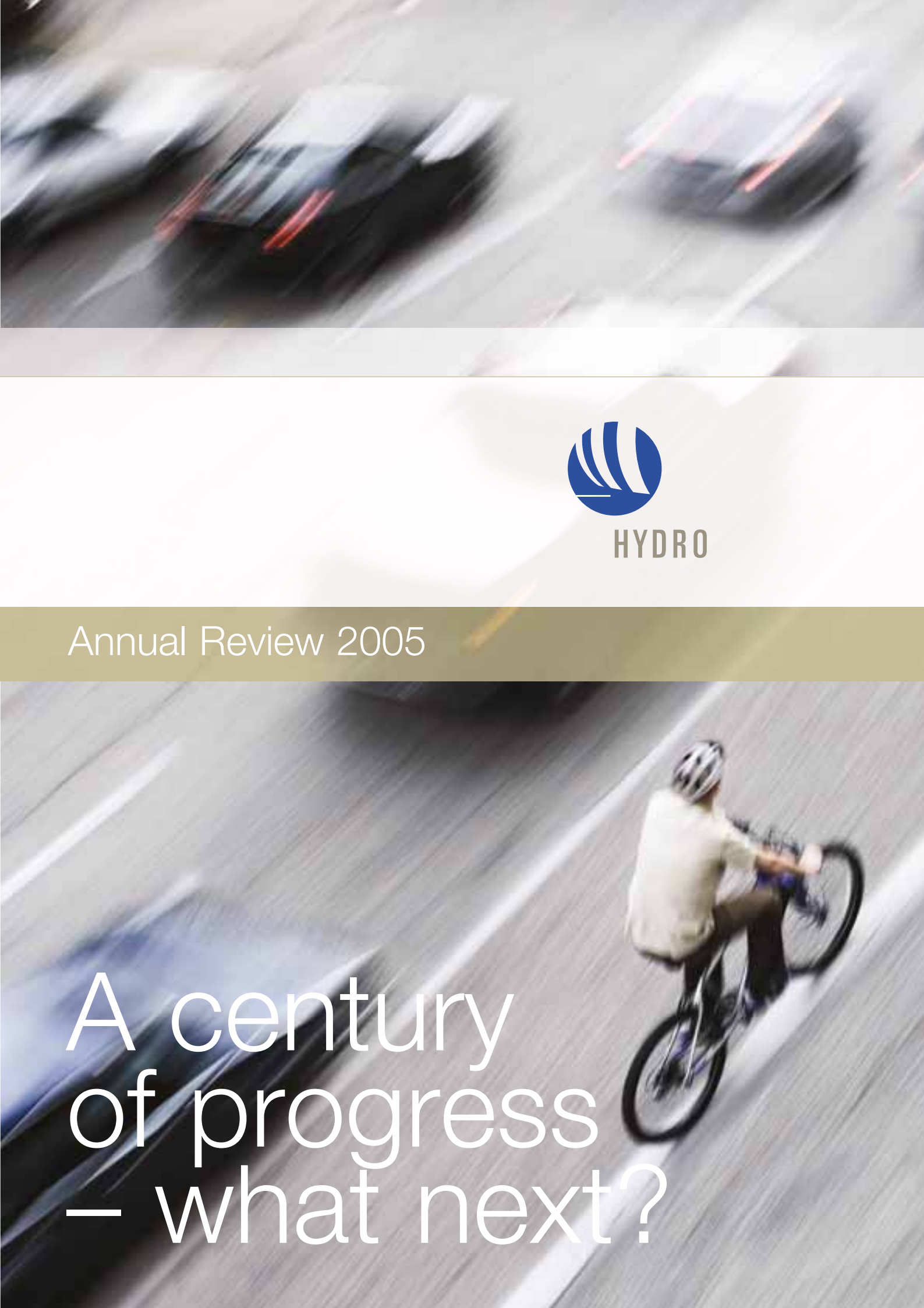


HYDRO

Annual Review 2005

A century of progress – what next?

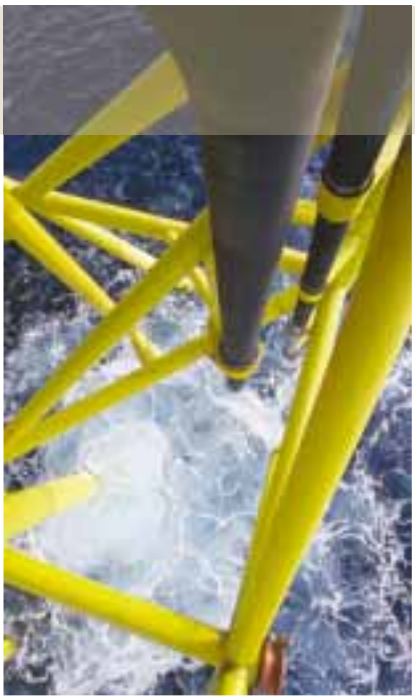
...continuing progress!

OIL AND GAS PRODUCTION
1,000 barrels of oil equivalents per day

563

PRIMARY ALUMINIUM PRODUCTION
1,000 tonnes

1,826



MAIN FIGURES

	2005	2004	2003
Operating income, NOK million	46,432	31,847	21,625
Net income, NOK million [1]	15,716	11,477	8,375
Return on average capital employed (RoaCE), percent	16.8	13.0	8.4
Investments, NOK million	41,110	19,464	17,712
Earnings per share, NOK [1]	62.7	45.1	32.5
Dividend per share, NOK [2]	22.0	20.0	11.0
Number of employees, average	33,695	36,938	44,602
Recordable injuries, per million hours worked	5.4	6.0	7.0
Greenhouse gas emissions, million tonnes CO2e	8.2	8.9	8.2

1) Income from continuing operations before cumulative effect of change in accounting principle
2) 2005: Proposed dividend

NET INCOME [1)]
NOK million

15,716

LOST-TIME INJURIES
per million hours worked

2.7

2005 HIGHLIGHTS

Best result of the century

Hydro's net income of NOK 15,716 million in 2005 was the best result in the Company's 100-year history.

International breakthrough

The acquisition of US-based Spinnaker Exploration Company, plus successful exploration drilling, signified the international breakthrough of our oil and gas business.

New direction for Aluminium

Greater concentration on primary aluminium production, turnaround operation initiated for struggling downstream businesses.

Stronger on safety

Safety results continue to improve, though two fatal accidents occurred.

Hydro entered its second century by responding decisively to important developments. Strategic acquisitions and several oil discoveries provided a breakthrough in our international oil business. While potential for growth in the global aluminium business is good, we initiated a major restructuring to improve results. Hydro delivered its best financial results for 100 years.

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Hydro' 2005 reporting has a different structure to previous years. This publication, which is being sent to all the Company's shareholders, includes the annual report together with a review of the Company's position and performance in the form of financial and other results presented according to Hydro's institutional talents. In addition, shareholders will receive a separate document including the financial statements. Hydro has also prepared a more detailed report, which includes Form 20-F drawn up in accordance with US reporting requirements, to meet the needs of the financial community and investors. The same information has been published on the Internet, from where printed versions of the report can be ordered: www.hydro.com/reports

LETTER TO SHAREHOLDERS

We are tackling the future's most important questions

The world's growing demand for energy gives rise to more wide-ranging questions than answers. The challenges are numerous, as are the dilemmas. We need to ask the important questions *and* work to find the right answers. As a supplier of both energy and aluminium, Hydro is attempting to find the answers in a number of different ways.

In recent years historically high fuel and electricity prices have been the result of the great energy challenges facing the world. Even though the obvious and immediate response to rising prices is to try to reduce consumption, global demand for energy has never been greater. Although we, and others, are working to develop alternative sources of energy, we must accept that fossil fuels will continue to predominate for many years to come.

In virtually every year since 1985, global oil and gas consumption has outstripped the discovery of new, proven deposits. Up until now the oil industry has managed to supply sufficient energy to meet demand growth, but this capacity has now largely been exhausted. This situation has driven energy prices up. The energy challenge is going to increase: International Energy Agency statistics reveal that global energy demand will increase by almost 50 percent in the next 25 years if no extraordinary measures are taken. Our own high consumption, together with strong growth in densely populated countries like India, China and Brazil, poses fundamental questions to which there are no simple, straightforward answers.

“Our own high consumption, together with strong growth in densely populated countries like India, China and Brazil, poses fundamental questions to which there are no simple, straightforward answers.

All of this presents Hydro, as a major energy supplier, with both challenges and opportunities. We know that the oil of the future will be even more demanding to find, recover and market than the oil we are currently producing. Our expertise provides us with a good platform to do so. The development of new know-how and technology is crucial to increased energy supply. Looking ahead, we need to be even more sure of success when exploring for new oil and gas resources in different corners of the globe. Prominent among them are the new opportunities in the Gulf of Mexico, following our acquisition of the Spinnaker Exploration Company in 2005. And we must produce oil and gas as efficiently as we can. Our development work will be carried out effectively, respecting society, people and the environment, as is also the case in one of the largest development projects in the Northern hemisphere – the major Hydro-operated Ormen Lange gas field in the Norwegian Sea.

“Our expertise provides us with a good platform. The development of new know-how and technology is crucial to increased energy supply.

The way the world is meeting its energy requirements is not sustainable. While there is still much uncertainty regarding many aspects of the earth’s climate, we know enough to state that climate change represents the most serious environmental challenge of our time. This situation makes it necessary for us to tackle the issues on several fronts. The answer is not to reduce oil production, as some think. Energy is simply too vital. We can’t say to developing countries: “Sorry, you arrived too late. There’s no more energy and affluence left for you.”

