HYDRO

Financial Statements and Board of Directors' Report – 2007

Hydro's 2007 reporting

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

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

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

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

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Board of Directors' report

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

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

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

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

Key developments in 2007

Hydro achieved solid results in 2007, supported by firm global demand and high aluminium prices, with underlying income from continuing operations rising to NOK 7,847 million from NOK 7,811 million in 2006. Underlying earnings before financial items and tax declined somewhat to NOK 9,930 million for the year.

Hydro's Board of Directors proposed a total dividend of NOK 5.00 per share for 2007, including an extraordinary dividend of NOK 3.50. In addition the board proposed a share buyback authorization amounting to approximately NOK 4 billion to provide 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 and share buyback will contribute to a more efficient capital structure for Hydro.

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

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

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

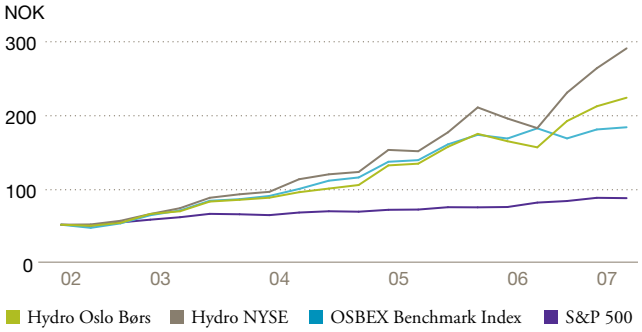
Results for our downstream business improved during the year but were impacted by losses within our Automotive and US extrusion operations. Comprehensive rationalization programs have been executed during 2007 to improve the financial performance of these businesses to align the cost structure with significantly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

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

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

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

Share price in NOK



As of September 30, 2007.

Investor information

Hydro's share price closed at NOK 77.60 at the end of 2007. Taking into consideration the dividend of NOK 5.00 per share paid in 2007 and the value at the end of 2007 of the received StatoilHydro shares, the total return for 2007 was NOK 34.80, or 18 percent. Due to our solid financial position and strong operating results in 2007, the Board of Directors has proposed a dividend of NOK 5.00 per share for approval by the Annual General Meeting on May 6, 2008. During 2007 we also repurchased 17,493,401 shares for NOK 2.9 billion. The merger of our oil and gas activities with Statoil was completed on October 1, 2007, and all shareholders received 0.8622 shares in the merged company, StatoilHydro, for each share they held in Hydro. There was no change to the number of shares held in Hydro as a result of the merger.

In November 2007, Hydro gave notice to the New York Stock Exchange (NYSE) of de-listing its shares and filed an application with the US Securities and Exchange Commission to terminate its registration of debt securities and ordinary shares. The de-listing from the NYSE became effective on 23 November 2007 and the termination of the SEC registration became effective on 27 February 2008.

Financial results for 2007

The following discussion is a summary of results of 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.

EBIT for Hydro amounted to NOK 9,025 million for the year, compared with NOK 7,200 million in 2006. EBIT was impacted by net unrealized derivative losses, mainly relating to LME and power contracts, amounting to NOK 934 million in 2007 and NOK 1,425 million in 2006. EBIT also included gains and losses on divestments and other cost and charges of a positive NOK 29 million in 2007 and a charge of NOK 1,540 in 2006. Results improved during the year, reflecting solid global demand and high aluminium prices.

Income from continuing operations amounted to NOK 9,158 million for 2007, compared with NOK 5,966 million in 2006. The amounts included net foreign exchange gains of NOK 2,254 million in 2007 and net foreign exchange losses of NOK 148 million in 2006. These amounts mainly relate to forward currency contracts used to hedge net future cash flows from operations, sales contracts and working capital, mainly by selling U.S. dollars and euro where hedge accounting is not applied.

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 was NOK 1,952 million, which also represented approximately 25 percent of income from continuing operations before tax.

Reported RoaCE [1] was 14.6 percent for 2007, compared with 10.7 percent for 2006.

Underlying operating results [2]

Key financial information

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

1) See section later in this report "Items excluded from underlying EBIT and income from continuing operations" for more information on these items.
2) Earnings per share from continuing operations and Underlying earnings per share from continuing operations are computed using the weighted average number of ordinary shares outstanding. There were no diluting elements.
3) "Adjusted net interest-bearing debt", 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, devided by equity, included minority intrests, adjusted for pensions.

Operating statistics

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

1) Including 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 Worcester.

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

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

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

1) RoaCE is defined as Earnings after tax divided by average Capital Employed.
2) To provide a better understanding of the underlying performance of Hydro's operating units, we exclude certain items from EBIT (earnings before financial items and tax) 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.

Market outlook

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

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.

Global primary aluminium 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 China.

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.

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.

Net financial income/expense, liquidity and financial position

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

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

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

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

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

Cash flow from operations and investments

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

Investments in 2007 amounted to NOK 5,206 million, compared with NOK 4,526 million in 2006. Approximately 70 percent of investments for 2007 related to Hydro's aluminium metal business in 2007 and included investments related to the development of the Qatalum primary aluminium plant in Qatar and the ongoing third expansion of the alumina plant Alunorte in Brazil.

Items excluded from underlying EBIT and results

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

Items excluded from underlying income from continuing operations

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

Unrealized derivative effects on LME and power contracts include unrealized gains and losses on contracts evaluated at market value where hedge accounting is not applied. The magnitude of these recurring effects depends on changes in market values which can be significant. Unrealized derivative effects on currency contracts include unrealized gains and losses on certain foreign denominated contracts relating to our equity accounted investments.

The remainder of items excluded from underlying EBIT comprised mainly of gains/losses on divestments and other cost and charges that are typically non-recurring for individual plants or operations.

Calculated income tax effect of items excluded from underlying EBIT is based on Hydro's effective tax rate for the corresponding periods presented. Net foreign exchange gains/losses include unrealized gains and losses on all foreign denominated contracts and balances included in our balance sheet for the periods presented. Such amounts mainly relate to forward currency contracts used to hedge net future cash flows from operations, sales contracts and working capital mainly by selling U.S. dollars and euro where hedge accounting is not applied. The tax credits excluded from income from continuing operations relate to items which are deemed to be non-recurring in nature.

Risk

Risk management deals with all aspects of value creation, including strategy, finance, commercial matters, organization, HSE, reputation, corporate responsibility, regulatory and legal matters. Hydro faces many risks and uncertainties within the global marketplace. Changes in competitive and market conditions affect margin and volume developments. Reported operating results and our competitive position are influenced by the declining U.S. dollar. China is encouraging the production of more labour intensive semi-fabricated and fabricated products, increasing the exposure of our downstream businesses. Our primary smelting operations are highly dependent on securing substantial amounts of energy and adequate supplies of alumina at competitive prices. We are exposed to increasing legislation on CO_2 emissions. Repositioning and restructuring activities are important in determining the viability of our future aluminium operations. It is challenging to complete large upstream projects on time and within budgets. Our business expansion is expected to take place increasingly in emerging and transitioning market areas, heightening the risk related to unforeseen changes in the overall operating framework.

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

responsibility for risk management is therefore placed with the business areas and coordinated by staff units at the corporate level. Policies and procedures have been established to manage risk.

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

Hydro maintains guidelines for liquidity reserves and for the instalment payment profile on its debt portfolio. The company's financial position at the end of 2007 was well within the established guidelines.

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

In order to mitigate the company's exposure to U.S. dollar currency fluctuations, Hydro has established currency forward contracts selling U.S. dollar mainly against Norwegian Kroner. Hydro has also entered into forward contracts in other currencies to hedge revenue and cost positions.

Controls and procedures

Hydro's internal control framework provides sound controls, built on a foundation of integrity, ethical values and appropriate organizational attitudes. Throughout 2007, we have continued to follow the internal control over financial reporting framework developed under the section 404 of the U.S. Sarbanes-Oxley Act, 2002. The primary exception is that our external auditors will not be required to issue a separate audit opinion on our internal control over financial reporting as this was a specific SEC requirement.

Our management has continued to be guided by the "Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control - integrated framework" principles in evaluating the effectiveness of our financial controls and procedures. The COSO framework is widely recognised as the most comprehensive control framework and consists of the five interrelated components; 1) Control Environment, 2) Risk Assessment, 3) Control Activities, 4) Information and Communication, and 5) Monitoring.

Research and development

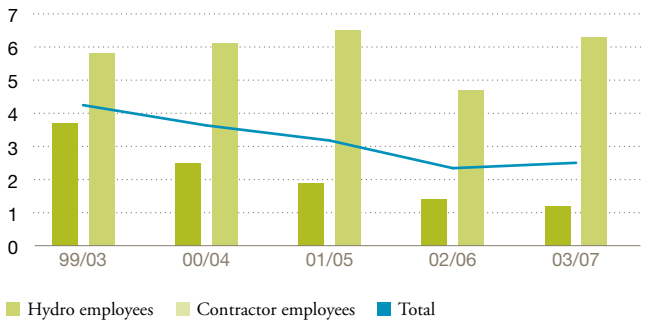
During 2007, Hydro allocated NOK 507 million to R&D compared to NOK 480 million in 2006. Roughly half of this goes to our in-house research organization, while the other half supports work carried out at external institutions. We have a number of research centers in connection with our activities in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

In February 2008 test production commenced on a new generation of electrolytic cells at the Årdal Research Center. The goal is productivity gains resulting from increased amperage, improved energy efficiency, lower PFC emissions and thus a reduction in greenhouse gas emissions.

Hydro's Technology Board was established in 2007 to further enhance innovation and ensure that we live up to our ambition to be a leader in technology.

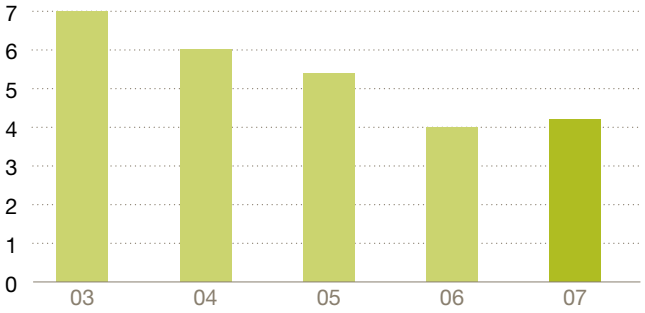
Fatal accidents

Per 100 million hours worked, five years running average



Total recordable injuries

Per million hours worked



Health, safety and security

Hydro shall be a leading company in the area of health and work environment. All units shall carry out risk assessments and implement appropriate risk-reducing measures. Our business planning process is used to ensure continuous improvement throughout the organization and follow-up is reported on a monthly basis.

Sick leave was 2.8 percent in 2007, up from 2.6 percent in 2006. The rules for sick-leave registration differ from country to country. Our sick leave in Norway is significantly higher than in Hydro on average, but relatively low compared to the industry average. In Norway, sick leave was 5.2 percent compared to 5.0 percent in the previous year. Men's sick leave was 4.9 percent, up from 4.5 percent in 2006, while women's sick leave decreased from 6.8 percent in 2006 to 6.4 percent in 2007.

Our overall safety performance did not improve in 2007. We did not reach our target of a 20 percent improvement in total recordable injuries (TRI), and we had two fatal accidents. In addition, we had one fatal accident in February 2008. Our ambition to improve TRI by 20 percent per year remains unchanged, and we are working on appropriate measures to make this possible. Even though we achieved a 25 percent reduction in the injury rate in 2006, we take the 2007 results as a serious reminder. Enforced commitment with even stronger emphasis on behaviour is necessary to bring the injury rate further down. In a ten-year perspective, we have reduced the number of personal injuries per million hours worked from 19.7 in 1997 to 4.1 in 2007.

For several years we have been working with Det norske Veritas to develop an indicator for technical safety. The T-rate measures the availability of the technical safety barriers that are installed in order to prevent or mitigate major accidents. The indicator has already been implemented at several plants, and the plan is to implement the indicator in all relevant plants and installations by the end of 2008.

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

Environment

Greenhouse gas emissions from Hydro-operated activities were 4.38 million tonnes CO_2 equivalents (CO2e) in 2007. Based on Hydro's ownership equity, emissions were 6.87 million tonnes CO2e, a reduction of roughly 45 percent compared with 1990, given the same ownership structure as in 2007. At the same time, we have increased comparable our primary aluminium production from 0.91 to 1.67 million tonnes. The decline comes as a result of systematic operational improvements, the introduction of new technology at our metal plants and in recent years also closure of plants and process lines.

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

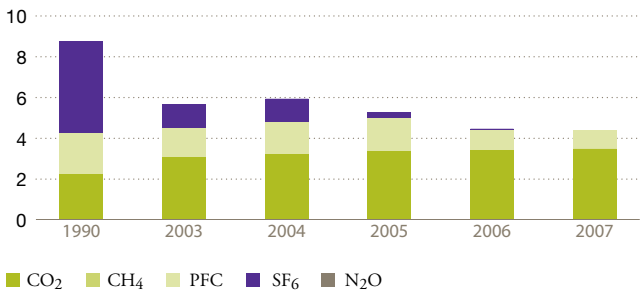
R&D focus has been redirected and sharpened to reduce CO_2 emissions in our primary operations in the future. If successful, the new generation of electrolytic cells now being tested at the Årdal Research Center in Norway will enable direct and indirect reductions in greenhouse gas emissions. In addition, both short-term and more radical long-term R&D projects have been initiated to substantially reduce greenhouse gas emissions in primary aluminium production.

Our environmental indicator on resource utilization and reduction of waste and emissions helps us focus on important measures. The indicator consists of many elements throughout the value chain. Improvements are measured and environmental challenges are highlighted as they are made visible.

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

Direct greenhouse gas emissions

Million tonnes CO_2-equivalents (CO2e)



Integrity and transparency

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

Hydro has had ethical guidelines for many years, and our current Code of Conduct was approved by the Board of Directors in 2003. Based on this, the Hydro Integrity Program was launched in 2005 to reinforce our efforts to prevent corruption and human rights violations connected to our activities. The program includes risk mapping, tools and training. An interactive e-learning program on corporate requirements was developed in 2007 and will be launched in 2008. The e-learning program will be mandatory to all employees and includes anti-corruption training.

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

When entering areas with an indigenous population or other minority groups, we strive to apply caution and respect. This is an example of human rights issues that are addressed at an early stage in our projects.

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

Total payments (taxes, fees etc.) to host governments [1)]

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

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

Employees

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

The development of the top 200 managers is a strategic corporate responsibility. Initiatives include the follow-up of the appraisal and leadership planning process, and annual conferences where the top 50 and the top 200 leaders, respectively, take part. In 2008, we will review our leadership development ambitions in order to secure a global mindset in the organization.

We emphasize diversity with regard to nationality, culture, gender and educational background, both when recruiting and when forming management teams and other working groups. Half of the shareholder-elected board members are women. Women are also represented in all business area and sector management teams, and we are aiming at further diversity at all levels. Most women top managers hired in the recent years have been recruited internally. In 2007, changes in the composition of the Corporate Management Board resulted in the number of women decreasing from two to one, while the proportion of women among Hydro's 50 top managers was 17 percent, compared to 19 percent in 2006. The number of non-Norwegian leaders was 13 percent, compared to 11 percent the year before. Among the top 200 managers the proportion of women was 16 percent, down from 20 percent in 2006, and of non-Norwegians 32 percent, a significant increase from 19 percent in 2006. The demerged oil and gas activities had a higher proportion of women leaders and a lower proportion of non-Norwegian leaders than the remaining business.

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

All employees shall be secured a total salary that is fair, competitive and in accordance with the local industry standard. Only relevant qualifications such as education, experience, results and other professional criteria shall be taken into account when making appointments, or when providing training, settling remuneration and awarding promotion. There are no significant gender pay differentials for employees earning

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

Restructuring, extensive projects and cost-saving drives made great demands on the employees in 2007 as well. We would like to extend our thanks to all employees – both to those who are now contributing to success in the companies demerged or sold from Hydro during 2007 and to those who remain in the company and contribute to Hydro's progress through their considerable efforts and commitment.

Board developments

Jan Reinås withdrew as chairperson of the Board of Directors in August 2007. Elisabeth Grieg, who was then deputy chairperson, acted as chairperson August till November. In October and November Elisabeth Grieg, Kurt Anker Nielsen, Lena Olving, Håkan Mogren, Terje Friestad and Geir Nilsen stepped down from the Board. They were replaced by Terje Vareberg, who became the new chairperson, and Finn Jebsen, Heidi M Petersen, Bente Rathe, Svein Rennemo, Billy Fredagsvik and Jørn B. Lilleby. The Board wants to extend words of appreciation to the members of the Board of Directors who stepped down in 2007 for their services to Hydro.

Grete Faremo was elected new deputy chairperson, Svein Rennemo was elected new chairperson of the Audit Committee after Kurt Anker Nielsen and Terje Vareberg was elected new chairperson of the Compensation Committee after Jan Reinås.

During 2007, the Board held 36 meetings and the board members' attendance was 93 percent. The demerger of Hydro's oil and gas activities was a major task for the Board in 2007 as well as defining a new strategy for the company going forward. Following the substantial changes in the Board composition, a broad program has been initiated to give the new Board adequate information about Hydro's organisation and businesses.

Net income - Norsk Hydro ASA

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

On 12 March 2007 Hydro's Board of Directors agreed to a proposed merger of Hydro's petroleum activities with Statoil to form StatoilHydro ASA. The merger was completed on 1 October 2007. As a result of the demerger, Norsk Hydro ASA's shareholders' equity was reduced by NOK 33,403 million. Norsk Hydro ASA does not present the demerged business as discontinued operations. Norsk Hydro ASA's total equity as of 31 December 2007, after the demerger and proposed dividends for 2007 was NOK 20,027 million.

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

Oslo, 12 March 2008

Terje Vareberg
Chair

Grete Faremo
Deputy chair

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Bente Rathe
Board member

Jørn B. Lilleby
Board member

Heidi M. Petersen
Board member

Svein Rennemo
Board member

Sten Roar Martinsen
Board member

Eivind Reiten
President and CEO

Shareholder information

Introduction

Hydro's share price closed at NOK 77.60 at the end of 2007. Taking into consideration the dividend of NOK 5.00 per share paid in 2007 and the value at the end of 2007 of the received StatoilHydro shares, the total return for 2007 was NOK 34.80, or 18 percent. Due to our solid financial position and strong operating results in 2007, the Board of Directors has proposed a dividend of NOK 5.00 per share for approval by the Annual General Meeting on May 6, 2008. During 2007 we also redeemed 17,493,401 shares for NOK 2.9 billion. The merger of our oil and gas activities with Statoil was completed on October 1, 2007, and all shareholders received 0.8622 shares in the merged company, StatoilHydro, for each share they held in Hydro. There was no change to the number shares held in Hydro as a result of the merger.

During the last five years significant value has been created for shareholders through the restructuring of Hydro. In addition, significant market improvements and strong operational performance has contributed to the value creation. At the end of 2003 the Hydro share closed at NOK 82.10, when Hydro consisted of the oil and gas activities, the aluminium activities and the fertilizer activities. The combined value at the end of 2007 of the Hydro share, the received fractional shares in Yara International and StatoilHydro during the two demerger transactions and all dividend payments during the five year period was NOK 290. This represents a solid increase of 254 percent of the investment, or an average annual return of 29 percent. The calculation assumes that shareholders have retained their original ownership interests in Yara International and StatoilHydro as obtained through the demerger transactions.

By the end of 2007 there were 1,209,304,379 outstanding shares. A total of 4.8 billion Hydro shares were traded on the Oslo Stock Exchange during 2007, representing about 10 percent of the total turnover on the exchange in terms of share value. In addition,

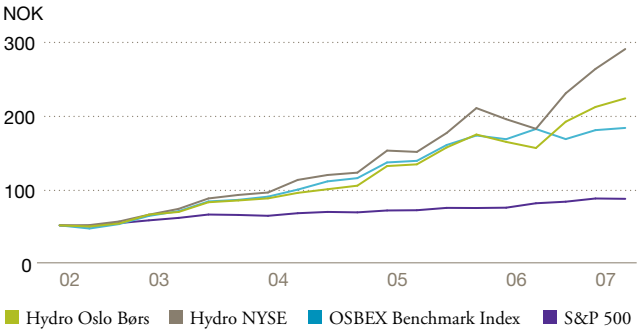
Hydro's ordinary shares are listed in London, Paris, Frankfurt, Düsseldorf and Hamburg. Our American Depositary Shares (ADSs) were delisted from the New York Stock Exchange on November 23, 2007, and are now trading on PinkSheets in the U.S. We also plan to delist the share from the stock exchanges in France and Germany during 2008.

Dividend policy

Long-term returns to shareholders should reflect the value created by Hydro. Shareholders' returns consist of dividends and share price development. Over time value creation should be reflected to a greater extent by share price development than through dividends. Our dividend policy is to pay out 30 percent of net income over time to our shareholders. The payout ratio in one specific year may be above or below 30 percent of net income, but should average 30 percent of net income over a period of several years. In setting the dividend for a specific year we will take into consideration future earnings, future investment opportunities, the outlook for world commodity markets and our financial position. Share buybacks or extraordinary dividends will supplement dividends during periods of strong financials, due consideration being given to the commodity cycle and capital requirements for future growth. The total payout should reflect Hydro's aim to give its shareholders competitive returns benchmarked against alternative investments in comparable companies.

Hydro's Board of Directors normally proposes a dividend per share in connection with the publication of our fourth quarter results. The Annual General Meeting then considers this proposal in May each year, and the approved dividend is subsequently paid

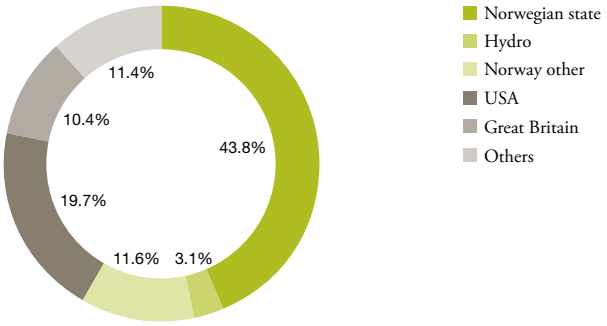
Share price in NOK



As of September 30, 2007.

Geographical ownership distribution

1,247,956,949 shares



to shareholders in May or June. We pay dividends once each year. For non-Norwegian shareholders, Norwegian tax will be deducted at source in accordance with the current regulations.

The Board of Directors has proposed a dividend of NOK 5.00 per share for 2007, consisting of NOK 1.50 in ordinary dividend and NOK 3.50 in extraordinary dividend. The Annual General Meeting on 6 May 2008 will consider the dividend proposal. See financial calendar for more information on key dates related to the dividend.

Buyback of shares

In periods when earnings are high, Hydro may consider to buy back shares in addition to ordinary or extraordinary dividend payments. This consideration will be made in the light of alternative investment opportunities and our financial situation. In circumstances when buying back shares are relevant, our Board of Directors proposes buyback authorizations to be considered and approved by the Annual General Meeting. Authorizations are granted for a specific time period and for a specific share price interval for which share buybacks can be made.

During 2007 we redeemed 16,871,506 shares held by the Norwegian state at an average price of NOK 163.78 per share as part of a buyback authorization approved by the Annual General Meeting on 9 May 2006. At the same time we executed a capital reduction by cancelling 38,498,506 shares, including 21,627,000 shares that were repurchased in the market during 2006. The shares redeemed from Norwegian state were the state's proportional number of shares of the 2006 market repurchases. The price paid to the state was equal to the volume-weighted average of the prices we paid for shares bought in the market during 2006 less the dividend paid in 2007, plus an interest rate of NIBOR plus one percent to compensate for the later settlement.

Major shareholders and voting rights

An overview of Hydro's major shareholders as of 31 December 2007 is provided on page F96 in this report.

Annual general meeting

The Annual General Meeting of Norsk Hydro ASA will be held at Gamle Logen, Grev Wedels plass 2, Oslo, Norway, on Tuesday, 6 May 2008, at 17:00 CET. In accordance with Hydro's Articles of Association, notice of the Annual General Meeting will be published in the Norwegian newspapers Aftenposten and Dagens Næringsliv.

Shareholders who wish to attend are asked to inform the registrar by 16:00 CET on Friday, 2 May:

DnB NOR Bank ASA
Verdipapirservice
0021 Oslo, Norway
Fax: + 47 22 48 11 71

You may also register electronically on our website www.hydro.com/register or via VPS Investor Services. Any shareholder may appoint a proxy with written authority to attend the meeting and vote on his or her behalf.

Holders of shares in the form of ADSs need to exchange their ADSs for ordinary shares in accordance with the Deposit Agreement and then register such shares with the Norwegian Central Securities Depository to be eligible to vote their shares at the Annual General Meeting.

Change of address

Shareholders registered in the Norwegian Central Securities Depository should send information on changes of address to their registrars and not directly to Hydro.

Financial calendar

22 April	First quarter results
6 May	Annual General Meeting
7 May	Ordinary shares trading ex-dividend
9 May	Record date for dividend ordinary shares
12 May	ADRs trading ex-dividend
14 May	Record date for dividend ADRs
19 May	Payment of dividend ordinary shares
22 July	Second quarter results
25 September	Capital Markets Day
21 October	Third quarter results

Key figures for the Hydro share

	2007 [2]	2006	2005	2004	2003
Share price high, Oslo (NOK) [1]	**247.00**	199.40	149.70	104.30	73.18
Share price low, Oslo (NOK)	**68.00**	135.00	92.50	72.30	46.20
Share price average, Oslo (NOK)	**176.76**	164.05	119.14	88.77	59.96
Share price year-end, Oslo (NOK)	**77.60**	193.50	138.60	95.40	72.39
Share price high, NYSE (USD) [3]	**44.06**	32.37	23.43	16.72	10.95
Share price low, NYSE (USD)	**12.90**	20.93	14.80	10.69	6.33
Share price average, NYSE (USD)	**30.64**	25.73	18.46	13.22	8.49
Share price year-end, NYSE (USD)	**13.95**	30.67	20.64	15.74	10.90
Earnings per share (EPS) (NOK)	**14.90**	14.00	12.50	9.90	8.50
EPS from continuing operations (NOK) [4]	**7.20**	13.90	12.40	9.00	6.50
P/E [5]	**10.78**	13.92	11.18	10.60	11.14
Dividend per share (NOK) [6]	**5.00**	5.00	4.40	4.00	2.20
Pay-out ratio [7]	**69%**	36%	35%	44%	26%
Dividend growth	**0%**	14%	10%	82%	5%
Pay-out ratio five year average [8]	**34%**	35%	34%	29%	28%
Debt/equity ratio [9]	**(0.05)**	0.22	0.31	0.11	0.38
Credit rating, Standard & Poor's	**BBB**	A-	A	A	A
Credit rating, Moody's	**Baa1**	A2	A1	A2	A2
Non-Norwegian ownership, year-end	**42%**	38%	40%	37%	35%
Outstanding shares, average	**1,221,195,650**	1,240,804,344	1,254,036,520	1,272,057,165	1,287,642,555
Outstanding shares, year-end	**1,209,304,379**	1,226,175,885	1,250,692,320	1,254,196,150	1,283,560,000

1) Adjustment factor 0.881699 used for share prices prior to the demerger of Yara International ASA 25 March 2004, according to Oslo Stock Exchange's calculation methods.
2) The completion of the merger of Hydro's oil and gas activities with Statoil resulted in approx. 2/3 decline in the share price as the shareholders received shares in StatoilHydro as compensation.
3) The share was delisted from the New York Stock Exchange on November 23, 2007 and moved to trading on PinkSheets.
4) Oil and gas activities only included as discontinued for 2007.
5) Share price at year-end divided by EPS from continuing operations
6) Proposed dividend for 2007
7) Dividend per share divided by earnings per share. EPS from continuing operations from 2004.
8) Total dividend divided by net income for last five years
9) Interest-bearing debt + net pension liability (tax adjusted) + operating lease commitments (discounted) + share of debt in joint ventures – cash and cash equivalents – short-term investments divided by shareholders' equity + minority interest

Norwegian code of practise for corporate governance

Page numbers and notes to the consolidated financial statements refer to this report.
All other references can be found at www.hydro.com/governance

	Corporate governance topic	Comments	References
1	Implementation and reporting on Corporate Governance	Hydro follows the Norwegian Code of Practice for Corporate Governance of 2007 and complies with all recommendations. The Hydro Way represents our framework for leadership, organization and culture and is the foundation for our governance system.	Principles
2	Hydro business	The objectives of the company are to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with these objectives. Activities may also proceed through participation in or in co-operation with other enterprises.	Hydro's articles of association
			Hydro's strategy is described at page 4
3	Equity and dividends	Hydro's equity capital is appropriate to the company's objectives, strategy and risk profile.	The Hydro Share
		Hydro's dividend policy is to pay out payout 30 percent of net earnings on average.	
		Mandate for buyback of Hydro shares may be granted to the Board by the General Meeting. The mandate should be limited in time to no later than the date of the next annual general meeting.	
4	Equal treatment of shareholders.	Hydro has one share class.	The Hydro Share
		Transactions are generally carried out through stock exchanges. Buy-backs of own shares are carried out at market prices.	
		Shareholders registered in VPS, the Norwegian Registry of Securities, can vote in person or by proxy. Invitations are sent to shareholders or to the shareholder's security deposit bank.	
	Transactions with close associates	Employee share allocations are granted at a discount to market value.	Note 11 to the consolidated financial statements
		Hydro's Code of Conduct includes guidelines for handling possible conflicts of interest. The Code is valid to all Board members and Hydro employees.	Code of conduct
		Regulation of share issues and pre-emptive rights are described in the Articles of Association. The Company has not issued shares since 1999 in connection with the acquisition of Saga Petroleum. The Board holds no current mandates for such at present.	
5	Freely negotiable shares	The Hydro shares are freely negotiable. The stock is among the five most traded stocks at Oslo Børs and subject to efficient pricing. The Norwegian state through Ministry of Trade and Industry and Folketrygdfondet owns 47.57 percent of the shares.	The Hydro share
6	General meetings	The notice of a general meeting is normally available at hydro.com minimum four weeks prior to the meeting and sent to the shareholders minimum two weeks before the meeting.	Governance bodies
		Our aim is that the proposals for resolution and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting	
		Deadline for shareholders to give notice of attendance in the meeting, is normally maximum two days before the meeting.	

	Corporate governance topic	Comments	References
		Shareholders who cannot attend the meeting in person, can vote by proxy	
		The members of the board of directors and the nomination committee and the auditor are present at the general meeting.	
		"The Annual General Meeting is presided over by the Chairperson of the Corporate Assembly or, in his or her absence, by the Deputy Chairperson."	
		The notice calling the general meeting provides information on the procedures shareholders must observe in order to participate in and vote at the general meeting. This include • the procedure for representation at the meeting through a proxy, including a form to appoint a proxy • the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting • the web pages where the notice calling the meeting and other supporting documents will be made available	
		The following information is available at hydro.com: • information on the right of shareholders to propose matters to be considered by the general meeting • how to make proposals for resolutions to be considered by the general meeting, alternatively comments on matters where no resolution is proposed • a form for appointing a proxy	Investor relations
		The general meeting votes separately for each candidate nominated for election to the company's corporate bodies.	
7	Nomination committee	The Nomination Committee consists of four members who shall be shareholders or shareholders' representatives. They are appointed by the General Meeting of Shareholders. Minimum two including the chairperson are appointed among the shareholder elected members of the Corporate Assembly. The committees compensation is determined by Corporate Assembly.	Articles of association
		Shareholders may nominate candidates for the board of directors and the corporate assembly	Nominations for the Corporate Assembly and the Board of Directors
8	Corporate assembly and board of directors: Composition and independence	All board directors and members of the corporate assembly are independent of the executive management of Hydro and its main business connections. Lars Tronsgaard, who is a member of the corporate assembly, is representing Folketrygdfondet, owned by the Norwegian State.	Governance bodies
			Note 45 to the consolidated financial statements
		The Chair of the Board is elected by the Corporate Assembly	Governance bodies
		Board members are elected for a period of two years	Articles of association
		Five board members owned a totality of 36,208 shares as of December 31, 2007. Hydro has no program for board members to aquire shares. All share transactions are conducted according to the Norwegian Securities Trading Act.	
9	Board work and responsibilities	The Board has an annual plan for its work with particular emphasis on objectives, strategy and implementation.	Page 13
		The board has developed rules of procedures for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.	The Board's mandate

	Corporate governance topic	Comments	References
		The Corporate Assembly elects both a chairperson and a deputy chairperson of the board.	
		The Board's Audit Committee and Compensation Committee were both established in 2001.	
		The Board conducts annually a self-evaluation of its work, competence and cooperation with management.	Page 13
		In addition the Nomination Committee evaluates the Board's competence.	Nomination Committee
10	Risk management and internal control	The Board ensures sound internal control and systems for risk management through e.g. an annual Board review of most important risk factors and internal control.	Page 10
11	Remuneration of the Board of Directors	The shareholder elected members of the Board have no assignment for the company other than the board work.	Note 45 to the consolidated financial statements
		The compensation is determined by the Corporate Assembly.	
12	Remuneration of the executive management	The board of directors has establish guidelines for the remuneration of the members of the executive management. These guidelines are communicated to the annual general meeting.	Articles of Association
			Note 11 to the consolidated financial statements
13	Information and communication	Hydro has establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. This includes contact with shareholders other than through the shareholder meetings	Shareholder information
		A financial calendar is available in this report and at hydro.com	Page 16
		Shareholder information is both published at hydro.com and sent directly to the shareholders.	
14	Take-overs	The Board will handle any possible take-over in accordance with Norwegian corporate law. There are no defence mechanisms against take-over bids in our Articles of Association or in any underlying steering document. Neither have we implemented any measures to limit the opportunity to acquire shares in the company. The Norwegian state through Ministry of Trade and Industry, and Folketrygdfondet owns 47.57 percent of the shares.	
15	Auditor	The external auditor participates in relevant agenda items at all meetings in the Audit Committee. Minutes of these meetings are distributed to all Board members. This practice is in line with the EU Audit Directive.	Auditing
		The auditor presents the view on internal control procedures through the annual management letter.	Audit committee
		Hydro emphasizes independence and has clear guidelines for use of services performed by auditor.	
		The Audit Committee meets with the external auditor and the head of Internal Audit at least once a year without the presence of Corporate Management.	
		Remuneration to auditor is disclosed in the annual report and approved by the general meeting.	Note 44 to the consolidated financial statements

Consolidated income statements

Amounts in NOK million (except per share amounts), Year ended 31 December	Notes	**2007**	2006
Revenue	8	**94,316**	98,752
Share of the profit (loss) in equity accounted investments	8, 25, 26	**1,000**	736
Other income, net	9	**1,093**	558
Total revenue and income		**96,409**	100,045
Raw material and energy expense	10	**58,905**	62,790
Employee benefits expense	11	**12,440**	13,414
Depreciation and amortization expense	22	**3,407**	3,987
Impairment of non-current assets	13	**145**	529
Other	14, 15	**12,488**	12,126
Total expenses	8	**87,385**	92,845
Earnings before financial items and tax	8	**9,025**	7,200
Financial income	16	**1,403**	1,292
Financial expense	16	**1,805**	(574)
Financial income (expense), net		**3,208**	718
Income from continuing operations before tax		**12,233**	7,918
Income tax expense	17, 33	**(3,075)**	(1,952)
Income from continuing operations		**9,158**	5,966
Income from discontinued operations	7	**9,447**	11,967
Net income		**18,604**	17,933
Net income attributable to minority interests		**408**	273
Net income attributable to equity holders of the parent		**18,196**	17,660
Basic and diluted earnings per share from continuing operation		**7.20**	4.60
Basic and diluted earnings per share from discontinuing operation		**7.70**	9.60
Basic and diluted earnings per share attributable to equity holders of the parent		**14.90**	14.20

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheets

Amounts in NOK million, 31 December	Notes	**2007**	2006
Assets			
Cash and cash equivalents		**9,330**	6,609
Short-term investments	18	**2,742**	15,020
Accounts receivable	19	**15,564**	17,786
Inventories	20	**12,227**	14,220
Other current financial assets	21, 40	**967**	2,365
Total current assets continuing operations	8	**40,830**	55,999
Assets held for sale	7	**6,741**	3,691
Assets discontinued operations	7	**-**	123,979
Total assets held for sale/discontinued operations		**6,741**	127,670
Property, plant and equipment	22	**26,750**	32,151
Intangible assets	23, 24	**1,514**	1,600
Investments accounted for using the equity method	25, 26	**9,659**	8,929
Other non-current financial assets	21, 40	**4,341**	5,275
Prepaid pension	32	**1,246**	1,085
Deferred tax assets	33	**963**	1,750
Total non-current assets continuing operations	8	**44,474**	50,790
Total assets	8	**92,046**	234,459

