total items excluded from underlying EBIT	**170**	(227)	856	**(324)**	825
Underlying EBIT	**1,364**	1,945	1,755	**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 Q4 07 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. As the LME price in USD has decreased in Q4, this resulted in a gain in Q4 due to a lower negative hedge valuation versus Q3.
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. Final costs of 8 million NOK were incurred during 4th quarter of 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 aluminium 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) The correction of errors related to metal inventory within Aluminium Metal amounted to NOK 65 million in 4th quarter of 2007, while a total of NOK 118 million were corrections related to the year 2007 as a whole.

Aluminium Products

NOK million	**Fourth quarter 2007**	Third quarter 2007	Fourth quarter 2006	**Year 2007**	Year 2006
Rolled Products:					
Reported EBIT	**(313)**	81	(156)	**345**	616
Metal effect [1]	**301**	55	164	**235**	(261)
UK pension charges [2]	**-**	-	-	**-**	15
Impairment charges [3]	**-**	-	150	**-**	150
Rationalization charges [4]	**29**	-	-	**29**	-
Germany, change in tax rate [5]	**(47)**	-	-	**(47)**	-
Total items excluded from underlying EBIT of Rolled Products	**283**	55	314	**217**	(96)
Underlying EBIT	**(30)**	136	158	**562**	520
Extrusion:					
Reported EBIT	**196**	201	112	**806**	259
Rationalization charges and closure costs [6]	**-**	-	53	**63**	103
Impairment charges [7]	**-**	-	-	**-**	116
UK pension charges [2]	**-**	-	-	**-**	340
(Gains)/losses on divestments [8]	**(17)**	-	-	**(17)**	-
Total items excluded from underlying EBIT of Extrusion	**(17)**	-	53	**46**	559
Underlying EBIT	**179**	201	165	**852**	818
Automotive:					
Reported EBIT	**(105)**	(89)	(487)	**539**	(884)
Rationalization charges and closure costs [9]	**18**	-	335	**18**	413
UK pension charges [2]	**-**	-	-	**-**	25
Impairment charges [10]	**-**	-	86	**-**	156
Equity accounted units - impairment charges [10]	**-**	-	-	**-**	239
(Gains)/losses on divestments [11]	**12**	40	-	**(624)**	-
Total items excluded from underlying EBIT of Automotive	**30**	40	421	**(606)**	833
Underlying EBIT	**(75)**	(49)	(66)	**(67)**	(51)
Other and eliminations:					
Reported EBIT	**(104)**	(440)	50	**(592)**	(94)
Unrealized (gains)/losses on LME contracts [12]	**104**	440	(47)	**598**	102
Total items excluded from underlying EBIT of Other and eliminations	**104**	440	(47)	**598**	102
Underlying EBIT	**-**	-	3	**6**	8
Products:					
Reported EBIT	**(326)**	(247)	(481)	**1,098**	(104)
Total items excluded from underlying EBIT	**400**	535	741	**255**	1,398
Underlying EBIT	**74**	288	260	**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 Q4 2007. 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 Worcester 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

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Reported EBIT	**376**	242	415	**1,303**	1,457
Unrealized (gains)/losses on power contracts [1]	**(35)**	(35)	(121)	**(119)**	7
Total items excluded from underlying EBIT of Energy	**(35)**	(35)	(121)	**(119)**	7
Underlying EBIT	**341**	207	294	**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

NOK million	Fourth quarter 2007	Third quarter 2007	Fourth quarter 2006	Year 2007	Year 2006
Reported EBIT	**(907)**	(154)	(1,498)	**(1,741)**	(1,456)
Reversal insurance loss provision	**-**	-	(211)	**-**	(211)
Elimination of demanning costs Magnesium	**-**	-	-	**-**	(65)
Elimination of UK defined pension plan	**-**	-	-	**-**	(380)
Correction of elimination of gain on inventory	**231**	-	-	**173**	-
Unrealized (gains)/losses on power contracts	**627**	221	1,634	**920**	1,391
Total items excluded from underlying EBIT	**858**	221	1,423	**1,093**	735
Underlying EBIT	**(49)**	67	(75)	**(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 construed as 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

Amounts in 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

Amounts in 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

	2007	2006
Reported Return on average Capital Employed (RoaCE)	14.6 %	10.7 %
Income from continuing operations 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 - Metal