In meeting the climate challenges, we must increase our efforts to capture, transport and store CO_2, including that produced by gas-fired power plants built to replace more-polluting coal-fired plants. Moreover, we must concentrate more on renewable energy. In addition to our long association with hydroelectric power, we are now gaining experience in the development of wind power, an area where we envisage considerable opportunities. Our vision of floating windmills is a step in that direction. The same can be said of our development and production of hydrogen as an alternative energy carrier.

As an aluminium producer, we respond to environmental and energy challenges with a worldwide system for remelting aluminium. This light metal can be considered an energy bank – it can be efficiently recycled using only 5 percent of the energy required to produce

primary metal. Besides this, the light metal we produce helps to make buildings more energy efficient and cars lighter, safer and less energy intensive. And we are upgrading our production capacity in order to be one of the most energy- and cost-efficient primary producers.

As an energy and aluminium supplier, Hydro is well positioned in industries with some interesting growth opportunities. Our expertise in both of these core areas puts us among the world leaders. We play a leading role in developing and operating deep-water oil and gas fields and we have refined the most environmentally friendly technology on the market for producing aluminium. Such core competency will be our most important tool in the years ahead as we concentrate more on international oil exploration and production, repositioning a large share of our aluminium production away from Europe, where energy is scarce, to energy-rich areas where opportunities for alternative applications are limited.

While the demand for energy in recent years has made the oil industry highly profitable, we are struggling with unsatisfactory margins in parts of our aluminium business. In particular, some of our extensive downstream operations are currently showing profitability levels that are too low. In order to meet this difficult market situation we have split our aluminium operation into two business areas – Aluminium Metal and Aluminium Products. Both of these new business areas face restructuring that will make heavy demands on all those working there.

The Aluminium Products area, with 19,000 employees, is undergoing restructuring to improve performance. We intend to turn around or sell units that do not meet our requirements for returns. Those units for which we do not find long-term solutions could be closed down. Restructuring is a natural and necessary aspect of our efforts to maintain and improve competitiveness in an increasingly global marketplace. Our objective is to carry through the changes necessary in a way that demonstrates respect for people and the local communities where we are expanding and where we have to cut back. It is precisely in demanding times that the value of our loyal, capable workforce and favorable working relations is apparent.

All in all, the centennial year of 2005 proved to be a very good one for Hydro. The Company's financial results smashed all previous records, and we experienced important breakthroughs in several areas – not least in our international oil activities. I am glad that these excellent results have given us the opportunity to pay a historically high dividend to shareholders in 2005 and that our owners during the year received a total return on their investment of 49 percent. The Board of Directors is following this up in 2006 with its proposal to the Annual General Meeting for a 10 percent dividend increase, to NOK 22 per share.

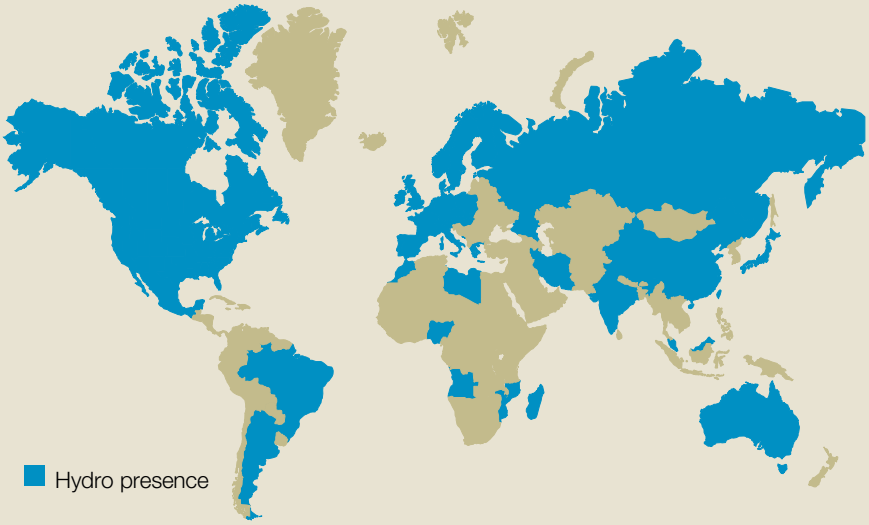
The downward trend in injuries continued, though we did not manage to fulfill our ambitions. We experienced two fatal accidents in 2005. We take safety work very seriously throughout the entire Company and will have to intensify our efforts in 2006.

Though I should be wary about predicting the future, I must say that we have entered 2006 with great optimism. Prices for oil and aluminium are high and market prospects are good. For some of our downstream businesses the outlook is more complex, though winners will also emerge in industries that are struggling. Hydro will number among them!

"Prices for oil and aluminium are high and market prospects are good. For some of our downstream businesses the outlook is more complex, though winners will also emerge in industries that are struggling. Hydro will number among them!

Eivind Reiten
President and CEO

About Hydro



Our businesses
Hydro is an international **energy** company and a major player in the Nordic and European energy market. We develop, produce and supply oil, gas and hydropower, take an active role in developing new energy forms like wind power and hydrogen, and manage extensive energy trading and transport operations.

Hydro is a leading global **aluminium** supplier with primary metal production in Europe, Canada and Australia and an extensive network of remelt facilities. We are a significant supplier to the building industry, especially in Europe, and of rolled products to the packaging and graphics industries. We are a world leading supplier of aluminium bumper beams, engine blocks and precision drawn tubing.

Through Hydro Polymers we are a leading northern European producer of the **plastics** raw material polyvinyl chloride (PVC).

Strategic direction
Our aim is to further develop globally our core business areas of energy and aluminium. The main challenges we face are to increase oil and gas reserves and substantially improve profitability in the aluminium business.

Oil & Energy is engaged in intensive exploration in Norway and abroad, while also increasing recovery from existing fields. We are determined to strengthen our international oil business and our position in the European energy market.

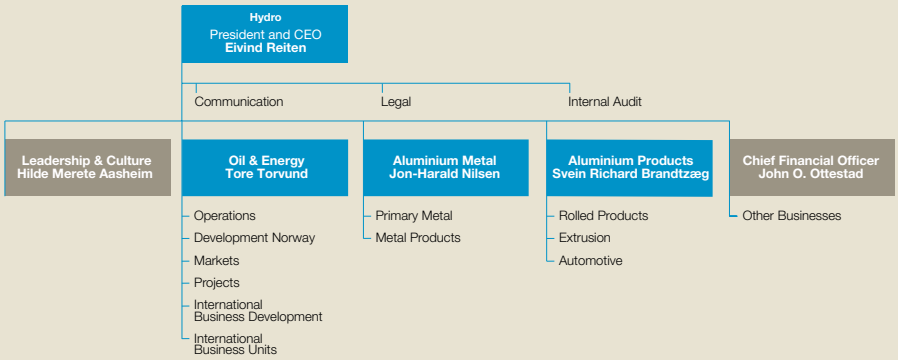
We will play a leading role in developing the next generation of primary aluminium production capacity, and are planning the construction of a major metal plant in Qatar. Downstream we are implementing a comprehensive turnaround operation in order to substantially improve results.

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

The way we work is characterized by our institutional talents:
- An ability to develop source businesses
- A drive to optimize
- An instinct to commercialize
- A passion for social commerce

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

Jon-Harald Nilsen John Ove Ottestad Tore Torvund



33,000 employees

Hydro's 33,000 employees represent a wide range of expertise, personalities, cultures, experiences and mindsets. To ensure that we leverage this diversity in achieving our common goals and creating lasting values, we are constantly engaged in employee development. Each employee is responsible for his or her own development, based on annual, systematic performance feedback, with the help of tools and support made available by the Company. Our philosophy is that development occurs in day-to-day work, both through the Company's efforts and those of the individual in seeking new challenges.

Svein Richard Brandtzæg Eivind Reiten Hilde Merete Aasheim

Jon-Harald Nilsen Executive Vice President, with responsibility for Aluminium Metal. Nilsen joined Hydro in 1977 and has broad leadership experience with a commercial background from the Company's oil and aluminium businesses. He was appointed Senior Vice President, Sales and Marketing Primary Metal Products in 1988, President of Metal Products in 1999 and Executive Vice President responsible for Aluminium in 2001. Nilsen was born in 1951 and graduated from the Norwegian School of Economics and Business Administration in 1975.

John Ove Ottestad Executive Vice President and Chief Financial Officer since 2002. Ottestad joined Hydro in 1975 and has wide management experience gained in operative and staff positions, including Senior Vice President of Mergers and Acquisitions from 1999 to 2002, President of Refining and Marketing from 1996 to 1999 and President of Magnesium from 1988 to 1996. He was born in 1949 and graduated from the Norwegian Institute of Technology in 1973.

Tore Torvund Executive Vice President, Oil & Energy since 2002. Torvund joined Hydro from Elf Aquitaine in 1982 and held various management positions in exploration and production before being appointed head of Hydro's operations on the Norwegian continental shelf in 1992. He became Executive Vice President, Exploration and Production Norway, in 1996. He was born in 1952 and gained a master's degree in petroleum technology from the Norwegian Institute of Technology in 1976.

Svein Richard Brandtzæg Appointed Executive Vice President responsible for Aluminium Products in 2006. Brandtzæg was employed by ÅSV in 1986 when the company was acquired by Hydro and held a number of management positions until becoming head of Hydro's magnesium business in 2001. From 2003 onwards he was Sector President for Rolled Products. Brandtzæg was born in 1957 and holds a doctorate from the Norwegian Institute of Technology. He is also a business graduate.