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheets

Amounts in NOK million, 31 December	Notes	**2007**	2006
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	28	**1,045**	2,509
Trade and other payables	29	**12,911**	14,521
Provisions	31	**882**	1,072
Taxes payable	33	**2,361**	2,065
Other current financial liabilities	21, 40	**1,157**	2,714
Total current liabilities continuing operations		**18,355**	22,880
Liabilities included in disposal groups	7	**2,021**	1,011
Liabilities discontinued operations	7	**-**	96,532
Total liabilities in disposal groups/discontinued operations		**2,021**	97,543
Long-term debt	30	**263**	367
Provisions	31	**752**	1,101
Pension obligation	32	**8,920**	9,264
Other non-current financial liabilities	21, 40	**2,795**	2,226
Other liabilities		**1,685**	1,668
Deferred tax liabilities	33	**2,246**	2,808
Total non-current liabilities continuing operations		**16,662**	17,434
Total liabilities		**37,038**	137,857
Share capital	34	**1,370**	4,708
Additional paid-in capital	34	**360**	9,736
Other reserves	34	**(1,348)**	(1,533)
Retained earnings	34	**57,950**	89,544
Treasury shares	34	**(4,283)**	(6,624)
Equity attributable to equity holders of the parent	34	**54,049**	95,831
Minority interest		**959**	771
Total equity		**55,008**	96,601
Total liabilities and equity		**92,046**	234,459

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of cash flows

Amounts in NOK million, Year ended 31 December	Notes	**2007**	2006
Operating activities:			
Net income		**18,604**	17,933
Adjustments to reconcile net income to net cash provided by operating activities:			
Income from discontinued operations	7	**(9,447)**	(11,967)
Depreciation, amortization and impairment losses	8, 12, 13	**3,552**	4,516
Share of profits in equity accounted investments	8, 25, 26	**(1,000)**	(736)
Dividends received from equity accounted investments	25, 26	**456**	349
Deferred taxes		**44**	(729)
Gain on sale of non-current assets		**(598)**	(168)
Loss (gain) on foreign currency transactions	16	**(2,254)**	148
Net sales of trading securities		**114**	24
Capitalized interest	16	**(5)**	(25)
Other		**(34)**	(655)
Working capital changes that provided (used) cash:			
Receivables		**146**	(1,385)
Inventories		**545**	(1,730)
Other current assets		**4,251**	1,930
Other current liabilities		**(101)**	2,421
Net cash provided by continuing operating activities	43	**14,273**	9,926
Investing activities:			
Purchases of property, plant and equipment		**(3,485)**	(3,008)
Purchases of other long-term investments		**(1,403)**	(1,107)
Purchases of short-term investments		**(5,000)**	(22,650)
Proceeds from sales of property, plant and equipment		**122**	316
Proceeds from sales of other long-term investments		**4,330**	271
Proceeds from sales of short-term investments		**17,200**	11,550
Net cash provided by (used in) continuing investing activities		**11,764**	(14,628)
Financing activities:			
Loan proceeds		**25**	89
Principal repayments		**(1,210)**	(589)
Ordinary shares purchased		**(2,887)**	(3,949)
Ordinary shares issued		**66**	59
Dividends paid		**(6,134)**	(5,506)
Net cash used in continuing financing activities		**(10,140)**	(9,896)
Foreign currency effects on cash and bank overdraft		**(285)**	325
Net cash provided by (used in) discontinued operations	7	**(12,799)**	11,101
Net increase (decrease) in cash, cash equivalents and bank overdraft		**2,813**	(3,172)
Cash, cash equivalents and bank overdraft reclassified to assets held for sale		**(105)**	(47)
Cash, cash equivalents and bank overdraft at beginning of year		**6,548**	9,767
Cash, cash equivalents and bank overdraft at end of year	43	**9,256**	6,548

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of changes in equity

Amounts in NOK million, Year ended 31 December	Notes	**2007**	2006
Ordinary shares Issued - amount			
Balance at 1 January		**4,708**	4,739
Cancellation treasury shares	34	**(79)**	(17)
Redeemed shares, the Ministry of Trade and Industry	34, 35, 46	**(62)**	(13)
Demerger	34	**(3,197)**	-
Balance at 31 December		**1,370**	4,708
Additional paid-in capital			
Balance at 1 January		**9,736**	10,501
Treasury stock reissued to employees	34	**53**	56
Cancellation treasury shares	34	**-**	(363)
Redeemed shares, the Ministry of Trade and Industry	34, 35, 46	**(2,701)**	(458)
Demerger	34	**(6,727)**	-
Balance at 31 December		**360**	9,736
Other reserves			
Balance at 1 January		**(1,533)**	723
Currency translation differences	34	**(4,279)**	(1,401)
Net unrealized gain (loss) on securities, net of tax	34	**(295)**	(84)
Cash flow hedges, net of tax	34, 42	**585**	(772)
Demerger	34	**4,174**	-
Balance at 31 December		**(1,348)**	(1,533)
Retained earnings			
Balance at 1 January		**89,544**	77,390
Net income attributable to equity holders of the parent		**18,196**	17,660
Dividend declared and paid		**(6,134)**	(5,506)
Cancellation treasury shares	34	**(2,317)**	-
Demerger	34	**(41,339)**	-
Balance at 31 December		**57,950**	89,544
Treasury shares issued - amount			
Balance at 1 January		**(6,624)**	(3,589)
Purchase of treasury shares	34	**(123)**	(3,477)
Treasury shares reissued to employees	34	**68**	61
Cancellation treasury shares	34	**2,396**	380
Balance at 31 December		**(4,283)**	(6,624)
Equity interests attributable to equity holders of the parent			
Balance at 1 January		**95,831**	89,763
Transactions with equity holders		**(2,765)**	(3,831)
Distributions to equity holders		**(6,134)**	(5,506)
Demerger	7	**(47,089)**	-
Other changes in shareholders equity		**14,207**	15,403
Balance at 31 December		**54,049**	95,831

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated statements of changes in equity

Amounts in NOK million, Year ended 31 December	Notes	**2007**	2006
Minority interest			
Balance at 1 January		**771**	980
Minority's share of net income current period		**408**	273
Minority's share of dividend declared and paid		**(102)**	(231)
Equity interest purchased		**-**	(184)
Currency translation differences		**(117)**	(68)
Balance at 31 December		**959**	771
Total Equity		**55,008**	96,601

Share information

Ordinary shares issued - numbers in thousands			
Balance at 1 January		**1,286,455**	1,294,772
Cancellation treasury shares	34	**(21,627)**	(4,672)
Redeemed shares, the Ministry of Trade and Industry	34, 35, 46	**(16,872)**	(3,645)
Balance at 31 December		**1,247,957**	1,286,455
Treasury shares issued - numbers in thousands			
Balance at 1 January		**(60,280)**	(44,080)
Purchase of treasury shares	34	**(622)**	(21,627)
Treasury shares reissued to employees	34	**622**	755
Cancellation treasury shares	34	**21,627**	4,672
Balance at 31 December		**(38,653)**	(60,280)

The accompanying notes are an integral part of the consolidated financial statements.

Oslo, 12 March 2008

Terje Vareberg
Chair

Grete Faremo
Deputy chair

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Bente Rathe
Board member

Jørn B. Lilleby
Board member

Heidi M. Petersen
Board member

Svein Rennemo
Board member

Sten Roar Martinsen
Board member

Eivind Reiten
President and CEO

NOTE 1
Significant accounting policies and reporting entity

The parent company Norsk Hydro ASA and consolidated subsidiaries (Hydro) is a supplier of aluminium and aluminium products. Hydro's headquarters are in Oslo, Norway, and the group employs around 25,000 people in more than 30 countries. Hydro is the second largest producer of electric power in Norway and the world's fifth largest primary aluminium producer. We are a major worldwide supplier of value-added casthouse products, including extrusion ingots, sheet ingots and foundry alloys. We are a significant supplier to the building industry, especially in Europe, and of rolled products to the packaging and graphics industries. Hydro is listed on the Oslo and London stock exchanges.

Prior to 1 October 2007, Norsk Hydro ASA was an integrated energy and aluminium company, operating as an offshore producer of oil and gas, transacting as a major player in the Nordic and European energy market, taking a active role in the development of new energy forms and supplying aluminium and aluminium products.

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), that are also endorsed by the European Union (EU) and Norwegian authorities and effective as of 31 December 2007.

Prior to adoption of IFRS, Hydro's primary financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP). Hydro's date of transition to IFRS is 1 January 2006 and the financial statements for the fiscal year ended 31 December 2007 are Hydro's first IFRS financial statements. Hydro's IFRS transition accounting choices and an explanation of the US GAAP to IFRS accounting differences are presented in note 47 Conversion to IFRS, together with the following reconciliations: US GAAP consolidated equity to IFRS consolidated equity as of 1 January 2006 and 31 December 2006; the US GAAP consolidated income statement to the IFRS consolidated income statement for 2006; and the US GAAP consolidated balance sheets to the IFRS consolidated balance sheets as of 1 January 2006 and 31 December 2006.

The following description of accounting principles applies to Hydro's 2007 financial reporting, including all 2006 IFRS comparative figures. See note 3 Basis of presentation and measurement of fair value, and note 4 Critical accounting judgments and key sources of estimation uncertainty for additional information related to the presentation, classification and measurement of Hydro's financial reporting.

Basis of consolidation

The consolidated financial statements include Norsk Hydro ASA and subsidiaries. Hydro consolidates subsidiaries where Hydro has the ability to exercise control. Control is achieved when Hydro has the power to govern the financial and operating policies of the entity. Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Control can also be achieved through power over more than half of the voting rights by virtue of an agreement with other investors, or exercise of de facto control.

Inter-company transactions and balances have been eliminated. Profits and losses resulting from intra-group transactions have been eliminated.

Business combinations

Business combinations are accounted for using the purchase method in accordance with IFRS 3 Business Combinations (IFRS 3). The purchase price is the sum of the fair values, as of the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by Hydro in exchange for control of the acquiree, plus any costs directly attributable to the combination. The acquiree's identifiable assets, liabilities and contingent liabilities are recognized separately at the acquisition date at their fair value irrespective of any minority interest.

Goodwill is recognized from the date of exchange and is initially measured as the excess of the purchase price over Hydro's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is not amortized, but is tested for impairment annually and more frequently if indicators of possible impairment are observed, in accordance with IAS 36 Impairment of Assets. Goodwill is allocated to the groups of cash generating units expected to benefit from the synergies of the combination and that are monitored for internal management purposes. For Hydro this is at the sector level, which is the next organizational level within Hydro's reportable segments Aluminium Metal, Aluminium Products, and Energy.

The interest of minority shareholders in the acquiree is initially measured as the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Subsequent adjustments include the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Investments in associates and joint ventures

Associates Hydro accounts for associates using the equity method. The definition of an associate is based on Hydro's ability to exercise significant influence, which is the power to participate in the financial and operating policies of the entity. Significant influence is assumed to exist if Hydro owns between 20 to 50 percent of the voting rights. However, exercise of judgment may lead to the conclusion of significant influence at ownership levels less than 20 percent or a lack of significant influence at ownership percentages greater than 20 percent. Hydro uses the equity method for a limited number of investees where Hydro owns less than 20 percent of the voting rights, based on an evaluation of the governance structure in each investee.

Joint Ventures A joint venture is an entity, asset or operation that is subject to contractually established joint control. In jointly controlled entities, special voting rights in some companies give simultaneously the partners decision rights that exceed what normally would follow from the ownership share. This may be in the form of a specified number of board representatives, in the form of a right of refusal on important decisions, or by requiring a qualified majority for all or most of the important decisions which effectively impose joint control with the specific ownership situation. Participation in joint ventures which are conducted in an entity, normally a legal company, a jointly controlled entity, is accounted for using the equity method.

The equity method involves showing the investment in the associate or joint venture at Hydro's percentage ownership of the equity in the associate or joint venture, including any excess values or goodwill. Hydro's share of net income, including depreciation and amortization of excess values, is included in Share of the profit or loss of associates and joint ventures. Hydro's relative share of unrealized profits resulting from transactions with an associate or joint venture is eliminated.

The financial statements of most associates and joint ventures are prepared for the same reporting year as the group, but for some associates a lag of up to three months exists. Adjustments are made to the associates' and joint ventures' financial statements to bring the accounting policies used into line with Hydro's accounting policies.

Hydro reviews investments in associates and joint ventures for impairment when indicators of a possible loss in value are identified. As Hydro's investments generally are not listed on a stock exchange or regularly traded, our impairment review for such investments can only in rare cases be based on market prices. Impairment indicators include such items as operating losses or adverse market conditions. The fair value of the investment is estimated based on valuation model techniques. If the estimated fair value of the investee is below Hydro's carrying value and the impairment is considered to be significant or prolonged, the investment is written down as impaired to its recoverable amount. Impairment losses are reversed if the impairment situation is deemed to no longer exist.

Jointly controlled assets or operations Hydro accounts for jointly controlled assets or operations using the proportional method of accounting. In some instances Hydro participates in arrangements, where Hydro and the other partners have a direct ownership in specifically identified assets or direct participation in certain operations of another entity. These jointly controlled assets or operations are accounted for by including Hydro's percentage ownership share of the assets, liabilities, income and expense on a line-by-line basis in the group financial statements (the proportional method).

Jointly owned assets or operations Hydro accounts for jointly owned assets or operations using the proportional method of accounting. Based on a contractual commitment, Hydro and the other parties to the contract have direct ownership in specifically identified assets or direct participation in certain operations. These jointly owned assets or operations are accounted for by including Hydro's percentage ownership share of the assets, liabilities, income and expense on a line-by-line basis in the group financial statements (the proportional method).

Assets held for sale and discontinued operations

When an asset or a group of assets are decided to be sold, they are reported separately as Assets held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, provided that the sale is highly probable, which includes the criteria that management is committed to the sale, and that the sale will be completed within one year. Assets held for sale are not depreciated, but are measured at the lower of carrying value and the fair value less costs to sell. Assets meeting the criteria for presentation as an Asset held for sale are not reclassified as an Asset held for sale in prior period balance sheets. Immaterial disposal groups are not classified as assets held for sale.

A discontinued operation is a component of Hydro that can be clearly distinguished from the rest of Hydro, both operationally and for financial reporting purposes. A discontinued operation is a separate major line of business or geographical area of operations. Cash flows, results of operations and any gain or loss from disposal are excluded from Earnings before financial items and tax and reported separately as Income from discontinued operations.

Components disposed of through a spin-off to shareholders are presented as Discontinued operations as of the date of disposal. Hydro has elected to reclassify assets and liabilities in prior periods as discontinued operations to facilitate a better understanding of the effect of such transactions.

Foreign currency transactions

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange at the balance sheet date. The realized and unrealized currency gains or losses are included in financial expenses.

Foreign currency translation

In the consolidated financial statements, the assets and liabilities of non-Norwegian krone functional currency subsidiaries, joint ventures and associates, including the related goodwill, are translated into Norwegian krone using the rate of exchange as of the balance sheet date. The results and cash flows of non-Norwegian krone functional currency subsidiaries, joint ventures and associates are translated into Norwegian krone using the average exchange rate for the period reported. Exchange adjustments arising when the opening net assets and the net income for the year retained by the non-Norwegian krone operation are translated into Norwegian krone are taken into Other reserves and reported in the statement of changes in equity. On disposal of a non-Norwegian krone functional currency subsidiary, joint venture or associate, the deferred cumulative amount recognized in equity relating to that particular non-Norwegian krone entity is recognized in the income statement.

Provisions

Provisions are recognized when Hydro has a present obligation (legal or constructive) as a result of a past event, and it is probable that Hydro will be required to settle the obligation. Hydro recognizes provisions only when a reliable estimate can be made of the amount, taking into account the risks and uncertainties. If a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows. See also the accounting policy discussion for asset retirement obligations.

Restructuring costs Hydro recognizes a provision for costs associated with an exit or disposal activity after formal commitment to an exit plan and communication of the restructuring measures to those who will be affected by the restructuring. A provision for termination benefits related to the involuntary termination of employees is recognized as of the date of employee notification.

Revenue recognition

Revenue from sales of products, including products sold in international commodity markets, is recognized when ownership passes to the customer. Generally, this is when products are delivered. Rebates and incentive allowances are deferred and recognized in income upon the realization or at the closing of the rebate period. In arrangements where Hydro acts as an agent, such as commission sales, only the net commission fee is recognized as revenue. In pass-through arrangements where Hydro effectively passes through terms of a purchase arrangement to a sales arrangement with virtually no change in terms or risks, the arrangement is reported net with the fee or margin reported as revenue.

To the extent a transaction consists of multiple elements, the transaction is analyzed into the separately identifiable components for revenue recognition.

Revenues from the production of oil and gas are recognized on the basis of the company's net working interest, regardless of whether the production is sold (entitlement method).

Activities related to the trading of derivative commodity instruments, or related to the purchase or delivery of physical commodities on a widely recognized commodity exchange or delivery hub, as well as physical commodity swaps with a single counterparty, are presented on a net basis in the income statement, with the margin from trading recognized in revenues.

Inventories

Inventories are valued at the lower of cost, using the first-in, first-out method (FIFO), or net realizable value. Cost includes direct materials, direct labor and the appropriate portion of production overhead or the purchase price of the inventory. Abnormal amounts of idle facility expense, freight, handling costs, and wasted materials are recognized as expense in the current period.

Property, plant and equipment

Property, plant and equipment (PP&E) is recognized when there is probable future economic benefit and when the acquisition cost can be measured reliably. PP&E book value is the historical cost less accumulated depreciation and any accumulated impairment losses. If a legal obligation for the retirement of a tangible non-current asset is incurred, the carrying value of the related asset is increased by the estimated fair value of the asset retirement obligation upon initial recognition of the liability.

Periodic maintenance Expenditures for maintenance and repairs applicable to production facilities are capitalized when these costs meet the criteria in accordance with IAS 16 Property, Plant and Equipment (IAS 16). Maintenance and repair costs incurred on a scheduled basis with a time interval of greater than one year are capitalized. Expenditures related to maintenance and repairs that occur at regular intervals of less than twelve months, for example daily, weekly or monthly servicing, are expensed as incurred. Major replacements and renewals are capitalized and any assets replaced are retired.

Capitalized interest Hydro capitalizes borrowing costs on qualifying assets in accordance with IAS 23 Borrowing Costs (IAS 23). Currency gains or losses related to Hydro's foreign currency denominated borrowings are not capitalized.

Leased assets Leases which transfer to Hydro substantially all the risks and benefits incidental to ownership of the leased item are accounted for as finance leases in accordance with IAS 17 Leases (IAS 17) and IFRIC 4 Determining whether an Arrangement contains a lease (IFRIC 4). Finance leases are capitalized at inception as assets under Property, plant and equipment at the fair value of the leased property, or, if lower, at the present value of the minimum lease payments. The liability is included in Long-term debt. The assets related to finance leases are depreciated over the shorter of the estimated useful life of the asset or the lease term. The related liability is amortized by the amount of the lease payment less the effective interest expense. All other leases are classified as operating leases and the lease payments are recognized as an expense over the term of the lease.

Depreciation and amortization Depreciation and amortization expense are measured on a straight-line basis over the estimated useful life of the asset. Estimated useful life by category is as follows:

Machinery and equipment	4-30 years
Buildings	20-50 years
Other (including intangibles)	5-10 years

Hydro depreciates separately any component of an item of property, plant and equipment when that component has a useful life and cost that is significant in relation to the total PP&E cost and PP&E useful life. At each financial year-end Hydro reviews the residual value and useful life of our assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Oil and gas producing properties are depreciated individually using the unit-of-production method as proved developed reserves are produced. Proved reserves are reviewed at least once a year. Any revisions in the rates are accounted for prospectively.

Asset retirement obligations

Hydro recognizes the estimated fair value of asset retirement obligations (ARO) in the period in which it is incurred in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. This cost includes the cost of dismantlement or removal of buildings or other assets, including oil and gas installations, and the restoration or rehabilitation of site or other liabilities related to the retirement of an item of PPE. The present value of the obligations are recognized when the assets are constructed and ready for production, or at the later date when the obligation is incurred. Related asset retirement costs are capitalized as part of the carrying value of the non-current asset and the liability is accreted for the change in its present value each reporting period. Asset retirement costs are depreciated over the useful life of the related non-current asset. Accretion expense related to the time value of money is classified as part of Financial expense. Liabilities that are conditional on a future event (e.g. the timing or method of settlement), whether under the control of Hydro or not, are recognized if the fair value of the liability can be reasonably estimated.

Exchanges of nonmonetary assets

Nonmonetary transactions that have commercial substance are accounted for at fair value and any resulting gain or loss on the exchange is recognized in the income statement. A nonmonetary exchange has commercial substance if Hydro's future cash flows are expected to change significantly as a result of the exchange. Hydro accounts for certain nonmonetary exchanges of oil and gas related assets at fair value and accounts for certain other nonmonetary exchanges of oil and gas producing assets where Hydro has substantial continuing involvement without recognizing a gain or loss on the exchange.

Intangible assets

Intangible assets acquired individually or as a group are recorded at fair value when acquired. Intangible assets acquired in a business combination are recognized at fair value separately from goodwill when they arise from contractual or legal rights or can be separated from the acquired entity and sold or transferred. Intangible assets with finite useful lives are amortized on a straight-line basis over their useful life. Intangible assets determined to have an indefinite useful life are not amortized but are subject to impairment testing on an annual basis.

Emission rights Hydro accounts for government granted and purchased CO_2 emission allowances at nominal value (cost) as an intangible asset. The emission rights are not amortized as they are either settled on an annual basis before year-end (matched specifically against actual CO_2 emissions) or rolled over to cover the next year's emissions; impairment testing is done on an annual basis. Actual CO_2 emissions over the level granted by the government are recognized as a liability at the point in time when emissions exceed the level granted. Any sale of government granted CO_2 emission rights is recognized at the time of sale at the transaction price.

Research and development All expenditures on research are expensed as incurred. Development costs are capitalized as an intangible asset at cost when all of the recognition criteria in IAS 38 Intangible Assets (IAS 38) are met. These criteria are when it is probable that Hydro will receive a future economic benefit that is attributable to the asset and when the cost can be measured reliably.

Impairment of property, plant and equipment and intangible assets

Hydro reviews property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36 Impairment of Assets (IAS 36). The carrying amount is not recoverable if it exceeds the asset's or cash generating group's fair value less costs to sell or the value in use. If the carrying

amount is not recoverable, an impairment loss is recognized in the amount that the carrying value exceeds its recoverable amount. In the event of a subsequent increase in the recoverable amount, previously recognized impairment losses are reversed.

Contingencies and guarantees

Hydro recognizes a liability for the fair value of obligations it has undertaken in issuing guarantees, including Hydro's ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur.

Contingent liabilities are recognized in the financial statements when probable of occurrence and can be estimated reliably. Contingent assets are not recognized in the financial statements.

Financial assets

Financial assets represent a contractual right by Hydro to receive cash or another financial asset in the future. Financial assets include financial instruments used for cash flow hedges, financial derivatives and commodity derivative contracts. Financial assets classified as non-current include long-term financial instruments, other investments, long-term loans to employees, long-term bank accounts and restricted cash and other long-term receivables.

Financial assets are derecognized when the rights to receive cash from the asset have expired or when Hydro has transferred its rights to receive cash flows from the asset and has either transferred substantially all of the risks and rewards of the asset or has transferred control of the asset.

Cash and cash equivalents, short-term investments and accounts receivable are discussed below. All other financial assets are measured at amortized cost.

Cash and cash equivalents Cash and cash equivalents includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition.

Cash and cash equivalents, as defined for reporting purposes in the statement of cash flows, consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts connected to cash management activities.

Short-term investments Short-term investments include bank deposits and all other monetary instruments with a maturity between three and twelve months at the date of purchase and Hydro's current portfolio of marketable equity and debt securities. The securities in this portfolio are considered trading securities and are valued at fair value. The resulting unrealized holding gains and losses are included in financial income and expense. Investment income is recognized when earned.

Non-current investments Investments include Hydro's portfolio of long-term equity securities that are not consolidated or accounted for using the equity method. The portfolio is considered as available-for-sale securities and is measured at fair value with changes in fair value recognized through equity. Other investment income is recognized when earned.

Investments are reviewed for impairment if indications of a loss in value are identified. Fair value of the investment is estimated based on valuation model techniques for non-marketable securities. When the estimated fair value of the investee is below Hydro's carrying value the impairment is recognized in earnings.

Accounts receivable Accounts receivable are presented at fair value at inception in the balance sheet and reviewed for impairment on an ongoing basis. Hydro recognizes an impairment loss on individual accounts based on an assessment of delayed payments, and other indicators of financial difficulty of the customer. Excluding the account balances that have been impaired based on the individual account evaluation process, Hydro then assesses all remaining overdue accounts receivable for impairment based on prior collection experience, the customer portfolio and management assessment.

Financial liabilities

Financial liabilities represent a contractual obligation by Hydro to deliver cash in the future, and are classified as either short or long-term. Financial liabilities include financial instruments used for cash flow hedges, financial derivatives and commodity derivative contracts.

Financial liabilities, with the exception of derivatives, are initially recognized at fair value including transaction costs directly attributable to the transaction. Subsequently, all liabilities, with the exception of derivatives, are accounted for at amortized cost.

Financial liabilities are derecognized when the obligation is discharged through payment or when Hydro is legally released from the primary responsibility for the liability.

Derivative instruments

Hydro applies IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation (IAS 32) and IAS 39 Financial Instruments: Recognition and Measurement (IAS 39) when reporting and accounting for financial instruments and derivatives, as well as when determining whether contracts are financial instruments and derivatives. The implementation date for IFRS 7 is for annual periods beginning on or after 1 January 2007. However, as 2007 is Hydro's adoption year for IFRS, all accounting standards applied in 2007 are also applied in 2006, and IFRS 7 is therefore also applied for 2006 disclosures.

Derivative instruments are marked-to-market with the resulting gain or loss reflected in profit and loss, except when the instruments meet the criteria for cash flow hedge accounting. Derivatives and embedded derivatives are classified as short-term, provided that the final maturity date is before twelve months after the balance sheet date, or they are held solely for the purpose of trading. Derivatives and embedded derivatives are classified as long-term provided that their final maturity date is more than 12 months after the balance sheet date. Hedging instruments are classified accordingly.

If Hydro has payment netting agreements and the intention and ability to settle two or more derivatives, or contracts accounted for as derivatives, net, the contracts are presented net on the face of the balance sheet. The ability to settle net is conditional on simultaneous offsetting cash-flows from the two contracts. Otherwise, derivative contracts are presented gross at their fair value.

Physical commodity contracts are considered on a portfolio basis. If a portfolio of contracts contains contracts of a similar nature that are settled net in cash, or the assets are not intended for own use, the entire portfolio of contracts is recognized at fair value, and classified as a derivative. Physical commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of the commodity in accordance with Hydro's expected purchase, sale or usage requirements (own use) are not accounted for at fair value.

Forward currency contracts and currency options are recognized in the financial statements and measured at fair value at each balance sheet date with the resulting unrealized gain or loss recorded in financial expense.

Interest income and expense relating to swaps are netted and recognized as income or expense over the life of the contract. Foreign currency swaps are translated into Norwegian krone at applicable exchange rates as of the balance sheet date with the resulting unrealized exchange gain or loss recorded in Financial income (expense), net.

Derivative commodity instruments are marked-to-market with their fair value recorded in the balance sheet as either assets or liabilities. Adjustments for changes in the fair value of the instruments are reflected in the current period's revenue and/or operating cost, unless the instrument is designated as a cash flow hedge instrument and qualifies for hedge accounting.

The fair value option is currently not utilized by Hydro.

Hedge accounting is applied when specific hedge criteria are met. The changes in fair value of the qualifying hedging instruments are offset in part or in whole by the corresponding changes in the fair value or cash flows of the underlying exposures being hedged. For cash flow hedges, gains and losses on the hedging instruments are deferred in Other reserves until the underlying transaction is recognized in earnings. When it is determined that a forecasted hedged transaction is no longer expected to occur, all the corresponding gains and losses deferred in Other reserves are immediately recognized in earnings. Any amounts resulting from hedge ineffectiveness for both fair value and cash flow hedges are recognized in the current period's income statement. For fair value hedges, both the changes in the fair value of the designated derivative instrument and the changes in the fair value of the hedged item are recognized currently in earnings.

An embedded derivative is bifurcated and accounted for as a separate financial instrument provided that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract, and a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the host contract is not accounted for at fair value. Embedded derivatives are classified both in profit and loss and on the balance sheet based on the derivatives' underlying.

Exploration and development costs of oil and gas reserves

Hydro uses the successful efforts method of accounting for oil and gas exploration and development costs, and is in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. Exploratory costs, excluding the cost of exploratory wells and acquired exploration rights, are charged to expense as incurred. Drilling costs for exploratory wells are capitalized pending the determination of the existence of proved reserves. If reserves are not found, the drilling costs are charged to operating expense.

Cost relating to acquired exploration rights are allocated to the relevant areas and capitalized, pending the determination of the existence of proved reserves. The acquired exploration rights are charged to operating expense when a determination is made that proved reserves will not be found in the area. Each block or area is assessed separately.

All development costs for wells, platforms, equipment and related interest are capitalized. Capitalized exploration and development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent that Hydro uses future net cash flows to evaluate unproved properties for impairment, the unproved reserves are risk adjusted before estimating future cash flows associated with those resources. Preproduction costs are expensed as incurred.

Other income, net

Transactions resulting in income from sources other than normal production and sales operations are classified as Other income, net. Gains and losses resulting from the sale or disposal of PP&E, investments in associates or joint ventures, and subsidiaries are included in Other income, net as well as rental income and certain other incremental income and gains.

Income taxes

Current income tax The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years. In addition, it also excludes items that are never taxable or deductible. Hydro's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax expense Deferred income tax expense is calculated using the liability method in accordance with IAS 12 Income Taxes (IAS 12). Deferred tax assets and liabilities are classified as non-current in the balance sheet and are measured based on the difference between the carrying value of assets and liabilities for financial reporting and their tax basis when such differences are considered temporary in nature. Temporary differences related to intercompany profits are deferred using the buyer's tax rate. Deferred tax assets are reviewed for recoverability every balance sheet date, and the amount probable of recovery is recognized.

Deferred income tax expense represents the change in deferred tax asset and liability balances during the year except for the deferred tax related to items charged directly to equity. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective. Uncertain tax positions are recognized in the financial statements based on management's expectations.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority, and when the Group intends to settle its current tax assets and liabilities on a net basis.

Hydro recognizes the effect of uplift, a special deduction for petroleum surtax in Norway, at the investment date. Deferred taxes are not provided on undistributed earnings of most subsidiaries, when such earnings are assessed by management to be capable of being repatriated to Norway without tax effect.

Share-based compensation

Hydro accounts for share-based compensation in accordance with IFRS 2 Share-based Payment (IFRS 2). During 2007 Hydro terminated its executive stock option plan, with a cash payout to option holders. No share appreciation rights (SARs) were granted to top management in 2007, and there are no SARs outstanding as of 31 December 2007.

Hydro has an employee share purchase rebate plan, where the plan payout is based on share price performance. Compensation expense in connection with this plan is measured at fair value over the service period. All share-based compensation expense includes social security taxes that will be paid by Hydro at the settlement date. All changes in fair value are recognized in profit and loss for the period.

See note 11 Employee and management remuneration for additional information.

Employee benefits and post-employment benefits

Short-term employee benefits, such as wages, salaries, social security contributions, paid annual leave, as well as short-term bonus agreements are accrued in the period in which the associated services are rendered by the employee.

Post-employment benefits are recognized in accordance with IAS 19 Employee Benefits (IAS 19). The cost of providing pension benefits under a defined benefit plan is determined separately for each plan using the projected unit method. Past service costs are recognized in the income statement on a straight-line basis over the remaining vesting period. Net cumulative actuarial gains and losses in excess of the greater of 10 percent of the benefit obligation (before deducting plan assets) and 10 percent of the fair value of any plan assets are amortized in the income statement over the remaining service period of active plan participants. The funded status of a defined benefit pension plan is measured as of 31 December and disclosed in note 32 Pensions and other post-employment benefit plans.

Contributions to defined contribution schemes are recognized in the income statement in the period in which they accrue.

Segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments (IFRS 8). IFRS 8 is required for accounting periods beginning on or after 1 January 2009, with earlier adoption permitted. Hydro has chosen to early adopt IFRS 8 as of 1 January 2006.

NOTE 2
Changes in accounting principles and new pronouncements

Changes in accounting principles

The financial statements for the year ending 31 December 2007 are Hydro's first IFRS financial statements. Hydro has prepared an opening IFRS balance sheet as of 1 January 2006, the date of transition to IFRS, in accordance with IFRS 1 First-time adoption of International Financial Reporting Standards (IFRS 1). As required by IFRS 1, Hydro uses the same accounting policies in our opening balance sheet and throughout all periods presented. These are the accounting policies that are applicable as of our reporting date, 31 December 2007. Therefore, there are no changes in accounting principles between 2006 and 2007.

New pronouncements

As of the date of authorization of these financial statements, other than IFRS 8 Operating Segments which was adopted early by Hydro, the following standards and interpretations listed below are those that were in issue but not yet effective, have not yet been adopted by Hydro and are relevant related to Hydro's IFRS financial reporting (effective date is applicable to accounting periods beginning on or after that date):

- IFRS 3 Business Combinations (revised 2008) (IFRS 3 revised) (effective date 1 July 2009)
- IAS 27 (revised 2008) Consolidated and Separate Financial Statements (IAS 27 revised) (effective date 1 July 2009)
- IAS 23 (revised 2007) Borrowing Costs (effective date 1 January 2009)
- IFRIC 14 IAS 19-The Limit on a Defined Benefit Asset, Minimum funding Requirements and their Interaction (IFRIC 14) (effective date 1 January 2008)

As of the date of issue of Hydro's financial statements, none of the above listed standards and interpretations were endorsed by the EU.

The impact of IFRS 3 revised and IAS 27 revised on Hydro's financial statements is in part dependent upon the specific fact pattern of future business combination transactions. Adoption of IAS 23 will have no impact on Hydro's financial statements as Hydro already capitalizes interest. IFRC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognized as an asset. Hydro is currently evaluating the potential accounting impact of IFRIC 14.

NOTE 3
Basis of presentation and measurement of fair value

Basis of presentation

The financial statements have been prepared on a historical cost basis except as regards certain assets, liabilities and financial instruments, which are at fair value. Financial statement preparation requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates. Interest rates used when performing any net present value analysis, for example discounted cash flows, impairment testing, or measurement of post retirement obligations, are rounded to the nearest 25 basis points. See note 4 Critical accounting judgments and key sources of estimation uncertainty.

The presentation and classification of items in the financial statements is consistent for all periods presented. Gains and losses on the disposal of non-current assets are presented net, as well as expenditures related to a provision that is reimbursed by a third party.

The functional currency of Norsk Hydro ASA is the Norwegian krone (NOK). The Hydro group accounts are presented in NOK.

The revenues, expenses, assets and liabilities presented in Hydro's financial statements are not necessarily representative of how Hydro's financial statements would have appeared had Hydro applied IFRS over it's entire reporting history. Due to Hydro's adoption of certain available transition accounting choices, our IFRS financial statements are a combination of the effect of our application of US GAAP accounting standards prior to 1 January 2006 and IFRS accounting standards as of 1 January 2006. Specifically, this may be create a difference in reported balances of goodwill, related to the transition choice to not restate business combinations to IFRS, and the reported pension figures, given our choice to recognize all 1 January 2006 cumulative actuarial gains and losses with the effect posted directly to equity. Hydro has also upon transition to IFRS reset to zero all 1 January 2006 cumulative translation differences. This has the effect that reported IFRS gains (losses) on the disposal or sale of an entity will not include any cumulative translation differences related to that subsidiary prior to 1 January 2006. See note 47 Conversion to IFRS for additional information.

As a result of rounding adjustments, the figures in one or more columns included in the financial statements may not add up to the total of that column.

Measurement of fair value

The following discussion on the measurement of fair value applies to the entirety of the financial statements, both to the specific statements themselves and to the disclosures in the notes which accompany the financial statements.

Financial instruments The estimated fair value of Hydro's financial instruments is based on market prices and valuation methodologies as described below. For all valuations Hydro attempts to incorporate all factors market participants would consider in setting a price and also to apply accepted economic methodologies for the pricing of financial instruments.

Cash and short term deposits Fair value is assumed to be equal to the carrying amount.

Interest bearing liabilities The fair value of debt instruments issued by Norsk Hydro ASA is calculated using yield curves, which incorporates estimates of the Norsk Hydro ASA credit spreads as of the balance sheet date. As of 31 December 2007 Hydro had no externally issued debt instruments outstanding.

Hydro accounts for interest bearing financial liabilities at amortized cost.

Derivatives The fair value of financial derivatives, including currency swaps, foreign currency forward contracts and interest rate swaps, is estimated as the present value of future cash flows, calculated by using quoted swap curves and exchange rates as of the end of the reporting periods 31 December 2007 and 31 December 2006.

The fair value of commodity derivatives, including futures, forwards and options, is measured as the present value of future cash flows, calculated by using forward curves and exchange rates as of 31 December 2007 and 2006. Estimates from brokers and extrapolation techniques are applied for non-quoted periods to achieve the most relevant forward curve. In addition, when deemed appropriate, correlation techniques between commodities are applied.

Options are re-valued using appropriate option pricing models.

Credit spreads are applied where deemed to be significant.

Trade receivables and trade payables Trade receivables and trade payables are initially recognized at fair value, and subsequently accounted for at amortized cost. Discounting is, however, usually not considered to have a material effect on trade receivables and trade payables. In special cases discounting may be applied.