Amounts in 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

Amounts in 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

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

Return on Average Capital employed - Products

Amounts in 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)

Amounts in 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

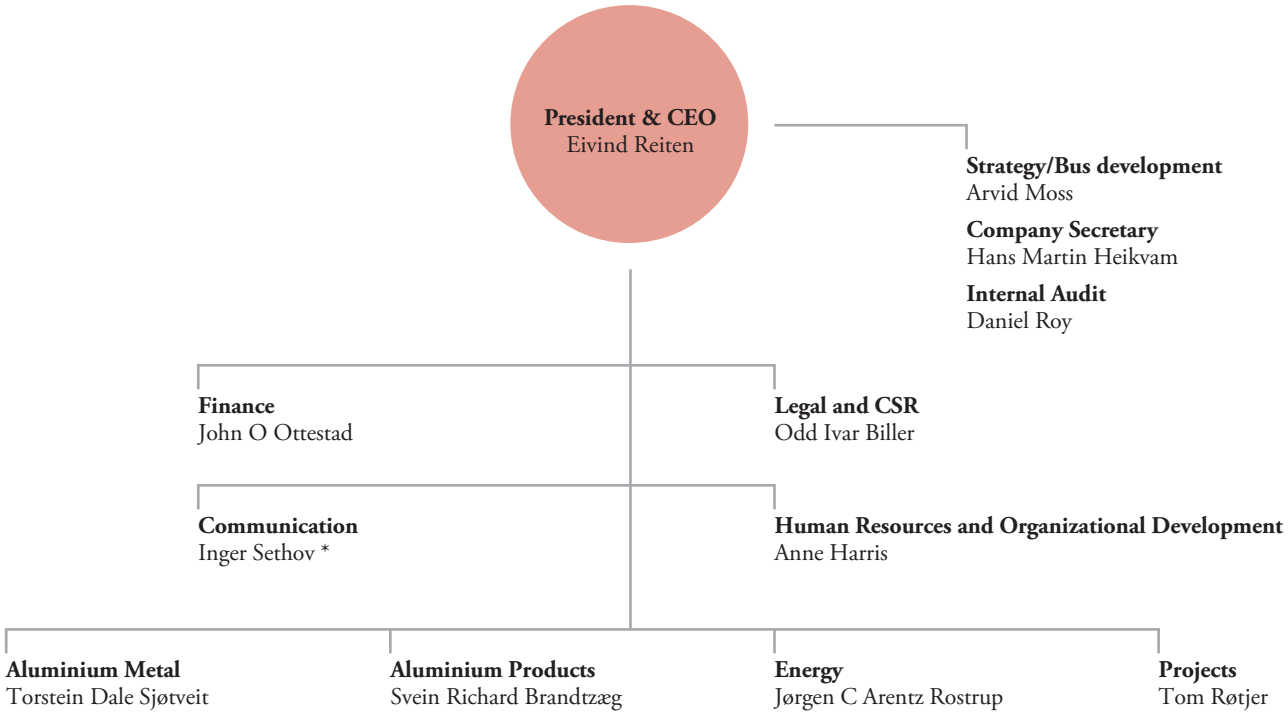
	2007	2006
Return on average Capital Employed (RoaCE)	4.7 %	(0.7) %

Return on Average Capital employed - Energy

Amounts in 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

Amounts in 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

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



* not member of Corporate Management Board

Financial calendar

22 April 2008	First quarter results
6 May 2008	Annual General Meeting
7 May 2008	Share is traded exclusive of dividend
9 May 2008	Record date for dividend
22 July 2008	Second quarter results
25 September 2008	Capital Markets Day
21 October 2008	Third quarter results

The quarterly results will be released at 07:30 hours CET. Hydro reserves the right to revise this date

Cautionary note in relation to certain forward-looking statements

Certain statements contained in this announcement constitute "forward-looking information" within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. In order to utilize the "safe harbors" within these provisions, we are providing the following cautionary statement.

Certain statements included within this announcement contain (and oral communications made by us or on our behalf may 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 detailed 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" on page 134 of our Annual Report 2006 (including Form 20-F) and subsequent filings on Form 6-K with the US Securities and Exchange Commission.

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.

Hydro is a Fortune Global 500 supplier of aluminium and aluminium products. Based in Norway, the company employs 25,000 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.

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