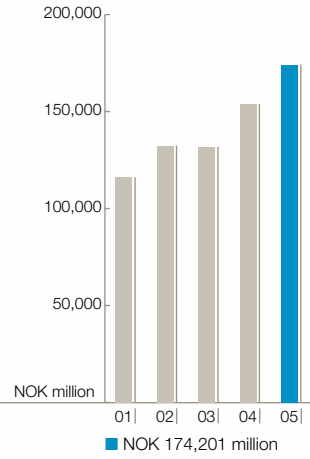
Eivind Reiten As *President and CEO* he holds overall responsibility for Hydro's operations, with 33,000 employees in nearly 40 countries around the world. He has headed the Company since 2001. From 1997 on, he was Executive Vice President responsible for light metals, having previously held senior management positions in the company. He was Norway's Minister of Petroleum and Energy in 1990-1992 and Minister of Fisheries and Coastal Affairs in 1985-1986. Reiten was born in 1953 and holds an economics degree from the University of Oslo.

Hilde Merete Aasheim Executive Vice President, Leadership & Culture. She joined Hydro in 2005, after 20 years at the Norwegian industrial company Elkem, where she held senior positions as line manager and manager for functions such as finance, human resources, health, environment and safety. From 2002-2005, she headed Elkem's silicon division. Aasheim was born in 1958 and holds a master's degree from the Norwegian School of Economics and Business Administration. She is also a chartered accountant.

Record year with challenges

As Hydro enters its second century, the Board of Directors is pleased to confirm that the Company's operations are running well and are favorably prepared for the future. The results for 2005 exceeded those of 2004, which was itself a record year. In addition, Hydro took some new, decisive strategic steps forward in the form of international acquisitions. Oil and aluminium prices are high and the outlook is good. The future will bring major new developments, demanding restructuring and further internationalization for Hydro.

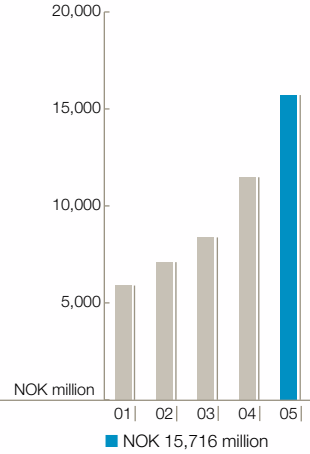
OPERATING REVENUES



Hydro delivered record results for 2005. Results for the year reflected sustained high oil and gas prices and improved aluminum prices, together with continued strong operational performance.

The year 2005 represented an international breakthrough for Hydro's oil and gas business. In December 2005, the acquisition of Spinnaker Exploration Company was completed. Spinnaker is mainly engaged in exploration, development and production of oil and gas in the US Gulf of Mexico (GoM). Spinnaker's portfolio includes interesting exploration acreage, comprising deepwater and shelf prospects, as well as an extensive seismic database covering most of the GoM. Exploration efforts also produced good results in 2005. Hydro participated in 22 wells and made 14 discoveries, half of them on the Norwegian continental shelf (NCS).

INCOME FROM CONTINUING OPERATIONS



Hydro was shortlisted as one of five foreign companies under consideration to partner the Russian company Gazprom in developing the Shtokman field in the Barents Sea, which is the largest known undeveloped gas field in the world. The project shares many similarities with Hydro's current development of Ormen Lange in the Norwegian Sea, a large and extremely complex installation. At year end Ormen Lange and the Langeled gas pipeline, the largest project ever undertaken in Norway, was 60 percent complete, in line with plan and budget forecasts.

These developments took place in line with the strategy drawn up for the Company's oil and gas activities following the 2004 spin-off of the fertilizer operations, with the objective of concentrating activities around the two core areas, Oil & Energy and Aluminium. Hydro is aiming for an average annual growth of 6 percent in oil and gas production during the period 2005 to 2010, with the Company's own production amounting to 615,000 barrels of oil equivalents per day (boed) in 2006, an increase of 9 percent from 2005.

On the other hand, high energy prices are squeezing margins for Hydro's aluminium operations, despite high market prices for the metal. In addition, rising imports of cheaply priced aluminium products from China and Russia threaten parts of the Company's aluminium operations in the US and Europe. All aspects of the aluminium downstream operations will be thoroughly reviewed in 2006 with a view to increasing profitability. Underperforming units will be turned around, sold or closed down. At the same time investments will be limited to a minimum and the operations will be focused on cash generation. These measures, together with the strategic repositioning of Hydro's upstream operations to regions with a competitive energy and raw material supply, represent important steps to deliver improved profitability for Hydro's aluminium operations.

The Board of Directors continuously monitors the development of the business areas and adjusts the strategy when necessary. This year we paid a record high dividend per share of NOK 20 for 2004. Due to the good results in 2005 the Board of Directors proposes a dividend of NOK 22 per share for 2005, to be approved by the Annual General Meeting.

The last three years Hydro has completed several buyback programs for its own shares. Under these programs Hydro bought back and redeemed 5.5 million shares during 2003 and 2004, corresponding to approximately 2 percent of the shares outstanding. In 2005 we bought and redeemed an additional 3.1 million shares corresponding to approximately 1 percent of the shares outstanding.

Hydro supports the principles of the UN's Global Compact. Human rights, international labor standards, working against corruption and environmental considerations are fundamental in the Company's approach to corporate responsibility.

Financial results for 2005*

OPERATING INCOME (LOSS) – HYDRO

NOK million	2005	2004	2003
Oil & Energy	43,451	31,144	21,143
Aluminium	2,511	1,805	2,456
Other activities	(2)	312	(404)
Corporate and eliminations	472	(1,414)	(1,569)
Total	46,432	31,847	21,625

Operating income for the year increased 46 percent to NOK 46,432 million. Operating income for 2005 carried a non-cash charge of approximately NOK 1.8 billion including impairment losses in Hydro's aluminium business of NOK 1.2 billion. In addition, 2005 operating income included approximately NOK 1.4 billion of unrealized losses on derivative contracts relating to hedges due to a significant rise in the forward prices for aluminium, oil, gas, and power at the end of the year. Operating income for 2004 included impairment losses and rationalization costs totaling approximately NOK 2.6 billion.

* Comments in the discussion of the results for the year are made on the basis of the Company's US GAAP financial statements. Differences between US GAAP and Norwegian accounting standards are not significant.

HYDRO'S YEAR OF CELEBRATION

Hydro celebrated its 100th anniversary in 2005. The centennial celebrations, which included a number of events, left their mark in different ways throughout the year. Viability was the theme for the celebrations – in line with the Company's mission of creating a more viable society. One common feature was that Hydro's neighbors were invited to join the celebrations.

Several festivals were held. In Oslo, 120,000 people attended a free outdoor concert with the Norwegian pop group a-ha topping the bill.

The Company's official centennial history was published in three volumes. Research began in 1994, and the Company's archives were made available for historians from the University of Oslo and the Norwegian School of Management. During the 11-year period, a number of students submitted theses on Hydro. The historians had access to the Board of Directors, corporate management, employees and former employees. A version was published in English, Norwegian and German as a gift to employees.

Hydro contributed NOK 100 million toward establishing a national scientific center in Bergen, Norway, and NOK 30 million to the charities Norwegian People's Aid, Save the Children and the Red Cross.

Oil & Energy

Hydro's Oil & Energy results in 2005 were an all-time high, primarily driven by continued high oil and gas prices but also well-run operations. Weak growth in non-OPEC production combined with low OPEC spare capacity and a strained refinery balance was aggravated by outages resulting from hurricane damage in the Gulf of Mexico (GoM).

Hydro delivered successful exploration results in 2005, but this does not change the fact that replacing existing reserves is becoming increasingly demanding. Hydro participated in 22 wells and made 14 discoveries, half of them on the Norwegian continental shelf (NCS). Prior to the acquisition by Hydro, Spinnaker participated in nine wells in 2005 that resulted in seven discoveries. The oil industry is experiencing smaller discoveries, reduced access to new and attractive areas, and higher costs. The need to discover significant new oil and gas resources continues to be the most important issue facing Hydro's oil and energy business. In 2006, Hydro plans to increase its exploration level to around NOK 5 billion from NOK 2.6 billion in 2005. In 2006, Hydro expects to participate in the spudding of approximately 60 exploration wells including extensions of production wells. Around 20-25 of the wells are planned for the NCS, with the remaining wells relating to Hydro's international interests, mainly in the GoM and in Libya.

Increased oil recovery and acquisitions are also key elements in Hydro's strategy to replace reserves. Hydro is focusing on improved oil recovery from existing fields in addition to finding viable solutions for developing smaller fields, including satellite fields enabled by the optimal use of existing infrastructure.

A substantial increase in exploration and development activities for the oil industry is driving higher demand for rig capacity and increased costs. However, Hydro, as operator, has secured rig capacity on the NCS for its planned drilling activity during the next three years, and for part of its planned drilling activity in 2009. Hydro has also secured rig slots for the majority of its operated international wells in 2006.

Acquiring technical resources is increasingly expensive, but Hydro will continue to evaluate and make acquisitions when its competencies and expertise can add value to assets traded in the marketplace. Hydro has increased its long-term price assumptions for oil and gas investment decisions from USD 25 per barel of oil equivalents (boe) to USD 30-35 per boe.

Hydro also plans to continue its focus on new sources of energy, such as wind power and hydrogen. Environmental concerns, rising energy demands, and the security of existing energy supply present opportunities for developing new energy sources, and Hydro expects consumption of energy from renewable sources to grow.