Embedded derivatives Hydro measures embedded derivatives that are separated (i.e. bifurcated) from the host contract by comparing the forward curve at contract inception to the forward curve as of the balance sheet date. Changes in the present value of the cash flows related to the embedded derivative are recognized in the balance sheet and in the income statement. Forward curves are established as described above under Derivatives. For contracts that contain embedded caps or floors, Asian option valuation models are used.

Marketable and non-marketable equity securities The fair value for listed shares is based on quoted prices as of the end of the relevant reporting period. The fair value for unlisted shares is calculated by using commonly accepted and recognized valuation techniques, or recognized at cost if fair value cannot be measured reliably.

NOTE 4
Critical accounting judgement and key sources of estimation uncertainty

Inherent in many of the accounting policies is the need for management to make estimates and judgments in the determination of certain revenues, expenses, assets, and liabilities. The following accounting policies represent the more critical areas that involve a higher degree of judgment and complexity which, in turn, could materially impact Hydro's financial statements if various assumptions were changed significantly.

Employee retirement plans

Hydro's employee retirement plans consist primarily of defined benefit pension plans. Measurement of pension cost and obligations under the plans require us to make a number of assumptions and estimates. These include future salary levels, discount rates, turnover rate, and the rate of return on plan assets. The discount rate used for determining pension obligations and pension cost is based on the yield from a portfolio of long-term debt instruments. Hydro provides defined benefit plans in several countries and in various economic environments that will affect the actual discount rate applied. Around 70 percent of Hydro's projected benefit obligation relates to Norway. The discount rate applied for Norwegian plans as of 31 December 2007 is 4.75 percent. This is in line with the guidance from the Norwegian Accounting Standards Board on pension assumptions for use as of 31 December 2007 when considering the duration of Hydro's pension obligations and the rounding practice for such estimates. The discount rates applied in Germany and the UK are based on high quality corporate bonds, which are available in those markets. The discount rates used are 6 percent and 5.5 percent, respectively. The expected rate of return on plan assets is, based on the current portfolio of plan assets, determined to be approximately 1.5 percentage points above the yield on government bonds (Norway) and 0.75 to 1 percentage points above the yield on high quality corporate bonds (abroad) dependent on the mix of plan assets. Assump-

tions for salary increase in the remaining service period for active plan participants are based on expected salary increases for each country or economic area. Hydro expects limited deviation compared to the average development.

Changes in these assumptions can influence the funded status of the plan as well as the net periodic pension cost. The Projected Benefit Obligation (PBO) is sensitive to changes in assumed discount rates and assumed compensation rates. Based on indicative sensitivities calculated for the Norwegian plans, a 0.5 percentage point reduction or increase in the discount rate will increase or decrease the PBO in the range of 8 percent, for 2007 this is around NOK 1.6 billion. For 2007, Hydro incurred a change in the average discount rate of 0.5 percentage points as a result of the increase of interest levels in the areas where Hydro's main pension obligations are situated. Hydro incurred an actuarial gain of NOK 1,453 million for the year, mainly resulting from discount rate increases in excess of compensation increases and higher than estimated return on plan assets. A 0.5 percentage point reduction or increase in compensation rates for all plan member categories in Norway will decrease or increase the PBO in the range of 5 percent, for 2007 around NOK 1 billion. The PBO is also sensitive to demographic assumptions. An indicative sensitivity for change in mortality assumptions indicates that a one year increase in expected life for each plan member increases the PBO with around 4 percent, for 2007 around NOK 0.8 billion. Changes in the aforementioned parameters and changes in the PBO will affect net periodic pension cost in subsequent periods, both the service cost and interest cost components, in addition to the amortization of any unrecognized net gains or losses.

Financial instruments

Certain commodity contracts deemed to be financial instruments under IAS 39 are required to be recognized at fair value or to contain embedded derivatives which are required to be recognized at fair value, with changes in fair value impacting earnings. Determining whether contracts qualify as financial instruments at fair value involves evaluation of markets, Hydro's use of those instruments and historic or planned use of physically delivered products under such contracts. Determining whether embedded derivatives are required to be bifurcated for separate valuation involve assessing price correlations and normal market pricing mechanisms for various products and market places. When market prices are not directly observable through market quotes, the estimated fair value is calculated using valuation models, relying on internal assumptions as well as observable market information. Such assumptions include forward curves, yield curves and interest rates. The use of models and assumptions are in accordance with prevailing guidance from the IASB and valuations are based on Hydro's best estimate. However, changes in observable market information and assumptions will likely occur and such changes may have a material impact on the estimated fair value of financial instruments, in particular on long-term contracts, resulting in corresponding gains and losses affecting future periods' income statements. It is important to note that the use of such instruments and other commodity contracts may preclude or limit Hydro's ability to realize the full benefit of a market improvement. To further understand Hydro's sensitivity to these factors please refer to the "Indicative income statement sensitivities" table included in note 41 Financial and commercial risk management.

There is currently a debate ongoing on whether the obligation to deliver concession power to local and/or central government in Norway is a legal or a contractual obligation. Hydro has concluded that the obligation to deliver concession power is not a contractual obligation and thus not automatically included in the fair value of future deliveries as financial instruments even if financially settled. Future clarification of the regulation or interpretation of the regulation may change the treatment in the future. Hydro has delivery commitments relating to power stations to be reverted to the government of 17.6 TWh. Concession power delivery commitments relating to power stations not subject to reversion is 249 GWh annually.

Business combinations and goodwill

In accounting for the acquisition of businesses, Hydro is required to determine the fair value of assets, liabilities, and intangible assets at the time of acquisition. Any excess purchase price is included in Goodwill. In the businesses Hydro operates, fair values of individual assets and liabilities are normally not readily observable in active markets, which require us to estimate the fair value of acquired assets and liabilities through valuation techniques. Such valuations are subject to a number of assumptions including the useful lives of assets, replacement costs and the timing and amounts of certain future cash flows, which may be dependent on future commodity prices, currency rates, discount rates and other factors.

Under IAS 36 Impairment of Assets, goodwill and certain intangible assets are reviewed at least annually for impairment. The impairment test for goodwill involves estimating the fair value of the group of cash generating units to which goodwill is assigned, and comparing the estimated fair value to the carrying value of the group of cash generating units including goodwill. Should the carrying value exceed the estimated fair value, the excess is written down as impaired. To determine whether and how much goodwill is impaired we must develop estimates on highly uncertain matters, see discussion below.

Impairment of non-current assets

Hydro accounts for the impairment of non-current assets in accordance with IAS 36 Impairment of Assets. Under IAS 36, we are required to assess the conditions that could cause an asset to become impaired and to perform a recoverability test for potentially impaired assets held by Hydro. These condi-

tions include whether a significant decrease in the market value of the asset has occurred, whether changes in the Company's business plan for the asset have been made or whether a significant adverse change in the business and legal climate has arisen. Most of Hydro's productive assets are assigned to Cash Generating Units (CGUs), which is the lowest level where largely independent cash flows are deemed to exist. This is usually the individual plant or production line, unless the asset or asset group is an integral part of a value chain where no independent prices for the intermediate products exist.

If there are indications of loss in value, the recoverable amount is estimated. The recoverable amount is the higher of the asset or CGU's fair value less cost to sell, or its value in use. Directly observable market prices rarely exists for our assets, however, fair value may be estimated based on observed transactions on comparable assets, bids or other discussions of potential transactions involving the asset, or internal models used by Hydro for transactions involving the same type of assets. Internal fair value models reliy primarily on market prices, but must also include assumptions on production volumes, cost of operations, investments costs and needs and similar. Calculation of value in use is a discounted cash flow calculation based on continued use of the assets in its present condition, excluding potential exploitation of improvement or expansion potential. Determination of the recoverable amount involves management estimates on highly uncertain matters, such as commodity prices and their impact on markets and prices for upgraded products, development in inflation and operating expenses, and technology changes. We use internal business plans, quoted forward prices and our best estimate of commodity prices, currency rates, discount rates and other relevant information. Such estimates are consistent with Hydro's business plans, and may vary with business cycles and other changes. Hydro does not include a general growth factor to volumes, prices or cash flows for the purpose of impairment tests. Estimated cash flows are discounted with a risk adjusted discount rate derived as the weighted average cost of capital (WACC) for a similar business in the same business environment. For Hydro's businesses the pre tax discount rate is estimated at between 12.5 and 14.5 percent.

Goodwill is allocated to sectors as described in note 1 Significant accounting policies and reporting entity. The allocation of goodwill to segments is included in note 24 Goodwill. All goodwill included in Aluminium Metal is allocated to Commercial Products, in total NOK 226 million. The sector is profitable, and the calculated fair value exceeds the carrying value substantially.

The following table sets out the allocation of goodwill to sectors within Aluminium Products:

In NOK million	
Extrusion Eurasia	270
Building Systems	221
Extrusion Americas	145
Precision Tubing	37
Automotive Structures	27
Total Aluminium Products	700

The Extrusion Eurasia sector and the Building Systems sector are profitable, and the calculated fair value exceeds the carrying value substantially. The estimates are based on continued growth in the market over time. Seriously depressed volumes and margins may change the outcome of the test. The Extrusion Americas sector has experienced difficult market conditions and reported an operating loss for 2007. The impairment test suggests a fair value of the sector with limited coverage over carrying value. The fair value is sensitive to sold volumes as well as margins. Continued depressed markets may result in an impairment situation whereby the goodwill, and possibly also fixed assets might be impaired in a future period. The Automotive Structures sector also has experienced losses in 2007. Management expect the business to defend its carrying value based on new contracts scheduled to start deliveries over the next two years combined with strong cost control. Based on current plans and contracts, the carrying value is recoverable with a substantial margin. The test is, however, sensitive to both volumes and the development of fixed and variable costs. Should the measures fail to improve results and cash flows, the goodwill and certain fixed assets might be impaired in a future period.

Hydro's smelter in Neuss, Germany, was written down as impaired in 2004. The CGU was evaluated for potential reversal of the impairment loss. However, continued high energy prices in the German market puts the current cash flows at risks. The impairment test suggests that the carrying value is recoverable with the current forward prices for aluminium, energy, and the Euro to US dollar exchange rate, however, the value is highly sensitive to all of those assumptions, indicating that either reversal of the previous impairment or further impairment losses may occur in a future period.

In addition, all CGUs or single fixed assets that are not part of a CGU are reviewed for impairment triggers at each balance sheet date. Certain smaller CGUs have been tested during 2007. The resulting impairment write-downs are discussed in note 13 Impairments.

Asset retirement obligations and similar liabilities

Hydro accounts for asset retirement obligations, including decommissioning, restoration and similar liabilities related to the retirement of non-current assets under IAS 37 Provisions, Contingent Liabilities and Contingent Assets which prescribes the accounting for obligations associated with the retirement of non-current assets, and IAS 16 Property, plant and equipment. The fair value of the asset retirement obligation is recognized as a liability when it is incurred, and added to the carrying amount of the non-current asset as an element of its cost. The effect of the passage of time on the liability is recognized as an accretion expense, included in Financial expense, and the costs added to the carrying value of the asset are subsequently depreciated over the assets' useful life. Measurement of an asset retirement obligation requires us to evaluate legal, technical and economic data to determine which activities or sites are subject to asset retirement obligations, as well as the method, cost and timing of such obligations.

Hydro's asset retirement obligations are mainly related to contaminated material used in electrolyses when producing aluminium, and are disclosed in note 31 Provisions. In addition, remediation of certain contaminated areas used in the Polymers operations, which was disposed of in February 2008, was included in liabilities in disposal groups.

The asset retirement obligation is estimated as the present value of the future expected dismantlement and removal costs based on an expected retirement concept and timing and current prices for goods and services. Changes to technology, regulations, prices for necessary goods and services and other factors may affect the timing and scope of retirement activities, and may substantially alter the book value of property, plant and equipment, decommissioning liabilities and future operating costs.

Contingencies and environmental liabilities

Contingencies and environmental liabilities are recorded when such items are asserted, or are probable of assertion, and a loss is probable and can be reasonably estimated. Evaluation of contingencies requires management to make assumptions about the probability that contingencies will be realized and the amount or range of amounts that may ultimately be incurred. Such estimates may vary from the ultimate outcome based on differing interpretations of laws and the assessment of the amount of damages. The measurement of environmental liabilities is based on an evaluation of currently available facts with respect to each site, and considers factors such as type and level of contamination, present laws and regulations related to such contamination, prior experience in remediation of contaminated material and existing technology. Environmental liabilities require interpretation of scientific and legal data, in addition to assumptions about probability and future costs. The liabilities are reviewed periodically and adjusted to reflect updated information as it becomes available. Actual costs to be incurred may vary from the estimates following the inherent uncertainties in the evaluation of such exposures. Further description of contingencies is included in note 38 Contingent liabilities and contingent assets. Provisions for contingencies and environmental liabilities are included in Other current liabilities and Other long-term liabilities in the balance sheet.

Income tax

Hydro calculates income tax expense based on reported income in the different legal entities. Deferred income tax expense is calculated based on the differences between the tax assets' carrying value for financial reporting purposes and their respective tax basis that are considered temporary in nature. The total amount of income tax expense and allocation between current and deferred income tax requires management's interpretation of complex tax laws and regulations in the many tax jurisdictions where Hydro operates. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the near future, planned transactions or planned tax optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability, and such change may affect the results for each reporting period. Tax authorities in different jurisdictions may challenge Hydro's calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change. During the period when tax authorities may challenge the taxable income, management is required to make estimates of the probability and size of possible tax adjustments. Such estimates may change as additional information becomes known.

NOTE 5
Acquisitions

Hydro has not entered into any significant business combinations during 2007 or 2006.

In March 2006, Hydro entered into an agreement with Qatar Petroleum to establish the joint venture Qatalum with the aim to develop and operate an aluminium smelter in Qatar. The jointly controlled entity Qatar Aluminium Limited was established during the third quarter of 2007, and is accounted for under the equity method.

Hydro has also entered into the solar industry through investments in two associated companies, 18 percent in Norsun AS in November 2006 and 23 percent in Ascent Solar Technologies Inc. in March 2007 and one joint venture, 49 percent in HyCore ANS in June 2007. In total, Hydro invested around NOK 300 million in these solar companies.

NOTE 6
Disposals

During 2007 and 2006, Hydro entered into the following significant disposals.

In May 2007 Hydro's Board of Directors decided to sell the Polymers activities. Contracts to sell the 100 percent owned subsidiary Kerling ASA, with production facilities in Norway, Sweden and the UK, and Hydro's 29.7 percent interest in Qatar Vinyl Company (QVC) were entered into in late May 2007. The transaction was subject to clearance by competition authorities and the sale of the 29.7 percent ownership interest in QVC was subject to pre-emption rights. The regulatory approval was received on 29 January 2008. The pre-emptive rights in QVC were utilized by Qatar Petroleum. Following these events, the sale of Kerling ASA with subsidiaries to INEOS was completed on 1 February 2008. The sale of QVC will be closed as a separate transaction. The Polymers business is reported as Discontinued operations and Assets held for sale as of the time of the sales decision. For further information, see note 7 Discontinued operations and Assets held for sale.

Towards the end of 2006, Hydro decided to exit the magnesium industry. In December 2006, Hydro agreed to sell it 49 percent ownership interest in Meridian Technologies Inc. The sale was completed on 28 February 2007 resulting in a small gain. The two magnesium remelters in Botrop, Germany and Xian, China, were sold with a small loss. In addition, the magnesium smelter operation in Becancour, Canada, was closed in March 2007. The magnesium business is not a separate major line of business, and has therefore not been reported as discontinued operations. The individual businesses sold have not been reported as assets held for sale due to their insignificant size.

In November 2006 Hydro's Board of Directors decided to sell the Company's Automotive Castings activities. Contracts to sell the 100 percent owned operations in Europe and Hydro's 50 percent interest in a joint venture company in Mexico was entered into in late November. The transaction was completed on 28 February 2007 after receiving clearance from competition authorities, and resulted in a gain of NOK 639 million. The Automotive Castings business is reported as Assets held for sale as of the time of the sales decision. For further information, see note 7 Discontinued operations and assets held for sale.

NOTE 7
Discontinued operations and assets held for sale

Demerger of Hydro in 2007

On 12 March 2007 Hydro's Board of Directors and the Board of Directors of StatoilHydro ASA (previously Statoil ASA) agreed to a proposed merger of Hydro's petroleum activities (Hydro Petroleum) with Statoil to form StatoilHydro ASA. The agreed economic effective date of the merger was 1 January 2007. From this date, the merged company StatoilHydro assumed the risks and rewards of Hydro's petroleum activities. The merger was completed as of 1 October 2007.

Upon the completion of the merger, all assets, rights and obligations of Hydro Petroleum were transferred to StatoilHydro. In accordance with the merger plan, all cash and short-term investments held by the parent company were allocated to Hydro. All debenture loans were transferred to StatoilHydro. To establish the agreed level of NOK 1 billion in net interest-bearing debt as of the 1 January 2007 effective date, a demerger receivable of NOK 18,196 million payable by Hydro to StatoilHydro was established. Transactions during the period until completion of the demerger increased the receivable, and a total of NOK 26,163 million was paid as of 1 October 2007. As a result of the demerger, Hydro's share capital was reduced by 70 percent, representing the estimated relative value of the transferred petroleum activities compared to the retained businesses. The total equity reduction amounted to NOK 47,089 million, including Other reserves temporary recognized directly in equity of NOK 4,174 million. In accordance with the demerger plan, adjustments to the equity reduction through a different final allocation of assets and/or liabilities may occur relating to the allocation of certain costs and liabilities where amounts are not fully determinable, and following a verification process for the demerger of Hydro currently ongoing. The verification period is agreed to end during the first quarter of 2008 for the majority of items, while certain items will be open to verification through the third quarter of 2008. A potential adjustment would affect cash and equity. There is no limitation of the period for which revisions are possible.

The demerger took place by reducing the share capital of Hydro through a reduction of par value of each share, while increasing the share capital of StatoilHydro by issuing new shares as consideration to Hydro shareholders. This resulted in the Hydro shareholders receiving 0.8622 shares in StatoilHydro for each share owned in Hydro as of the transaction date. For the impact on Hydro's equity, please refer to Statement of changes in equity and note 34 Shareholders' equity. Hydro did not receive any ownership in StatoilHydro or retain any continued interest in the petroleum activities.

The transaction is structured as a spin-off to the shareholders, and was therefore not reclassified as assets held for sale or discontinued operations until the demerger was completed. Hydro has elected to reclassify assets and liabilities in previous periods as discontinued operations to facilitate a better understanding of the effect of the transaction. The demerger was reflected in the accounts based on historical values of the transferred assets and liabilities. The demerger was not taxable for Hydro. Hydro did not recognize any gain or loss, or receive any proceeds as result of the demerger transaction.

Under the Norwegian public limited companies act section 14-11, Hydro and StatoilHydro are jointly liable for liabilities accrued before the demerger date. This statutory liability is unlimited in time, but is limited in amount tot the net value allocated to the non-defaulting party in the demerger.

Income from discontinued operations, assets and liabilities in discontinued operations

The financial information for Hydro Petroleum as discontinued operations is based on the provisions in the Merger Plan. Income from discontinued operations includes results from activities which have been transferred to StatoilHydro. Effects directly related to the demerger process, including legal transfer of subsidiaries, costs and expenses related to the demerger transaction and the operational separation of Hydro Petroleum for Hydro's other activities, have been included in discontinued operations. The majority of costs originate in the individual business units. Costs related to shared services and corporate services, such as legal, IS/IT, human resources services and other, are charged to units based on services delivered in each period. General corporate overhead has been allocated discontinued operations to the extent these costs will be transferred or terminated following the demerger. These costs are mainly related to general management, governance functions, accounting, investor relations and finance functions.

During 2006, the Hydro Petroleum operations did not have separate cash funds, as cash balances for Hydro are managed centrally. Cash balances held by subsidiaries of Hydro Petroleum are included in assets in discontinued operations. As of 1 January 2007, separate funds were established for Hydro Petroleum in the internal cash pool system, in accordance with the Merger Plan.

Hydro uses a centralized approach to the financing of its operations. Therefore, neither the Hydro Petroleum operations nor other Hydro operations, have had separate external financing. Based on the Merger Plan, Hydro's debenture loan balance in its entirety has been allocated to Hydro Petroleum as discontinued operations (with the associated income statement adjustments for interest and foreign currency exchange effects).

Currency exposure is managed centrally based on Hydro's total exposure. To the extent currency gains and losses are directly attributable to the units' operating activities, the gains and losses are reported as part of the results of the relevant unit. Management's review of the currency exposure in the group shows that the currency exposure is mainly driven by the currencies in which revenue and significant costs are denominated or determined. Hydro's continuing operations and Hydro Petroleum have sales and expenses in foreign currencies with similar patterns, where USD and EUR are the main transaction currencies. Management believes that an allocation key derived from revenues best represents the currency exposures within Hydro's businesses, and this allocation key was used to allocate these costs in the 2006 financial information. For 2007, costs were maintained in separate accounts from 1 January 2007 (the financial effective date of the demerger). Therefore, these costs for 2007 are not based on an allocation.

All Norwegian employees in the parent company participate in a combined pension plan. The actual service cost, liabilities and assets associated with employees and retired plan members associated with Hydro's continuing operations are included in continuing operations.

Significant effects of the tax consolidation of taxable income in Hydro's continuing and discontinued operations the various countries have been eliminated to arrive at an income tax expense as if separate tax returns had been filed for previous periods.

Contracts between Hydro's continuing and discontinued operations have been recognized as if they were contracts with unrelated parties at arm's length. These contracts include the sale and purchase of goods and services, and certain derivative instruments, primarily with currency and electricity underlying. Effects of such contracts are included in results of operations for continuing and discontinued operations, respectively, but have no effect on reported revenues, assets and liabilities.

The operations and companies of Hydro Petroleum are not identical with the operations previously reported as Oil & Energy in Hydro's segment reporting. In accordance with the Merger Plan, Hydro IS Partner, previously reported as part of Other Businesses, was transferred to StatoilHydro in the demerger. The Power activities, previously reported as part of Energy and Oil Marketing within Oil & Energy, have been retained in Hydro, along with solar activities, as a separate segment, Energy.

Demerger of Hydro in 2007

Summary of financial data for discontinued operations

Amounts in NOK million	**2007**	2006
Revenue	**65,149**	95,684
Share of the profit (loss) in equity accounted investments	**66**	201
Other income, net	**675**	909
Depreciation, amortization and impairment	**(11,163)**	(17,762)
Other expenses	**(21,987)**	(31,967)
Earnings before financial items and tax (EBIT)	**32,739**	47,066
Financial income (expense), net	**748**	638
Income before tax	**33,486**	47,704
Income tax expense	**(24,633)**	(36,306)
Net income from discontinued operations	**8,853**	11,398
Net cash provided by operating activities	**23,980**	27,802
Net cash used in investing activities	**(10,665)**	(16,223)
Net cash used in financing activities	**(26,772)**	(771)
Foreign currency effects on cash and bank overdraft	**(14)**	(7)
Net cash provided by (used in) discontinued operations	**(13,471)**	10,801
Cash and cash equivalents	**-**	152
Receivables and other current assets	**-**	21,042
Inventories	**-**	2,277
Current assets from discontinued operations	**-**	23,470
Property, plant and equipment	**-**	86,924
Other non-current assets	**-**	13,584
Non-current assets from discontinued operations	**-**	100,508
Total assets from discountinued operations	**-**	123,979
Bank loans and other interest-bearing short-term debt	**-**	1,146
Other current liabilities	**-**	36,698
Current liabilities from discontinued operations	**-**	37,844
Long-term debt	**-**	19,252
Other long-term liabilities	**-**	18,974
Deferred tax liabilities	**-**	20,462
Non-current liabilities from discontinued operations	**-**	58,688
Total liabilities from discontinued operations	**-**	96,532
Assets from discontinued operations, net	**-**	27,447

Sale of businesses

In May 2007 Hydro's Board of Directors decided to sell the Polymers activities. Contracts were entered into in late May 2007. The transaction was subject to clearance by competition authorities and the sale of the 29.7 percent ownership interest in QVC is subject to pre-emption rights. The regulatory approval was received on 29 January 2008. The pre-emptive rights in QVC were utilized by Qatar Petroleum. Following these events, the sale of Kerling ASA with subsidiaries to INEOS was completed on 1 February 2008. The sale of QVC will be closed as a separate transaction.

The Polymers business is reported as Assets held for sale and Discontinued operations as of the end of May 2007, and depreciation ceased from the same date. The results of operations in the businesses to be disposed of are reported separately under the caption Income from discontinued operations for the current and all prior periods. No interest expense related to loans is allocated to discontinued operations. Depreciation in the businesses held for sale of around NOK 32 million per month after tax are excluded from reported income from discontinued operations for the period after May 2007. As of 31 December 2007, the investment was impaired by NOK 120 million as a consequence of the cessation of depreciations and contract clauses for adjustment of the sales price whereby parts of the currency risk for foreign operations during the period until closing was retained by Hydro.

Hydro will continue to supply electricity to Polymers' production facilities in Norway under existing contracts until the existing internal contracts expire in the period 2010 to 2015. At closing, the accumulated currency translation effects related to translation of foreign subsidiaries included in Other reserves will be recycled through the income statement. As of 31 December 2007, this element represented a loss of NOK 199 million, which will be included in a loss as of the closing date. The final price for the sale was dependent on development in the period until closing, and secured that Hydro retain the results of operations after depreciation charges and currency translation effects. Hydro's loss on the sale, after direct sales expenses and taxes, will be reported as part of Discontinued operations for the first quarter of 2008. Cash flows from discontinued operations are presented separately, and include cash flows from the Polymers activities. In balance sheets after the sales decision was made, including the 31 December 2007 balance sheet, assets in the businesses to be disposed of and the related liabilities are reported as Assets held for sale and Liabilities included in disposal groups, respectively. Prior period balance sheets are not reclassified.

The discontinued Polymers activities were previously included as part of Other activities. The following table summarizes the financial information for discontinued operations related to Polymers for the periods 2006 and 2007, and the balance sheet as of 31 December 2007.

In November 2006 Hydro's Board of Director decided to sell the Company's Automotive Castings activities. As of the end of 2006, the automotive castings business was classified as Assets held for sale. The sale was completed at 28 February 2007. The gain on the sale of NOK 639 million is included in Other income, net. No tax was recognised on the gain. For further information about the disposal transactions, see note 6 Disposals.

Sale of businesses

Summary of financial data for discontinued operations

Amounts in NOK million	**2007**	2006
Revenue	**7,087**	6,848
Share of the profit (loss) in equity accounted investments	**161**	53
Other income, net	**-**	3
Depreciation, amortization and impairment	**(297)**	(429)
Other expenses	**(6,105)**	(5,730)
Earnings before financial items and tax (EBIT)	**846**	744
Financial income (expense), net	**(36)**	26
Income before tax	**810**	770
Income tax expense	**(217)**	(201)
Net income from discontinued operations	**593**	569
Net cash provided by operating activities	**1,020**	656
Net cash used in investing activities	**(290)**	(357)
Net cash used in financing activities	**-**	-
Foreign currency effects on cash and bank overdraft	**(58)**	1
Net cash provided by discontinued operations	**672**	300

Asset groups held for sale

Amounts in NOK million	**2007** [1]	2006 [2]
Cash and cash equivalents	**105**	47
Receivables and other current assets	**1,341**	798
Inventories	**816**	278
Current assets held for sale	**2,262**	1,122
Property, plant and equipment	**3,270**	2,131
Other non-current assets	**1,209**	438
Non-current assets held for sale	**4,479**	2,569
Total assets held for sale	**6,741**	3,691
Bank loans and other interest-bearing short-term debt	**-**	5
Other current liabilities	**1,389**	718
Current liabilities in disposal groups	**1,389**	723
Long-term debt	**-**	4
Other long-term liabilities	**558**	56
Deferred tax liabilities	**74**	229
Non-current liabilities in disposal groups	**632**	289
Total liabilities in disposal groups	**2,021**	1,011
Assets held for sale, net	**4,720**	2,680

1) The Polymers business. 2) The Automotive Castings activities.

NOTE 8
Operating and geographic segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments. This standard requires Hydro to identify its segments according to the organization and reporting structure used by management. Operating segments are components of a business that are evaluated regularly by dedicated senior management utilizing financial and operational information prepared specifically for the segment for the purpose of assessing performance and allocating resources. Generally, financial information is required to be disclosed on the same basis that is used internally enabling investors to see the company through the eyes of management.

Hydro's operating segments are managed separately and each operating segment represents a business area that offers different products and serves different markets. Hydro's operating segments are the three business areas Aluminium Metal, Aluminium Products and Energy.

Aluminium Metal activities include the production of bauxite and alumina, primary aluminium, remelting of metal, and the international trading of aluminium and aluminium products.

Aluminium Products comprises the downstream activities. The main operations are within Rolled Products, Extrusion, Building systems, Automotive structures and Precision tubing. During 2007, the operations within Automotive castings and Magnesium were sold or closed. Rolled Products delivers foil, strip, sheet, litho and plate for application in such sectors as packaging, automotive and transport industries, as well as for offset printing plates. Extrusion delivers custom-made general extrusion products, surface treatment, fabrication and components and finished products. Building systems supplies complete designs and solution packages to metal builders, including products such as facades, partion walls, doors and windows. Automotive structures is involved in the manufacture and sale of extruded aluminium products and components for the automotive industry. Precision tubing produces extrusion based products for use in heat transfer applications and tube lines for carrying liquids or gases.

Energy is responsible for external sourcing of energy to Hydro's worldwide aluminium operations and the operation of Hydro's power stations in Norway. Energy includes Hydro's commercial operations in the power markets.

Other activities consist of Polymers (reported as discontinued operations) and certain other activities. Polymers is a producer of the plastic raw material polyvinyl chloride (PVC) in Scandinavia and in the UK.

Operating segment information

Hydro uses two measures of segment results, Earnings before financial items and tax - EBIT and EBITDA. EBIT is consistent with the same measure for the group. Hydro defines EBITDA as Income/(loss) before tax, financial income and expense, depreciation, amortization and write-downs. EBITDA is different from EBIT as it excludes depreciation, write-downs and amortization, as well as amortization of excess values in equity accounted entities. Hydro's definition of EBITDA may differ from that of other companies. Hydro's management makes regular use of both these measures to evaluate performance in the operating segments, both in absolute terms and comparatively from period to period, and to allocate resources among its operating segments. Management views the combination of these measures, in combination with other reported measures, as providing a better understanding - for management and for investors - of the operating results of its business segments for the period under evaluation compared to relying on one of the measures.

Hydro manages long-term debt and taxes on a Group basis. Therefore, Net income is presented only for the Group as a whole.

Intersegment sales and transfers reflect arm's length prices as if sold or transferred to third parties. Transfers of businesses or assets within or between Hydro's segments are not considered to be intersegment sales, and are reported without recognizing gains or losses. Results of activities considered incidental to Hydro's main operations as well as unallocated revenues, expenses, liabilities and assets are reported separately under the caption Corporate, other and eliminations. These amounts principally include interest income and expenses, realized and unrealized foreign exchange gains and losses and the net effect of pension schemes. In addition, elimination of gains and losses related to transactions between the operating segments are included in Corporate, other and Eliminations.

The accounting policies used for segment reporting reflect those used for the group with the following exceptions: Certain internal commodity contracts may meet the definition of a financial instrument in IAS 39 or contain embedded derivatives that are required to be bifurcated and valued at fair value under IAS 39. However, Hydro considers these contracts as sourcing of raw materials or sale of own production even though the contracts for various reasons include clauses that meet the definition of a derivative or an embedded derivative. Such internal contracts are accounted for as executory contracts. Certain other internal contracts may contain lease arrangements that qualify as capital leases. However, the segment reporting reflects the responsibility allocated by Hydro's management for those assets. Costs related to certain pension schemes covering more than one segment are allocated to the operating segments based either on the premium charged or the estimated service cost. Any difference between these charges and pension expenses measured in accordance with IFRS is included in Corporate, other and Eliminations. Similarly, a pension liability or prepaid pension expense for these defined benefit plans is reported on an unallocated basis as part of Corporate, other and eliminations. The following pages include information about Hydro's operating segments.

Amounts in NOK million	External revenue 2007	External revenue 2006	Internal revenue 2007	Internal revenue 2006	Total revenue 2007	Total revenue 2006
Aluminium Metal	**40,506**	43,603	**21,086**	24,657	**61,592**	68,259
Aluminium Products	**51,166**	53,331	**233**	257	**51,399**	53,588
Energy	**1,268**	1,007	**5,200**	6,302	**6,468**	7,309
Corporate, other and eliminations [1) 2)]	**1,376**	811	**(26,519)**	(31,216)	**(25,143)**	(30,404)
Total	**94,316**	98,752	**-**	-	**94,316**	98,752

Amounts in NOK million	Other income, net 2007	Other income, net 2006	Share of the profit (loss) in equity accounted investments 2007	Share of the profit (loss) in equity accounted investments 2006	Depreciation, amortization and impairment 2007	Depreciation, amortization and impairment 2006
Aluminium Metal	**145**	154	**975**	854	**2,186**	2,192
Aluminium Products	**742**	175	**46**	(168)	**1,207**	2,159
Energy	**8**	12	**(24)**	22	**97**	120
Corporate, other and eliminations [1)]	**199**	217	**3**	27	**62**	45
Total	**1,093**	558	**1,000**	736	**3,552**	4,516

Amounts in NOK million	Earnings before financial items and tax (EBIT) 2007	Earnings before financial items and tax (EBIT) 2006	Adjusted EBITDA 2007	Adjusted EBITDA 2006
Aluminium Metal	**8,365**	**7,302**	**10,597**	9,536
Aluminium Products	**1,098**	**(104)**	**2,361**	2,353
Energy	**1,303**	**1,457**	**1,432**	1,582
Corporate, other and eliminations [1) 2) 3) 4)]	**(1,741)**	**(1,456)**	**(1,678)**	(1,427)
Total	**9,025**	**7,200**	**12,711**	12,044

Amounts in NOK million	Current assets [5)] 2007	Current assets [5)] 2006	Non-current assets 2007	Non-current assets 2006	Total assets [5)] 2007	Total assets [5)] 2006
Aluminium Metal	**16,441**	18,575	**25,757**	25,788	**42,198**	44,363
Aluminium Products	**15,081**	16,611	**11,076**	12,655	**26,158**	29,266
Energy	**1,311**	1,670	**6,090**	5,400	**7,402**	7,070
Corporate, other and eliminations [1)]	**7,997**	19,143	**1,551**	6,947	**9,547**	26,090
Total continued operations	**40,830**	55,999	**44,474**	50,790	**85,304**	106,789
Classified as held for sale and/or discontinued operations					**6,741**	127,670
Total					**92,046**	234,459

1) Corporate, other and eliminations includes business activities outside the reportable segments. The main activities are Hydro Production Partner, the industrial insurance company Industriforsikring, and Hydro's internal service providers.
2) Corporate, other and eliminations include elimination of unrealized gains and losses on power contracts between Energy and other units in Hydro with a loss of 920 million in 2007, and a loss of NOK 1,391 million in 2006.
3) Total segment Earnings before financial items and tax is the same as Hydro group's total Earnings before financial items and tax. Financial income and financial expense are not allocated to the segments. There are no reconciling items between segment Earnings before financial items and tax to Hydro Earnings before financial items and tax. Therefore, a separate reconciliation table is not presented.
4) Corporate, other and elimination's EBIT and EBITDA includes a net periodic pension cost of NOK 326 million for 2007, and a pension credit NOK 89 million for 2006.
5) Current assets and total assets exclude internal cash accounts and accounts receivables related to group relief.
6) Investments accounted for using the equity method comprises investments and advances, see note 25 Investments in associates and note 26 Investments in jointly controlled entities.
7) Segment debt is defined as short-term interest free liabilities excluding income tax payable and short-term deferred tax liabilities.
8) Additions to property, plant and equipment plus long-term securities, intangibles assets, long-term advances and investments in equity accounted investments.

Amounts in NOK million	Investments accounted for using the equity method [6] 2007	2006	Segment debt [7] 2007	2006	Investments [8] 2007	2006
Aluminium Metal	**6,648**	4,926	**8,445**	10,764	**3,541**	2,515
Aluminium Products	**1,437**	1,913	**8,183**	8,782	**866**	1,252
Energy	**660**	378	**1,043**	1,557	**233**	140
Corporate, other and eliminations [1]	**915**	1,712	**(2,722)**	(2,796)	**566**	619
Total continued operations	**9,659**	8,929	**14,949**	18,307	**5,206**	4,526

Amounts in NOK million	Total assets 2007	2006	Non-current assets 2007	2006	Investments 2007	2006
Norway	**42,753**	60,219	**19,368**	24,422	**1,866**	1,793
Germany	**13,367**	14,372	**6,072**	6,512	**646**	539
Italy	**2,725**	2,698	**984**	1,075	**82**	185
France	**2,276**	2,399	**789**	962	**66**	64
Slovakia	**2,273**	2,063	**1,183**	1,383	**140**	90
Spain	**1,009**	996	**303**	319	**44**	22
Denmark	**947**	940	**412**	450	**59**	43
Great Britain	**787**	2,512	**299**	1,122	**45**	55
Austria	**446**	506	**201**	198	**35**	94
Other	**1,625**	3,270	**859**	1,748	**180**	346
Total EU	**25,455**	29,756	**11,102**	13,769	**1,296**	1,438
Other Europe	**48**	43	**6**	11	**3**	5
Total Europe	**68,256**	90,018	**30,476**	38,202	**3,165**	3,236
USA	**2,760**	2,659	**1,509**	604	**113**	254
Canada	**1,877**	2,337	**1,716**	2,203	**48**	66
Brazil	**6,675**	5,442	**6,290**	5,133	**749**	619
Other Americas	**758**	512	**647**	372	**19**	80
Australia and New Zealand	**3,227**	3,968	**2,584**	3,061	**307**	258
Asia	**1,705**	1,801	**1,223**	1,179	**804**	12
Africa	**45**	53	**29**	36	**-**	-
Total outside Europe	**17,048**	16,770	**13,999**	12,588	**2,041**	1,290
Total continued operations	**85,304**	106,789	**44,474**	50,790	**5,206**	4,526
Classified as held for sale and/or discontinued operations	**6,741**	127,670				
Total	**92,046**	234,459				

Amounts in NOK million	Revenue 2007	2006
Norway	**6,770**	7,026
Germany	**18,477**	16,466
France	**6,773**	6,585
Italy	**6,493**	6,230
Spain	**5,634**	5,915
Great Britain	**5,029**	5,881
Poland	**2,699**	2,859
The Netherlands	**2,305**	2,966
Sweden	**2,075**	1,883
Other	**12,180**	11,802
Total EU	**61,666**	60,588
Switzerland	**3,764**	4,018
Other Europe	**2,450**	3,091
Total Europe	**74,650**	74,723
USA	**8,706**	12,886
Canada	**419**	326
Other Americas	**1,838**	1,667
Asia	**7,287**	7,719
Australia and New Zealand	**1,160**	1,155
Africa	**257**	279
Total outside Europe	**19,666**	24,031
Total	**94,316**	98,752

The identification of assets, long-lived assets and investments is based upon location of operation. Included in long-lived assets are investments in non-consolidated investees; property, plant and equipment (net of accumulated depreciation) and non-current financial assets.

Operating revenues are identified by customer location.

NOTE 9
Other income

Amounts in NOK million	2007	2006
Gain (loss) on sale of property, plant and equipment	**77**	149
Gain (loss) on sale of subsidiaries, associates and jointly controlled entities [1]	**636**	(55)
Revenue from utilities [2]	**134**	110
Rental revenue	**75**	64
Other	**171**	291
Other income, net	**1,093**	558

1) Significant gains and losses are discussed in note 6 Disposals.
2) Revenue from utilities include quay structures, infrastructure, pipe network, process water and grid rental.

NOTE 10
Raw material and energy expense

Amounts in NOK million	2007	2006
Raw material expense and production supplies	**58,504**	63,791
Change in inventories own production	**338**	(1,025)
Write-downs of inventories	**63**	24
Raw material and energy expense	**58,905**	62,790

Raw material expense and production supplies include effect of commodity derivative instruments. See note 42 Derivative instruments and hedge accounting.

NOTE 11
Employee and management remuneration

Board of Directors' statement on Corporate Management Board remuneration

The following statement and guidelines for Corporate Management Board salary and benefits will be presented to the Annual General Meeting for their recommendation at the May 2008 meeting. The Board of Directors proposes that the statement below applies for 2008 and 2009 until the Annual General Meeting.

Statement for 2008, the current financial year until the 2009 Annual General Meeting, the coming financial year

General Principles The Board of Directors currently performs, and will continue to perform, an annual evaluation of the remuneration plan for the President and CEO. The President and CEO consults with the Board of Directors in respect of the remuneration plans for the other corporate management members.

In respect of remuneration for the coming financial year, there will be no material changes from the principles applying for the current financial year, 2008.

Hydro's remuneration policy will continue to be based on Hydro's People Policy:

"Hydro should offer employees a compensation package that is competitive and in accordance with good industry standards locally. Where appropriate, this should include an incentive element, and the base pay should reflect individual performance."

Corporate Management Board remuneration will, at all times, reflect the President and CEO's and the Executive Vice Presidents' responsibility for the management of Hydro, taking into account the complexity and breadth of the operations, growth and sustainability of Hydro. The determination of the level of the total compensation package will be, first and foremost, based on being competitive within the relevant labor market, while at the same time reflecting Hydro's international focus.

Specific principles Remuneration to the Corporate Management Board will consist of both variable and fixed elements. The variable portion of total remuneration will consist of a bonus element. The annual bonus will be determined based on the achievement of agreed financial targets and key performance indicators (KPIs) that are related to other targets and goals (non-financial in nature). The financial targets and KPIs will be established for the current and coming financial years as part of the annual business planning. The President and CEO will have a maximum annual bonus potential of fifty percent of his annual salary. The other Corporate Management Board members will have a maximum bonus potential of forty percent of their annual salary. Bonus payments will not be included when determining pension or vacation pay.

There will not be any share-based compensation plans in the form of share options or share appreciation rights in force.

The fixed components of the Corporate Management Board remuneration will be a base salary and other remuneration. In this regard, other remuneration will consist of a company car or car allowance, telephone and electronic communication, newspapers and similar benefits, as well as pension benefits. All Corporate Management Board members will continue to be covered by the insurance arrangements applicable within Hydro for all vice presidents and above. In respect of Hydro's employee share purchase plan, as described later in this note, the Corporate Management Board has the opportunity to participate fully at the same terms as all other eligible employees.

The President and CEO Eivind Reiten will continue to be entitled to retire at 60 years of age with a pension benefit representing sixty-five percent of his base salary. Full pension rights are earned by the President and CEO Eivind Reiten upon reaching the age of 55. For all other members of the Corporate Management Board, the pension benefit will represent sixty-five percent of the individual's base salary and the retirement age will continue to be set at 65 years. For the other Corporate Management Board members full pension rights are earned after thirty years employment in Hydro. Currently two members of the Corporate Management Board have a retirement age of 62 years. This is as a result of an arrangement previously offered to about 50 executive managers, and is not specifically connected to their position on the Corporate Management Board.

The President and CEO Eivind Reiten will continue to have a termination package. In the event that employment of Eivind Reiten terminates for reasons other than serious misconduct, he has the right to salary and benefits (excluding bonus) for a three-year period, but not to extend beyond 60 years of age. Hydro's obligation can be reduced by salary received from other sources.

The President and CEO will be the only member of the Corporate Management Board that has a predetermined termination agreement as part of their compensation package. Hydro will not agree predetermined termination packages with other Corporate Management Board members, but may, if relevant, agree a termination package to facilitate the ending of the individual's employment relationship.

Statement for 2007, the prior financial year

The remuneration of the CEO and President and the Corporate Management Board for the previous financial year (2007) was based on the same general principles as set out above for the coming financial year.

All of the specific principles given for 2008 and 2009 applied except to the extent described below.

In the beginning of 2007 Hydro had a share apreciation right (SAR) plan (SAR plan) that applied to approximately thirty-five top managers. In connection with the merger of Hydro's Petroleum Business with Statoil, the consequences for the SAR plan had to be reviewed. Following this review, in July 2007 the Board of Directors offered, and all SAR holders accepted, a redemption of all non-vested SARs, (thus securing equal treatment of the SAR holders leaving for StatoilHydro and those remaining in Hydro). The consequence for Hydro and its shareholders of the redemption of non-vested SARs was a cash payout of NOK 98 million, excluding payroll taxes. At the same time the SAR holders agreed to exercise their vested SARs, which in total amounted to a cash payout of NOK 89 million, excluding payroll taxes. Payments to the individual Corporate Management Board members are given in a table below. No new share appreciation rights were granted in 2007, and thus Hydro's SAR plan was terminated.

Subsequent to the termination of the executive share apreciation right program in July 2007, Hydro has a compensation system for top management consisting of two elements, fixed salary and performance-related bonus which continues in 2008 and 2009. For more details reference is made to the specific principles for the current and coming financial year, given above.

In July 2007 the Board of Directors decided to adjust the President and CEO's salary from NOK 4.6 million to NOK 5.6 million from January 1, 2007. The increase comprised a regular annual salary increase and an adjustment for the fact that share apreciation rights will no longer be part of Hydro's compensation scheme. The bonus potential for the President and CEO, up to a maximum of 50 percent of annual salary, remained unchanged in 2007.

The fixed salary for the other members of Corporate Management Board was adjusted between 5.5 percent and 11.8 percent, on average 9.2 percent. The bonus potential for the other members of the Corporate Management Board was changed with effect from 1 July 2007 from twenty-five percent to forty percent of annual salary.

In September 2007 Executive Vice President and Chief Communications Officer Cecilie Ditlev-Simonsen and Hydro negotiated and agreed the terms for ending her position with Hydro. Cecilie Ditlev-Simonsen was exempt from the obligation to work during her six months notice period beginning 1 November 2007, but Hydro could to a reasonable extent draw on her expertise during this period. After expiry of the notice period, 1 May 2008, a salary guarantee is effective for the following eleven month period. Other salary and remuneration she receives from other sources in the eleven month period shall be deducted from the salary guarantee. As of 31 December 2007 Hydro has recognized a provision of NOK 3.3 million in connection with this settlement.

This concludes the section "Board of Directors' statement on Corporate Management Board remuneration."

Corporate Management Board remuneration

Corporate management board member's salaries, remuneration in kind, bonus for 2006 paid in 2007, cash received upon the exercise of SARs, cash received upon the termination of SARs and the estimated increase in the value of their pension benefits for 2007, as well as any loans outstanding and Hydro share ownership as of 31 December 2007 are shown in the table below. Hydro did not have any guarantees made on the behalf of any of the corporate management board members during 2007.

Corporate Management Board remuneration and share holdings

Name	Salary [1) 2)]	Remuneration in kind [1) 2)]	Bonus [1) 3)]	Exercise of SARs [1) 4)]	Termination of SARs [1) 5)]	Estimated change in value of pension benefits [1) 6)]	Outstanding loans [1) 7)]	Hydro share ownership [8)]
Eivind Reiten	5,848	295	1,300	12,141	7,817	19,162	-	80,456
John Ove Ottestad	2,895	233	414	12,913	7,295	4,748	-	61,441
Torstein Dale Sjøtveit	2,504	159	295	2,436	4,633	3,992	314	20,112
Svein Richard Brandtzæg	3,200	237	663	2,436	4,633	3,627	264	21,851
Jørgen C. Arentz Rostrup [9)]	1,995	165	575	-	1,120	3,407	240	1,396
Tom Røtjer [9)]	2,113	139	571	2,436	2,553	1,433	-	8,266
Odd Ivar Biller [10)]	2,308	168	642	2,088	2,189	4,699	300	13,606
Anne Harris [11)]	1,726	154	428	1,740	1,824	3,423	1,223	6,136
Tore Torvund [12)]	2,688	175	690	6,960	7,295	2,687	-	38,702
Hilde Aasheim [13)]	1,559	111	684	-	3,200	1,233	-	136
Cecilie Ditlev-Simonsen [14)]	1,900	170	560	1,740	1,824	1,493	-	4,146

1) Amounts in NOK thousands.
2) Salary is the amount paid to the individual during 2007, including any payments made before they joined the Corporate Management Board or after stepping down from the board. Remuneration-in-kind is the total of all non-cash related benefits received by the individual during 2007 and includes such items as the taxable portion of insurance premiums, car and mileage allowances and electronic communication items. Salary and remuneration-in-kind is disclosed for the first nine months of 2007 only for Tore Torvund and Hilde Aasheim, as they became employees of StatoilHydro as of 1 October 2007.
3) Except as otherwise noted, bonus is the amount paid in 2007 based on performance achieved in 2006. Individuals not members of the Corporate Management Board in 2006 were paid bonus in 2007 based on their previous position in Hydro. Bonus was paid in October 2007 to Tore Torvund and Hilde Aasheim of NOK 464 thousand and NOK 375 thousand, respectively, related to their business performance for the first nine months of 2007. Odd Ivar Biller, Anne Harris and Cecilie Ditlev-Simonsen each received an additional one-time payment in the amount of two months salary for their extraordinary contributions in connection with the StatoilHydro demerger transaction.
4) All vested SARs outstanding as of 10 July 2007 were voluntarily exercised by the Corporate Management Board in accordance with their SAR agreements, as shown in the table Exercise of SARs (exercise price and average share price per share have not been restated and are shown at the historical share price levels in July 2007).
5) All SARs granted in 2005 and 2006 were terminated as of 7 August 2007 prior to vesting. Termination payments were made to Corporate Management Board SAR holders as shown in the table Termination of SARs. The Black-Scholes fair value per SAR has not been restated and is based on historical share price levels existing in July 2007.
6) The estimated change in the value of pension benefits reflects both the effect of earning an additional year's pension benefit and the adjustment to present value of previously earned pension rights. For all individuals listed in the table except Tore Torvund and Hilde Aasheim, this is the estimated change from 1 January 2007 to 31 December 2007. Tore Torvund and Hilde Aasheim's estimated change is from 1 January 2007 to 1 October 2007, as they became employees of StatoilHydro in connection with the demerger as of 1 October 2007. The estimated change in the value of the pension benefit is calculated as the increase in Projected Benefit Obligations (PBO) calculated with stable assumptions. As such, the number includes both the annual accrual of pension benefits and the interest element related to the total accrued pension benefits.
7) The loans to corporate management board members were extended under an employee benefit scheme applicable to all employees in Norway. The loan to Torstein Dale Sjøtveit has an interest rate of 5.5 percent and a repayment period of 3 years. The loan to Svein Richard Brandtzæg has an interest rate of 5.0 percent and a repayment period of 9 years.The loan to Jørgen C. Arentz Rostrup has an interest rate of 5.0 percent and a repayment period of 4 years. The loan to Odd Ivar Biller has an interest rate of 5.0 percent and a repayment period of 7.5 years. The loans to Anne Harris have an interest rate of 5.0-5.5 percent and a repayment period of 2-19 years. Loans to corporate management board members were extended to them prior to their appointment on the Corporate Management Board. Since their appointment to the Corporate Management Board, there have been no modifications to any loan agreements. No additional credit has been extended post appointment and the payment plan schedule has remained the same. Payments have been made in a timely fashion and the loans are not in default.
8) Hydro share ownership is the number of shares held directly by the corporate management board member and any related party shareholdings. Hydro share ownership for all corporate management board members is as of 31 December 2007, except for Tore Torvund, Hilde Aasheim, and Cecilie Ditlev-Simonsen. Hydro share ownership is disclosed as of 1 October 2007 for Tore Torvund and Hilde Aasheim, who became employees of StatoilHydro in connection with the demerger as of this date. Hydro share ownership is disclosed for Cecilie Ditlev-Simonsen as of 19 September 2007, the date of her resignation from the Corporate Management Board.
9) Jørgen C. Arentz Rostrup and Tom Røtjer became members of the Corporate Management Board as of 1 October 2007.
10) Odd Ivar Biller became a member of the Corporate Management Board as of 1 April 2007.
11) Anne Harris became a member of the Corporate Management Board as of 1 June 2007.
12) Tore Torvund stepped down from the Hydro Corporate Management Board as of 1 October 2007 in connection with becoming an employee of StatoilHydro .
13) Hilde Aasheim stepped down from the Corporate Management Board 16 January 2007 to manage the integration process between Hydro and StatoilHydro, and became an employee of StatoilHydro as of 1 October 2007.
14) Cecilie Ditlev-Simonsen resigned her position as a member of the Corporate Management Board 19 September 2007. In connection with her resignation, Hydro agreed to make salary payments to Cecilie Ditlev-Simonsen through 31 March 2009. Hydro has a provision of NOK 3.3 million as of 31 December 2007 in respect of this agreement. In accordance with the agreement, the amount paid will be reduced by the amount of taxable income and other remuneration she receives from other sources. The amount of the reduction is not material to Hydro's reported financial statements.

Exercise of SARs

Name	Exercise date	Number of SARs	Exercise price, NOK per share	Average share price five preceding trading days, NOK	Cash remuneration, NOK thousands
Eivind Reiten	10 July 2007	10,000	64.32	234.40	1,701
Eivind Reiten	10 July 2007	75,000	95.20	234.40	10,440
John Ove Ottestad	10 July 2007	35,000	64.32	234.40	5,953
John Ove Ottestad	10 July 2007	50,000	95.20	234.40	6,960
Torstein Dale Sjøtveit	10 July 2007	17,500	95.20	234.40	2,436
Svein Richard Brandtzæg	10 July 2007	17,500	95.20	234.40	2,436
Tom Røtjer	10 July 2007	17,500	95.20	234.40	2,436
Odd Ivar Biller	10 July 2007	15,000	95.20	234.40	2,088
Anne Harris	10 July 2007	12,500	95.20	234.40	1,740
Tore Torvund	10 July 2007	50,000	95.20	234.40	6,960
Cecilie Ditlev-Simonsen	10 July 2007	12,500	95.20	234.40	1,740

Termination of SARs

Name	Termination date	Number of SARs	Black-Scholes fair value per SAR as of 2 July 2007	Voluntary reduction in payout taken, NOK thousands	Cash remuneration, NOK thousands
Eivind Reiten	7 August 2007	75,000	117.01	4,388	4,388
Eivind Reiten	7 August 2007	75,000	91.43	3,429	3,429
John Ove Ottestad	7 August 2007	50,000	117.01	1,755	4,095
John Ove Ottestad	7 August 2007	50,000	91.43	1,371	3,200
Torstein Dale Sjøtveit	7 August 2007	17,500	117.01	614	1,433
Torstein Dale Sjøtveit	7 August 2007	50,000	91.43	1,371	3,200
Svein Richard Brandtzæg	7 August 2007	17,500	117.01	614	1,433
Svein Richard Brandtzæg	7 August 2007	50,000	91.43	1,371	3,200
Jørgen C. Arentz Rostrup	7 August 2007	17,500	91.43	480	1,120
Tom Røtjer	7 August 2007	17,500	117.01	614	1,433
Tom Røtjer	7 August 2007	17,500	91.43	480	1,120
Odd Ivar Biller	7 August 2007	15,000	117.01	527	1,229
Odd Ivar Biller	7 August 2007	15,000	91.43	411	960
Anne Harris	7 August 2007	12,500	117.01	439	1,024
Anne Harris	7 August 2007	12,500	91.43	343	800
Tore Torvund	7 August 2007	50,000	117.01	1,755	4,095
Tore Torvund	7 August 2007	50,000	91.43	1,371	3,200
Hilde Aasheim	7 August 2007	50,000	91.43	1,371	3,200
Cecilie Ditlev-Simonsen	7 August 2007	12,500	117.01	439	1,024
Cecilie Ditlev-Simonsen	7 August 2007	12,500	91.43	343	800

Executive management share-based compensation

Hydro has granted executive management share appreciation rights (SARs) during the years 2002-2006. The awards were granted to approximately 30 Hydro executives each year, including the president and CEO and members of the corporate management board. SARs granted in 2004, 2005 and 2006 had a three year vesting schedule and three year exercise period. The 2002 and 2003 grant year SARs had a three year vesting period and two year exercise period. As of 1 January 2007 there were no 2002 SARs outstanding.

The SAR vesting schedule for the 2003 plan was based on total shareholder return. If shareholder return was less than 12 percent between the grant date and vesting date, none of the granted SARs would be vested. If the shareholder return was between 12 percent and 20 percent over the vesting period, the corresponding percentage of SARs that vested would increase linearly between 20 percent and 100 percent. On 30 June 2006, the vesting date for the 2003 SARs, the total shareholder return target of 20 percent was met, and all 487,500 SARs outstanding were vested 100 percent. The SARs granted in 2004-2006 did not have any performance related vesting requirement. The 2004 granted SARs vested on 30 June 2007.

In July 2007 the Board of Directors terminated the Executive Share Apreciation Right Plan (SAR Plan) for corporate officers and certain key employees. As of the SAR Plan termination date, the SARs granted in 2004 and earlier were vested and the 2005 and 2006 grant year SARs had a remaining life of four years and five years, respectively. Upon termination of the SAR Plan, the Board of Directors approved the exercise of the outstanding 2003 and 2004 SARs at an exercise price based on the five previous trading day's average market price on 10 July 2007. The average closing price 4 July – 10 July 2007 was NOK 234.40 and the corresponding exercise values are NOK 170.08 for the 2003 SARs (closing price NOK 234.40 less the exercise price of NOK 64.32) and NOK 139.20 for the 2004 SARs (closing price NOK 234.40 less the exercise price of NOK 95.20). The 2005 and 2006 SARs were terminated with a payout to SAR holders based on the Black-Scholes fair market value as of 2 July 2007. The Black Scholes fair value as of 2 July 2007 was NOK 117.01 and NOK 91.43 for the 2005 and 2006 SARs, respectively.

Previously, all SAR holders were restricted from exercising SARs that would result in gross cash proceeds upon exercise per calendar year that exceeded the SAR holder's annual base salary. This restriction applied to SARs granted in 2004 and later, and was waived upon termination of the SAR Plan. All granted SARs that have not been exercised are forfeited if the SAR holder resigns from the company.

Previously, in order to remain eligible to exercise vested SARs in the future and to receive new grants, plan participants were required to convert the net after-tax value of exercised SARs into an equivalent value of Hydro shares until a specified percentage of their annual salary was reached. In connection with the termination of the SAR Plan, the requirement to purchase shares was waived.

SAR activity during 2007 for the Corporate Management Board is given in the table below.

Corporate Management Board SAR activity

Name	SARs 31.12.2006	SARs granted in 2007	SARs vested in 2007	SARs exercised in 2007	SARs terminated in 2007	SARs forfeited in 2007	SARs outstanding 31.12.2007
Eivind Reiten	235,000	-	85,000	85,000	150,000	-	-
John Ove Ottestad	185,000	-	85,000	85,000	100,000	-	-
Torstein Dale Sjøtveit	85,000	-	17,500	17,500	67,500	-	-
Svein Richard Brandtzæg	85,000	-	17,500	17,500	67,500	-	-
Jørgen C. Arentz Rostrup [1]	17,500	-	-	-	17,500	-	-
Tom Røtjer [1]	52,500	-	17,500	17,500	35,000	-	-
Odd Ivar Biller [2]	45,000	-	15,000	15,000	30,000	-	-
Anne Harris [3]	37,500	-	12,500	12,500	25,000	-	-
Tore Torvund [4]	150,000	-	50,000	50,000	100,000	-	-
Hilde Aasheim [5]	50,000	-	-	-	50,000	-	-
Cecilie Ditlev-Simonsen [6]	37,500	-	12,500	12,500	25,000	-	-

1) Jørgen C. Arentz Rostrup and Tom Røtjer became members of the Corporate Management Board as of 1 October 2007.
2) Odd Ivar Biller became a member of the Corporate Management Board as of 1 April 2007.
3) Anne Harris became a member of the Corporate Management Board as of 1 June 2007.
4) Tore Torvund stepped down from the Hydro Corporate Management Board as of 1 October 2007 in connection with becoming an employee of StatoilHydro.
5) Hilde Aasheim stepped down from the Corporate Management Board 16 January 2007 to manage the integration process between Hydro and StatoilHydro, and became an employee of StatoilHydro as of 1 October 2007.
6) Cecilie Ditlev-Simonsen resigned her position as a member of the Corporate Management Board 19 September 2007.

SAR compensation expense was remeasured each reporting period, until the date of the termination of the SARs, at fair value using a Black-Scholes option valuation model, and accrued pro-rata over the vesting period. The accrued liability for the SARs as of 1 January 2007 was NOK 109 million, including social security taxes. Pre-tax SAR compensation expense recognized in 2007 was NOK 119 million. Cash paid during the year upon exercise and termination of SARs was NOK 200 million, excluding social security taxes. Pre-tax SAR compensation expense recognized in 2006 was NOK 98 million and cash paid during the year upon exercise of SARs during 2006 totaled NOK 55 million.

The fair value at grant date is measured using a Black-Scholes option pricing model. Option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Hydro's SARs may have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option. Information related to the measurement of the SAR fair value at grant date using the Black-Scholes model is given below, including the assumptions that were used to estimate the SAR fair value at grant date for the SARs granted in 2006. No SARs were granted in 2007.

Fair value at grant date [1)]

	2007	2006
Expected SAR life at grant date	-	3.5
Risk-free interest rate	-	3.93%
Expected volatility	-	27.67%
Expected dividend per share	-	4.00
Estimated weighted average fair value per SAR, NOK	-	31.97
Fair value of total SARs granted during fiscal year, NOK thousands	-	22,536

1) The disclosure of the fair value at grant date is for information purposes only, as Hydro's SARs are cash settled. Hydro accrued SAR expense based on the current fair value, pro-rata over the vesting period. Upon exercise, the total expense recognized over the life of the SAR is limited to the cash paid.

As of 31 December 2007 there were no SARs outstanding. Information related to SAR activity during 2007 and 2006 is given in the table below.

Share appreciation rights activity

Share Appreciation Rights [1]	SARs	Weighted average exercise price (NOK)	Exercise Price at Grant Date	Market Price at Grant Date [2]	Vesting period	Exercise period
Outstanding 1 January 2006	1,801,500	94.83				
Granted 1 July 2006	705,000		175.00	165.00	01.07.2006 - 30.06.2009	01.07.2009 - 30.06.2012
Exercised [3]	(436,500)	68.48				
Forfeited [4]	(82,500)	114.17				
Expired	-					
Outstanding 31 December 2006	1,987,500	128.26				
Exercisable 31 December 2006	175,000	64.32				
Granted in 2007	-					
Exercised [5]	710,000	87.59				
Terminated [6]	1,185,000	152.90				
Forfeited [4]	92,500	124.66				
Expired	-					
Outstanding 31 December 2007	-					
Exercisable 31 December 2007	-					

1) Previously reported number of SARs, exercise prices and market prices have been adjusted to reflect the 5-for-1 stock split effective 10 May 2006. Exercise prices and SAR prices have not been adjusted to reflect the change in the share price due to the demerger on 1 October 2007 of the oil and gas business to StatoilHydro as all SARs were exercised or terminated prior to 1 October 2007.
2) Close of day share prices.
3) Includes exercise of 2004 and 2005 granted SARs that vested upon retirement.
4) SARs forfeited in 2006 and 2007 relate to SAR holders terminating their employment with Hydro before SARs were vested.
5) Exercised SARs of 710, 000 consists of 175,000 SARs granted in 2003 that vested 30 June 2006 and 535,000 SARs granted in 2004 that vested 30 June 2007.
6) All SARs outstanding in 2007 that were granted in 2005 and 2006 were terminated. Terminated SARs of 1,185,000 consists of 517,500 SARs granted in 2005 that would have vested 30 June 2008 and 667,500 SARs granted in 2006 that would have vested 30 June 2009.

United Kingdom employee share-based compensation

In 1988, Hydro established a stock option share purchase program for employees in the United Kingdom. The stock option purchase program is organized in an independent trust. The trust acquired shares in the market at the time the options were granted. The last options were granted in July 2002 and the program will be operational until July 2012, when the last remaining options expire. No further options will be granted. The program consists of three different schemes following amendments to the original scheme rules.

Each year the employees were given the option to acquire a limited number of shares at a fixed price during a period from the third to the tenth year from the grant date. The exercise price of the shares equals the share price at the time the options were granted.

At 1 January 2006, 174,585 options were outstanding and the trust's balance of shares at 1 January 2006 was 614,580. During 2006, 26,985 options were exercised and 3,630 options expired.

At 1 January 2007, 143,970 options were outstanding and the trust's balance of shares at 1 January 2007 was 614,580. During 2007 114,947 options were exercised and 235 options expired.

On 1 October 2007, in connection with the demerger of Hydro's oil and gas business to StatoilHydro, the value of the options was reduced. The options remain options over Hydro shares only and do not give an option to purchase the StatoilHydro shares which were issued for each Hydro share to the trust. As of 31 December 2007 the trust's balance of Hydro shares was 534,580 and of StatoilHydro shares was 460,914. There were 28,788 options outstanding as of 31 December 2007.

Activity during 2007 is given in the table below.

UK employee share-based compensation

	Average number of shares	Strike price (NOK) [1]
Options outstanding as of 31 December 2006	143,970	70.66
Options exercised during 2007	(114,947)	62.16
Options expired during 2007	(235)	66.05
Options outstanding as of 31 December 2007	28,788	62.48

1) Presentation in NOK is based on a translation from GBP using the 31 December 2007 exchange rate of 10.810 and the 31 December 2006 exchange rate of 12.268 (unaudited).

Employee share purchase plan

Hydro has established a share purchase plan for employees in Norway. The plan payout is based on share price performance. Under the plan offered in 2007, eligible Hydro employees receive a NOK 1,500 share-purchase rebate to purchase NOK 7,500 of shares of Norsk Hydro ASA, which corresponds to a 20 percent discount from the market price. However, since shareholder return exceeded 12 percent in the period from 1 January to 31 December (the performance measurement period), employees received an additional rebate of NOK 4,500 in accordance with the plan, for a total rebate of NOK 6,000 on their purchase of NOK 12,000 of Norsk Hydro ASA shares. The total rebate of NOK 6,000 corresponds to a 50 percent discount from the market price.

Employees were eligible to receive an offer to purchase shares under this plan if they were 1) employed by Norsk Hydro ASA or a 90 percent or more owned Norwegian subsidiary, and 2) were employed as of 31 December through the final acceptance date of the share purchase offer.

Compensation expense related to the 2006 performance measurement period was accrued and recognized over the service period of 31 December 2006 through 4 April 2007, the final acceptance date of the offer.

The terms of the employee share purchase plan related to performance in 2007, to be offered in 2008, will be evaluated by the Board of Directors.

In 2006 and 2007 the participation rate of eligible employees in the employee share purchase plan was approximately 87 percent. Details related to the employee share purchase plan are given in the table below.

Employee share purchase plan

Performance measurement period	01.01.2007 - 31.12.2007	01.01.2006 - 31.12.2006	01.01.2005 - 31.12.2005
Total shareholder return performance target achieved	≥12%	≥12%	≥12%
Employee rebate, NOK	6,000	6,000	6,000
Employee rebate, percent	50%	50%	50%

Share purchase plan compensation	**2007**	2006
Award share price, NOK	**97.73**	77.77
Number of shares issued, per employee	**61**	75
Total number of shares issued to employees	**621,895**	755,250
Compensation expense related to the award, NOK thousands	**60,778**	58,736

Employee benefit expense

The average number of employees for 2007 and 2006 was 28,928 and 33,185, respectively. As of year end 2007 and 2006 Hydro employed 24,692 and 33,605 people, respectively. The decrease in the number of employees is primarily due to the transfer of employees to StatoilHydro in connection with the demerger of the oil and gas activities on 1 October 2007. The specification of employee benefit expenses from continuing operations for 2007 and 2006 is given in the table below:

Employee benefit expense

Amounts in NOK million	**2007**	2006
Salaries	**9,102**	9,792
Social security costs	**2,077**	2,147
Social benefits	**361**	596
Net periodic pension cost (note 32)	**900**	879
Total	**12,440**	13,414

NOTE 12
Depreciation and amortization expense

Specification of depreciation and amortization by asset category:

Amounts in NOK million	**2007**	2006
Buildings	**459**	521
Machinery and equipment	**2,990**	3,635
Intangible assets	**136**	261
Depreciation and amortization from discontinued operations	**(177)**	(429)
Depreciation and amortization expense	**3,407**	3,987

NOTE 13
Impairment

Classification by asset category:

Amounts in NOK million	**2007**	2006
Impairment losses		
Property, plant and equipment	**150**	487
Intangible assets	**-**	41
Impairment reversals		
Property, plant and equipment	**(5)**	-
Total impairment of non-current assets	**145**	529

Classification by segment:

Amounts in NOK million	**2007**	2006
Impairment losses		
Aluminium Metal	**143**	77
Aluminium Products	**4**	451
Corporate, other and eliminations	**3**	-
Impairment reversals		
Aluminium Products	**(5)**	-
Total impairment of non-current assets	**145**	529

The impairment charges for 2007 is mainly related to remelters in Ellenville, New York and in St. Augustine, Florida.

In 2006 the impairment charges were mainly related to the operations in Malaysia and in the US. A renewed evaluation of the situation in Malaysia was carried out based on continuing operating losses. An impairment loss of NOK 150 million was recognized. In addition there were impairment losses of NOK 116 million related to the Ellenville extrusion plant and NOK 67 million related to the Ellenville remelter in the US.

See note 4 Critical accounting judgements and key sources of estimation uncertainty for information about impairment testing.

NOTE 14
Research and development

Total expensed research and development cost is NOK 507 million in 2007 and NOK 480 million in 2006. Research and development activities are intended to make production of aluminium more efficient. Improvement efforts revolve around electrolysis technology. In addition, research and development activities in focus on developing technologies within casthouse, extrusion, precision tubing and rolled products. Improvement efforts around alloy development are also prioritised.

To the extent development costs are directly contributing to the construction of a fixed asset, the development costs are capitalized as part of the asset provided all criteria for capitalizing the cost are met. Costs incurred during the preliminary project stage, as well as maintenance costs, are expensed as incurred. Other research and development costs are expensed as incurred, when they do not meet the criteria for capitalization.

NOTE 15
Operating leases

Total minimum future rentals due under non-cancellable operating leases are as follows:

Amounts in NOK million	Less than 1 year	1-5 years	Thereafter
Operating lease obligation	399	1,351	2,693

Operating lease expense

Operating lease expense for office space, machinery and equipment amounts to NOK 748 million for 2007 and NOK 795 million for 2006.

NOTE 16
Financial income and expense

Amounts in NOK million	2007	2006
Interest income	**1,228**	985
Net gain on securities	**37**	124
Dividends received	**138**	183
Financial income	**1,403**	1,292
Interest expense	**(415)**	(458)
Capitalized interest	**5**	25
Net foreign exchange gain (loss)	**2,254**	(148)
Other, net	**(39)**	8
Financial expense	**1,805**	(574)
Financial income (expense), net	**3,208**	718

NOTE 17
Income tax expense

Amounts in NOK million	2007	2006
Income from continuing operations before taxes and minority interests:		
Norway	**6,401**	3,805
Other countries	**5,832**	4,113
Total	**12,233**	7,918
Current taxes:		
Norway	**1,602**	1,253
Other countries	**1,565**	1,266
Current income tax expense	**3,167**	2,519
Deferred taxes:		
Norway	**502**	(254)
Other countries	**(594)**	(312)
Deferred tax expense (benefit)	**(92)**	(567)
Total income tax expense	**3,075**	1,952

Components of deferred income tax expense

Amounts in NOK million	2007	2006
Deferred tax expense (benefit), excluding items below	**130**	1
Benefit tax loss carryforwards	**(144)**	490
Effect of tax law changes	**(329)**	39
Net change not recognized tax asset	**182**	(746)
Tax expense (benefit) allocated to Other reserves	**70**	(351)
Deferred tax expense (benefit)	**(92)**	(567)

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Amounts in NOK million	2007	2006
Expected income taxes at statutory tax rate [1]	**3,425**	2,217
Hydro-electric power surtax [2]	**286**	120
Tax law changes	**(329)**	39
Losses and other deductions with no tax benefit	**366**	360
Non-deductable costs	**37**	50
Foreign tax rate differences	**(20)**	230
Tax free income	**(593)**	(401)
Dividend exclusions	**(28)**	(25)
Losses and other benefits not previously recognized	**(163)**	(770)
Other, net	**94**	132
Income tax expense	**3,075**	1,952
Effective tax rate	**25.1%**	24.6%

1) Norwegian nominal statutory tax rate is 28 percent.
2) A surtax of 27 percent is applied to taxable income, with certain adjustments, for Norwegian hydro-electric power plants. The surtax comes in addition to the normal corporate taxation. Tax depreciation, including that from the upward revision of basis under the new law, is deductible for both corporate tax and surtax purposes. The surtax increased in 2007 to 30 percent.

NOTE 18
Short-term investments

Amounts in NOK million	**2007**	2006
Bank, time deposits	**750**	12,950
Equity securities	**503**	646
Debt securities and other	**1,489**	1,423
Total short-term investments	**2,742**	15,020

NOTE 19
Accounts receivable

Amounts in NOK million	**2007**	2006
Accounts receivable, net of allowance for credit losses	**11,967**	14,328
VAT receivables	**1,446**	1,525
Other receivables	**2,151**	1,932
Accounts receivable	**15,564**	17,786
Allowance for credit losses		
1 January	**685**	638
Change in allowance for credit losses	**(135)**	54
Reclassified to asset held for sale	**(27)**	(10)
Foreign exchange adjustments	**(22)**	4
31 December	**502**	685

NOTE 20
Inventories

Amounts in NOK million	**2007**	2006
Raw materials	**4,255**	5,029
Work in progress	**2,359**	2,723
Finished goods	**5,614**	6,468
Inventories	**12,227**	14,220

All amounts are net of any write-downs. Raw materials include spare parts with a minor amount.