Highlights of 2005

- Acquisition of Spinnaker Exploration Company gave Hydro a strong position in the Gulf of Mexico
- Agreement to acquire 50 percent of the Chinook field off Brazil opens up new opportunities
- 14 oil discoveries in Norway and internationally
- Record financial results
- Development of the huge and complex Ormen Lange gas field and the world's longest subsea pipeline, Langeled, proceeded as planned and budgeted
- Awarded exploration block operatorship in Murzuq basin, Libya
- Construction of gas-fired power plant, managed by Naturkraft (50 percent owned by Hydro), started at Kårstø, Norway
- Total recordable injuries (TRI) per million hours worked was 2.5 compared with 1.7 in 2004. One contractor worker was killed when he was hit by equipment under high pressure while working at the Ormen Lange project at Aukra, Norway
- We achieved our target of zero discharges, as previously agreed on by the authorities and the industry, in March 2006

OPERATING INCOME (LOSS) – OIL & ENERGY

NOK million	2005	2004	2003
Exploration and Production	40,594	28,363	18,500
Energy and Oil Marketing	3,575	2,650	2,668
Eliminations	(719)	131	(25)
Total	43,451	31,144	21,143

Operating income increased by 40 percent to NOK 43,451 million for the year. Hydro realized average oil prices of USD 53.10* per boe in 2005, up 42 percent from USD 37.30 in 2004. Expressed in NOK, average oil prices increased by 36 percent in 2005. Average realized gas prices in 2005 were NOK 1.52 per standard cubic meter, up 39 percent from NOK 1.09 per standard cubic meter in 2004. The increase primarily reflected higher prices of oil products and a strong spot market for gas. Nordic electricity prices have been slightly lower in 2005 than in 2004.

During 2005, average oil and gas production declined by approximately 2 percent, from 572,000 boed in 2004 to 563,000 boed. Production in 2005 was below target for the year, mainly as a result of production shortages from the partner-operated Snorre field following a shut-down at the end of 2004. Hydro's average production cost was NOK 25.30 per boe in 2005, an increase of 22 percent compared with NOK 20.70 per boe in 2004. The main reason for the increase was higher gas prices leading to increased costs for purchased gas injected into the Grane field. Average production costs excluding gas for injection increased 11 percent to NOK 19.90 per boe, compared with NOK 17.90 per boe in 2004. Average depreciation cost increased by 4 percent to NOK 46 per boe including a charge for previously capitalized development costs relating to the Telemark field in GoM amounting to NOK 210 million. Depreciation in 2005 included approximately NOK 100 million relating to Spinnaker, which was acquired in December.

Hydro is targeting an average compound annual growth rate for production of about 6 percent for the 2005-2010 period based on its current portfolio of fields in production, fields under development, and fields considered for development. In 2006, the target is an average production of 615,000 boe per day, an increase of about 9 percent from 2005. Production outside Norway will be increasingly important in meeting these targets. Hydro's proved reserves of oil and gas amounted to 2,046 million boe at the end of 2005, compared with 2,076 million boe at the end of 2004.

* Realized oil price for the sub-segment Exploration and Production

Our position

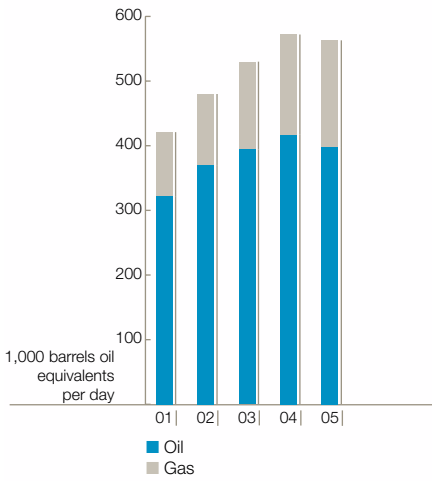
Hydro is the second-largest operator on the Norwegian continental shelf and a world leader in deep waters. The Company is operator on 15 oil and gas installations in Norway, which produced approximately 904,000 boe per day in 2005. In addition, we have operatorships in the Gulf of Mexico. Our own daily production, including partner-operated and international activities, amounted to 563,000 boe per day. Hydro's production of renewable energy from Norwegian hydroelectric and wind power plants was 10.8 TWh.

Norway is the main base for Hydro's oil activities. The Company also produces oil and gas in Angola, Canada, Libya, Russia and in the Gulf of Mexico, and is planning new international developments, for example in Brazil.

ANNUAL REPORT 2005

Exploration activity levels were substantially higher in 2005 than in 2004. Expenditures relating to exploration activity in 2005 were NOK 2,582 million, compared with NOK 1,412 million in 2004. Roughly 66 percent of the exploration activity related to areas outside the NCS, the same level as in 2004. A total of NOK 1,839 million of exploration costs was expensed in 2005, approximately 45 percent higher than in 2004. Cost expensed in 2005 included NOK 320 million relating to the value allocated to seismic databases acquired as part of the Spinnaker acquisition. Increased power production, increased transportation volumes and good results in oil trading had a positive effect on operating income in 2005. Operating income in 2005 included unrealized losses on oil and gas hedging contracts entered into in connection with the Spinnaker acquisition amounting to NOK 440 million.

OIL AND GAS PRODUCTION



Market conditions and prospects for 2006

Economic indicators signal continued global growth in 2006. Economic development in the United States is expected to slow slightly from the 2005 level, while conditions in Europe are expected to improve moderately. Development in the major Asian economies, including China, is expected to continue in line with 2005 growth rates.

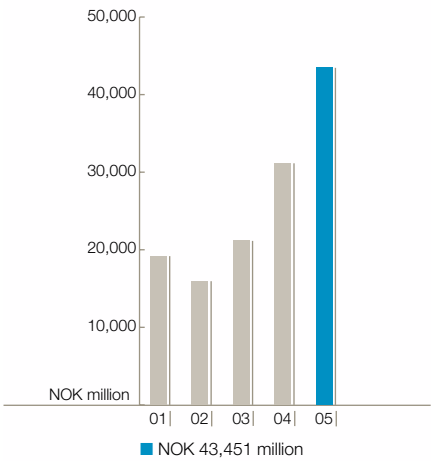
The oil market is expected to remain tight in 2006. Continued economic growth is expected to increase global oil demand in 2006. However, more production capacity, both non-OPEC and OPEC, is expected to come on stream. In the beginning of 2006, increased tensions in Nigeria and Iran have raised geopolitical concerns that have been an important price driver.

High European forward gas prices for 2006 are reflecting the high oil and energy price levels in Europe. Forward prices for gas delivered to the UK in the winter of 2006/2007 are at a high level, reflecting expectations of a tight gas supply situation in the UK, even though new pipeline capacity is planned to come on stream.

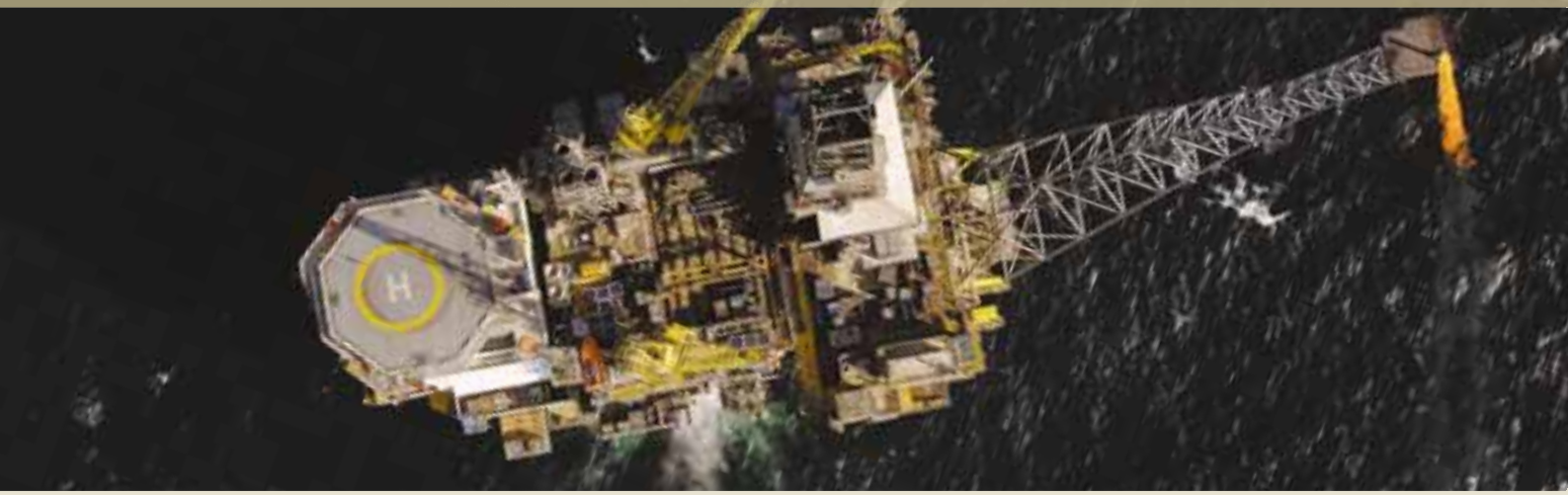
Norwegian water reservoir levels were slightly above average at the end of 2005 for Hydro-owned power plants and slightly below average for the Nordic market area in general. The electricity price is expected to stay at a high level for the whole of 2006, as result of a tight Nordic power balance.

Volatility in the oil, gas and power markets is expected to continue and could result in substantial unrealized gains and losses on derivative contracts in future quarters.

OPERATING INCOME OIL & ENERGY



ABOUT OIL & ENERGY



Strategic direction

Hydro aims to grow by means of extensive exploration in established areas abroad and in Norway, and through acquisitions, portfolio optimization and the development of existing oil and gas fields.