NOTE 21
Other financial assets and liabilities

Other current financial assets

Amounts in NOK million	**2007**	2006
Currency derivative instruments	**236**	768
Commodity derivative instruments	**729**	1,217
Cash flow hedging derivative instruments	**2**	380
Other current financial assets	**967**	2,365

Other non-current financial assets

Amounts in NOK million	**2007**	2006
Non-marketable equity securities	**1,150**	1,705
Employee loans	**446**	862
Currency derivative instruments	**66**	74
Commodity derivative instruments	**1,349**	1,241
Other financial assets	**1,329**	1,394
Other non-current financial assets	**4,341**	5,275

Other current financial liabilities

Amounts in NOK million	**2007**	2006
Currency derivative instruments	**42**	135
Commodity derivative instruments	**932**	1,633
Cash flow hedging derivative instruments	**183**	946
Other current financial liabilities	**1,157**	2,714

Other non-current financial liabilities

Amounts in NOK million	**2007**	2006
Commodity derivative instruments	**2,765**	1,873
Cash flow hedging derivative instruments	**30**	353
Other non-current financial liabilities	**2,795**	2,226

NOTE 22
Property, plant and equipment

Amounts in NOK million	Land	Buildings	Machinery and equipment	Plant under construction	Total
Cost					
1 January 2006	1,004	17,487	53,596	2,378	74,464
Additions	8	138	1,656	1,802	3,604
Disposals	(50)	(956)	(4,080)	(91)	(5,177)
Assets classified as held for sale	(59)	(570)	(2,610)	(172)	(3,411)
Transfers	(2)	292	2,350	(2,640)	-
Foreign currency translation effect	12	(83)	(205)	(36)	(312)
31 December 2006	913	16,307	50,705	1,243	69,169
Additions	6	182	1,209	2,325	3,723
Disposals	(20)	(376)	(2,579)	(471)	(3,445)
Assets classified as held for sale	(18)	(1,173)	(8,086)	(77)	(9,354)
Transfers	2	181	1,623	(1,805)	-
Foreign currency translation effect	(43)	(498)	(1,998)	(74)	(2,613)
31 December 2007	840	14,624	40,874	1,140	57,479
Accumulated depreciation and impairment					
1 January 2006	(1)	(8,167)	(30,474)	-	(38,641)
Depreciation for the year	-	(521)	(3,635)	-	(4,156)
Impairment losses	(18)	(18)	(452)	-	(487)
Disposals	18	918	3,977	-	4,913
Assets classified as held for sale	-	112	1,169	-	1,280
Transfers	-	2	(2)	-	-
Foreign currency translation effect	-	19	54	-	73
31 December 2006	(1)	(7,655)	(29,363)	-	(37,018)
Depreciation for the year	-	(459)	(2,990)	-	(3,449)
Impairment losses	-	(27)	(122)	-	(150)
Impairment reversals	-	-	5	-	5
Disposals	-	286	2,436	-	2,722
Assets classified as held for sale	-	753	5,207	-	5,960
Transfers	-	(25)	25	-	-
Foreign currency translation effect	-	171	1,030	-	1,201
31 December 2007	(1)	(6,956)	(23,772)	-	(30,728)
Carrying value					
31 December 2006	912	8,653	21,342	1,243	32,151
31 December 2007	840	7,668	17,102	1,140	26,750

NOTE 23
Intangible assets

Amounts in NOK million	Capitalized software systems	Other intangible assets	Total
Cost			
1 January 2006	812	2,082	2,894
Additions	85	24	109
Assets classified as held for sale	(108)	(211)	(318)
Disposals	(10)	(606)	(616)
Transfers	(13)	13	-
Foreign currency translation effect	20	30	50
31 December 2006	786	1,332	2,119
Additions	147	38	185
Assets classified as held for sale	-	(4)	(4)
Disposals	(13)	(75)	(89)
Transfers	26	(26)	-
Foreign currency translation effect	(30)	(36)	(66)
31 December 2007	916	1,228	2,144
Accumulated amortization and impairment			
1 January 2006	(530)	(1,564)	(2,095)
Amortization for the year	(103)	(158)	(261)
Impairment losses	(34)	(8)	(41)
Assets classified as held for sale	99	172	272
Disposals	10	607	617
Transfers	2	(2)	-
Foreign currency translation effect	(15)	(22)	(37)
31 December 2006	(570)	(975)	(1,544)
Amortization for the year	(84)	(52)	(136)
Assets classified as held for sale	-	4	4
Disposals	13	62	76
Transfers	(22)	22	-
Foreign currency translation effect	17	26	43
31 December 2007	(646)	(911)	(1,557)
Carrying value			
31 December 2006	217	358	574
31 December 2007	271	317	587

Intangible assets with indefinite useful lives are included in other intangible assets, with a carrying value of NOK 2 million and NOK 5 million as of 31 December 2007 and 2006, respectively.

NOTE 24
Goodwill

Amounts in NOK million	Aluminium Metal	Aluminium Products	Total
Cost			
1 January 2006	275	819	1,094
Acquisitions through business combinations	-	35	35
Goodwill derecognized	-	(2)	(2)
Assets classified as held for sale	-	(68)	(68)
Foreign currency translation effect	(16)	(19)	(34)
31 December 2006	260	766	1,026
Goodwill derecognized	-	(7)	(7)
Foreign currency translation effect	(33)	(59)	(92)
31 December 2007	226	700	926
Carrying value			
31 December 2006	260	766	1,026
31 December 2007	226	700	926

See note 4 Critical accounting judgements and key sources of estimation uncertainty, for information about the impairment testing of goodwill on an annual basis.

NOTE 25
Investments in associates

Investments in associates

Amounts in NOK million	Alunorte	Aluchemie	SKS Produksjon	NorSun	Ascent Solar	QVC	Other	Total
1 January 2006	2,368	537	380			512	342	4,140
Investments (sale), net	628						(43)	585
Hydro's share of net income (loss) [1]	630	12	27			13	52	733
Amortization and impairment [1]	(19)	(17)	(6)				(40)	(83)
Dividends and other payments received by Hydro	(55)	(3)	(23)				-	(80)
Foreign currency translation and other	(155)	14				(17)	9	(148)
31 December 2006	3,397	542	378	-	-	508	320	5,147
Investments (sale), net	294			150	119		13	576
Change in long-term advances, net	435						52	488
Hydro's share of net income (loss) [1]	807	14	31	(5)	(6)	84	76	1,000
Amortization and impairment [1]	(17)	(16)	(5)	(4)	(3)		3	(43)
Dividends and other payments received by Hydro	(136)	(7)	(18)				(18)	(179)
Foreign currency translation and other	188	(24)	(5)		(12)	(73)	(93)	(18)
Reclassified to assets held for sale [2]						(519)	(180)	(697)
31 December 2007	4,968	509	381	141	98	-	174	6,273

1) Share of net income relating to associates classified as assets held for sale in the balance sheet and discountinued operations in the income statement amounted to NOK 91 million in 2007 and NOK 37 million in 2006. Reversal of impairment amounted to NOK 8 million in 2007 and impairment in 2006 amounted to NOK 43 million.
2) Assciates owned by Polymers are classified as assets held for sale in balance sheet in 2007. These associates are classified as discontinued operations in the income statement.

Specification of associates

	Percentage owned by Hydro	Investments in and advances to associates		Hydro's current receivable (payable), net with associates [1]	
Amounts in NOK million, except ownership	**2007**	**2007**	2006	**2007**	2006
Alunorte	**34.0%**	**4,968**	3,397	**(240)**	-
Aluchemie	**36.2%**	**509**	542	**(9)**	(8)
SKS Produksjon	**20.9%**	**381**	378	**-**	-
NorSun	**16.2%**	**141**	-	**-**	-
Ascent Solar	**22.2%**	**98**	-	**-**	-
QVC	**29.7%**	**-**	508	**-**	1
Others		**174**	320	**(44)**	(19)
Total		**6,273**	5,147	**(293)**	(26)

1) Hydro's current receivables include receivable (payable) with associates owned by Polymers in 2007 and 2006.

A description of significant associates' business, majority owners, and the nature of related party transactions with Hydro including amounts if material follow:

Alumina do Norte do Brasil S.A. (Alunorte) is an alumina refinery located in Brazil. Hydro's ownership share is 34 percent. Hydro purchased alumina from Alunorte amounting to NOK 2,885 million, and NOK 2,751 million in 2007, and 2006, respectively. Pricing of Hydro's purchases from Alunorte is based on a percentage of aluminium prices as quoted on the LME. Hydro has right and obligation to purchase a share of Alunorte's offtake equal to it's percentage interest in the company. During 2007 Hydro has contributed capital in amount of NOK 296 million, and issued loans in amount of NOK 435 million, related to third expansion of the refinery. Alunorte is part of Aluminium Metal.

Aluminium & Chemie Rotterdam B.V. (Aluchemie) is an anode producer located in the Netherlands. Hydro owns 36.2 percent. Other shareholders include Rio Tinto Alcan (53.3 percent) and Søral (10.5 percent). Hydro purchased anodes from Aluchemie amounting to NOK 613 million in 2007 and NOK 587 million in 2006 on the basis of cost plus. Sales of butts from Hydro to Aluchemie amounted to NOK 102 million in 2007 and NOK 111 million in 2006. During 2007, Hydro issued loans to Aluchemie in the amount of NOK 34 million. Aluchemie is part of Aluminium Metal.

SKS Produksjon AS (SKS Produksjon) is a power producer located in Northern Norway. SKS Produksjon is owned 20.9 percent by Hydro and 79.1 percent by Salten Kraftsamband AS. There have not been any sales to or from Hydro in 2007. SKS Produksjon is part of Energy.

NorSun AS (NorSun) was established in 2005 and is engaged in production of mono crystalline wafers for the photovoltaic industry. It has currently one production facility in Vantaa, Finland, and is in the process of constructing a second plant in Årdal, Norway. Hydro owns 16.2 percent. Other main shareholders are Scatec with 25.8 percent and Good Energies with 20.0 percent. There have not been any material sales to or from Hydro in 2007. In February 2008, Hydro's ownership share increased to 18.4 percent through a disproportional capital contribution. NorSun is part of Energy.

Ascent Solar Technologies Inc. (Ascent Solar) is located in Denver, USA and listed on NASDAQ as a Development Stage Company and is engaged in development of thin-film photovoltaic modules. Hydro owns 22.2 percent. In addition, Hydro holds warrants exercisable until 11 July 2011 that gives Hydro the opportunity to acquire additional shares up to a total share holding of 35 percent. Other main shareholders are Quercus Trust with 15.2 percent and ITN with 7.4 percent. A cooperation agreement with Hydro was signed on 19 December 2007 to collaborate in the development of integrated photovoltaic products for the Building Industry. There have not been any sales to or from Hydro in 2007. The financial information for Ascent Solar has a three months lag to Hydro's reporting dates. Ascent Solar is part of Energy.

Hydro owns 29.7 percent of Qatar Vinyl Company Ltd. (QVC). QVC is part of Polymers, reported as assets held for sale.

Income statement data

Amounts in NOK million (unaudited)	**2007** [1]	2006 [1]
Revenues	**10,705**	10,371
Earnings before financial items and tax	**2,948**	2,763
Income before tax	**3,297**	2,768
Net income	**2,696**	2,096
Hydro's share of net income from contiuing operations	**908**	697

1) Both periods do not include associates owned by Polymers.

Balance sheet data

Amounts in NOK million (unaudited)	**2007** [1]	2006
Current assets	**3,948**	5,496
Non-current assets	**17,958**	17,890
Assets	**21,906**	23,386
Current liabilites	**2,524**	3,592
Non-current liabilities	**4,227**	6,772
Equity attributable to equity holders of parent	**15,155**	13,022
Minority interest	**-**	-
Liabilites and equity	**21,906**	23,386
Hydro's investments and advances	**6,273**	5,147

1) 2007 balance figures do not include associates owned by Polymers.

NOTE 26
Investments in jointly controlled entities

Amounts in NOK million	Alunorf	Søral	Qatalum	Alpart	Meridian	Noretyl	Other	Total
1 January 2006	1,375	708		324	688	394	933	4,423
Investments (sale), net				16			66	82
Change in long-term advances, net	353					(8)	(544)	(198)
Hydro's share of net income (loss) [1]	54	241			48	59	26	427
Amortization and impairment [1]	(56)				(238)		4	(289)
Dividends and other payments received by Hydro	(16)	(249)			(31)		(6)	(302)
Foreign currency translation and other	76	19		(26)	(35)		(115)	(81)
Reclassified to assets held for sale [2]							(279)	(279)
31 December 2006	1,786	719	-	315	433	445	85	3,783
Investments (sale), net			547	10	(440)		169	286
Change in long-term advances, net	(124)		153			(50)	(5)	(26)
Hydro's share of net income (loss) [1]	92	209	(68)		4	61	(11)	288
Amortization and impairment [1]	(56)						(28)	(84)
Dividends and other payments received by Hydro	(21)	(249)					(8)	(278)
Foreign currency translation and other	(61)		(17)	(44)	3		(6)	(126)
Reclassified to assets held for sale [2]						(456)	-	(456)
31 December 2007	1,616	679	615	281	-	-	197	3,387

1) Share of net income relating to jointly controlled entities classified as asset held for sale in the balance sheet and discountinued operations in the income statement amounted to NOK 61 million in 2007 and NOK 59 million in 2006. There were no amortization or impairment related to these investments in 2007 or 2006.
2) The jointly controlled entity Noretyl (owned by Polymers) is classified as asset held for sale in the balance sheet in 2007 and Castech is classified as assets held for sale in 2006. Noretyl is classified as discontinued operations in the income statement.

Specification of jointly controlled entities

	Percentage owned by Hydro	Investments in and advances to investees		Hydro's current receivable (payable), net with investees [1]	
Amounts NOK million, except ownership	**2007**	**2007**	2006	**2007**	2006
Alunorf	**50.0%**	**1,616**	1,786	**310**	262
Søral	**49.9%**	**679**	719	**(181)**	(178)
Qatalum	**50.0%**	**615**	-	**(15)**	-
Alpart	**35.0%**	**281**	315	**9**	-
Meridian	**0.0%**	**-**	433	**-**	-
Noretyl	**50.0%**	**-**	445	**54**	52
Others		**197**	85	**(62)**	116
Total		**3,387**	3,783	**114**	252

1) Hydro's current receivable (payable) include receivables with Noretyl in 2007. Noretyl and Castech are included in 2006.

Below a description of significant jointly controlled entities' business, owners, the nature of relationship with Hydro and related party transactions with Hydro. If applicable the description includes contractual and capital commitments, contingent liabilities and guarantees reported by the jointly controlled entity:

Aluminium Norf GmbH (Alunorf) the world's largest rolling mill is located in Germany. Alunorf is jointly owned by Hydro and Hindalco Industries (50 percent each). Through a tolling arrangement, each partner supplies Alunorf with raw material, which is transformed to flat rolled coils and delivered to the partners. Sales from Alunorf to Hydro amounted to NOK 1,527 million in 2007 and NOK 1,433 million in 2006. The tolling fee is based on cost recovery, in which each partner bears its share of cost. Hydro's capital and financing commitments are regulated in the Joint Venture agreement. Alunorf has investment commitments amounting to NOK 88 million as of December 31, 2007. Hydro's financing commitment based on its interest is NOK 44 million as of 31 December, 2007. Alunrof is part of Aluminium Products.

Sør-Norge Aluminium AS (Søral) is the fourth largest primary aluminium manufacturer in Norway located in Husnes, Hordaland. Hydro owns 49.9 percent and Rio Tinto Alcan 50 percent. Søral sells 50 percent of its production to each major owner at current market prices. Sale of aluminium from Søral to Hydro amounted to NOK 1,751 million in 2007 and NOK 1,531 million in 2006. Sale of alumina, metal and carbon from Hydro to Søral amounted to NOK 873 million in 2007 and NOK 568 million in 2006. Hydro's share of investment commitments in amounted to NOK 27 million as of 31 December, 2007. Søral is part of Aluminium Metal.

Qatar Aluminium Ltd. (Qatalum) is a jointly controlled entity established in August 2007. The owners of Qatalum are Hydro and Qatar Petroleum Ltd., each with an ownership of 50 percent. Qatalum will develop and construct an aluminium smelter and a power plant in Qatar with production capacity of 580,000 mt. Planned production start-up is by the end of 2009. During construction and start-up phase Hydro will deliver expertise and Technology to the project. Several agreements have been established to regulate the deliveries of services between Hydro and Qatalum; Technical Services Agreement, Project Management Agreement and Technology Licence Agreement. Sales from Hydro to Qatalum were NOK 40 million in 2007.

Hydro has entered in to agreements with Qatalum, in which it is committed to sell fixed quantities of alumina and purchase all products from Qatalum from commencement of production. Pricing is market based.

Hydro is in connection with the Joint Venture agreement with Qatar Petroleum Ltd. committed to finance Qatalum on the basis of its percentage share for capital requirements exceeding those covered through external financing. Qatalum is currently bound by several agreements in connection with both the construction of the plant and in connection with raw material purchases (e.g. natural gas from Qatar Petroleum, alumina, etc.) upon commencement of production. In addition a long term land lease is currently effective. Total investment costs for the project are estimated at USD 5,6 billion (for the entire joint venture). As of 31 December, 2007, construction and development of the primary aluminium plant was 9 percent completed. Substantially all of the total estimated investment costs are represented by contractual commitments as of 31 December, 2007. Qatalum is part of Aluminium Metal.

Alumina Partners of Jamaica (Alpart) is an alumina refinery located in Jamaica. Hydro's ownership share is 35 percent. Hydro is committed through the shareholder agreement to purchase alumina in relation to its ownership interest in Alpart, and on the basis of cost recovery. Purchases in 2007 and 2006 amounted to USD 149 million and USD 134 million, respectively. Hydro has in 2007 sold caustic soda to Alpart in the amount of USD 8,6 million. Hydro's capital commitments are regulated in the shareholder agreement. Hydro is committed to financing capital expenditures on the basis of its ownership interest. Alpart is part of Aluminium Metal.

Meridian Technologies Inc. (Meridian). Hydro's shares in Meridian were sold at the end of February 2007. Meridian was part of Aluminium Products.

Hydro owns 50 percent of Noretyl AS (Noretyl). Noretyl is part of Polymers, reported as assets held for sale.

Income statement data

Amounts in NOK million (unaudited)	**2007** [1]	2006 [2]
Revenues	**7,757**	10,162
Earnings before financial items and tax	**687**	1,010
Income before tax	**590**	947
Net income	**453**	673
Hydro's share of net income continuing operations	**228**	330

1) Noretyl is not included in 2007.
2) Noretyl is not included in 2006. Castech is included in 2006.

Balance sheet data

Amounts in NOK million (unaudited)	**2007** [1]	2006 [2]
Current assets	**3,965**	4,872
Non-current assets	**8,373**	8,456
Assets	**12,337**	13,328
Current liabilites	**3,286**	3,223
Non-current liabilities	**3,887**	4,533
Equity attributable to equity holders of parent	**5,164**	5,537
Minority interest	**-**	35
Liabilites and equity	**12,337**	13,328
Hydro's investments and advances	**3,387**	3,783

1) 2007 balance figures exclude Noretyl.
2) 2006 balance figures exclude Castech.

NOTE 27
Jointly owned assets

Hydro is involved in certain assets where the legal ownership takes various forms of undivided direct ownership in the assets, and where operational and strategic decisions are made by supermajority among the owners. These arrangements are not joint ventures as defined by IFRS. Hydro accounts for its relative share of assets, liabilities, expenses and, where relevant, revenues related to these arrangements. Assets, liabilities, revenues and expenses are classified with other items of the same nature incurred as part of Hydro's controlled operations.

The most significant of these arrangements are Hydro's 20 percent ownership in the Alouette plant in Canada, and the 12.4 percent ownership in the Tomago plant in Australia. Both plants produce primary aluminium. Hydro provides alumina relative to its share of the m etal production, and receives produced metal for further processing or sale through Hydro's Metal operation. Other costs of operations, including power consumption and labor, are incurred on a joint basis by the owners.

The following key figures represent the impact of these two arrangements:

Amounts in NOK million	**2007**	2006
Current assets	**137**	151
Property, plant and equipment	**2,451**	2,969
Jointly owned assets	**2,588**	3,120
Current liabilites	**49**	55
Non-current liabilities	**87**	83
Total liabilities	**136**	138
Share of expenses	**1,056**	952
Depreciation and amortization	**224**	236
Expenses included in EBIT	**1,280**	1,188
Produced volume (kmt)	**179**	178

NOTE 28
Bank loans and other interest-bearing short-term debt

Amounts in NOK million, except interest rates	**Weighted average interest rates 2007**	**2007**	2006
Bank loans and overdraft facilities	**6.4%**	**176**	194
Other interest bearing short-term debt	**4.4%**	**798**	1,891
Current portion of long-term debt	**-**	**71**	424
Bank loans and other interest-bearing short-term debt		**1,045**	2,509

As of 31 December 2007, Norsk Hydro ASA had unused short-term credit facilities with various banks totaling NOK 1,676 million. The interest rate for withdrawals under these facilities is based on the interbank interest rate for the relevant currency plus a margin depending on the currency.

NOTE 29
Trade and other payables

Amounts in NOK million	**2007**	2006
Accounts payable	**8,457**	9,718
Payroll and value added taxes	**2,016**	2,185
Accrued liabilities and other payables	**2,438**	2,617
Trade and other payables	**12,911**	14,521

NOTE 30
Long-term debt

Long-term debt payable in various currencies Amounts in NOK million, except interest rates	Weighted average interest rates	Denominated amount 2007	Balance in NOK 2007	Balance in NOK 2006
USD	5.7%	38	**206**	298
EUR	3.6%	2	**19**	28
Other	6.7%		**80**	79
Total unsecured bank loans			**306**	405
Finance lease obligations			**2**	5
Mortgage loans			**5**	14
Other long-term debt			**21**	368
Outstanding debt			**334**	792
Less: Current portion			**(71)**	(424)
Total long-term debt			**263**	367

As of 31 December 2007 the fair value of long-term debt equals the carrying value.
Foreign currency swaps are not reflected in the table above. (See note 42 Derivative instruments and hedge accounting).

Payments on long-term debt fall due as follows

Amounts in NOK million	Bank-loans	Finance lease and other	Total
2008	60	11	71
2009	66	3	69
2010	128	4	132
2011	52	5	57
2012	-	3	4
Thereafter	-	2	2
Total	306	28	334

In 2007 Norsk Hydro ASA replaced the USD 2,000 million credit facility from 2005, with a new USD 1,700 million, seven-year revolving multi-currency credit facility with a syndicate of international banks. The commitment fee on the facility is 0.06 percent per annum for the first five years, and 0.0675 percent thereafter. There is no borrowing under this facility as of 31 December 2007.

Secured debt

Amounts in NOK million	2007	2006
Amount of secured debt	**5**	14
Assets used as security:		
Machinery and equipment	**34**	29
Buildings	**46**	56
Other	**2**	3
Total	**83**	88

NOTE 31
Provisions

Amounts in NOK million	2007 Short-term	2007 Long-term	2007 Total	2006 Short-term	2006 Long-term	2006 Total
Warranties	**110**	**-**	**110**	141	-	141
Exit and disposal activities	**262**	**42**	**303**	265	183	448
Environmental clean-up	**57**	**137**	**194**	76	100	176
Asset retirement obligations	**32**	**570**	**603**	64	740	804
Share-based compensation	**-**	**-**	**-**	20	71	91
Other	**420**	**4**	**424**	507	6	512
Provisions	**882**	**752**	**1,634**	1,072	1,101	2,173

Amounts in NOK million	Warranties	Exit and disposal activities	Environmental clean-up	Asset retirement obligations	Other	Total
31 December 2006	141	448	176	804	512	2,081
Additions	94	213	43	87	329	766
Used during the year	(44)	(311)	(17)	(62)	(251)	(685)
Reversal of unused provisions	(76)	(25)	(2)	(20)	(120)	(244)
Accretion expense and effect of change in discount rate	-	-	-	9	-	9
Transfers	-	-	21	(21)	-	-
Foreign currency translation	(5)	(21)	(4)	(32)	(9)	(70)
Classified as liabilities included in disposal groups	-	-	(24)	(162)	(37)	(223)
31 December 2007	110	303	194	603	424	1,634

Exit and disposal activities include demanning costs, demolition costs and certain other costs. More than 50 percent of the payments related to the provision for environmental clean-up are expected to be made the first two years, some payments the next three years, and more than 25 percent is expected to be paid later than 2012. Asset retirement obligations related to relining of the smelters, are going to be paid out in one to six years. Payments related to other asset retirement obligations are usually paid at the time of plant closure. For more information about environmental clean-up and asset retirement obligations, see note 4 Critical accounting judgments and key sources of estimations of uncertainty. Other provisions include performance related pay to be paid in spring 2008. Share-based compensation is described in note 11 Employee and management remuneration.

NOTE 32
Employee retirement plans

Pension Benefits

Norsk Hydro ASA and many of its subsidiaries have defined benefit retirement plans that cover substantially all of their employees. Plan benefits are generally based on years of service and final salary levels. Some subsidiaries have defined contribution or multiemployer plans.

Net periodic pension cost

Amounts in NOK million	**2007**	2006
Defined benefit plans:		
Benefits earned during the year, net of participants' contributions	**560**	541
Interest cost on prior period benefit obligation	**945**	837
Expected return on plan assets	**(872)**	(721)
Recognized loss	**3**	-
Past service cost	**30**	32
Curtailment gain	**(5)**	(78)
Settlement (gain) loss	**(3)**	(5)
Net periodic pension cost	**658**	605
Defined contribution plans	**24**	25
Multiemployer plans	**1**	-
Termination benefits and other	**218**	248
Total net periodic pension cost	**900**	879

Change in projected benefit obligation (PBO)

Amounts in NOK million	**2007**	2006
Projected benefit obligation at beginning of year	**(23,695)**	(22,394)
Benefits earned during the year	**(630)**	(612)
Interest cost on prior period benefit obligation	**(1,042)**	(922)
Actuarial gain (loss)	**1,070**	(419)
Plan amendments	**(20)**	(22)
Benefits paid	**967**	845
Curtailment gain	**54**	78
Settlements	**(3)**	(5)
Special termination benefits	**(9)**	(10)
Divestments	**283**	20
Assets Held for Sale	**1,838**	-
Foreign currency translation	**603**	(253)
Projected benefit obligation at end of year	**(20,584)**	(23,695)

Change in pension plan assets

Amounts in NOK million	**2007**	2006
Fair value of plan assets at beginning of year	**16,843**	14,599
Actual return on plan assets	**1,502**	1,602
Company contributions	**366**	1,070
Plan participants' contributions	**22**	21
Benefits paid	**(674)**	(560)
Settlements	**(36)**	1
Divestments	**(221)**	(12)
Assets Held for Sale	**(1,746)**	-
Foreign currency translation	**(475)**	122
Fair value of plan assets at end of year	**15,579**	16,843

Status of pension plans reconciled to balance sheet

Amounts in NOK million	**2007**	2006
Defined benefit plans:		
Funded status of the plans at end of year	**(5,005)**	(6,853)
Unrecognized net (gain) loss	**(1,893)**	(462)
Past service cost	**5**	16
Net accrued pension recognized	**(6,893)**	(7,298)
Termination benefits and other	**(780)**	(881)
Total net accrued pension recognized	**(7,674)**	(8,179)
Amounts recognized in the balance sheet consist of:		
Prepaid pension	**1,246**	1,085
Accrued pension liabilities	**(8,920)**	(9,264)
Net amount recognized	**(7,674)**	(8,179)

Weighted-average assumptions used to determine net periodic pension cost

	2007	2006
Discount rate	**4.5%**	4.2%
Expected return on plan assets	**5.9%**	5.6%
Rate of compensation increase	**3.4%**	3.1%

Weighted-average assumptions used to determine pension obligation at end of year

	2007	2006
Discount rate	**5.0%**	4.5%
Rate of compensation increase	**3.7%**	3.4%

Analysis of projected benefit obligation (PBO)

Amounts in NOK million	**2007**	2006
PBO arising from plans that are wholly or partly funded	**(13,921)**	(16,572)
PBO arising from plans that are unfunded	**(6,664)**	(7,124)
Total PBO	**(20,584)**	(23,695)

Weighted-average investment profile plan assets at end of year

Asset category		Target Allocation
Equity securities	**37%**	23-41%
Debt securities	**32%**	26-51%
Real estate	**17%**	18%
Other	**14%**	8-15%
Total	**100%**	

Management of plan assets must comply with applicable laws and regulations in the countries where Hydro provides funded defined benefit plans. Within constraints imposed by laws and regulations, and given the assumed pension obligations and future contribution rates, the majority of assets are managed actively to obtain a long-term rate of return that at least reflects the chosen investment risk.

Based on the current portfolio of plan assets the expected rate of return on plan assets is determined to be one to two percentage points above the yield on a portfolio of long-term high-quality debt instruments that receive one of the two highest ratings given by a recognized rating agency.

Social security tax imposed on pensions has been recognized and accrued for where applicable, together with social security tax imposed on other personnel benefits, and has not been treated as pensions.

Total pension benefit payments expected to be paid to participants, which include payments funded from Hydro's assets as well as payments paid from the plans are as follows:

Other Retirement Benefits

Hydro has unfunded retiree medical and life insurance plans for certain of its employees outside Norway. Related net periodic postretirement cost was NOK 9 million in 2007 and NOK 12 million in 2006. The post retirement liability as of 31 December, 2007 was NOK 120 million and NOK 143 million in 2006.

NOTE 33
Deferred tax

The tax effects of temporary differences and tax loss carryforwards giving rise to deferred tax assets and liabilities were as follows as of 31 December 2007 and 31 December 2006:

Amounts in NOK million	**Asset 2007**	**Liabilities 2007**	Asset 2006	Liabilities 2006
Marketable securities	**10**	**-**	14	-
Inventory valuation	**209**	**(313)**	192	(601)
Accrued expenses	**2,068**	**(1,862)**	2,245	(1,505)
Unrealized exchange (gains) losses	**77**	**(1,522)**	585	(1,672)
Property, plant and equipment	**4,445**	**(5,425)**	3,474	(5,642)
Ground rent surtax	**306**	**-**	266	-
Capitalized interest	**-**	**(79)**	-	(126)
Other non-current assets	**287**	**(377)**	318	(437)
Pensions	**1,697**	**(416)**	2,921	(1,479)
Deferred (gains) losses on sales	**22**	**(622)**	27	(192)
Derivatives	**778**	**(734)**	1,192	(1,023)
Cash Flow Hedges	**76**	**(31)**	306	(38)
Other	**336**	**(249)**	328	(276)
Tax effect tax loss carryforwards	**1,109**	**-**	1,094	-
Subtotal	**11,420**	**(11,630)**	12,962	(12,990)
Of which not recognized as tax asset	**(1,073)**		(1,030)	
Gross deferred tax assets and liabilities	**10,347**	**(11,630)**	11,932	(12,990)

At the end of 2007, Hydro had tax loss carryforwards of NOK 2,898 million, primarily in the United States, Malaysia, Jamaica, Spain, Brazil, Italy and Belgium. Carry forward amounts expire as follows:

Amounts in NOK million	
2008	48
2009	5
2010	72
2011	175
2012	399
After 2012	842
Without expiration	1,357
Total tax loss carryforwards	2,898

NOTE 34
Shareholders' equity

Share capital

On 5 July 2007 an extraordinary General Meeting approved the plan for the demerger of Norsk Hydro ASA as part of the merger of Norsk Hydro ASA's oil and gas activities with Statoil ASA. The extraordinary General Meeting also approved a capital reduction to be effected before completion of the merger with the cancellation of 21,627,000 treasury shares and the redemption of 16,871,506 shares owned by the Ministry of Trade and Industry in Norway. The Ministry agreed to participate in the redemption in order to leave its ownership interest unchanged, and received a compensation of NOK 2,763 million. The cancellation and redemption were completed in September 2007. As a result of the demerger the par value of each share was reduced from NOK 3.66 to NOK 1.098.

On 9 May 2006 the Annual General Meeting approved a share split whereby one old Hydro share with a nominal value of NOK 18.30 was split into five new shares with a nominal value of NOK 3.66. The share split was effective on 10 May 2006. The Annual General Meeting also approved a reduction in share capital by means of the cancellation of 4,672,000 treas-

ury shares and the redemption of 3,644,685 shares owned by the Ministry of Trade and Industry. The Ministry's ownership interest remained unchanged, and the compensation to the Ministry was NOK 471 million. The cancellation and redemption were completed in July 2006.

Norsk Hydro ASA had authorized and issued 1,247,956,949 ordinary shares as of 31 December 2007 and 1,286,455,455 ordinary shares as of 31 December 2006. The number of outstanding shares was 1,209,304,379 as of 31 December 2007 and 1,226,175,885 as of 31 December 2006. The weighted average number of outstanding shares used for calculating basic and diluted earnings per share was 1,221,195,650 for the year 2007 and 1,240,804,344 for 2006.

Treasury shares

Norsk Hydro ASA had 38,652,570 treasury shares as of 31 December 2007 and 60,279,570 treasury shares as of 31 December 2006. Total buyback of shares was 621,895 in 2007 and 21,627,000 in 2006. Shares reissued to employees were 621,895 in 2007 and 755,250 in 2006. The number of treasury shares cancelled was 21,627,000 in 2007 and 4,672,000 in 2006. The remaining 38,652,570 treasury shares may, pursuant to the decision of the General Meeting at the time these shares were acquired, be used as consideration in connection with commercial transactions or share schemes for the employees and representatives of the Corporate Assembly and the Board of Directors. The treasury shares amount per 31 December 2007 of NOK 4,283 million was comprised of NOK 42 million share capital and NOK 4,241 million retained earnings, and the treasury shares amount of NOK 6,624 million per 31 December 2006 was comprised of NOK 221 million share capital and NOK 6,404 million retained earnings.

The extraordinary General Meeting on 5 July 2007 authorized a buyback of 621,895 shares in the market in a price interval of NOK 100 to NOK 300. The authorization applied from 5 July until 30 September 2007, and the shares were used for the purpose of fulfillment of the share purchase program for employees.

Demerger

Hydro's equity was reduced by NOK 47,089 million as a result of the demerger. Par value of the shares was reduced by 70 percent from NOK 3.66 to NOK 1.098 per share reducing the share capital by NOK 3,197 million from NOK 4,568 million to NOK 1,370 million. Additional paid-in capital was reduced by NOK 6,727 million, which corresponds to 70 percent of additional paid-in capital as of 1 January 2007.

Retained earnings were reduced by NOK 41,339 million. This amount represents the portion of assets, rights and obligations transferred to StatoilHydro which exceeds the reduction in share capital and additional paid-in capital.

Other reserves related to the oil and gas activities transferred to StatoilHydro upon completion of the merger amounted to NOK 4,174 million. This NOK 4,174 million consists of accumulated currency translation differences of NOK (4,349) million and net unrealized gains on long-term marketable equity securities of NOK 175 million.

Change in Other reserves

The table below specifies the changes in Other reserves for 2007 and 2006.

	2007			2006		
Amounts in NOK million	**Pretax**	**Tax**	**Net of tax**	Pretax	Tax	Net of tax
Currency translation differences						
Currency translation differences during the year	**(4,390)**	**-**	**(4,390)**	(1,425)	-	(1,425)
Companies sold	**112**	**-**	**112**	24	-	24
Net currency translation differences	**(4,279)**	**-**	**(4,279)**	(1,401)	-	(1,401)
Unrealized gain (loss) on securities						
Unrealized gain (loss) on securities	**(449)**	**154**	**(295)**	(137)	54	(84)
Cash flow hedges - see note 42 Derivative instruments/Hedge accounting						
Period gain (loss) booked into equity	**152**	**(41)**	**111**	(1,548)	431	(1,117)
Reclassification of hedging gain	**656**	**(183)**	**474**	479	(134)	345
Net change cash flow hedges	**809**	**(224)**	**585**	(1,069)	297	(772)

NOTE 35
Capital management

Hydro's capital management policy is to maintain a strong financial position and an investment grade credit rating. Capital is defined and managed using the measures Adjusted net interest-bearing debt, Adjusted net interest-bearing debt to Adjusted equity and Adjusted funds from operations to Adjusted net interest-bearing debt.

Hydro currently has an investment grade credit rating from the leading rating agencies, Standard & Poor's (BBB) and Moody's (Baa1). To maintain this credit rating, Hydro intends to keep Adjusted funds from operations of at least 40 percent of Adjusted net interest-bearing debt, and an Adjusted net interest-bearing debt to Adjusted equity ratio of 55 percent. Investments during 2007 were financed through drawing on accumulated cash positions, primarily generated from operations and divestments.

Hydro intends to use its access to the multiple national and international bond markets as its primary source for external funding of long-term capital requirements, as has been done in the past. The last time Hydro issued shares was in connection with the acquisition of Saga Petroleum ASA in 1999. On 1 October 2007 all outstanding bond debt was transferred to and assumed by StatoilHydro ASA on existing terms, in connection with the demerger of Hydro's oil and gas activities. In July 2007, Hydro replaced the existing USD 2 billion credit facility with a new USD 1.7 billion seven-year multi-currency revolving credit facility with a syndicate of banks. The facility is for general corporate purposes, and provides readily available and flexible long-term funding. As of 31 December 2007 this credit facility was fully undrawn. See note 30 Long-term debt for additional information.

Any borrowings under the revolving facility will be unsecured, but the agreement contains provisions restricting the pledging of assets in Norsk Hydro ASA to secure future borrowings without granting equivalent status to existing lenders. The agreement further contains cross-default provisions under which a default under any other loan, indebtedness or other obligation for borrowed money on the part of Hydro would trigger a default under that debt agreement. The cross-default provisions are generally limited to borrowing obligations of Norsk Hydro ASA or any of its principal subsidiaries (defined to mean any wholly-owned subsidiary the gross assets of which represent more than 10 percent of the consolidated gross assets of Hydro), and require that the indebtedness in default under another agreement be greater than USD 100 million. The debt agreement contains no financial ratio covenants and no provisions connected to the value of underlying assets. The agreement contains a change of control clause whereby a defined change of ownership combined with downgrading of credit rating would give the banks a right to demand repayment of any outstanding debt under the agreement.

It is Hydro's intention to use these terms for any future bond issues or bank financing.

Hydro manages its liquidity at the corporate level, ensuring sufficient liquidity to cover group operational requirements. In addition, Hydro has multiple short-term borrowing facilities supporting our ability to raise funds at a short notice. As of 31 December 2007, Hydro had short-term credit facilities totaling approximately NOK 1.7 billion. There were no borrowings under any of these agreements as of 31 December 2007. See note 28 Bank loans and other interest-bearing short-term debt for additional information.

Hydro normally borrows on the corporate level and extends loans or an equity investment to wholly-owned subsidiaries to fund capital requirements within the group. When partially–owned subsidiaries or investments in associates and jointly controlled entities are financed, it is Hydro policy to finance according to ownership share and on equal terms with the other owners. All financing of subsidiaries and equity investments is at arm's-length and according to prudent business principles. Project financing may be used in certain cases, with the primary objective generally being to achieve risk mitigation while also taking into account partnership and other relevant considerations. Hydro's ongoing development of the aluminium smelter in Qatar, through Qatalum, will, in addition to equity from the owners, be financed through a USD 2.6 billion syndicated bank facility. The facility is with limited recourse to Hydro during development of the project and without recourse to Hydro after completion of the project. Qatar Aluminium Ltd. signed the bank facility in August 2007. See note 37 Guarantees for additional information.

Shareholder return consists of dividends and share price development, and long-term is a measure of the value created by Hydro for our owners. Our dividend policy is to pay an average of 30 percent of net income over time in dividends to our shareholders. The dividend for a specific year is determined after taking into consideration expected future earnings, future investment opportunities, the outlook for world commodity markets and Hydro's current financial position. Share buybacks or extraordinary dividends may be used to supplement dividends during periods of strong financials, due consideration being given to the commodity cycle and capital requirements for future growth. The total dividend payout reflects Hydro's goal to give shareholders a competitive return benchmarked against alternative investments in comparable companies. See note 36 Dividends for additional information.

In May 2006 the General Assembly authorized a share buy-back program of up to 40 million shares, including the Ministry of Trade and Industry's relative share. Shares at a total value of NOK 3.6 billion were bought in the market during 2006, whereas the cash redemption of the Ministry's relative share of NOK 2.8 billion and the subsequent cancellation of all of the shares took place in September 2007. See note 34 Shareholders' equity and note 46 Related party information for additional information.

The Adjusted net debt/Adjusted equity ratio is comprised of Adjusted net interest-bearing debt divided by Adjusted equity. Adjusted net interest-bearing debt is defined as net interest-bearing debt, plus net unfunded pension obligations, after tax, the present value of operating lease obligations and long-term debt held by equity accounted investments.

Net interest-bearing debt is comprised of interest-bearing debt less cash and cash equivalents and short-term investments. Hydro uses net interest-bearing debt to calculate the Adjusted net interest-bearing debt/Adjusted equity ratio in order to reflect the considerable variances in ability to assume additional debt from changes in cash holdings over time.

Net interest-bearing debt is adjusted for the estimated effects of changes in the fair value of net pension liabilities. Under Hydro's elected accounting principles, this liability is not necessarily fully recognized in the balance sheet. Hydro also adjusts Net interest-bearing debt for liabilities relating to operating lease agreements. Additionally, Hydro adjusts Net interest-bearing debt for the long-term debt held by companies in which Hydro has an equity investment and are accounted for using the equity method. Both the pension and leasing obligations described above are considered debt-like in nature, and therefore affect Hydro's ability to incur additional debt. Similarly, the indebtedness of equity accounted investments affects their net income and net cash flows, and thereby also affects Hydro's ability to assume additional debt.

Adjusted equity consists of equity, including minority interests, less unrecorded pension liabilities which are not reflected in equity under IFRS. The adjustment is net of the expected income tax benefit. No adjustment is made for operating lease agreements because the value of the right to use leased assets is considered to be similar to the payment obligation.

The measurement of the Adjusted net debt/Adjusted equity ratio as described above is considered important to measure Hydro's financial position. Since market conditions may result in significant differences between pension liabilities recognized under Hydro's accounting principles and the fair value of these liabilities, and because leases represent commitments affecting Hydro's financial capacity going forward, these adjustments add information value when measuring Hydro's financial position. The Adjusted debt/Adjusted equity ratio is calculated by Hydro using similar methodology as the major credit rating agencies, and we believe it helps management and investors to evaluate potential changes in credit rating.

Management makes regular use of the Adjusted net interest-bearing debt/Adjusted equity ratio in its assessment of Hydro's financial stability and ability to incur new debt. However, this measure does not recognize the fact that cash may not be available for debt repayments, but may be required for operational needs including tax payments on periodic results, contractual obligations or necessary investments. Management therefore also uses Adjusted funds from operations and the ratio Adjusted funds from operations/Adjusted net interest-bearing debt as a measure of Hydro's financial position. Adjusted funds from operations is net income adjusted for depreciation, amortization, deferred tax expense/income and depreciation and amortization recognized by equity accounted investments.

Adjusted net interest-bearing debt, Adjusted equity, Adjusted funds from operations and Adjusted net interest-bearing debt/Adjusted equity ratio are presented in the following table.

Adjusted net interest-bearing debt to equity

NOK million, except ratio	31 December 2007	2006
Cash and cash equivalents	**9,330**	6,609
Short-term investments	**2,742**	15,020
Bank loans and other interest-bearing short-term debt	**(1,045)**	(2,509)
Long-term debt	**(263)**	(367)
Demerger debt	**-**	(18,196)
Net interest-bearing debt	**10,764**	556
Net pension liability at fair value	**(5,785)**	(7,727)
Expected income tax benefit on pension liability	**1,736**	2,318
Operating lease commitments [1]	**(744)**	(1,548)
Interest-bearing debt equity accounted investments [2]	**(3,283)**	(3,126)
Adjusted net interest-bearing debt	**2,687**	(9,526)
Total equity	**(55,008)**	(96,601)
Net pension assets not recognized	**(1,889)**	(452)
Expected income tax benefit (liability)	**567**	136
Equity adjustment off-balance sheet pension liabilities	**(1,322)**	(317)
Adjusted equity	**(56,330)**	(96,918)
Adjusted net interest-bearing debt / Adjusted equity ratio	**(0.05)**	0.10

1) Operating lease commitments are discounted using a rate of 5.5% and 5.0% for 2007 and 2006, respectively.
2) Interest-bearing debt equity accounted investments represents Hydro's implicit indebtedness due to the fact that the equity accounted investments have substantial long-term interest-bearing debt on their balance sheets not reflected in the Hydro group accounts.

Funds from operations

NOK million	2007	2006
Net income	**18,604**	17,933
Depreciation, amortization and impairment losses [1]	**3,717**	4,844
Deferred income taxes	**44**	(729)
Funds from operations	**22,365**	22,048
Depreciation and amortization equity accounted investments [2]	**428**	373
Adjusted funds from operations	**22,794**	22,421

1) Depreciation, amortization and impairment losses includes amortization of excess values related to Hydro's equity accounted investments.
2) Depreciation and amortization equity accounted investments is Hydro's percentage share of the depreciation and amortization recognized in the financial statements of the equity accounted investments.

NOTE 36
Dividends

Hydro's Board of Directors' normally proposes a dividend per share in connection with the annual accounts that are published in March each year. The Annual General Meeting considers this proposal, normally in May, and the approved dividend is then paid to the shareholders. Dividends are paid once each calendar year; generally occurring in May. For non-Norwegian shareholders, Norwegian withholding tax will be deducted at source in accordance with the applicable Norwegian tax regulations. For additional information related to Hydro's dividend and shareholder policy see note 35 Capital management.

For fiscal year 2007 the Board of Directors' has proposed a dividend of NOK 5.00 per share to be paid in May 2008, consisting of NOK 1.50 in ordinary dividend and NOK 3.50 in extraordinary dividend. The Annual General Meeting scheduled to be held 6 May 2008 will consider this dividend proposal. If approved, this would be a total dividend of approximately NOK 6,047 million.

In accordance with IFRS, the fiscal year 2007 proposed dividend is not recognized as a liability in the 2007 financial statements.

Dividends declared and paid in 2007 and 2006 for the prior fiscal year, respectively, are as follows:

	2007	2006
Dividend per share paid, NOK	**5.00**	4.40
Total dividends paid, NOK million	**6,134**	5,506
Date proposed	**19 February 2007**	14 February 2006
Date approved	**8 May 2007**	9 May 2006
Dividend payment date	**21 May 2007**	23 May 2006

NOTE 37
Guarantees

Amounts in NOK million	**2007**	2006
Guarantees (off-balance sheet):		
Guarantees related to associates	**-**	10
Guarantees related to jointly controlled entities	**7,108**	142
Sales guarantees	**3,591**	2,920
Other guarantees	**65**	-
Total	**10,764**	3,072

Guarantees in respect of jointly controlled entities primarily relates to Qatar Aluminium Ltd. (Qatalum). Qatalum has secured USD 2.6 billion in debt to finance project costs during construction of the aluminum smelter and the power plant. Qatar Petroleum and Hydro have issued a completion guarantee in favor of the lenders on a pro rata (50/50) but not joint basis. The guarantee covers due and punctual payment of interest and repayments. The guarantee terminates when a set of objective criteria related to the completion of the project has been fulfilled. The amount included in the table above of NOK 7 billion plus accrued interest and fees represents the maximum exposure under the guarantee when the facility is fully drawn. The current exposure based on outstanding debt under the credit facility as of 31 December 2007 is approximately NOK 750 million. In addition, performance guarantees have been given in line with Hydro's ownership interest for the due and punctual performance by Qatalum in favor of two contractors. The guarantees expire when completion certificates have been issued by Qatalum, planned in the third quarter of 2010. One of the guarantees is unspecified in amount and is not included in the table above.

Guarantees in connection with the sale of companies, referred to as sales guarantees in the table above, reflect the maximum contractual amount that Hydro could be liable for in the event of certain defaults or the realization of specific uncertainties. In addition, Hydro has certain guarantees relating to sales of companies that are unspecified in amount and unlimited in time. No amounts relating to such guarantees are included in the table above. Other guarantees primarily relate to guarantees in respect of companies sold during 2007, were the guarantee has not yet been replaced by the acquiring company. Hydro believes that the likelihood of any material liability arising from guarantees relating to sales of companies is remote. Historically, Hydro has not made any significant indemnification payments under such guarantees and no amount has been accrued in the consolidated financial statements. Hydro estimates that the fair value of guarantees related to sale of companies is immaterial.

For guarantees made directly or on behalf of subsidiaries by the parent company, Norsk Hydro ASA, in the normal course of business refer to note 11 Guarantees in the financial statements to Norsk Hydro ASA.

NOTE 38
Contingent liabilities and contingent assets

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position.

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

Hydro has certain joint liabilities under Norwegian statutory regulations following from demergers. Under the Norwegian public limited companies act section 14-11, Hydro and StatoilHydro are jointly liable for liabilities accrued before the demerger date of 1 October 2007. This statutory liability is unlimited in time, but is limited in amount to the net value allocated to the non-defaulting party in the demerger. Similarly, Hydro and Yara International ASA are jointly liable for liabilities accrued before the demerger date of 24 March 2004 on the same conditions.

In connection with the merger of Hydro's petroleum activities with StatoilHydro, StatoilHydro has assumed a share of 70 percent of the liability for any obligations related to activities that on the time of the demerger were no longer a part of Hydro, including among other things environmental obligations related to the former fertilizer and magnesium activities.

NOTE 39
Contractual commitments and other commitments for future investments

31 December 2007 Amounts in NOK million	**2008**	Investments thereafter	Total
Contract commitments for investments in property, plant and equipment	**599**	88	687
Additional authorized future investments in property, plant and equipment	**331**	102	433
Contract commitments for other future investments	**2,881**	4,770	7,651
Total	**3,811**	4,960	8,771

Additional authorized future investments include projects formally approved for development by the Board of Directors or management given the authority to approve such investments. General investment budgets are excluded from these amounts.

A substantial part of contract commitments for other future investment is related to the Qatalum project.

The non-cancelable future fixed and determinable obligation as of 31 December 2007 is as follows:

Take-and-pay and Long-term contracts

Amounts in NOK million	Finished goods	Raw materials	Energy related	Other	Sales commitments
2008	2,128	268	1,940	741	(12,590)
2009	245	-	3,384	349	(2,132)
2010	292	-	1,666	171	(553)
2011	270	-	1,853	35	(560)
2012	304	-	1,844	30	(327)
Thereafter	5,470	-	15,228	163	(707)
Total	8,709	268	25,915	1,488	(16,869)

Hydro has entered into take-and-pay and long-term contracts providing for future payments to secure transportation capacity, processing services, raw materials and electricity. In addition, Hydro has entered into long-term sales commitments. This principally relates to delivering of electricity. Hydro has delivery commitments relating to power stations to be reverted to the government of 17.6 TWh. Annual concession power delivery commitments relating to power stations not subject to reversion is 249 GWh annually. Payment commitments relating to concession power not subject to reversion are not included for the period 2013 and forward.

Hydro has also entered into take-and-pay and other long-term contracts as part of shareholders agreement in associates and jointly controlled entities, including contracts to purchase alumina according to ownership share and production, where Hydro's share is estimated to be 63 million tonnes of alumina over the next 19 years. These commitments are not included in the figures above.

Terms of certain of these agreements include additional charges covering variable operating expenses in addition to the fixed and determinable component shown above. This including contracts to purchase 19.4 million tonnes of alumina over the next 23 years where the variable part of the prices are normally linked to the London Metal Exchange quoted aluminium prices.

The total purchases under the take-and-pay agreements and long-term contracts were NOK 3,416 million in 2007 and NOK 5,994 million in 2006.

NOTE 40
Financial instruments

Financial instruments, and contracts accounted for as such, are in the balance sheet included in several line items and classified in categories for accounting treatment. Below a reconciliation of the financial instruments in Hydro is presented:

2007 Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	**Total**
Assets - current							
Cash and cash equivalents	7	-	9,323	-	-	-	**9,330**
Short-term investments	1,992	-	750	-	-	-	**2,742**
Accounts receivable	-	-	13,425	-	-	2,139	**15,564**
Other current financial assets	964	2	-	-	-	-	**967**
Assets - non-current							
Investments accounted for using the equity method	-	-	982	-	-	8,677	**9,659**
Other non-current financial assets	1,416	-	1,775	1,150	-	-	**4,341**
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	1,045	-	**1,045**
Trade and other payables	-	-	-	-	7,162	5,748	**12,911**
Other current financial liabilities	974	183	-	-	-	-	**1,157**
	-	-	-	-	-	-	
Liabilities - non-current	-	-	-	-	-	-	
Long-term debt	-	-	-	-	263	-	**263**
Other non-current financial liabilities	2,765	30	-	-	-	-	**2,795**

All line items not specified above, as existing in the balance sheet, does not include financial instruments.

Financial assets, classified as current and non-current, represent the maximum exposure Hydro has towards credit risk as at the reporting date.

2006 Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	Total
Assets - current							
Cash and cash equivalents	6	-	6,603	-	-	-	6,609
Short-term investments	2,069	-	12,950	-	-	-	15,020
Accounts receivable	-	-	15,693	-	-	2,093	17,786
Other current financial assets	1,985	380	-	-	-	-	2,365
Assets - non-current							
Investments accounted for using the equity method	-	-	879	-	-	8,051	8,929
Other non-current financial assets	1,315	-	2,256	1,705	-	-	5,275
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	2,509	-	2,509
Trade and other payables	-	-	-	-	8,308	6,213	14,521
Other current financial liabilities	1,768	946	-	-	-	-	2,714
	-	-	-	-	-	-	
Liabilities - non-current	-	-	-	-	-	-	
Long-term debt	-	-	-	-	367	-	367
Other non-current financial liabilities	1,873	353	-	-	-	-	2,226

Realized and unrealized gains and losses from financial instruments and contracts accounted for as financial instruments are in the income statement included in several line items. Below is a reconciliation of the effects from Hydro's financial instruments in the consolidated financial statements:

2007 Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	**Total** [1]
Income statement line item							
Revenue	(188)	652	-	-	-	-	**464**
Raw material and energy expense	701	-	-	-	-	-	**701**
Financial income	(45)	-	-	(130) [2]	-	-	**(175)**
Financial expense	(3,092)	-	-	-	-	-	**(3,092)**
Gain/loss directly to equity							
Recognized directly in equity (before tax)				453			

2006 Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	Total [1]
Income statement line item							
Revenue	405	484	-	-	-	-	889
Raw material and energy expense	2,573	-	-	-	-	-	2,573
Financial income	(85)	-	-	(222) [2]	-	-	(307)
Financial expense	(1,452)	-	-	-	-	-	(1,452)
Gain/loss directly to equity							
Recognized directly in equity (before tax)				145			
Removed from equity and recognized in profit or loss (before tax)				(44)			

1) Amount indicates the total gains and losses related to financial instruments for each specific income statement line item.
2) Dividends from equity instruments classified as available-for-sale.

Currency effects, with the exception of currency derivatives, are not included above.

Negative amounts indicate a gain.

NOTE 41
Financial and commercial risk management

Hydro is exposed to market risks from prices on commodities bought and sold, prices of other raw materials, currency exchange rates and interest rates. Depending on the degree of price volatility, such fluctuations in market prices may create fluctuations in Hydro's results. To manage this exposure to fluctuations in results, Hydro's main strategy is to maintain a strong financial position.

Market risk exposures are evaluated based on a portfolio view in order to take advantage of offsetting positions and to manage risk on a net exposure basis. Natural hedging positions are established where possible and if economically viable. Hydro uses financial derivatives to some extent to manage financial and commercial risk exposures.

Commodity price risk exposure

Electricity Hydro is a producer and consumer of electricity. Hydro's consumption of electricity exceeds its production both in Norway and in Continental Europe. The deficit is principally bought through long-term contracts with other producers and suppliers to secure electricity for Hydro's own consumption and delivery commitments. A major part of contracted volumes have rated counterparts.

In order to manage and mitigate risks related to unfavorable fluctuations in electricity prices and production volumes, Hydro utilizes both physical contracts and financial derivative instruments such as futures, forwards and options. These are traded either bilaterally or over electricity exchanges such as the Nordic power exchange (Nord Pool). Hydro participates in limited speculative trading.

From time to time Hydro will settle obligations to physically deliver electric power in concession power agreements financially. If the agreement for financial settlement changes the risk exposure compared to the original physical delivery, it will be recognized at fair value. Currently the fair value exposure on the balance sheet relating to concession power is limited.

Aluminium Hydro produces primary aluminium and fabricated aluminium products. Hydro's sourcing and trading activities procure raw materials and primary aluminium for use in Hydro's smelters and casthouses or in downstream operations. These materials are also sold to external customers. In addition, the trading activities contribute to optimize capacity utilization and to reduce logistical costs, as well as strengthening market positions by providing customers with flexibility in pricing and sourcing. Hydro has considerable activities relating to remelting and long-term commercial agreements to secure sourcing of casthouse products.

Hydro enters into future contracts with the London Metal Exchange (LME) mainly for two purposes. The first is to achieve an average LME aluminium price on smelter production. Second, because Hydro's downstream business and the sale of third party products are based on margins above the LME price, Hydro hedges metal prices when entering into customer and supplier contracts with corresponding physical or derivative future contracts at fixed prices (back-to-back hedging). The majority of these contracts mature within one year. Hydro manages these hedging activities on a portfolio basis, taking external LME positions based upon net exposures within given limits. Aluminium price volatility can result in significant fluctuations in earnings as the derivative positions are marked to their market value with changes to market value recognized in earnings, while the underlying physical transactions normally are not marked-to-market, except for trading portfolios.

In order to secure the margins for certain projects or related to special situations, Hydro has sold forward on a longer-term basis. In these situations, hedge accounting has normally been applied. See the section on cash flow hedges in note 42 Derivative instruments and hedge accounting.

Natural gas Hydro is to a limited extent a consumer of natural gas, and sources the demanded volumes through long-term purchase contracts. The natural gas is mainly used for heating anode baking furnaces at smelters and casthouses. Currently none of the gas contracts are accounted for at fair value, as they are entered into for own use. Commodity price, foreign exchange rate and credit exposures arising from these natural gas contracts were not significant during 2007 and 2006.

CO_2 emission rights Hydro has on a low scale entered into trading of CO_2 emission rights. The fair value exposure and realized effects were not material for neither 2007 nor 2006.

Foreign currency risk exposure

The price of Hydro's most important product, aluminium, is either denominated in US dollars or is influenced by movements in the value of other currencies against the US dollar. Further, the cost of raw materials, including alumina, is affected by the US dollar price of aluminium, and variations in the US dollar exchange rates against local currencies. Hydro's primary foreign currency risk is therefore linked to fluctuations in the value of the US dollar.

Hydro also incurs costs related to the production, distribution and marketing of products in a number of different currencies, mainly Euro, Norwegian Krone, US dollar, Canadian dollar, Australian dollar, Brazilian Real and British Pound. Consequently, the effects of changes in currency rates on the translation of local currencies into Norwegian Krone for subsidiaries outside of Norway will in some cases influence the comparative results of operations.

Contractual arrangements for the majority of the purchase and sales activities within the European aluminium business are committed in Euro based on the prevailing exchanges rates between the US dollar and Euro at the time of entering into the contracts. This gives a Euro exposure in the results, from the time of entering into the contractual arrangements until settlement. This exposure is quite short-term as the contracts generally are committed and settled within six months.

To reduce the long-term effects of fluctuations in the US dollar and other exchange rates, Hydro employs foreign currency swaps and forward currency contracts to manage the currency exposures. Forward currency contracts are entered into to safeguard cash flows for forecasted future transactions or to cover short-term liquidity needs in one currency through excess liquidity available in another currency.

Such derivative contracts have partly been established to replace the currency hedging effects of long term debt in foreign currencies which Hydro used to carry in the balance sheet prior to the demerger of the oil and gas activities to StatoilHydro.

Interest rate exposure

Hydro is exposed to changes in interest rates, primarily as a result of funding the business operations and management of liquidity in different currencies. Hydro has currently a low interest bearing debt, and the main interest exposure is therefore connected to current accounts and time deposits with banks. From time to time Hydro uses foreign exchange and/or interest rate swaps and other derivatives to optimize currency and interest rate exposure. The fair value of interest rate derivatives as of 31 December 2007 and 2006 is immaterial and not presented here.

However, Hydro has interest rate exposure included in other financial and commodity contracts, included in the sensitivity analysis below.

Sensitivity analysis

In accordance with IFRS requirements Hydro has chosen to provide information about market risk and potential exposure to hypothetical loss from its use of derivative financial instruments and other financial instruments and derivative commodity instruments through sensitivity analysis disclosures. The sensitivity analysis depicted in the tables below reflects the hypothetical gain/loss in fair values that would occur assuming a 10 percent change in rates or prices and no changes in the portfolio of instruments as of 31 December 2007 and 31 December 2006, respectively. Only effects that would ultimately be accounted for in profit and loss, or equity, as a result of a change in rates or prices are included. All changes are before tax.

Amounts in NOK million	Fair value as of 31 December 2007 [1]	Hypothetical gain/loss from +/- 10 percent change in Interest rates	Foreign currency exchange rates	Commodity prices	Volatility	Other
Derivative financial instruments [2]	246	6	1,183	-	-	-
Other financial instruments [3]	16,647	-	550	-	-	199
Derivative commodity instruments [4]	(1,600)	25	682	393	6	-
Financial instruments directly to equity [5]	940	1	72	171	-	115

Amounts in NOK million	Fair value as of 31 December 2006 [1]	Hypothetical gain/loss from +/- 10 percent change in Interest rates	Foreign currency exchange rates	Commodity prices	Volatility	Other
Derivative financial instruments [2]	693	2	1,994	-	-	-
Other financial instruments [3]	26,675	-	673	-	-	207
Derivative commodity instruments [4]	(335)	2	831	653	10	-
Financial instruments directly to equity [5]	790	-	104	534	-	170

1) The change in fair value due to price changes is calculated based on pricing formulas for certain derivatives, the Black-Scholes/Turnbull-Wakeman models for options and the net present value of cash flows for certain financial instruments or derivatives. Discount rates vary as appropriate for the individual instruments.
2) Includes mainly forward currency contracts and currency swaps
3) Includes cash and cash equivalents, investments in marketable securities, bank loans and other interest-bearing short-term debt and long-term debt. Trade payables and trade receivables are also included.
4) Includes all contracts with commodities as underlying, both financial and physical contracts, such as LME contracts and Nord Pool contracts.
5) In the category financial instruments directly to equity, shares classified as available for sale are recognized in the "Other" column, while commodity hedging derivatives are included in the column "Commodity prices".

Hydro's management emphasizes that the sensitivity analysis contains material limitations. This is due to the arbitrary nature of assumptions involved as well as the inability of such a simple analysis to model reality and continuous changes to Hydro's portfolio. The most significant limitations on the figures provided are as follows:

- The tables only include the effects of the derivative instruments discussed above and of certain financial instruments (see footnote 3 in the table above). The analysis does not include all related physical positions, contracts, and anticipated transactions that many of the derivative instruments are meant to secure. A rate or price change of 10 percent will often result in a corresponding effect to the fair value of the physical or underlying position such that the resulting gains and losses would offset.
- The computations, which provide the most positive/negative effect to Hydro of either a 10 percent increase or decrease in each rate or price, do not take into account correlations, which would be expected to occur between the risk exposure categories. For example, the effect that a change in a foreign exchange rate may have on a commodity price is not reflected in the tables above.
- It is not likely that all rates or prices would simultaneously move in directions that would have negative/positive effects on Hydro's portfolio of instruments.

The above discussion about Hydro's risk management policies and the estimated amounts generated from the sensitivity analyses are "forward-looking statements" that involve risks and uncertainties. Actual results could differ materially from those projected due to actual developments in the global markets. The methods used by Hydro to analyze risks discussed above should not be considered projections of future events, gains or losses.

Credit risk management

Hydro is limiting the credit risk by setting counterparty risk limits, purchasing credit insurance, and establishing procedures for monitoring exposures and timely settlement of customer accounts. The overall credit risk level is reduced through a diversified customer base representing various industries and geographic areas.

Credit risk arising from the inability of a counterparty to meet the terms of derivative financial instrument contracts is gener-

ally limited to amounts by which the counterparty's obligations exceed the obligations of Hydro. Pre-approval of exposure limits is required for financial institutions relating to current accounts, deposits and other obligations. Credit risk related to derivative commodity instruments is substantially limited since most instruments are settled through commodity exchanges. Counterparty risk related to the use of derivative instruments and financial operations is regarded as minimal.

Liquidity risk

The volatility observed in commodity prices for products sold and raw materials required also imply a high degree of fluctuations in Hydro's cash positions and borrowing requirements. Funds generated from operations may not be sufficient to cover Hydro's financial commitments to investment programs and other financial commitments like pension obligation payments and servicing of debt.

To fund cash deficits of a more permanent nature Hydro will normally raise long-term debt in available markets, e.g. international bond markets. Hydro has entered into a seven year stand-by credit facility of USD 1.7 billion (established 2007), and a number of short-term credit facilities. Such credit facilities with banks can be used to bridge temporary cash deficits.

Hydro has disclosed repayments of long-term debt in note 30 Long-term debt. Further all other financial liabilities, such as trade payables, with the exception of derivatives, have a final maturity date within one year. An overview of estimated gross cash flows from derivatives accounted for as liabilities is presented below. The cash flows from physical sale and purchase contracts are included based on expected forward prices, and will thus not be reconcilable to the fair values on the balance sheet. Many of these liabilities are offset by cash-flows from contracts being financial assets or not accounted for as derivatives.

Expected gross cash-flow from derivatives accounted for as financial liabilities as of end of year:

Amounts in NOK million	2007
2008	(12,451)
2009	(1,447)
2010	(822)
2011	(881)
2012	(1,248)
Thereafter	(14,495)
Total	(31,344)

For further information on what contracts are accounted for at fair value, see note 42 Derivative instruments and hedge accounting.

NOTE 42
Derivative instruments and hedge accounting

Many of Hydro's commodity contracts are deemed to be derivatives under IFRS. Derivative instruments, whether physically or financially settled, are accounted for under IAS 39. All derivative instruments are accounted for on the balance sheet at fair value with changes in the fair value of derivative instruments recognized in earnings, unless specific hedge criteria are met. For further explanation on what physical commodity contracts that are accounted for as derivatives, and which are considered own use, see note 1 Significant accounting policies and reporting entity.

Commodity derivatives

The following types of commodity derivatives were recorded at fair value on the balance sheet as of 31 December 2007 and 31 December 2006. Contracts that are designated as hedging instruments in cash flow hedges are not included. The presentation of fair values for electricity and aluminium contracts shown in the table below include the fair value of traditional derivative instruments such as futures, forwards and swaps, in conjunction with the physical contracts accounted for at fair value.

Amounts in NOK million	**2007**	2006
Assets		
Electricity contracts	**1,218**	1,413
Aluminium futures, forwards, swaps and options	**855**	503
Total	**2,073**	1,916
Liabilities		
Electricity contracts	**(548)**	(1,024)
Coal forwards	**(1,085)**	(636)
Aluminium futures, forwards, swaps and options	**(2,138)**	(1,594)
Total	**(3,770)**	(3,253)

The underlying commodities for bifurcated embedded derivatives are included.

Changes in the fair value of commodity derivatives are included in operating revenues or cost of goods sold.

Currency derivatives

The following types of financial derivatives were recorded at fair value on the balance sheet as of 31 December 2007 and 31 December 2006. Currency contracts that are designated as hedging instruments in cash flow hedges are not included.

Amounts in NOK million	**2007**	2006
Assets		
Currency forwards and swaps	**279**	828
Embedded currency derivatives	**23**	14
Liabilities		
Currency forwards and swaps	**(33)**	(135)
Embedded currency derivatives	**(9)**	-

The currency contracts listed below were outstanding as of 31 December 2007. Bifurcated embedded currency derivatives are not included.

Currency	Nominal value in currency	Fair value in NOK	Maturity by nominal amount in currency	
Amounts in million			Within one year	More than one year
Buying currency				
AUD	215	1,007	215	-
CAD	56	309	56	-
EUR	514	4,059	514	-
NOK	12,179	12,074	12,179	-
USD	63	296	-	63
Selling currency				
USD	3,147	(16,928)	3,147	-
GBP	21	(226)	21	-
DKK	105	(112)	105	-
JPY	5,017	(234)	75	4,942

Unless used in connection with hedge accounting, changes in the fair value of currency derivatives are included in Financial expense, net, in the income statement.

Embedded derivatives

Some contracts contain pricing links that affect cash flows in a manner different than the underlying commodity or financial instrument in the contract. For accounting purposes, these embedded derivatives are in some circumstances separated from the host contract and recognized at fair value. In some cases, the entire contract, including the embedded derivative, may be recognized at fair value. Hydro has separated and recognized at fair value embedded derivatives related to aluminium, inflation and coal links, in addition to currency forwards, from the underlying contracts.

Cash flow hedges

Hydro has over time entered into hedge programs to secure the price of aluminium ingot to be sold. Aluminium futures and swaps on the London Metal Exchange and with external banks have been used for this purpose. Some of these hedge programs are accounted for as cash flow hedges, where gains and losses on the hedge derivatives are recorded to Other reserves in equity and will be reclassified into operating revenues (cost of goods sold) when the corresponding forecasted sale (purchase) of aluminium ingot is recognized. As the critical terms of the commodity derivatives and the forecasted aluminium sales are substantially similar, no ineffectiveness was recognized in 2007 or 2006 in connection with these cash flow hedges.

The table below gives aggregated numbers related to the aluminium cash flow hedges for the period 2006 to 2007.

	2008	**2007**	2006
Aluminium sold forward with hedge accounting (kmt) [1]		**212**	485
of which open at year-end (kmt) [2]		**165**	410
Average prices achieved in hedges in USD (per mt) [3]		**2,252**	2,108
Expected to be reclassified to earnings (after tax) during the year (NOK million) [4]	(183)	**(541)**	(154)
Reclassified to earnings from Other reserves after tax (NOK million) [5]		**(471)**	(349)

1) Remaining volume sold forward at inception of hedge programs. Hydro has sold forward in the period 2008-2010. Positions at end of year.
2) Including closed out positions / repurchases of hedge derivatives.
3) Weighted average of remaining volume sold forward at inception of hedge program.
4) In the period 2004 - 2007 part of the hedged ingot has also been hedged for currency risk at an exchange rate of 9.3-9.5 NOK to USD. For 2007 a currency gain after tax of NOK 370 million was expected to be reclassified into earnings, and is included in the negative NOK 541 million. Negative amounts indicate a loss. Currency effects of NOK 395 million after tax was actually realized and reversed in 2007.
5) Deviates from expected reclassifications due to changes in market prices throughout the year. Negative amounts indicate a loss.

At the end of 2007 the maximum horizon for existing cash-flow hedging instruments is 36 months.

Hydro hedged the foreign currency exposure between US and Canadian dollar in connection with a major expansion project at the Alouette plant in Canada over the period March 2003 to March 2006. No amount of ineffectiveness was recognized during the life of the hedge. An annual gain after tax of 3 and 4 NOK million was reclassified from Other reserves in equity into earnings during the period ending 31 December 2007 and 31 December 2006, respectively. A gain after tax of NOK 3 million is expected to be reclassified from Other reserves in equity into earnings during the period ending 31 December 2008.

The following fair values were recorded on the balance sheet for hedging instruments as of 31 December 2007 and 31 December 2006.

Amounts in NOK million	**2007**	2006
Assets		
Cash flow hedging instruments, aluminium	**2**	-
Cash flow hedging instruments, currency	**-**	380
Total	**2**	380
Liabilities		
Cash flow hedging instruments, aluminium	**(213)**	(1,299)
Total	**(213)**	(1,299)

In addition to the commodity hedges described above, Hydro also performs trading operations to reduce currency exposures on commodity positions. The effect of such operations is recognized as a part of Financial expense, net, in the income statement, unless subject to hedge accounting.

In addition to the cash flow hedge accounting performed by Hydro entities, some of Hydro's associates and jointly controlled entities included in the consolidated financial statements through the equity method also affect Other reserves through their cash-flow hedge accounting. The after tax movement in Hydro equity relating to cash-flow hedges for 2007 and 2006 is composed as follows:

Amounts in NOK million	**2007**	2006
1 January	**712**	(59)
Period (gain) loss booked into equity	**(42)**	1,173
of which relating to associates	**7**	-
Period gain (loss) reclassified to earnings	**(474)**	(345)
Currency translation effect (gain)	**(69)**	(56)
31 December	**128**	712

Hydro has not applied net investment or fair value hedge accounting for 2007 and 2006.

Fair value of derivative instruments

The fair market value of derivative financial instruments such as currency forwards and swaps is based on quoted market prices. The fair market value of aluminium and electricity futures/forwards and option contracts is based on quoted market prices obtained from the London Metals Exchange and Nord Pool/EEX (European Energy Exchange) respectively. The fair value of other commodity over-the-counter contracts and swaps is based on quoted market prices, estimates obtained from brokers and other appropriate valuation techniques. Where long-term physical delivery commodity contracts are recognized at fair value in accordance with IAS 39, such fair market values are based on quoted forward prices in the market and assumptions of forward prices and margins where market prices are not available.

For further information on fair values, see note 3 Basis of presentation and measurement of fair value. See note 30 Long-term debt for fair value information on Hydro's long-term debt.

NOTE 43
Cash flow information

Reconciliation of cash and cash equivalents

Amounts in NOK million	**2007**	2006
Cash and cash equivalents	**9,330**	6,609
Bank overdraft	**(74)**	(61)
Cash, cash equivalents and bank overdraft	**9,256**	6,548

Cash disbursements and receipts included in cash from operations

Amounts in NOK million	**2007**	2006
Income taxes paid	**2,672**	1,669
Interest paid	**433**	466
Interest received	**1,228**	985
Other dividends received	**138**	183

NOTE 44
External auditor's remuneration

Deloitte AS is the auditor of Norsk Hydro ASA. During 2007, Hydro completed or was in the process of finalizing several transactions and as of 1 October 2007 has been operating as a focused aluminium company. See note 6 Disposals and note 7 Discontinued operations and assets held for sale for additional information. In November 2007, Hydro gave notice to the New York Stock Exchange (NYSE) of de listing from the NYSE. In parallel, Hydro filed an application with the Securities and Exchange Commission (SEC) to terminate the SEC registration of Hydro's debt securities and ordinary shares. The delisting from NYSE became effective on 23 November 2007. The termination of SEC registration became effective on 27 February 2008 and Hydro will, therefore, not be filing any 2007 year-end related financial reporting with the SEC.

Hydro's 2007 audit fees are not comparable to the 2006 audit fees reported here. 2006 fees have not been restated, and are as reported in the 2006 annual report. 2007 audit fees are primarily lower than 2006 fees due to the demerger of the oil and gas business and the elimination of audit activities related to the SEC reporting requirements. Audit related fees were substantially higher in 2007 due to the significant transactions Hydro conducted during the year, as compared to the level of transactions in 2006.