Given the strengths of the Company in exploration, development and operations, we plan to increase oil and gas production from 2005 onward by an average of 6 percent annually until 2010. By then, we plan to produce 750,000 barrels of oil and gas each day. We intend to fully exploit Hydro's advanced well technology in major international development projects.

In 2006 we are substantially stepping up exploration activities in Norway and abroad. From a 2005 level of NOK 2.6 billion, exploration is expected to rise to a level of NOK 5 billion in 2006. We are planning to drill roughly 60 wells – more than twice as many as in 2005 – 20-25 of which will be on the Norwegian continental shelf.

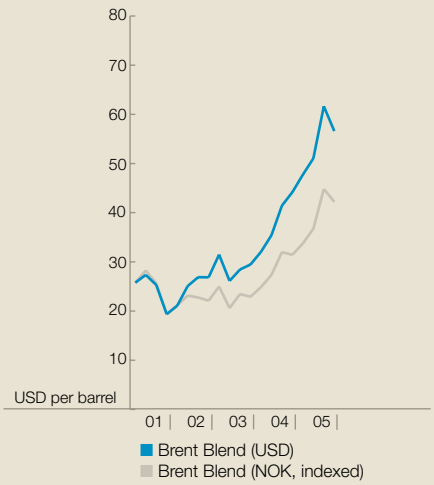
Internationally, we will pursue the opportunities provided by the acquisition of the Spinnaker Exploration Company, with its considerable Gulf of Mexico presence, and our 50 percent license in the Chinook field off Brazil. We will continue to develop Block 17 in Angola, as well as the Mabruk field and Murzuk region in Libya. We will continue to bring the Hebron field in Canada, Gimboa in Angola and Anaran in Iran closer to the development stage.

By employing advanced techniques that include gas injection and horizontal drilling, we continue to increase the recovery rate of existing fields, while further boosting our efforts with research and development.

Hydro has proven gas reserves on the Norwegian continental shelf equivalent to 20 years' production at current levels. We produce over 9 billion cubic meters of gas annually, but sell more than 13 billion cubic meters. This gives us strong commercial positions in the market. The Company intends to develop its position as a centrally placed gas supplier and owner in the extensive and flexible transport system, Gassled, which can deliver gas to some of the most important landfall sites in Europe. Our proximity to the UK and the European continent gives us access to a market with increasing demand for gas. Ormen Lange will be able to cover 20 percent of UK gas demand.

In renewable energy, we are concentrating on new energy forms such as wind power and hydrogen, in addition to our substantial hydroelectric operations in Norway.

OIL PRICE



Aluminium

Hydro's aluminium results for 2005 increased due to higher volumes from primary aluminium production together with higher realized aluminium prices. However, the high energy prices underlying Hydro's record oil and energy results also had a substantial impact on its aluminium business.

The significant increase in power costs in Europe and the United States was an important factor contributing to the strengthened aluminium prices. In 2005, Hydro decided to close two primary aluminium plants located in Germany as a result of the increasing power prices. Increased energy cost is also the reason why new smelter capacity is being built in energy-rich areas with competitive energy prices. Together with Qatar Petroleum, Hydro is preparing for the potential construction of a new smelter with a power plant in Qatar. This is a major step to further increase the competitiveness of Hydro's total primary aluminium system.

China's energy situation, together with high alumina prices, have led to measures from the Chinese government to curb exports of primary metal. China has increased its import of scrap for recycling and appears to be focusing more on downstream manufacturing activities than primary metal for export.

Average aluminium market prices for 2005 increased by about 10 percent, compared with 2004 (London Metal Exchange, LME, three-month average, expressed in US dollars). Measured in Norwegian kroner, the decline in the US dollars offset almost half of the price increase. The LME price increased significantly in the latter part of 2005, ending the year at USD 2,277 per tonne. This resulted in unrealized losses on LME contracts for Hydro amounting to NOK 1,021 million for the year. Early in 2006, primary aluminium was trading at around USD 2,500 per tonne. Trading by financial investors on the LME also increased significantly in 2005 and there is a risk of a substantial correction if market sentiment changes. Given the cost expectations for new primary metal capacity, Hydro has adjusted the long-term price assumption for aluminium investments up from USD 1,500 to USD 1,600-1,700 per tonne.

Hydro's downstream operations in Europe faced continued challenging market conditions in 2005. Market developments resulted in lower volumes, while margins were under continuous pressure, particularly for the more standardized products. The US markets continued to expand, but at a slower pace than in 2004. The strengthening of the Euro to the US dollar has weakened the competitive position of European producers. In addition, margins measured in Norwegian kroner declined due to the stronger NOK/Euro exchange rate in 2005.

Hydro has decided to prioritize future investment within its aluminium business toward upstream activities to reposition its upstream portfolio. Costly primary production is being closed down and replaced by competitive new capacity. In its downstream aluminium business, Hydro plans further measures to improve the financial performance and cash generation, including turnaround, divestment or closure of underperforming units. In January 2006, Hydro reorganized its upstream and downstream aluminium operations into two separate business areas, "Aluminium Metal" and "Aluminium Products," to focus management's attention on the different challenges the two business areas are facing.

Highlights of 2005

- Growth in primary aluminium production – downstream restructuring continues
- Restructuring of aluminium production in Norway and Germany intensified
- Upgrade of casthouse at Kurri Kurri plant in Australia
- Large-scale expansion of the alumina refinery Alunorte in Brazil decided
- Expansion of Alouette, partly-owned smelter in Canada, completed – on schedule and below budget
- Total recordable injuries (TRI) per million hours worked was 6.0, an improvement from 7.0 in 2004. A sales representative was killed in a traffic accident in the Czech Republic
- We achieved our target of a 55 percent reduction in greenhouse gas emissions from 1990 to 2005

OPERATING INCOME (LOSS) – ALUMINIUM

NOK million	2005	2004	2003
Metals	3,898	860	2,080
Rolled Products	754	626	132
Extrusion and Automotive	(1,100)	248	310
Other and eliminations	(1,041)	72	(67)
Total	2,511	1,805	2,456

Operating income amounted to NOK 2,511 million for the year, compared with NOK 1,805 in 2004. Increased primary aluminium production, together with higher realized aluminium prices, had a positive influence on operating income for Hydro's aluminium business in 2005. Operating income for the year was also impacted by impairment losses of NOK 1,238 million relating to Hydro's magnesium business and one rolling mill. In 2004, operating income included impairment losses of NOK 2,042 million relating to Hydro's German primary aluminium plants in addition to manning reduction costs of approximately NOK 500 million. In addition, operating income for 2005 included unrealized losses on LME contracts amounting to NOK 1,021 million, compared with unrealized gains of NOK 175 million in 2004.

Hydro's realized aluminium price strengthened to USD 1,812 per tonne in 2005, compared with USD 1,629 per tonne in 2004, an increase of 11 percent. Measured in Norwegian kroner, the realized aluminium price increased by approximately 5 percent in 2005. The realized NOK-USD exchange rate was NOK 6.57 for 2005, compared with NOK 6.98 in 2004. Realized prices and currencies include the effect of hedges.

Hydro's primary metal volumes increased 6 percent to 1,826,000 tonnes in 2005, up from 1,720,000 tonnes in 2004. The increase included new capacity relating to the Sunndal plant in Norway and the Alouette plant in Canada. During 2005, Hydro supplied about 3.8 million tonnes of casthouse products to internal and external customers, an increase of roughly 5 percent from 2004. Approximately 95 percent of the volume was comprised of value-added products with the remainder consisting of standard ingot. About 48 percent of the tonnage supplied originated from Hydro's own primary metal (on an equity basis), while approximately 46 percent consisted of re-melted or recycled material and 6 percent was provided from commercial agreements.

It was a difficult year for European producers of rolled products, particularly for standard products. Weak economic development, together with customer inventory reductions and fierce competition, put severe pressure on margins for standard rolled products. Operating income for Hydro's rolled products business improved in 2005 as a result of increased shipments, further optimization of product mix and reduced fixed costs. The increase was offset somewhat by a reduction in realized product margins. In 2005 Hydro recognized an impairment loss relating to the rolling mill in Spain amounting to NOK 154 million as a result of the difficult market conditions.

Our position

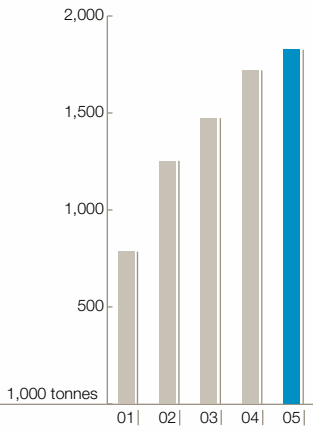
Hydro is one of the world's largest integrated aluminium suppliers, with activities in almost 30 countries. The Company is at the forefront in a number of markets and product areas, in particular as a supplier to the transport, building, packaging and lithographic industries.

Hydro produced approximately 1.8 million tonnes of primary metal in 2005 and supplied a total of 3.8 million tonnes of aluminium to the market. Of this, some 1.8 million tonnes were remelted and partly recycled metal.

Operating income for 2005 also included an impairment loss of NOK 1,084 million relating to Hydro's magnesium operations included in Hydro's automotive operating sector. The write-down resulted from adverse trading conditions caused by low-priced magnesium exports from China. Costs relating to the closure of the automotive plant in Leeds in the UK amounted to NOK 211 million in 2005 and NOK 146 million in 2004. Operating income for Hydro's automotive business reflected challenging market conditions. The market for building systems developed positively, and the financial performance is improving.