The following table shows total audit, audit-related, non-audit and tax-related fees for the fiscal years 2007 and 2006.

2007 Amounts in NOK thousand	Audit fees	Audit related fees	Other non-audit fees	Tax fees	Total
Norway	21,672	6,145	954	459	29,230
Outside Norway	35,969	551	62	1,739	38,321
Total [1]	57,641	6,696	1,016	2,198	67,551

2006 Amounts in NOK thousand	Audit fees	Audit related fees	Other non-audit fees	Tax fees	Total
Deloitte Norway [2]	51,412	664	1,729	125	53,930
Deloitte Outside Norway	54,929	451	186	6,224	61,790
Total Deloitte	106,341	1,115	1,915	6,349	115,720
Other auditors	3,014		30	20	3,064
Total	109,355	1,115	1,945	6,369	118,784

1) Reported audit fees include NOK 177 thousand to non-Deloitte audit firms.
2) Reported audit fees for Deloitte Norway includes fees for the audit of Hydro's oil and gas license related activities.

NOTE 45
Board of Directors' and Corporate Assembly remuneration

Board of Directors' remuneration and share ownership

Remuneration to the Board of Directors consists solely of the payment of fees. Board members do not have any incentive or share-based compensation. Hydro has not made any guarantees on behalf of any of the board members. The only board members with loans are the employee-elected members of the board.

Fees are based on the position of the board members, board committee assignments and the number of extraordinary meetings held during the year. Annual fees for 2007 for the chairperson of the board, deputy chairperson and directors are NOK 505,000, NOK 315,000 and NOK 260,000, respectively. The chairperson of the audit and the chairperson of the compensation committee receive an additional NOK 160,000 and NOK 23,000 annually in fees, respectively, and audit and compensation committee members receive NOK 105,000 and NOK 18,000 annually, respectively, for their participation on these committees.

The number of board meetings during 2006 and 2007 has been especially high, primarily due to the demerger of the oil and gas business. During 2007 there were a total of 36 board meetings, of which 24 meetings were extraordinary. During 2006 there were 21 board meetings, of which 11 were extraordinary. The chairperson of the board's remuneration for an extraordinary meeting is NOK 30,000 per meeting attended and NOK 10,000 for participation in an extraordinary meeting conducted via telephone. Board member remuneration for an extraordinary meeting is NOK 15,000 per meeting attended and NOK 5,000 for participation in an extraordinary meeting conducted via telephone. Board fees for extraordinary meetings held in 2007 and 2006 have been paid during 2007.

A summary of total board fees, as well as individual board member fees for 2007, and outstanding loans and board member share ownership as of 31 December 2007, are shown in the tables below.

Board of Directors' Fees

Amounts in NOK thousands	**2007**	2006
Fees paid to board members during the year	**5,180**	2,875
Fees paid during the year for prior year's extraordinary meetings [1]	**(705)**	-
Fees related to board service and/or extraordinary meetings during the year not yet paid	**54**	770
Total fees for board services provided to Hydro during the year	**4,529**	3,645

Amounts in NOK thousands	**2007**	2006
Fees - normal board activities	**2,567**	2,457
Fees - compensation committee	**51**	54
Fees - audit committee	**416**	364
Fees related to extraordinary meetings held during the year	**1,495**	770
Total fees for board services provided to Hydro during the year	**4,529**	3,645

1) Fees paid during the year for prior year's extraordinary meetings excludes NOK 65,000 accured in 2006 and paid in 2007 to board members who served on the board in 2006 but not in 2007.

Board of Directors' fees, loans and shareholdings

Board member	Board fees [1]	Outstanding loans [1] [2]	Number of shares [3]
Board members as of 31 December 2007			
Terje Vareberg [4]	104	-	-
Grete Faremo [5]	489	-	-
Finn Marum Jebsen [6] [7]	53	-	12,545
Heidi M. Petersen [6] [7]	53	-	10,000
Bente Rathe [6] [8]	43	-	-
Svein Rennemo [9]	53	-	12,700
Billy Fredagsvik [10] [11]	95	102	326
Jørn B. Lilleby [8] [10] [11]	95	147	501
Sten Roar Martinsen [11]	505	-	136
Board members during 2007 not on the board as of December 31 2007			
Jan Reinås [12]	685	-	-
Elisabeth Grieg [8] [13]	652	-	30,400
Håkan Mogren [7] [14]	424	-	-
Lena Olving [8] [14]	493	-	-
Kurt Anker Nielsen [15]	566	-	-
Geir Nilsen [11] [16]	420	-	526
Terje Friestad [8] [11] [17]	282	-	1,431
Ragnar Fritsvold [11] [18]	168	149	301
Total	5,180	398	68,866

1) Amounts in NOK thousands.
2) Loans are extended to board members who are also Hydro employees under an employee benefit scheme available to all employees in Norway. Since their election to the Board of Directors, there have been no individual modifications to their loan agreements. No additional credit has been extended after election to the Board of Directors. The payment plan schedule has remained the same, and all payments have been made in a timely fashion. Jørn B. Lilleby's loan is at an interest rate of 5.5-6.2 percent and has a repayment period of 6 years. Billy Fredagsvik's loan has an interest rate of 5.5 percent and a repayment period of 4 years. Ragnar Fritsvold's loan has been repaid in its entirety as of 29 January 2008.
3) Number of shares owned as of 31 December 2007 for board members as of 31 December 2007; otherwise it is the number of shares owned as of the date the individual stepped down from the Board of Directors. Shareholdings disclosed include all related party share holdings, in addition to shares held directly by the board member/former board member.
4) Chairperson of the board and board member as of 8 November 2007, and is chairperson of the board compensation committee.
5) Deputy chairperson of the board as of 8 November 2007. Member of the compensation committee 1 January - 30 November 2007, and currently a member of the audit committee.
6) Board member as of 8 November 2007.
7) Member board compensation committee.
8) Member board audit committee.
9) Board member and chair audit committee as of 8 November 2007.
10) Board member as of 1 October 2007.
11) Employee representative on the board elected by the employees in accordance with Norwegian Company Law. As such, these individuals also are paid regular salary, remuneration in kind and pension benefits that are not included in the table above.
12) Chairperson of the board and compensation committee chair until 4 August 2007.
13) Deputy chairperson 1 January - 3 August 2007 and Acting board chairperson from 4 August 2007 until stepping down from the board 8 November 2007.
14) Board member until 8 November 2007.
15) Chair audit committee and board member until 8 November 2007.
16) Board member until 1 October 2007.
17) Board member until 16 May 2007.
18) Board member from 25 May to 1 October 2007.

Corporate Assembly remuneration and share ownership

Corporate Assembly members receive an honorarium from Hydro for services rendered during the year. The Corporate Assembly Chairperson and Deputy Chairperson receive an annual fee of NOK 80,000 and NOK 40,000, respectively, plus a fee for each meeting attended. All members, including any deputy members, receive NOK 5,500 per meeting attended.

The chairperson of the nomination committee and at least one other member of the nomination committee are elected from the shareholder-elected members of the Corporate Assembly. Members of the nomination committee receive NOK 21,000 annually in fees.

A summary of Corporate Assembly fees for 2007 and 2006 and individual Corporate Assembly member share ownership as of 31 December 2007 are given in the tables below.

Corporate Assembly fees

Amounts in NOK thousands	**2007**	2006
Fees paid to Corporate Assembly Chairperson	**139**	120
Fees paid to Corporate Assembly Deputy Chairperson	**105**	70
Fees paid to all other members of Corporate Assembly	**681**	363
Total fees paid to corporate assembly members during the year	**925**	553
Fees paid in 2007 (2006) related to meetings attended and/or nomination committee assignment in 2006 (2005)	**(139)**	(60)
Fees related to 2007 to be paid in 2008/ Fees related to 2006 to be paid in paid in 2007	**63**	139
Total fees for Corporate Assembly services provided to Hydro during the year	**850**	632

Corporate Assembly shareholdings

Corporate Assembly member	Number of shares [1]
Svein Steen Thomassen (Chairperson) [2]	500
Siri Teigum (Deputy Chairperson) [2]	-
Westye Høegh [2]	67,000
Nils Roar Brevik [3]	141
Anne-Margrethe Firing	5,820
Aase Gudding Gresvig	-
Michael Hall [4]	1
Idar Kreutzer	-
Kjell Kvinge	746
Dag Harald Madsen	251
Bjørn Nedreaas [3]	331
Anne Merete Steensland	121,360
Svein K. Sund [5]	316
Sten-Arthur Sælør	-
Lars Tronsgaard	-
Karen Helene Ulltveit-Moe	-
Terje Venold	500
Svein Aaser	360

Deputy Member	Number of shares [1]
Øystein Bråthen [3]	1,676
Ove Ellefsen [3]	576
Trygve Eriksen [3]	1
Odd Arne Fodnes	361
Terje Friestad [3]	1,431
Erik Garaas	-
Merete Jonas [4]	766
Line Melkild	101
Wolfgang Ruch	875
Arne Rønningen [3]	251
Tor Egil Skulstad [4]	25
Unni Steinsmo	-
Brit Sæverud [3]	2,006
Gunvor Ulstein	-
Georg Vikshåland [3]	251
Bente Linnerud Østlyngen [4]	445
Bjørn Øvstetun	136

1) Number of shares owned as of 31 December 2007; includes any related party shareholdings, in addition to the shares held directly by the corporate assembly member.
2) Member of the nomination committee.
3) Member of the Corporate Assembly as of 6 December 2007.
4) Member of the Corporate Assembly as of 16 May 2007.
5) Member of the Corporate Assembly as of 8 November 2007.

NOTE 46
Related party information

As of 31 December 2007, The Ministry of Trade and Industry of Norway owned 546,902,099 ordinary shares in Hydro, representing 43.8 percent of the total number of ordinary shares authorized and issued and 45.2 percent of the total shares outstanding. In addition, the National Insurance Fund, "Folketrygdfondet" owned, 45,868,635 ordinary shares, representing 3.7 percent of the total number of ordinary shares issued and 3.8 percent of the total shares outstanding. The National Insurance Fund is an independently managed administrative body which is an integral part of the Norwegian State. In total the Norwegian State owns 592,770,734 ordinary shares. This represents 47.5 percent of the total number of ordinary shares issued and 49.0 percent of the total shared outstanding. There are no preferential voting rights associated with the ordinary shares held by the Norwegian State. Other shares are held by a widespread group of shareholders, in total around 42,000 registered share holders. No other shareholder holds more than 5 percent of Hydro's outstanding shares. On this basis, Hydro has concluded that the Norwegian state's share holding represents de facto control.

The Norwegian State has ownership interests in around 80 companies. We have, for the purpose of this disclosure, related to public information from the State [1)], and we have not assessed which of these companies are controlled by the state. Hydro has business transactions with a number of these companies, including purchase of power from Statkraft SF. Generally, transactions are agreed independent of the common control exercised by the State. In December 2006, the Board of Directors in Hydro and Statoil (now StatoilHydro) agreed to propose a plan whereby Hydro's petroleum activities would be demerged and merged with Statoil to form StatoilHydro. The plan was approved by the general meeting in July 2007, and the demerger and merger was completed on 1 October 2007. See note 7 Discontinued operations for further information.

In the discussion that follows, all previously reported share amounts or share prices have been adjusted to reflect the 5-for-1 stock split effective 10 May 2006.

The Annual General Meeting held on 9 May 2006 approved a buyback authorization of 22,470,482 shares over a one-year period. The Ministry of Trade and Industry agreed to participate in the redemption of a proportional number of shares in order to leave its ownership interest unchanged. Including the share redemption, the authorization provided for a maximum of 40,000,000 shares to be cancelled. Share repurchases could be made in the share price interval of NOK 50 to NOK 300 per share, and the shares acquired in accordance with the authorization were for no other purpose than cancellation by means of capital reduction. In total, Hydro bought back 21,627,000 shares at an average price of NOK 160.79 per share under this authorization. A decision to cancel the shares repurchased, and 16,871,506 shares owned by the Ministry, was approved at the General Meeting of shareholders on 5 July 2007. The Ministry received a total compensation of NOK 2,702 million for the shares, which corresponds to the average price per share for the buy-back in the market, pluss interest compensation and with reduction for dividends paid in May for the cancelled shares.

A significant share of Hydro's defined benefit post-employment benefit plans are managed by the independent pension trust Norsk Hydro Pensjonskasse. This trust owns some of the office buildings rented by Hydro. The rental arrangements are based on market price benchmarks, however, competing offers are generally not obtained when pricing is agreed. In total, Hydro rents around 63,000 m^2 office and related buildings, plus certain other buildings on contracts with a remaining life of around 13 years. Of this, around 43,000 m^2 is subleased to StatoilHydro. Hydro also has a contract with the pension trust to rent an office building at the head office site currently under construction to Hydro's specification. Hydro has paid a total rental of NOK 132 million and NOK 130 million for 2007 and 2006, respectively. These amounts include certain other buildings not rented by Hydro as of the end of 2007. Areas where the lease arrangement were transferred to StatoilHydro in the demerger on 1 October 2007 are excluded from the figures above, while areas used for combined purposes of both the Hydro's continued business and the transferred business for the period until the completion of the demerger, and areas subleased after the demerger, are included. In addition, Hydro is involved with pension trusts in Great Britain and some other countries. There are no similar arrangements with those trusts.

The current and prior year members of Hydro's board of directors are stated in note 45 Board of Directors remuneration, where their remuneration and share ownership is outlined. Some of the board members or their close members of family serve as board members or executive directors in other companies. In addition, some members of Hydro's corporate management board or their close members of family serve as board members in other companies. Hydro has not identified any transactions where the relationship is known to have influenced the transaction.

Hydro's significant associated companies and transactions with those companies are described in note 25 Investments in associates. Hydro's significant jointly controlled entities and transactions with those entities are described in note 26 Investments in jointly controlled entities. Hydro has joint venture arrangements with a number of other companies. Generally, the relationships are limited to a combined effort within a limited area, often raw material production in the form of power, alumina or anode production, smelter production or combined production of semi fabricated products. Hydro considers the joint venture partners competitors in other business transactions, and do not see these relationships as related party relationships.

1) According to information on the Government web site www.regjeringen.no, state ownership

NOTE 47
Conversion to IFRS

Each year since around 1986, Hydro has presented financial statements under US GAAP, up to and including the fiscal year ending 31 December 2006. As of 1 January 2007, Hydro converted to IFRS and now uses IFRS for all financial reporting for the group. Hydro's transition date to IFRS is 1 January 2006.

This footnote presents Hydro's IFRS financial statements for the IFRS transition period. The IFRS information included in this footnote is reconciled to the previously reported US GAAP 2006 income statement and the 1 January 2006 and 31 December 2006 US GAAP balance sheets, as well as to the US GAAP shareholders' equity as of 1 January 2006 and 31 December 2006. This footnote also discloses the IFRS transition principles adopted by Hydro and includes a discussion of the principle differences between IFRS and US GAAP for Hydro. See note 1 Summary accounting principles and reporting entity for information related to Hydro's IFRS accounting policies. Additional information related to our US GAAP reporting is available in Hydro's Annual Report 2006.

Transition to IFRS – IFRS 1 elected exemptions

Hydro's transition to IFRS follows the regulation in IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). IFRS 1 offers the possibility to utilize certain exemptions from retrospective implementation of IFRS as if always applied. Hydro has evaluated the options available in IFRS 1, and has elected to adopt transition implementation policies in the areas of business combinations, employee benefits, cumulative translation differences, designation of previously recognized financial instruments, share-based payment transactions and asset retirement obligations. A summary of these transition accounting policies is given below. Transition policies available in IFRS 1 that are not material for Hydro are not included in the discussion.

Business combinations

IFRS 3 Business Combinations (IFRS 3) deviates in certain respects when compared to the US GAAP standards applicable for accounting for business combinations. The implementation guidance for the current US GAAP standards gives, for certain acquisitions, a different result compared to full retrospective implementation of IFRS 3.

Hydro has elected to utilize the option in IFRS 1 to not apply IFRS 3 retrospectively to past business combinations completed as of 1 January 2006. The impact of this policy decision is that all prior business combinations will continue to be accounted for as they originally were under US GAAP, including the allocation of acquisition cost. This includes the recognition of any goodwill identified in these transactions.

Employee benefits

IFRS 1 allows for all cumulative actuarial gains and losses at the date of transition to be recognized as of the date of transition as an alternative to full retrospective application of IAS 19 Employee Benefits. Hydro has chosen to adopt this transition policy, and has recognized all 1 January 2006 cumulative actuarial gains and losses at the date of transition with the effect posted directly against equity. Hydro applies the same economic and actuarial assumptions under IFRS as applied under US GAAP, and will continue to use the corridor approach when accounting for actuarial gains and losses on an ongoing basis.

Cumulative translation differences

IFRS 1 offers the first-time adopter of IFRS the option to reset the cumulative translation differences that existed at the date of adoption (i.e. the US GAAP translation differences) to zero as of the date of transition to IFRS as an alternative to establishing a cumulative translation difference as if the accounting and translation principles in IAS 21 The Effects of Changes in Foreign Exchange Rates had always been used and the measurement of assets and liabilities had been as required by currently implemented IFRS. Hydro has elected to utilize this option, and has reset the cumulative translation differences for all foreign operations to zero as of 1 January 2006. Future gains or losses on a subsequent disposal of any foreign operation will therefore exclude translation differences that arose before 1 January 2006.

Designation of previously recognized financial instruments

Marketable and non-marketable trading shares as defined under US GAAP are classified as financial assets at fair value through profit and loss under IFRS. Shares held for trading are classified as part of Short-term investments. Hydro has elected that non-marketable shares previously classified under US GAAP as not held for trading are classified as available-for-sale under IFRS with changes in fair value booked against equity. The shares are presented in the balance sheet as part of Financial Assets. Non-marketable shares in the US GAAP balance sheet were classified as Prepaid pension, investment and other non-current assets, and measured at cost.

Share-based payment transactions

Hydro adopted IFRS 2 Share-based Payment (IFRS 2) as of 1 January 2006. IFRS 1 encourages first-time adopters of IFRS to apply IFRS 2 to equity instruments granted on or before 7 November 2002. Hydro has applied IFRS 2 to all share-based payments, including the share appreciation rights granted prior to 7 November 2002.

Asset retirement obligations

IFRS 1 allows for a simplified treatment of historic changes when estimating the asset retirement obligations between the initial inception of the liability and the adoption of IFRS. Hydro has elected to utilize this option. The asset retirement obligations have been calculated as of Hydro's 1 January 2006 transition date in accordance with IAS 37 Provisions using the best estimate of removal cost and timing, and the risk free interest rates for the relevant currencies and expected life of the asset as of the date of estimation. The IFRS estimate resulted in an increase in recognized asset retirement obligations of NOK 3,040 million as of 1 January 2006. The estimated amount that would have been included in the historical cost of the asset, based on historical interest rates and accumulated depreciation based on that amount, have been calculated. That estimated amount is only insignificantly different from the asset value recognized under US GAAP. Hydro has therefore not recognized any difference in historical cost or carrying value of the related fixed assets in connection with the transition to IFRS.

Consolidated income statement 2006 US GAAP to IFRS

Year ended 31 December 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Operating revenues	**196,234**	(196,234)	-					
Revenue		198,862	198,862	-	2,422	-	-	**201,283**
Share of the profit (loss) in equity accounted investments		971	971	-	-	-	19	**990**
Other income, net		1,496	1,496	-	-	(43)	17	**1,470**
Total revenue and income		201,329	201,329	-	2,422	(43)	36	**203,744**
Raw material and energy expense	**98,961**	(17,994)	80,966	-	1,844	-	-	**82,810**
Employee benefits expense / Payroll and related costs	**19,404**	706	20,110	(564)	-	-	-	**19,546**
Depreciation and amortization expense	**16,937**	(110)	16,826	-	-	389	-	**17,215**
Impairment of non-current assets / Impairment losses	**5,228**	-	5,228	-	-	264	-	**5,492**
Other	**3,481**	20,804	24,285	-	-	(572)	(43)	**23,670**
Total expenses / Operating costs and expenses	**144,010**	3,406	147,415	(564)	1,844	81	(43)	**148,733**
Operating income	**52,224**	(52,224)						
Earnings before financial items and tax		53,914	53,914	564	578	(124)	79	**55,010**
Financial income (expense), net	**1,785**	(1,785)	-					
Financial income		1,425	1,425	-	-	-	-	**1,425**
Financial expense		(82)	(82)	-	(46)	85	-	**(43)**
Financial income (expense), net	**1,785**	(441)	1,343	-	(46)	85	-	**1,382**
Equity in net income of non-consolidated investees	**962**	(962)	-					
Other income (expense), net	**53**	(53)	-					
Income before tax / Income from continuing operations before taxes and minority interest	**55,024**	233	55,257	564	532	(39)	79	**56,392**
Income tax expense	**(37,598)**	(66)	(37,665)	(189)	(645)	(11)	50	**(38,459)**
Mintority interest	**(202)**	202	-					
Income from continuing operations	**17,224**	(17,224)	-					
Income from discontinued operations	**167**	(167)	-					
Net income	**17,391**	202	17,593	375	(113)	(50)	129	**17,933**
Net income attributable to minority interests		202	202	-	-	71	1	**273**
Net income attributable to equity holders of the parent		17,391	17,391	375	(113)	(120)	127	**17,660**

Consolidated balance sheets 1 January 2006 US GAAP to IFRS

1 January 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Assets								
Cash and cash equivalents	**10,463**	-	10,463	-	-	-	-	**10,463**
Short-term investments	**3,865**	-	3,865	-	-	-	-	**3,865**
Accounts receivable	**23,333**	12,106	35,438	-	-	-	-	**35,438**
Inventories	**14,553**	-	14,553	-	-	-	-	**14,553**
Other current financial assets / Prepaid expenses and other current assets	**15,912**	(12,106)	3,806	-	1,536	-	-	**5,342**
Current deferred tax assets	**2,166**	(2,166)	-					
Total current assets	**70,293**	(2,166)	68,126	-	1,536	-	-	**69,662**
Property, plant and equipment	**128,191**	(5,443)	122,747	-	-	1,285	-	**124,032**
Intangible assets	**5,153**	5,443	10,596	(225)	-	-	-	**10,371**
Investments accounted for using the equity method / Non-consolidated investees	**10,814**	-	10,814	-	-	-	30	**10,844**
Other non-current financial assets		7,175	7,175	-	(829)	-	919	**7,265**
Prepaid pension, investments and other non-current assets	**11,910**	(7,175)	4,735	(4,639)	-	-	-	**96**
Deferred tax assets	**833**	982	1,815	-	-	-	-	**1,815**
Total non-current assets	**156,902**	982	157,884	(4,864)	(829)	1,285	949	**154,424**
Total assets	**227,195**	(1,184)	226,010	(4,864)	706	1,285	949	**224,086**

Consolidated balance sheets 1 January 2006 US GAAP to IFRS (cont.)

1 January 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Liabilities and equity								
Bank loans and other interest-bearing short-term debt	**4,658**	379	5,037	-	-	-	-	**5,037**
Trade and other payables		27,832	27,832	-	-	-	-	**27,832**
Current portion of long-term debt	**379**	(379)	-	-	-	-	-	**-**
Provisions		1,209	1,209	-	-	(10)	-	**1,200**
Taxes payable		13,843	13,843	-	-	-	-	**13,843**
Other current financial liabilities	**47,239**	(42,885)	4,355	-	3,579	-	-	**7,933**
Current deferred tax liabilities	**980**	(980)	-					
Total current liabilities	**53,256**	(980)	52,277	-	3,579	(10)	-	**55,846**
Long-term debt	**21,387**	-	21,387	-	-	-	-	**21,387**
Provisions		7,905	7,905	-	-	2,908	70	**10,883**
Pension obligation	**9,939**	(45)	9,895	3,026	-	-	-	**12,921**
Other non-current financial liabilities		2,336	2,336	-	(600)	-	-	**1,736**
Other liabilities	**12,424**	(10,196)	2,228	544	-	-	(22)	**2,750**
Deferred tax liabilities	**33,713**	(205)	33,508	(2,423)	(1,480)	(1,924)	139	**27,820**
Total non-current liabilities	**77,462**	(205)	77,258	1,148	(2,080)	984	187	**77,497**
Total liabilities		129,535	129,535	1,148	1,499	975	187	**133,343**
Minority shareholders' interest in consolidated subsidiaries	**981**	(981)	-					
Share capital	**4,739**	-	4,739	-	-	-	-	**4,739**
Additional paid-in capital	**10,501**	-	10,501	-	-	-	-	**10,501**
Other reserves / Accumulated other comprehensive income (loss)	**(2,083)**	-	(2,083)	1,306	-	-	1,500	**723**
Retained earnings	**85,927**	-	85,927	(7,317)	(740)	258	(738)	**77,390**
Treasury shares	**(3,589)**	-	(3,589)	-	-	-	-	**(3,589)**
Equity attributable to equity holders of the parent / Shareholders' equity	**95,495**	-	95,495	(6,012)	(740)	258	762	**89,763**
Minority interest		981	981	-	(53)	52	(1)	**980**
Total equity		96,476	96,476	(6,012)	(792)	310	762	**90,743**
Total liabilities and equity / shareholders' equity	**227,195**	(1,184)	226,010	(4,864)	706	1,285	949	**224,086**

Consolidated balance sheets 31 December 2006 US GAAP to IFRS

31 December 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Assets								
Cash and cash equivalents	**6,760**	-	6,760	-	-	-	-	**6,760**
Short-term investments	**15,020**	-	15,020	-	-	-	-	**15,020**
Accounts receivable	**25,608**	8,901	34,508	-	-	-	-	**34,508**
Inventories	**16,497**	-	16,497	-	-	-	-	**16,497**
Other current financial assets / Prepaid expenses and other current assets	**14,025**	(8,901)	5,124	-	1,559	-	-	**6,683**
Current deferred tax assets	**3,099**	(3,099)	-					
Assets held for sale / Current assets held for sale	**1,122**	2,569	3,691	-	-	-	-	**3,691**
Total current assets	**82,131**	(530)	81,602	-	1,559	-	-	**83,161**
Property, plant and equipment	**124,976**	(6,604)	118,372	-	-	702	-	**119,075**
Intangible assets	**4,861**	6,604	11,464	-	-	-	11	**11,475**
Investments accounted for using the equity method / Non-consolidated investees	**10,455**	-	10,455	-	-	-	235	**10,690**
Other non-current financial assets		6,464	6,464	-	(1,018)	-	782	**6,229**
Prepaid pension / Prepaid pension, investments and other non-current assets	**7,763**	(6,464)	1,298	(995)	-	-	-	**303**
Deferred tax assets	**1,239**	938	2,177	-	-	-	-	**2,177**
Non-current assets held for sale	**2,569**	(2,569)	-					
Total non-current assets	**151,862**	(1,631)	150,231	(995)	(1,018)	702	1,028	**149,950**
Total assets	**233,993**	(2,160)	231,833	(995)	542	702	1,028	**233,110**

Consolidated balance sheets 31 December 2006 US GAAP to IFRS (cont.)

31 December 2006 Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
Liabilities and equity								
Bank loans and other interest-bearing short-term debt	**3,213**	441	3,655	-	-	-	-	**3,655**
Trade and other payables		29,785	29,785	-	-	-	-	**29,785**
Current portion of long-term debt	**441**	(441)	-					
Provisions		2,217	2,217	-	-	(45)	25	**2,197**
Taxes payable		18,995	18,995	-	-	-	-	**18,995**
Other current financial liabilities	**55,550**	(51,561)	3,989	-	2,105	-	-	**6,094**
Current deferred tax liabilities	**1,134**	(1,134)	-	-	-	-	-	**-**
Liabilities included in disposal groups / Current liabilities in disposal groups	**738**	273	1,011	1	-	-	-	**1,011**
Total current liabilities	**61,076**	(1,425)	59,651	1	2,105	(45)	25	**61,736**
Long-term debt	**19,619**	-	19,619	-	-	-	-	**19,619**
Provisions		11,913	11,913	-	-	2,433	10	**14,357**
Pension obligation	**12,391**	522	12,913	(308)	-	-	-	**12,605**
Other non-current financial liabilities		2,047	2,047	-	179	-	-	**2,226**
Other liabilities	**16,126**	(13,918)	2,208	510	-	-	(16)	**2,702**
Deferred tax liabilities	**27,307**	(1,027)	26,280	(294)	(855)	(1,914)	47	**23,265**
Long-term liabilities in disposal groups	**273**	(273)	-					
Total non-current liabilities	**75,715**	(735)	74,980	(91)	(676)	519	41	**74,773**
Total liabilities		134,631	134,631	(90)	1,429	474	66	**136,509**
Minority shareholders' interest in consolidated subsidiaries	**707**	(707)	-					
Share capital	**4,708**	-	4,708	-	-	-	-	**4,708**
Additional paid-in capital	**9,736**	-	9,736	-	-	-	-	**9,736**
Other reserves / Accumulated other comprehensive income (loss)	**(9,135)**	-	(9,135)	6,078	-	-	1,524	**(1,533)**
Retained earnings	**97,811**	-	97,811	(6,983)	(835)	112	(561)	**89,544**
Treasury shares	**(6,624)**	-	(6,624)	-	-	-	-	**(6,624)**
Equity attributable to equity holders of the parent / Shareholders' equity	**96,496**	-	96,496	(905)	(835)	112	963	**95,831**
Minority interest		707	707	-	(53)	117	-	**771**
Total equity		97,202	97,202	(905)	(888)	229	963	**96,601**
Total liabilities and equity / shareholders' equity	**233,993**	(2,160)	231,833	(995)	542	702	1,028	**233,110**

Reconciliation of equity - US GAAP to IFRS

Amounts in NOK million	**US GAAP**	Presentation and classification	US GAAP reclassified	Pensions and other employee benefits	Financial instruments	Property, plant and equipment	Other	**IFRS**
Reference		A		B	C	D	E	
1 January 2006								
Equity attributable to equity holders of the parent / Shareholders' equity	**95,495**	-	95,495	(6,012)	(740)	258	762	**89,763**
Minority interest / Minority shareholders' interest in consolidated subsidiaries	**981**	-	981	-	(53)	52	(1)	**980**
Total equity			96,476	(6,012)	(792)	310	762	**90,743**
31 December 2006								
Equity attributable to equity holders of the parent / Shareholders' equity	**96,496**	-	96,496	(905)	(835)	112	963	**95,831**
Minority interest / Minority shareholders' interest in consolidated subsidiaries	**707**	-	707	-	(53)	117	-	**771**
Total equity			97,202	(905)	(888)	229	963	**96,601**

Conversion to IFRS: Explanation of differences

During the conversion process from US GAAP to IFRS, Hydro analyzed in detail all standards relevant for our financial statements. When comparing an IFRS to an US GAAP principle, many standards have the same reporting objective; however when comparing the details we have identified practical implementation differences for specific transactions or classes of transactions. The areas identified by Hydro include capitalized interest, share-based payments, business combinations and financial instruments. None of these identified differences were of a material nature for Hydro in 2006, and are therefore not discussed in detail below, as the 2006 IFRS financial statements are not affected.

The following discussion corresponds to the difference columns A-E in the US GAAP to IFRS reconciliation income statements, balance sheets and reconciliation of equity presented in this footnote. The discussion covers the transition effects on the 1 January 2006 opening balance, balance sheet differences as of 31 December 2006 and income differences during 2006. The US GAAP to IFRS income statements and balance sheets give the new IFRS line name first, followed by the US GAAP line name that is being replaced. Presentation and classification changes are shown first, using US GAAP figures. The IFRS classified US GAAP figures are then adjusted in columns B-E, in respect of IFRS measurement changes.

A – Presentation and classification

Income statement

There are presentation and classification differences when comparing Hydro's IFRS to US GAAP income statement. Operating revenues is now called Revenue. Under US GAAP, Operating revenues include some miscellaneous revenue items that are classified as Other income, net under IFRS. The line item Share of the profit (loss) from equity accounted investments moves up the income statement and is now included as part of Total revenue and income. The amount of Share of the profit (loss) from equity accounted investments is different after the presentation change as discontinued operations are included in the amount; IFRS does not have a line item Discontinued operations in the 2006 financial statements. The line item Other income, net, comprises some miscellaneous revenue items and gain or loss on sale of property, plant and equipment and investments previously reported as part of Other operating expenses.

One significant classification difference is that the Automotive Castings business is not considered a separate major line of business and thus not separately reported as discontinued operations. As a result, the line Discontinued operations is not part of the IFRS income statement for 2006, and the NOK 167 million US GAAP loss on discontinued operations is therefore distributed among the IFRS income statement line items (in column A) between Revenues, Other income, net, Raw materials and energy costs, Employee benefits expense, Depreciation and amortization expense, Other, and Financial income and Financial expense.

Accretion expense related to the asset retirement obligations is now classified as part of Financial expense; under US GAAP this is classified as part of Depreciation and amortization expense. The Depreciation and amortization expense NOK (110) million adjustment in column A represents NOK 332 million related to discontinued operations and NOK (442) million related to the ARO accretion expense.

The line item Operating income is replaced by Earnings before financial items and tax as the primary measure of earnings in the segments. Financial items are now shown separately as Financial income, and Financial expense. Financial expense includes exchange gains and losses (no change from US GAAP) and accretion expense related to ARO and provisions (a change as compared to US GAAP). Provision accretion expense under US GAAP is classified as Other expenses.

Minority interest is now located on the IFRS income statement after the subtotal Net income. The final figure in the IFRS income statement is a new line item, Net income attributable to equity holders of the parent, which is the equivalent line to the US GAAP line Net income. The IFRS line Net income is found on the income statement above Net income attributable to minority interests.

Balance sheet

Other short-term receivables that were included as part of Other current assets for US GAAP reporting are now classified for IFRS financial reporting as part of Accounts Receivable. These short-term receivables primarily relate to VAT receivable and other external prepaid items. Capitalized exploration costs, classified as part of Property, plant and equipment under US GAAP are now classified as part of Intangible assets. Non-current financial assets are now shown on the face of the balance sheet, reclassified from Other non-current assets.

Shares held for trading are classified as part of Short-term investments with a fair value of NOK 586 million in the 1 January 2006 balance sheet under both IFRS and US GAAP. Non-marketable shares previously classified under US GAAP as not held for trading are classified as available-for-sale under IFRS with changes in fair value booked against equity. The shares are presented in the balance sheet as part of Financial Assets. Non-marketable shares in the US GAAP balance sheet were classified as Prepaid pension, investment and other non-current assets, and measured at cost.

Trade and other payables, Taxes payable and Provisions (current) are reclassified from Other current liabilities and shown separately in the IFRS balance sheet. The current portion of long-term debt is not presented as a separate line item in the IFRS balance sheet, but instead is included as part of Bank loans and other interest-bearing debt. Provisions (non-current) and Other financial liabilities are reclassified from Other liabilities, non-current and shown separately as non-current liabilities. To achieve a more correct presentation under IFRS, NOK 45 million in the 1 January 2006 balance sheet relating to an accrual for long-term employee benefits has been reclassified from accrued pension liabilities to other liabilities, non-current. The adjustment in the 31 December 2006 balance sheet was NOK 42 million.

All deferred tax assets and deferred tax liabilities are classified as non-current; under US GAAP the requirement is to show the current and non-current deferred tax assets and liabilities separately.

The elements included in the US GAAP line item Accumulated other comprehensive income are now included in the IFRS line item Other reserves.

Statement of cash flows

The 2006 IFRS statement of cash flows is very similar in presentation and format to Hydro's 2006 US GAAP statement of cash flows, with only four presentation, classification or measurement differences related to the measurement of cash, classification of capitalized interest, presentation of capitalized capital maintenance and presentation related to Assets held for sale. These differences are discussed below. A reconciliation of the US GAAP to IFRS statement of cash flows is not presented, as it is not an IFRS requirement and our differences are not significant. See the Annual Report 2006 for the US GAAP statement of cash flows.

The IFRS statement of cash flows includes bank overdrafts in the definition of cash; bank overdrafts are excluded from the US GAAP cash definition. In the 2006 statement of cash flows, the IFRS 1 January and 31 December 2006 cash balances in the statement of cash flows are NOK 9,964 million and NOK 6,674 million, respectively. This is NOK 499 million and NOK 86 million lower than the US GAAP cash balances reported for 1 January and 31 December 2006, respectively.

Capitalized interest in the amount NOK 1,231 million is classified as an operating activity in the IFRS statement of cash flows, and is classified as an investing activity in the US GAAP statement of cash flows, included as part of Purchases of property, plant and equipment.

In the IFRS statement of cash flows, the capitalized capital maintenance for the period is presented as part of investing activities. Under US GAAP for 2006, the accrual method was used and costs related to capital maintenance are expensed in the income statement and therefore included in the US GAAP statement of cash flows as part of net income. See also the section below "D – Property, plant & equipment, Periodic maintenance."

In the fourth quarter of 2006 the results and cash flows of the Automotive Castings business were reported as discontinued operations in US GAAP. As this is not a separate major line of business, it is not separately reported under IFRS but is included in cash flows from continuing operations.

IFRS allows the financial statement preparer the choice to classify interest and dividends paid and received as part of operating activities or interest as part of investing activities and dividends as part of financing activities. Hydro has chosen the same classification as is currently required by US GAAP, which is to classify interest and dividends paid and received as part of operating activities.