Following the write-down of German primary metal plants in 2004, Hydro has not been able to renew or replace the electricity contracts at sustainable terms and conditions, and has therefore decided to close the Stade smelter and, together with its co-owners, the Hamburg smelter. The Hamburg production was shut down at the end of 2005, while production at the Stade smelter is expected to be phased out by the end of 2006. Hydro will close the Søderberg production lines in Norway at its Høyanger and Årdal smelters. The Søderberg line in Høyanger was closed during the first quarter of 2006. The timing of closing the line at the Årdal smelter will be decided by the end of the first quarter of 2006. The remaining costs related to these four closures are expected to be approximately NOK 800 million.

PRODUCTION OF PRIMARY ALUMINIUM



Market conditions and prospects for 2006

Hydro expects global consumption of primary metal to grow by about 6 percent, corresponding to approximately 1.8 million tonnes, while global production is expected to increase by about 4 percent, highly dependent on developments in China. Announced capacity closures in Europe and the United States may be delayed due to continued high aluminium prices.

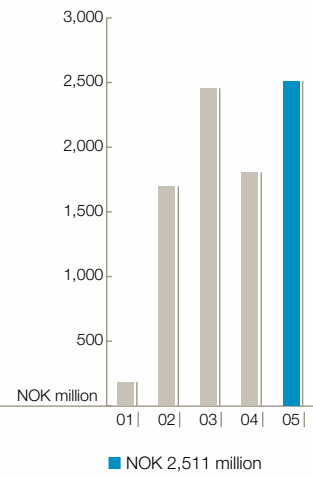
In 2005 there was a tight supply/demand balance for alumina that resulted in increased spot alumina prices, compared with 2004. The high spot prices have also put pressure on the long- and medium-term contracts. Prices are expected to remain high during 2006.

Shipments to the European rolled products and extrusion markets are expected to improve moderately during 2006. However, pressure on margins is expected to continue and US consumption of semi-finished aluminium products is expected to continue to grow in 2006. The global light vehicle automotive market is expected to grow moderately during 2006.

Electricity prices in Europe, and in most of the United States, are expected to remain at high levels. Power costs for Hydro's aluminium business are expected to increase by roughly NOK 1.4 billion for 2006 compared with the total cost of power in 2005. Approximately NOK 1.1 billion of the increase relates to primary metal production, with a large part relating to operations in Germany. Hydro has sold forward 460,000 tonnes of aluminium on the LME to secure acceptable operating margins for some of its primary metal production in 2006, 2007 and 2008, and to mitigate the effects of higher energy costs, especially in Germany. Energy supplies for the smelter in Neuss have been secured at market terms for 2006-2008.

Volatility in the aluminium and power markets is expected to continue and could result in substantial unrealized gains and losses on derivative contracts in future quarters.

OPERATING INCOME ALUMINIUM



ABOUT ALUMINIUM

Strategic direction

Hydro is boosting its competitiveness by improving its global cost position in alumina and primary production. Between 2005 and 2010 we are aiming to increase primary aluminium production by 10 percent, while further improving our cost position by transferring more production to countries with more competitive energy prices.

Our plan to build a major new plant in Qatar in cooperation with Qatar Petroleum is one of the measures to achieve this goal. If the project is realized, it will be the first metal plant built in a single phase with an annual capacity of 570,000 tonnes. The plant is scheduled to come on stream in 2009. The plan also allows for a subsequent doubling of capacity to 1.2 million tonnes.

The upgrading of existing plants to increase efficiency is part of this strategy. At the same time, the operation of plants with high energy and running costs will be considered on a continuous basis. It has been decided, based on environmental considerations, to close down production at our remaining Søderberg lines in Norway.

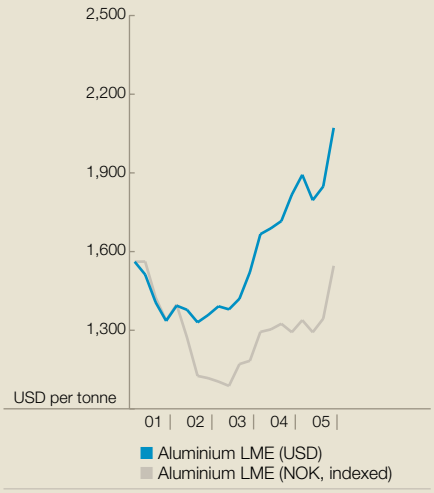
The Høyanger line was taken out of production in the first quarter 2006, with Årdal and Karmøy to follow in ensuing years. In Germany, the aluminium plant in Hamburg, partly owned by us, was closed at the turn of the year. A decision has been taken to close down the plant in Stade during 2006, while our third German plant in Neuss will be made more efficient for continued operation.

Downstream activities, which include extruded and cast products for buildings and cars, as well as standard rolled products, will in coming years be reviewed and restructured with a view to improving profitability by reaping the returns of established positions. Divestment or closures of businesses are likely here.

We are making systematic efforts to ensure that all production units meet their profitability targets. Only through determined improvement measures in currently underperforming units can the Company release maximum growth potential, in financial and management terms, and develop fully its competitive advantages.

The outlook for the aluminium market is favorable, and Hydro's position is strong. The expansions currently underway, coupled with an intensified improvement drive, will produce greater effect in 2006 and the following years.

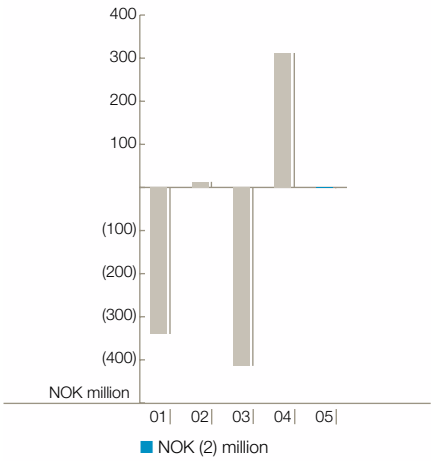
ALUMINIUM PRICE



Hydro Polymers

Operating income for Polymers amounted to NOK 69 million in 2005, compared with NOK 254 million in 2004. The decline primarily resulted from higher raw materials costs due to increased oil prices and high costs related to external purchases of ethylene during a major planned maintenance shutdown of the Noretyl ethylene cracker (50 percent Hydro investee). During 2005, two major investments were completed: the Noretyl expansion and the new chlorine plant at Rafnes. The expansion at Noretyl increased Hydro Polymers' ethylene capacity by 50,000 tonnes per year. The new chlorine plant increased total annual chlorine capacity by 130,000 tonnes and eliminated dependence on external supplies of chlorine and ethylene dichloride. The conversion of the older diaphragm chlorine plant at Rafnes to membrane technology is progressing according to plan and is expected to be completed during the second half 2006. These investments will make the Polymers business more competitive.

OPERATING INCOME (LOSS) OTHER BUSINESSES



Other activities

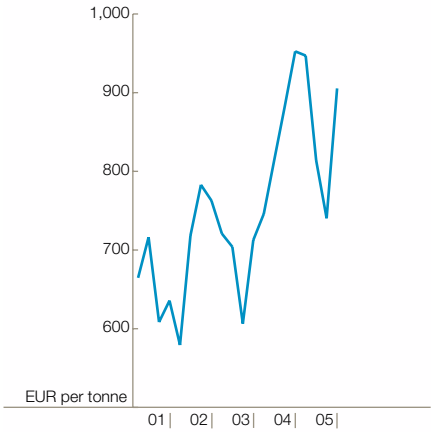
Other activities incurred an operating loss of NOK 71 million for the year, compared with operating income of NOK 58 million in 2004. The operating loss for 2005 included insurance loss provisions of NOK 240 million, compared with provisions of NOK 230 million in 2004. Pension charges totaling NOK 90 million related to Hydro's interest in Biomar were also recorded in 2005. Hydro sold its interest in Biomar in December 2005.

Corporate activities and eliminations

Operating income for Corporate activities and eliminations amounted to NOK 472 million for the year, compared with operating losses of NOK 1,414 million in 2004. The result for 2005 includes NOK 1,391 million relating to the elimination of unrealized losses on internal power sales contracts, compared with an elimination of a corresponding gain of NOK 235 million in 2004.

Net costs related to pensions and social security included as part of corporate activities for the year amounted to NOK 495 million in 2005, compared with NOK 1,001 million in 2004. The amount for 2005 included the reversal of a settlement loss of NOK 154 million charged to Extrusion and Automotive related to the plant closure in Leeds in the UK.

S-PVC PRICE



Earnings from non-consolidated investees

Results for non-consolidated investees declined for 2005 mainly as a result of reduced earnings from Alunorte in Brazil due to unrealized currency losses on US dollar loans, increased production costs and losses on operational hedge programs as a result of the increased aluminium market prices.

Net financial expense

Net financial expenses for 2005 amounted to NOK 1,890 million, including a net foreign currency loss of NOK 2,159 million. In 2005 the average USD rate was lower than in 2004 but ended the year substantially higher than the rate at the end of 2004 resulting in losses on Hydro's USD denominated debt. Interest expense amounted to NOK 1,745 million and NOK 2,077 million for 2005 and 2004 respectively. The decline in net interest expense for 2005 compared with 2004 resulted primarily from the repayment of debt.

Other income
Other income was NOK 990 million for the year, compared with NOK 169 million for 2004. In December 2005, Hydro sold its interest in Biomar Holding A/S recognizing a gain of NOK 693 million. In April 2005, Hydro sold its remaining interest in Pronova Biocare for NOK 275 million, recognizing a gain on the sale amounting to NOK 233 million.