Even excluding the above specific items, there will always be overall general differences when comparing the IFRS and US GAAP cash from operating, investing and financing activities. This is unavoidable as long as there are IFRS as compared to US GAAP measurement and recognition differences in the balance sheet and income statement. These differences are discussed throughout the rest of this document, and not specifically detailed here in relation to the statement of cash flows.

B – Pensions

IFRS requires either full retrospective application of IAS 19 Employee Benefits, or recognition of all cumulative actuarial gains and losses at the date of transition to IFRS. Hydro has elected to utilize the implementation provision to recognize prior periods' unrecognized gains and losses directly in equity as of 1 January 2006. As of 1 January 2006, the GAAP difference includes unrecognized prior service costs and unrecognized net losses of NOK 9,804 million. Both of these elements are amortized over the future service period in US GAAP. The US GAAP intangible assets and accrued liability related to the additional minimum liability of NOK 225 million and NOK 2,132 million, respectively, were reversed for IFRS reporting as IFRS does not allow for such an asset/liability to be recognized. Net of tax, the decrease in equity per 1 January 2006 related to pensions and other employee benefits is NOK 5,974 million.

As the funded status of the pension plans was recognized in the US GAAP balance sheet as of 31 December 2006, the impact on Hydro's IFRS balance sheet as of the end of 2006 was limited. The IFRS to US GAAP pre-tax difference of NOK 683 million represents net unrecognized gains and losses incurred during 2006. Under Hydro's IFRS accounting principles net cumulative actuarial gains and losses in excess of the greater of 10 percent of the benefit obligation (before deducting plan assets) and 10 percent of the fair value of any plan assets are amortized in the income statement over the remaining service period of active plan participants.

Pension costs during 2006 were NOK 564 million lower under IFRS as compared to US GAAP due to amortization differences related to past service costs and accumulated losses. Net of tax, the decrease in equity as of 31 December 2006 related to pensions and other employee benefits is NOK 714 million. Hydro applies the same economic and actuarial assumptions under IFRS as applied under US GAAP.

As of 31 December 2006, Hydro has a GAAP timing difference of NOK 78 million related to curtailments of certain defined benefit pension plans. Under IFRS, curtailment gains are recognized when curtailments occur. Under US GAAP, curtailment gains are deferred until realized.

C – Financial instruments

Measurement and scoping

Some contracts that contain embedded derivatives are accounted for as derivatives under US GAAP in their entirety, while only the embedded derivatives are separated under IFRS.

Under US GAAP, where the commodity in the contract is traded in a liquid market, Hydro would have to perform extensive documentation that the assets in the contract are for "Normal Purchase and Normal Sales" (NPNS) purposes. Otherwise, the contract would, in most cases, be accounted for at fair value. For many contracts, Hydro has elected not to document NPNS. Under IFRS, all commodity contracts that are not part of a "trading" portfolio are accounted for at cost. IFRS do not have any formal "own use" documentation requirements. This creates a difference for Hydro between IFRS and US GAAP.

Hydro enters into offsetting positions in the market for physical LME-grade and physical non-LME grade aluminium contracts. IFRS require that all of these contracts be accounted for at fair value. However, only physical LME-grade aluminium contracts are accounted for at fair value under US GAAP.

Hydro has, for US GAAP reporting, separated embedded currency derivatives from some sales and purchase contracts and values the derivatives as forward contracts. These derivatives are, for the most part, not separated for IFRS reporting purposes, as the currencies in the contracts are considered to be commonly used in the country to which the products are sold/sold from.

Contracts entered into before 1 January 1999 that contained embedded derivatives are not recognized as derivatives under US GAAP according to Hydro US GAAP implementation policy. These embedded derivatives are separated under IFRS and recognized at fair value.

Hydro currently has no contracts or other financial instruments to which the fair value option has been applied.

Valuation

Some embedded derivatives, previously valued as swap arrangements, are under IFRS valued as embedded forward contracts. This primarily relates to aluminium, coal and inflation price links in long-term electricity contracts.

Accounting practice has been to value contracts over the liquid horizon (typically 3-5 years) under US GAAP. Under IFRS, all commodity contracts scoped in to be accounted for at fair value are fair valued over the full contract horizon.

Classification

Under IFRS derivative contracts and financial instruments are netted only when an ability and intention to net settle exists, while under US GAAP contracts are netted based on the existence of a master netting agreement.

Effect on 1 January 2006 opening balance and 31 December 2006 ending balance The 1 January 2006 and 31 December 2006 balance sheet derivative differences, net are negative amounts, indicating that net assets decreased, net liabilities increased or a combination of a decrease in net assets and an increase in net liabilities occurred under IFRS as compared to US GAAP. The 1 January 2006 derivative difference, net is negative NOK 2,272 million and the 31 December 2006 derivative difference, net is negative NOK 1,742 million. The derivative difference, net effect on the 2006 income statement is a difference of NOK 532 million higher IFRS pre-tax income.

Different valuation horizons, and different scoping of contracts based on embedded derivatives under the two GAAPs, creates the majority of IFRS to US GAAP derivative reporting differences.

D – Property, plant & equipment

Periodic maintenance

Under US GAAP for the period prior to 1 January 2007, expenditures for periodic maintenance and repairs applicable to production facilities are accounted for on an accrual basis. Under IFRS periodic maintenance is capitalized and depreciated. In the 1 January 2006 US GAAP to IFRS balance sheet, Property, plant and equipment is increased by NOK 1,362 million related to periodic maintenance. US GAAP provisions of NOK 10 million, current and NOK 131 million, non-current, are reversed in the 1 January 2006 IFRS balance sheet. In the 2006 income statement IFRS depreciation is higher than US GAAP depreciation by NOK 436 million. Other (expenses) are lower for IFRS by NOK 522 million.

Asset retirement obligations

The total estimated present value of asset retirement obligations is NOK 10,733 million as of 1 January 2006 and NOK 14,633 million as of 31 December 2006, which is NOK 3,040 million and NOK 2,573 million above the estimated present value according to US GAAP as of 1 January 2006 and 31 December 2006, respectively. The majority of the obligation relates to future decommissioning of oil and gas installations on the Norwegian continental shelf and in other parts of the world where Hydro has an interest in oil and gas production. The removal is expected to take place in the period 2007 to 2041, with the majority of the estimated costs related to removals expected in the period 2020 to 2030. The estimates for decommissioning costs and time are the same for IFRS and US GAAP. However, the estimates are discounted using the current risk free interest rates in the interval 3 percent to 4.5 percent for IFRS purposes, while the discount rates used for US GAAP purposes represent credit adjusted risk free interest levels at inception of the obligation and range from 5.5 percent to 7.5 percent. The interest rates used for discounting refer to the duration of the liability and the currency in the economic environment where the liability is incurred. The lower interest rate level used for IFRS purposes will result in a comparatively lower accretion expense recognized under IFRS as compared to the accretion expense recognized under US GAAP.

Classification of the accretion expense related to the ARO is different under the two GAAPs. Under IFRS, the accretion expense is classified as part of Financial expenses, while it was previously classified under US GAAP as part of Depreciation, depletion and amortization.

Depreciation of the related asset will be higher under IFRS as compared to US GAAP, as the related assets are NOK 361 million higher under IFRS compared to US GAAP. This is due to interest rate differences during 2006.

Impairment of property, plant and equipment

The accounting principles under IFRS differ from those applied under US GAAP. The most important differences for Hydro are as follows. US GAAP requires a two-step test where the first step involves testing the asset's carrying value against the sum of undiscounted expected cash flows from the asset. If this test implies that the asset is impaired, the asset is written down to its estimated fair value. In IFRS, there is a one-step impairment test whereby the asset's carrying value is compared to the higher of its estimated fair value and its value in use based on discounted expected cash flows from the asset. Generally, the difference related to the impairment testing procedure implies that impairments can be expected to occur earlier under IFRS than when applying US GAAP. Additionally, under IFRS, impairment losses are reversed if the reason for the impairment is no longer present, whereas under US GAAP reversal of an impairment loss is not allowed.

As of the adoption of IFRS, Hydro recognized the reversal of previously reported NOK 174 million impairment loss related to one asset in the Oil & Energy segment. At the time of adoption of IFRS, market conditions had significantly improved and the basis for impairment of the field was no longer present. The impairment was reversed with a total of NOK 84 million, reflecting what would have been the carrying value after depreciation had the asset not been written down as impaired.

In addition, Hydro recognized impairment losses related to two plants, which both are considered cash generating units, in the Rolled Products sector of the Aluminium Products segment. For both the plants, expected future cash flows exceed the carrying value of the assets when not discounted, i.e. no impairment was recognized in US GAAP. However, discounted future cash flows did not cover the carrying value of the asset. An impairment loss of NOK 60 million was recognized on the Malaysian plant. For the Hamburg operation, the impairment loss identified was NOK 102 million.

During 2006, additional impairment losses were identified. An impairment loss of NOK 22 million was recognized related to the Automotive Products plant in Holland, USA, which is part of Automotive Products. A renewed evaluation of the situation in Malaysia was carried out based on continuing operating losses. An impairment loss of NOK 150 million was recognized. In addition an impairment loss of NOK 66 million was identified related to a remelt plant in Metal.

E – Other

Other comprises differences that have a less material impact on Hydro's equity and net income than the differences discussed above.

Provisions

The recognition criteria are different in IFRS compared to US GAAP. IFRS require recognition of a provision when outflow of economic resources is "probable" defined as more likely than not, generally any probability above 50 percent. US GAAP requires recognition of a provision when the outflow of economic resources is "probable", meaning a significantly higher probability than "more likely than not". This is generally interpreted to mean a probability of at least 70-80 percent.

There is also a difference in measurement when the expected outflow is a range of results where no single outcome has a higher probability than any other outcome within the range. In those situations US GAAP require recognition of the lowest possible outcome within the range, while IFRS require the mid point of the range. For exit activities, including costs related to work force reductions, IFRS require recognition of a liability when management commits to a plan to incur such costs, and communicates its intent in a way that raises valid expectations among those who will receive compensation as part of that plan. US GAAP does not allow recognition of such costs based on a communicated plan alone, and generally require later recognition than IFRS.

The IFRS to US GAAP differences resulted in an increase of recognized provisions of NOK 70 million as of 1 January 2006, mainly resulting from work force reductions in the Metal operations in Neuss, Germany, which was recognized as of 1 January 2006.

Equity accounted investments

The 2006 financial statements of Hydro's associate and joint venture investments have been reviewed for differences between US GAAP and IFRS, and between IFRS as applied by Hydro and as applied by our investment. For Hydro's investments there is a very limited accounting effect related to the different GAAPs. The identified US GAAP to IFRS differences of our investments are the same as for Hydro, and include defined benefit pension and other post employment schemes, capitalization and depreciation of maintenance costs, and differences related to recognition and measurement of contracts in scope of IAS 39 Financial Instruments versus the corresponding US GAAP standard, SFAS 133 Accounting for Derivative Instruments and Hedging Activities.

The previously recognized US GAAP impairment write-down related to the Naturkraft investment of NOK 85 million was reversed as of 1 January 2006 under IFRS. The reversal of the write-down reflects the fact that the partners as of 1 January 2006 had reassumed their work towards completing the planned investment after securing authority approval at acceptable terms; the reasons for impairing the asset no longer exist.

The IFRS gain on the sale of Hydro's investment in Hydro Texaco in the fourth quarter 2006 was NOK 70 million, which is NOK 17 million higher than the gain recognized under US GAAP. The difference is primarily due to Hydro setting to zero all 1 January 2006 foreign currency translation differences in the IFRS opening balance sheet and IFRS to US GAAP differences in the Hydro Texaco financial statements.

Equity investments

Under IFRS, non-marketable equity securities are recognized at fair value in the balance sheet. Hydro has elected to recognize changes in fair value directly in equity, thus no IFRS-US GAAP difference related to non-marketable equity investments is, or will be, recognized in the income statement. The 1 January 2006 IFRS carrying value of these investments is NOK 919 million above cost. The carrying amount under US GAAP was NOK 1,138 million as of 1 January 2006 while the IFRS fair value as of 1 January 2006 is NOK 2,058 million. Net of tax, the increase in carrying value compared to US GAAP is NOK 663 million. These investments are not traded on stock exchanges or similarly regulated markets. Valuation is, for the largest investments, based on an initial external valuation combined with periodic valuations based on Hydro's internal valuation models. For smaller investments, valuations are based on internal models. The valuations often are based on a model utilizing cash flow estimates and a market based discount rate for return on equity combined with earnings multiples.

Development costs

Under IFRS, development costs are capitalized providing certain criteria are met. Under US GAAP, development costs are expensed unless they relate to the development of information system software or information technology systems or in certain situations related to the construction of property, plant and equipment. Only one project during 2006, related to smelter technology, reached a stage during the fourth quarter requiring the capitalization of development costs under IFRS. These development costs continue to be expensed under US GAAP. The project will continue during 2007.

Deferred tax and tax expense

There are certain differences in how deferred tax is measured under IFRS as compared to US GAAP. The most important difference for Hydro results from subsidiaries having tax payments in a currency different from their functional currency. This relates to certain subsidiaries both within Oil & Energy and Aluminium Metal. These subsidiaries generally have the US dollar as their functional currency, while taxes are paid in the local currency in the country of incorporation or the country where the operations are conducted. Another difference relates to unrealized gains on inventory that are calculated with the buyer's tax rate under IFRS, while US GAAP require the seller's tax rate to be used. This difference is not material for Hydro.

Sale and leaseback contracts

Hydro has one sale and leaseback contract related to a production vessel in the Oil & Energy segment where the original gain is amortized over the lease term. As the lease contract is an operating lease, IFRS requires immediate recognition of the gain. The remaining unamortized gain in US GAAP of NOK 22 million (NOK 5 million after tax) has been recognized as reduced liabilities and increased equity as of 1 January 2006. The amortization of NOK 5 million during 2006 for US GAAP reporting purposes represents a difference in IFRS as compared to US GAAP net income.

Financial statements Norsk Hydro ASA

Income statements

Amounts in NOK million	Notes	**2007**	2006
Revenues		**258**	419
Raw materials and energy costs		**121**	82
Payroll and related costs	3, 4	**641**	932
Depreciation, depletion and amortization	5	**14**	15
Other		**(180)**	199
Total operating costs and expenses		**596**	1,228
Operating income		**(338)**	(809)
Financial income, net	6	**9,748**	21,595
Income before taxes		**9,410**	20,786
Income taxes	7	**56**	(336)
Net income		**9,466**	20,450
Appropriation of net income and equity transfers:			
Dividend proposed		**(6,047)**	(6,131)
Retained earnings		**(3,419)**	(14,319)
Total appropriation		**(9,466)**	(20,450)

The accompanying notes are an integral part of the financial statements.

Balance sheets

Amounts in NOK million	Notes	31 December 2007	2006
ASSETS			
Intangible assets	7	**209**	1,217
Property, plant and equipment	5	**172**	159
Shares in subsidiaries	8	**31,023**	46,863
Intercompany receivables		**29,589**	44,206
Associates and jointly controlled entities	9	**154**	185
Prepaid pension, investments and other non-current assets	3, 10	**2,661**	1,710
Total financial non-current assets		**63,427**	92,964
Accounts receivable		**63**	34
Intercompany receivables		**22,962**	27,224
Prepaid expenses and other current assets	10	**660**	2,885
Short-term investments		**750**	12,950
Cash and cash equivalents		**7,899**	5,677
Current assets		**32,334**	48,770
Total assets		**96,141**	143,110

Liabilities and shareholders' equity

Paid-in capital:			
Share capital 1,247,956,949 shares of NOK 1,098	12	**1,370**	4,708
Treasury shares 38,652,570 shares of NOK 1,098		**(42)**	(221)
Paid-in premium		**182**	9,611
Other paid-in capital		**178**	125
Retained earnings:			
Retained earnings		**22,580**	45,131
Treasury shares		**(4,241)**	(6,404)
Shareholders' equity	12	**20,027**	52,951
Other long-term liabilities		**2,134**	4,829
Intercompany payables		**261**	225
Other long-term interest-bearing debt		**-**	18,811
Long-term debt		**261**	19,036
Bank loans and other interest-bearing short-term debt	10	**599**	2,638
Dividends payable		**6,047**	6,131
Intercompany payables		**66,277**	55,206
Other current liabilities		**796**	2,319
Current liabilities		**73,719**	66,294
Total liabilities and shareholders' equity		**96,141**	143,110

The accompanying notes are an integral part of the financial statements.

Statements of cash flows

Amounts in NOK million	**2007**	2006
Net income	**9,466**	20,450
Depreciation, depletion and amortization	**14**	15
Write-down and loss on sale of non-current assets	**117**	3,207
Other adjustments	**(2,522)**	(16,668)
Net cash provided by operating activities	**7,075**	7,004
Investments in subsidiaries	**(54)**	(2,443)
Sales of subsidiaries	**1**	38
Net sales (purchases) of other investments	**12,192**	(10,848)
Net cash provided by (used in) investing activities	**12,139**	(13,253)
Dividends paid	**(6,134)**	(5,506)
Other financing activities, net [1]	**(10,666)**	7,747
Net cash provided by (used in) financing activities	**(16,800)**	2,241
Foreign currency effects on cash	**(192)**	328
Net increase (decrease) in cash and cash equivalents	**2,222**	(3,680)
Cash and cash equivalents 01.01	**5,677**	9,357
Cash and cash equivalents 31.12	**7,899**	5,677

1) Includes the effect of demerger in 2007, see note 2 Demerger.

The accompanying notes are an integral part of the financial statements.

NOTE 1
Summary of significant accounting policies

The financial statements of Norsk Hydro ASA are prepared in accordance with the Norwegian accounting act and accounting principles generally accepted in Norway (N GAAP). Financial statement preparation requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as disclosures of contingencies. Actual results may differ from estimates. Interest rates used when performing any net present value analysis, or measurement of post retirement obligations, are rounded to the nearest 25 basis points. As a result of rounding adjustments, the figures in one or more columns included in the financial statements may not add up to the total of that column.

Shares in subsidiaries, associates and jointly controlled entities

Shares in subsidiaries, associates and jointly controlled entities are presented according to the cost method in Norsk Hydro ASA's financial statements. Group relief received is included in dividends from subsidiaries. Dividends from subsidiaries is recognized in the year for which it is proposed by the subsidiaries to the extent Norsk Hydro ASA can control the decision of the subsidiary through its share holdings.

Employee retirement plans

Hydro implemented NRS 6A whereby employee retirement plans are measured as required by IAS 19 in 2007, see note 1 Significant accounting policies and reporting entity to the consolidated financial statements for further information. Prior period information has been restated to be comparable. The main effect of the change was that NRS 6A allows us to recognize accumulated unrecognized gains and losses directly in equity as a one-time adjustment to allow for the same measurement basis in the parent company accounts under N GAAP as is used in the consolidated accounts under IFRS for the same employee retirement plans. The change in accounting principle resulted in a decrease of Prepaid pension of NOK 3,697 million, an increase of pension liabilities of NOK 1,567 million, and an after tax charge to equity of NOK 3,790 million. The corresponding change in net periodic pension cost for 2006 was a reduction of cost of NOK 279 million, increasing net income by NOK 201 million after tax.

Foreign currency transactions

Realized and unrealized currency gains or losses on transactions are included in net income. Similarly, unrealized currency gains or losses on assets and liabilities denominated in a currency other than the Norwegian kroner are also included in net income.

Cash and cash equivalents

Cash and cash equivalents includes cash, bank deposits and all other monetary instruments with a maturity of less than three months at the date of purchase.

Short-term investments

Short-term investments include bank deposits and all other monetary instruments with a maturity between three and twelve months at the date of purchase and current marketable equity and debt securities. Such securities are considered trading securities and are valued at fair value. The resulting unrealized holding gains and losses are included in financial income and expense. Investment income is recognized when earned.

Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment write-downs. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The impairment of long-lived assets is recognized when the recoverable amount determined as the higher of fair value less cost to sell or value in use of the asset or group of assets is less than the carrying value. The amount of the impairment is the difference between the carrying value and the recoverable amount. An impairment loss is reversed if the impairment situation is deemed to no longer exist.

Contingencies and guarantees

Hydro recognizes a liability for the fair value of obligations it has undertaken in issuing guarantees, including Hydro's ongoing obligation to stand ready to perform over the term of the guarantee in the event that the specified triggering events or conditions occur. Contingencies are recognized in the financial statements when probable of occurrence and can be estimated reliably.

Research and development

Research costs are expensed as incurred. Development costs are capitalized as an intangible asset at cost if, and only if, (a) it is probable that the future economic benefit that is attributable to the asset will flow to the enterprise; and (b) the cost of the asset can be measured reliably. To the extent development costs are directly contributing to the construction of a fixed asset, the development costs are capitalized as part of the asset provided all criteria for capitalization are met.

Derivative instruments

Forward currency contracts and currency options are recognized in the financial statements and measured at fair value at each balance sheet date with the resulting unrealized gain or loss recorded in interest expense and foreign exchange gain (loss).

Share-based compensation

Hydro accounts for share-based payment in accordance with NRS 15A Share-Based Payment. NRS requires share-based payments to be accounted for as required by IFRS 2 Share-based Payment, see note 1 Significant accounting policies and reporting entity to the consolidated accounts for further information.

Risk management

For information about risk management in Norsk Hydro ASA see note 41 Risk management to the consolidated financial statements.

NOTE 2
Demerger

On 12 March 2007 Hydro's Board of Directors and the Board of Directors of StatoilHydro ASA (previously Statoil ASA) agreed to a proposed merger of Hydro's petroleum activities with Statoil to form StatoilHydro ASA. The transaction took legal form of a demerger of Norsk Hydro ASA whereby the demerged business was transferred to the existing company StatoilHydro ASA (previously Statoil ASA). The demerged part of Norsk Hydro ASA primarily consisted of shares in subsidiaries engaged in oil and gas activities, and loans to those companies. In addition, the pension schemes were divided to reflect the transfer of employees and retirees to StatoilHydro, and all outstanding debenture debt were transferred. A demerger receivable was established according to the demerger plan. The demerger was accounted for based on the historical values of assets and liabilities, and no gain was recognized.

The agreed economic effective date of the merger was 1 January 2007. For the purpose of the separate accounts for Norsk Hydro ASA, the demerger takes effect as of 1 January 2007 according to the demerger plan. From this date, the merged company StatoilHydro assumed the risks and rewards of Hydro's petroleum activities. The merger was completed as of 1 October 2007. For further discussion of the demerger, see notes to the consolidated financial statements, note 7 Discontinued operations and assets held for sale. Norsk Hydro ASA does not present the demerged business as discontinued operations.

As a result of the demerger, Hydro's share capital was reduced by 70 percent, representing the estimated relative value of the transferred petroleum activities compared to the retained businesses. The total equity reduction amounted to NOK 33,403 million. In accordance with the demerger plan, adjustments to the equity reduction may occur. There is no limitation of the period for which revisions are possible.

NOTE 3
Employee retirement plans

Norsk Hydro ASA is affiliated with the Hydro Group's Norwegian pension plans that are administered by Norsk Hydro's independent pension trust. Norsk Hydro ASA's employee retirement plans covered 6.357 participants as of 31 December 2007 and 12,511 participants as of 31 December 2006.

Net periodic pension cost

Amounts in NOK million	**2007**	2006
Defined benefit plans:		
Benefits earned during the year	**176**	636
Interest cost on prior period benefit obligation	**307**	606
Expected return on plan assets	**(399)**	(587)
Recognized net loss	**-**	-
Past service cost	**21**	57
Net periodic pension cost	**105**	713
Termination benefits and other	**51**	111
Total net periodic pension cost	**156**	824

Change in projected benefit obligation (PBO)

Amounts in NOK million	**2007**	2006
Projected benefit obligation at beginning of year	**(16,501)**	(15,344)
Benefits earned during the year	**(176)**	(636)
Interest cost on prior periodbenefit obligation	**(307)**	(606)
Actuarial gain (loss)	**134**	(266)
Plan amendments	**(9)**	(37)
Benefits paid	**317**	376
Settlements	**535**	25
Special termination benefits	**(25)**	(13)
Divestments	**9,379**	-
Projected benefit obligation at end of year	**(6,655)**	(16,501)

Change in pension plan assets

Amounts in NOK million	**2007**	2006
Fair value of plan assets at beginning of year	**12,988**	11,073
Actual return on plan assets	**507**	1,604
Company contributions	**-**	630
Benefits paid	**(264)**	(312)
Settlements	**(356)**	(7)
Divestments	**(6,034)**	-
Fair value of plan assets at end of year	**6,840**	12,988

Status of pension plans reconciled to balance sheet

Amounts in NOK million	2007	2006
Defined benefit plans:		
Funded status of the plans at end of year	**185**	(3,513)
Unrecognized net loss	**(687)**	(751)
Unrecognized prior service cost	**4**	23
Net prepaid pension recognized	**(498)**	(4,242)
Termination benefits and other	**(186)**	(329)
Total net prepaid pension recognized	**(684)**	(4,570)
Amounts recognized in the balance sheet consist of:		
Prepaid pension	**1,163**	118
Accrued pension liabilities	**(1,847)**	(4,688)
Net amount recognized	**(684)**	(4,570)

Assumptions used to determine net periodic pension cost

	2007	2006
Discount rate	**4.50%**	4.00%
Expected return on plan assets	**6.00%**	5.50%
Expected salary increase	**4.00%**	3.50%
Expected pension increase	**3.50%**	3.00%

Assumptions used to determine pension obligation at end of year

	2007	2006
Discount rate	**4.75%**	4.50%
Expected salary increase	**4.25%**	4.00%
Expected pension increase	**3.75%**	3.50%

Investment profile plan assets at end of year

	2007	2006
Asset category		
Equity securities	**36%**	38%
Debt securities	**30%**	38%
Real estate	**20%**	17%
Other	**14%**	7%
Total	**100%**	100%

See note 32 Employee retirement plans in notes to the consolidated financial statements for further information.

NOTE 4
Management remuneration, employee costs and auditor fees

See note 11 Employee and management remuneration in the notes to the consolidated financial statements for information and details related to the Corporate Managment Board remuneration. See note 45 Board of Directors' and Corporate Assembly remuneration in the notes to the consolidated financial statements for information and details related to the Board of Directors' and Corporate Assembly.

Partners and employees of Hydro's appointed auditors, Deloitte AS (Deloitte), own no shares in Norsk Hydro ASA or any of its subsidiaries. Fees in 2007 and 2006 to Deloitte are given below:

Amounts in NOK thousand	2007	2006
Audit fees	**9,763**	23,424
Audit related fees	**6,145**	-
Tax fees	**-**	-
Non-audit fees	**954**	1,652
Total	**16,862**	25,076

The average number of employees in Norsk Hydro ASA was 5,097 in 2007 as compared to 6,037 in 2006. As of year end 2007 and 2006 Norsk Hydro ASA employed 2,369 and 6,503 employees, respectively. The decrease is primarily due to employees moving from Norsk Hydro ASA to StatoilHydro ASA in connection with the demerger of the oil and gas activities.

Total loans to the Company's employees as of 31 December 2007 were NOK 421 million. Loans to employees consists of NOK 248 secured loans (home and car loans) with the remainder unsecured. The unsecured loan balance as of 31 December 2007 related to the employee share purchase plan was NOK 10 million.

A substantial number of employees in Norsk Hydro ASA are engaged in activities for other Group companies. The cost for these employees is accounted for on a net basis, reducing Payroll and related costs. Employee related payroll expenses, on a net basis, are given in the table below:

Amounts in NOK thousand	2007	2006
Payroll and related costs:		
Salaries	**3,732**	4,201
Social security costs	**700**	672
Social benefits	**(2)**	20
Net periodic pension cost (note 3)	**156**	824
Internal invoicing of payroll related costs	**(3,944)**	(4,785)
Total	**641**	932

NOTE 5
Property, plant and equipment

Amounts in NOK million	Land	Buildings	Machinery, etc	Plant under construction	Total
Cost 31.12.2006	6	138	140	12	296
Demerger	-	-	(4)	-	(4)
Additions at cost	-	1	2	64	68
Retirements	-	(42)	(28)	(7)	(77)
Transfers	-	6	63	(69)	-
Accumulated depreciation 31.12.2007	-	(40)	(72)	-	(112)
Carrying value 31.12.2007	6	62	102	1	172
Depreciation in 2007	-	(3)	(8)	-	(12)

NOTE 6
Financial income and expense

Amounts in NOK million	**2007**	2006
Dividends from subsidiaries	**12,687**	23,917
Dividends from associates	**5**	3
Interest from group companies	**3,738**	3,700
Other interest income	**1,003**	644
Interest paid to group companies	**(4,670)**	(1,824)
Other interest expense	**(32)**	(1,423)
Write-down of shares	**(108)**	(3,135)
Net foreign exchange gain (loss)	**(2,800)**	(303)
Other, net	**(75)**	16
Financial income, net	**9,748**	21,595

NOTE 7
Income taxes

The tax effect of temporary differences resulting in the deferred tax assets (liabilities) are:

	Temporary differences Tax effected	
Amounts in NOK million	**2007**	2006
Short-term items	**(9)**	(202)
Prepaid pension	**(326)**	(33)
Pension liabilities	**517**	1,313
Other long-term	**20**	129
Deferred tax asset	**202**	1,207

In accordance with the preliminary accounting standard for tax under NGAAP, taxable temporary differences and deductible temporary differences, which reverse or may reverse in the same period, can be netted.

Reconciliation of nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2007**	2006
Income (loss) before taxes	**9,410**	20,786
Expected income taxes at statutory tax rate	**2,635**	5,820
Dividend exclusion	**(2,740)**	(5,975)
Losses and other deductions not previously recognized	**-**	(439)
Non-deductible expenses and write-down of shares	**-**	872
Other, net	**49**	58
Income taxes	**(56)**	336
Effective tax rate	**(0,01)%**	1.62%

Components of income tax expense

Amounts in NOK million	**2007**	2006
Current income tax	**261**	294
Change in deferred tax	**(317)**	42
Income tax expense	**(56)**	336

See note 17 and 33 in Notes to the consolidated financial statements for further information.

NOTE 8
Shares in subsidiaries

Company name:	Percentage of shares owned by Norsk Hydro	Total share capital of the company (1,000's)		Book value 31.12.2007 (in NOK 1,000's)
Norsk Hydro Kraft OY	100	EUR	34	269
Hydro Aluminium AS	100	NOK	7,236,126	22,004,269
Securus Industrier AS	100	NOK	59,644	360,510
Industriforsikring AS	100	NOK	20,000	20,000
Grenland Industriutvikling AS	100	NOK	26,750	110,950
Polymers Holding AS	100	NOK	66,300	2,629,158
Atletico Sport AS	70	NOK	100	4,550
Produksjonstjenester AS	100	NOK	1,000	49,410
Hydro Production Partner Holding AS	100	NOK	50,000	95,010
Norsk Hydro Plastic Pipe AS	100	NOK	10,000	48,872
Hydro Aluminium Deutschland GmbH [1]	25	EUR	295,106	92,478
Norsk Hydros Handelsselskap AS	100	NOK	1,000	1,000
Norsk Hydro Produksjon AS	100	NOK	880,000	5,602,846
Hydro Kapitalforvaltning ASA	100	NOK	2,500	3,500
Total				31,022,823

1) The company is owned 75 percent by Norsk Hydro Deutschland GmbH & CoKG., which is a subsidiary of Hydro Aluminium AS and 25 percent by Norsk Hydro ASA.

Percentage of shares owned equals percentage of voting shares owned. A number of the above-mentioned companies also own shares in other companies as specified in their annual reports.

NOTE 9
Shares in associates and jointly controlled entities

Associates and jointly controlled entities consist mainly of loans to such entities owned by subsidiaries.
The most significant investments for Norsk Hydro ASA are (amounts in NOK million):

Name	Percentage owned (equals voting rights)	Country	Carrying value as of 31 December 2007	Long-term advances	Total
Alumina Partners of Jamaica	35.0%	Jamaica	-	106	106
Aluminium & Chemie Rotterdam B.V.	27.7%	Netherlands	-	34	34
Other			4	10	14
Total			4	150	154

NOTE 10
Specification of balance sheet items

Amounts in NOK million	**2007**	2006
Securities	**536**	794
Prepaid pension	**1,163**	-
Other non-current assets	**962**	916
Total prepaid pension, investments and other non-current assets	**2,661**	1,710
Prepaid expenses	**166**	543
Other current assets	**495**	2,342
Total prepaid expenses and other current assets	**660**	2,885
Bank overdraft	**1**	10
Employee deposits	**556**	1,090
Other interest-bearing debt	**41**	1,538
Total bank loans and other interest-bearing short-term debt	**599**	2,638

NOTE 11
Guarantees

Norsk Hydro ASA provides guarantees arising in the ordinary course of business including stand-by letters of credit, performance bonds and various payment or financial guarantees. Guarantees in connection with the sale of companies, referred to as sales guarantees in the table below, reflect the maximum contractual amount that Hydro could be liable for in the event of certain defaults or the realization of specific uncertainties. See note 37 Guarantees to the consolidated financial statements for further information about guarantees.

Amounts in NOK million	**2007**	2006
Guarantees (off-balance sheet):		
Guarantees related to associates	**-**	10
Guarantees related to jointly controlled entities	**60**	177
Sales guarantees	**1,116**	1,156
Commercial guarantees	**12,785**	26,090
Other guarantees	**65**	-
Total	**14,026**	27,433

NOTE 12
Number of shares outstanding, shareholders, equity reconciliation

The share capital of the company is NOK 1,370,256,730 consisting of 1,247,956,949 ordinary shares at NOK 1.098 per share, after the redemption and cancellation of shares and the demerger of Hydro immediately followed by the merger of Hydro's oil and gas activities with Statoil ASA to form StatoilHydro ASA was completed on 1 October 2007. As of 31 December, 2007 the company had purchased 38,652,570 treasury shares at a cost of NOK 4,283 million. For further information on these issues see Statement of Changes in Equity and note 34 Shareholders' equity in the consolidated financial statements.

Shareholders holding one percent or more of the total 1,209,304,379 shares outstanding as of 31 December, 2007 are according to information in the Norwegian securities' registry system (Verdipapirsentralen):

Name	Number of shares
The Ministry of Trade and Industry of Norway	546,902,099
State Street Bank and Trust [2]	69,545,008
Morgan Guaranty Trust [1]	64,650,142
Folketrygdfondet	45,868,635
JP Morgan Chase Bank [2]	20,302,896
Euroclear Bank [2]	16,641,962
Mellon Bank [2]	16,019,264
JP Morgan Chase Bank [2]	14,788,248
UBS AG, London Branch [2]	12,980,689

1) Representing American Depositary Shares.
2) Nominee accounts.

Change in shareholders' equity

Amounts in NOK million	Paid-in capital	Retained earnings	Total Shareholders' equity
Balance 31 December, 2006	14,223	42,517	56,741
Change in accounting principles		(3,962)	(3,962)
Demerger	(9,925)	(23,478)	(33,403)
Net income		9,466	9,466
Dividend proposed		(6,047)	(6,047)
Dividend paid in 2007 not accrued [1]		(3)	(3)
Treasury shares	152	(154)	(2)
Redeemed shares, Ministry of Trade and Industry	(2,763)		(2,763)
Balance 31 December, 2007	1,688	18,340	20,027

1) Owners of shares sold from treasury shares in April 2007 received dividends for those shares in May 2007. However, this was not accrued in 2006.

Auditor's report and corporate assembly

To the Annual Shareholders' Meeting of Norsk Hydro ASA

Auditor's report for 2007

We have audited the annual financial statements of Norsk Hydro ASA as of 31 December 2007, showing a profit of NOK 9,466 million for the parent company and a profit of NOK 18,604 million for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal in the financial statements for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income and cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The rules of the Norwegian Accounting Act and generally accepted accounting practice in Norway have been applied to prepare the parent company's financial statements. International Financial Reporting Standards as adopted by the EU have been applied to prepare the group accounts. These financial statements are the responsibility of the Company's Board of Directors and President. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We have conducted our audit in accordance with the Norwegian Act on Auditing and Auditors and generally accepted auditing practice in Norway, including standards on auditing adopted by Den norske Revisorforening. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and generally accepted auditing practice, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the parent company's financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with generally accepted accounting practice in Norway
- the group accounts are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Group as of 31 December 2007, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the Company's management has fulfilled its duty to see to proper and well arranged recording and documentation of accounting information in accordance with law and generally accepted bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit, is consistent with the financial statements and complies with law and regulations.

Oslo, 12 March 2008
Deloitte AS

Aase Aa. Lundgaard
State Authorised Public Accountant (Norway)

Statement of the corporate assembly to the Annual general meeting of Norsk Hydro ASA

The board of directors' proposal for the financial statements for the financial year 2007 and the Auditors' report have been submitted to the corporate assembly.

The corporate assembly recommends that the directors' proposal regarding the financial statements for 2007 for the parent company, Norsk Hydro ASA, and for Norsk Hydro ASA and its subsidiaries be approved by the annual general meeting, and that the net income for 2007 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, 12 March 2008
Svein Steen Thomassen

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Hydro is a Fortune Global 500 supplier of aluminium and aluminium products. Based in Norway, the company employs 22,000 people in more than 30 countries and has activities on all continents. Rooted in a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.