Income tax expense
The provision for current and deferred taxes for 2005 amounted to NOK 30,317 million, approximately 66 percent of income from continuing operations before tax. All of the amount consisted of current taxes. The equivalent amount for 2004 was NOK 21,197 million, approximately 65 percent of income from continuing operations before tax. In 2004, Hydro reversed deferred tax liabilities of approximately NOK 900 million as a result of changes in Norwegian tax regulations. The high effective tax rate results from oil and gas activities in Norway, which account for a relatively large part of earnings and are charged a marginal tax rate of 78 percent.

Discontinued operations
Income from discontinued operations was zero for 2005, compared with NOK 1,083 million for 2004. The amounts relate to activities transferred to Yara International ASA in the Agri demerger transaction completed 24 March 2004.

Return on average Capital Employed (RoaCE)
RoaCE was 16.8 percent for 2005 compared with 13.0 percent for 2004. Adjusted for the effects of certain events* RoaCE was 19.9 and 13.6 percent for 2005 and 2004, respectively. See also the discussion included in the section "Use of non-GAAP financial measures" in the supplement to this report.

Normalized RoaCE for 2005 adjusted for the effects of certain events* was 9.2 percent, compared with 8.2 percent in 2004. In December 2004 Hydro announced a target for normalized RoaCE of 7.5-8.5 percent for 2006, which did not take into consideration any of the events described below. Hydro has reached its targeted level for both years 2004 and 2005.

Cash flow from operations and investments
Cash flow from operations for 2005 amounted to NOK 27.4 billion, compared with NOK 27.7 billion in 2004. Positive effects of increased earnings were offset by increased working capital requirements and tax payments amounting to approximately NOK 2 billion.

Investments amounted to NOK 41.1 billion for 2005. Roughly 88 percent of the amount invested related to oil and gas operations including NOK 21.9 billion relating to the Spinnaker acquisition.

* 2005: The acquisition of Spinnaker in December and the impairment loss within Hydro's aluminium business.
2004: Impairment losses within Hydro's aluminium business, together with the effect of a change in Norwegian tax legislation

ABOUT OTHER BUSINESSES

Other Businesses comprises Hydro's activities outside of the core areas Oil & Energy and Aluminium. The area, which counts 3,000 employees following divestment of the Danish fish feed company Biomar in 2005, encompasses production, service and support functions.

Hydro Polymers produces the plastics raw material polyvinyl chloride (PVC) in Norway, Sweden and the UK, and is integrated from the raw material input stage. Hydro also has interests in petrochemical companies in Portugal, Qatar and China. PVC is a versatile material that is used widely in the construction industry for drainpipes, floor coverings and other applications requiring durability.

IS Partner supplies information technology services internally and externally, working with its customers to reduce their costs and boost competitiveness.

Production Partner supplies services including maintenance and mechanical engineering services, maintenance consultancy and projects/modifications to in-house and external customers.

Support services and business parks support Hydro's operations in areas such as procurement, accounting, communication and human resources, as well as administering the industrial and business parks in Norway.

Highlights of 2005
- Sale of fish feed company Biomar
- New chlorine plant completed at Rafnes – ahead of schedule and on budget
- Total recordable injuries (TRI) per million hours worked was 5.6, an improvement from 6.0 in 2004

Financial risk

Hydro's operating results are primarily affected by price developments relating to its main products, oil and aluminium. They are also affected by fluctuations in the US dollar – in particular against the Norwegian krone – but also against other currencies, including the Euro.

Changes in competitive and market conditions may affect margin and volume development, while exploration results affect the development of petroleum reserves. Decisions taken by the authorities may in turn result in unforeseen taxes and duties, different operating conditions or obstruct foreign currency transfers. Hydro's expansion is expected to take place increasingly in areas that are politically unstable, heightening the risk related to unforeseen changes in the overall operating framework. In addition, there may be a greater risk of being affected by economic sanctions than was the case previously.

Overall and aggregated risk positions are assessed at all levels. These include risks related to business strategy and management, financial condition and development, as well as health, safety and environmental matters. The Board of Directors monitors overall developments in a systematic way, intervening in special cases when appropriate.

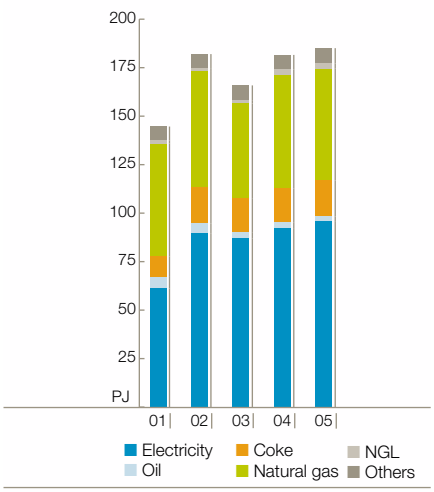
Risk management in Hydro is based on the principle that risk evaluation is an integral part of all business activity. The main responsibility for risk management is therefore placed with the business areas. Policies and procedures have been established to manage risk. Hydro's main risk management strategy for its upstream operations is to accept exposure to oil and aluminium price movements. Downstream and other margin-based operations are hedged to protect processing and manufacturing margins against raw material fluctuations. This is particularly the case for aluminium, but also applies to a certain extent to the Company's gas business. Upstream oil and aluminium prices may be hedged in special circumstances – as was the case when the Spinnaker Exploration Company in the US was acquired in 2005. The main strategy for mitigating risk, however, is to maintain a solid financial position and strong credit-worthiness, as expressed by the Company's adjusted net debt/equity target ratio of 0.5. Most of Hydro's operating revenues are denominated in, or heavily influenced by, the US dollar. In order to mitigate the Company's exposure to US dollar currency fluctuations, most of the Company's debt is also US dollar-denominated. Hydro maintains guidelines for liquidity reserves and its installment payment profile. The Company's financial position at the end of 2005 was well within the established guidelines.

See also note 24 in notes to the consolidated financial statements included in the supplement to this report for a detailed description of Hydro's commercial and financial risk exposures and hedging activities related to such exposures.

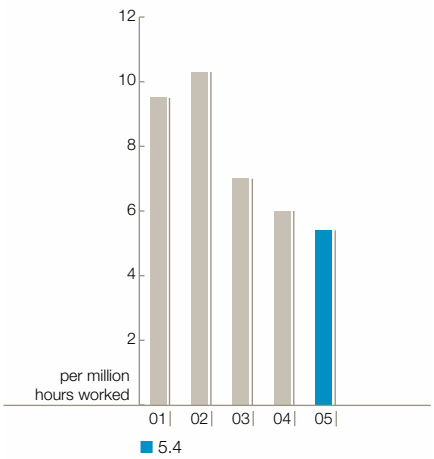
Research and development

Hydro spent about NOK 716 million on research and development in 2005, compared with NOK 760 million in 2004. Innovation is, however, more than pure research and development activities. In order to create more focus on innovation and stimulate increased efforts, the Company established an internal innovation award in 2005. Read more about research and innovation on page 48.

TOTAL ENERGY CONSUMPTION



TOTAL RECORDABLE INJURIES



Research and development in Oil & Energy is organized in six main programs: exploration, increased recovery, development of small fields, new energy, the CO_2 chain, and health, safety and environment technology. It is important to secure the best possible utilization of all fields. NOK 226 million was spent on research and development in 2005. In Aluminium, continuous improvement is necessary to be a competitive producer and seller. We continually work to improve products and processes. Research and development is business-driven – new concepts in marketing, together with new knowledge and technology, are quickly put into operation in cooperation with our customers. NOK 456 million was spent on research and development in 2005.

Health, safety and environment

The long-lasting trend of improving safety results continued with a 10 percent decline in the total number of recordable injuries per million hours worked (TRI) in 2005. The Company did not, however, achieve the target of a 20 percent decline. Two persons lost their lives in accidents at work. The total number of lost-time injuries occurring at Hydro's contractors was 2.4 in 2005, and at the same level as in 2004 and 2003.

We maintained sound reporting practices relating to serious near-misses, further refining our reporting system in 2005. More incidents than previously are now categorized as serious. Hydro utilizes such systematic reporting as a vital element in its accident prevention work.

During 2005 routine emergency drills were carried out involving Hydro's corporate emergency team, the business areas and the business sectors. An extensive training program, initiated in 2004 to improve Hydro senior managers' knowledge and understanding of HSE work, was further implemented.

Sick leave was 3.2 percent in 2005, approximately at the same level as the last two years. Sick leave in Norway was 4.7 percent, an improvement from 5.0 percent in 2004. The entire change can be contributed to reduced sick leave for women, down from 6.6 percent in 2004 to 5.7 percent in 2005. Sick leave for men remained stable at 4.5 percent.

Hydro has established standards that describe activities and measures that are to be followed in order to handle chemicals safely in all parts of the value chain. An annual training program for employees has been launched in most of Hydro's operations to secure that employees deal with chemicals safely.

Efforts to reduce emissions have diminished the concentration of oil in produced water from the Norwegian continental shelf, and emissions of harmful chemicals have been significantly reduced. The risk of a negative environmental impact as a result of emissions to the sea has per March 2006 been reduced by about 80 percent compared with 2002. Hydro's greenhouse gas emissions during 2005, calculated based on operatorship, was 8.17 million tonnes CO_2 equivalents (CO2e). Calculated based on ownership interest, the emissions were 9.29 million tonnes CO2e, a decline of 32 percent compared with 1990 assuming a constant ownership structure. The decline is a result of systematic improvements in operations and introduction of new technology.

ABOUT THE ORGANIZATION

Diversity

Women leaders are well represented in staff functions in most parts of the organization. Metal Products, for example, has worked to increase the number of women in operational positions. To date, seven casthouse managers are women.

Rolled Products held a conference in 2005 in Cologne, Germany, where woman leaders could exchange experiences and propose new methods to create career opportunities for women. Hydro regards this conference as a pilot project for the rest of the Company.

In Norway, Hydro has participated in the Confederation of Norwegian Business and Industry's program Female Future, which aims to increase the proportion of women in management and board positions. In 2005, the Company also sponsored a follow-up project. Hydro is a member of the Centre for Corporate Diversity, which fosters understanding of the positive effects of diversity in management.

WOMEN EMPLOYEES IN NORWAY

	2005	2004	2003
Managers	18%	18%	17%
Salaried employees*	44%	43%	43%
Hourly paid	14%	14%	16%
Total	22%	21%	22%

WOMEN RECRUITED IN NORWAY

	2005	2004
Managers	32%	21%
Salaried employees*	35%	38%
Hourly paid	16%	13%
Total	27%	30%

* The group "Salaried employees" largely consists of younger persons with higher educational qualifications. They constitute an important group with respect to managerial recruitment.

In 2005 an environmental indicator was established in the Aluminium sectors, Primary Metal and Metal Products, to focus on resource utilization, waste and emissions, and will assist the organization in implementing efficient environmental measures. Efforts to optimize production have resulted in less use in relative terms of raw materials and energy, reduced emissions and less waste. Hydro works towards reducing waste from its own production and facilitates increased recovery and recycling of light metals. Read more about HSE on page 41.

Integrity and transparency

Hydro's Integrity Program was launched in 2005 to reduce the risk of corruption and violations of human rights. A handbook containing guidelines for the organization was published and distributed. Implementation continues in 2006.

No occurrences of corruption or violations of human rights were discovered in 2005. For the first time Hydro, is reporting payments made to authorities in connection with exploration, development and extraction of oil, gas and bauxite, as well as production of alumina. This is in accordance with the Extractive Industries Transparency Initiative (EITI). See page 57.

Employees

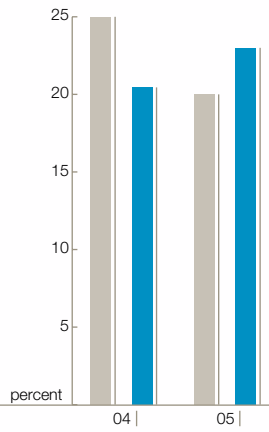
Hydro had 32,765 employees at the end of 2005, down from 34,648 in 2004. The reduction was mainly due to the sale of Biomar and measures aimed at improving efficiency in Aluminium that will continue in 2006.

Our objective is for all employees to take part in performance and appraisal dialogues with their manager annually, and to participate in regular organizational assessments. The Board of Directors emphasizes the importance of cooperation in the organization, and that all employees should be met with respect, especially during restructuring. One of the means is planning and development of sound leadership to secure an efficient execution of the Company's strategic goals. The development of the Company's top 200 managers is a strategic corporate responsibility. Hydro also stipulates common minimum standards for working conditions in the company worldwide.

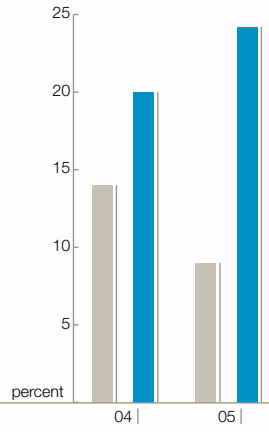
The Board of Directors takes part in an annual review of organization and leadership development initiatives. The internationalization of Hydro makes it important to promote leaders with a broad international background. In addition, it is important for us to utilize the best talent irrespective of gender. In 2005 the proportion of women among the top 200 managers increased from 19 to 23 percent, while the number of non-Norwegians in this group increased from 20 to 24 percent. On the other hand, the proportion of women among the Company's top 50 leaders decreased to 20 percent, from 25 percent in 2004. Non-Norwegian managers comprise 9 percent of this group, a decline from 14 percent in 2004. Hydro is concerned about equal opportunities at all levels of the organization. As a result, Hydro has investigated wage differentials between women and men in the Norwegian part of the organization. The investigation did not identify any significant gender-related differences.

Restructuring, workforce reductions, extensive projects and cost-saving drives made great demands on the employees in 2005 as well. The Board of Directors monitors how organiza-

SHARE OF WOMEN LEADERS



SHARE OF NON-NORWEGIAN LEADERS



tional and management issues are dealt with as a result of greater impact of internationalization, competency, diversity and dynamics, and extends its thanks to all employees who contribute to Hydro's progress with considerable efforts and cooperative spirit.

Board developments

Sten Roar Martinsen was elected to the Board of Directors in 2005 as an employee representative. He replaced Odd Semstrøm, who had been a board member since 1997. The Board expresses its gratitude to Semstrøm for his many years' service. In the course of the year the Board of Directors held 12 meetings, the Board's Compensation Committee three meetings, and its Audit Committee seven meetings. The Board has drawn up an annual plan for its work and in 2005 undertook a review of its way of working, competency, priorities, and of the cooperation between the Board and the Company's management. Measures designed to develop the corporate governance structure continued in 2005.

Net income and dividend – Norsk Hydro ASA

Norsk Hydro ASA (the parent company) had a profit before tax of NOK 16,041 million in 2005, compared with NOK 9,557 million in 2004. Net income was NOK 16,060 million, compared with NOK 10,285 million in 2004. The increase is mainly due to higher dividends from subsidiary companies. The Board proposes to the Annual General Meeting a dividend of NOK 22 per share for 2005, in total NOK 5,503 million. The balance, NOK 10,557 million, will be transferred to retained earnings.

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 7 March 2006

Jan Reinås
Chairman

Borger A. Lenth
Deputy chairperson

Terje Friestad
Board member

Elisabeth Grieg
Board member

Sten Roar Martinsen
Board member

Håkan Mogren
Board member

Ingvild Myhre
Board member

Kurt Anker Nielsen
Board member

Geir Nilsen
Board member

Eivind Reiten
President and CEO

ABOUT THE ORGANIZATION

Compensation

All employees should be secured a total salary that is fair, competitive and in accordance with good industry standards locally. Only relevant qualifications such as education, experience, results and other professional criteria are considered when evaluating employment, training, remuneration and promotion.

For employees covered by collective wage agreements, no significant gender-related differences have been identified. Hydro investigates annually wage differentials between employees in Norway holding a university degree. The review in 2005 did not reveal noticeable differentials between men's and women's salaries.

Career, personal development and a flexible workplace are all important components in our compensation system. In the Norwegian part of the Company we have a bonus system that covers most of the employees. In other countries the bonus system has been implemented at the management level, and in some places also at other levels in the organization. The bonus system is, among other things, tied to performance in relation to the business plan. Managers are also measured based on performance on health, safety and environment as well as organizational development. The goal is to promote a performance-oriented culture, improve results and reward good efforts.

Part-time employees

Employees in Hydro normally work full time. The possibility to work part time is considered a benefit, which it is possible to apply for. During 2005, 17 percent of the women employed in Norway worked part time, compared with 18 percent the year before, while 1.2 percent of the men worked part time, down from 1.3 percent in 2004.

Read more about Hydro's organization on page 40.

Terje Friestad | Elisabeth Grieg | Chairperson Jan Reinås | Geir Nilsen | Håkan Mogren

Terje Friestad has been a member of the Board since 2004. He works in Hydro as a senior engineer at Karmøy. Friestad represents Hydro employees through the Central Cooperative Council. He was born in 1952, and is a member of the Board's Audit Committee.

Elisabeth Grieg has been a member of the Board since 2001. She is co-owner of the Grieg Group and CEO of Grieg International AS. She is also a member of the board of the Norwegian Shipowners' Association and Star Shipping AS, Grieg International AS, Grieg Maturitas AS, the Grieg Foundation and SOS Children's Villages in Norway. Grieg was born in 1959 and is a member of the Board's Audit Committee.

Jan Reinås has been Chairperson of the Board of Norsk Hydro ASA since 2004. He was CEO of Norsk Skog from 1994 to 2003 and was previously CEO of SAS. Reinås sits on the boards of Munksjö AB and Aleris AB. He previously chaired the boards of Sparebanken Midt-Norge, Postverket and NSB, and sat on the boards of Schibsted ASA and Swiss International Air Lines. Reinås was born in 1944, and heads the Compensation Committee.

Geir Nilsen has been a Board member since 2003. He was born in 1955, and is employed in Hydro as a maintenance supervisor and represents members of the Norwegian Confederation of Trade Unions.

Håkan Mogren has been a member of the Board since 2001, having previously been managing director and CEO of AB Marabou and Astra AB. He is deputy chairman of the boards of AstraZeneca PLC and Gambro AB, and sits on the boards of Investor AB, Rémy Cointreau SA, Danonegruppen, the Swedish-American Foundation and the Marianne and Marcus Wallenberg Foundation. Mogren was born in 1944, and is a member of the Compensation Committee.

Sten Roar Martinsen | Ingvild Myhre | Deputy chairperson Borger A. Lenth | Kurt Anker Nilsen

Sten Roar Martinsen has been a Board member since 2005. He is employed in Hydro as a process operator and represents members of the Norwegian Confederation of Trade Unions. Martinsen was born in 1962, and is a full-time union official.

Ingvild Myhre has been a member of the Board since 2001. She is CEO of the ID Gruppen and was previously CEO of Telenor Mobil AS and a director of the Norwegian Red Cross. She is deputy chairperson of the Norwegian Defence Research Establishment, and sits on the board of Narvik Science Park, Telecomputing, Folketrygdfondet, Simrad Optronics, Consorte and Simula Research Lab. Myhre was born in 1957, and is a member of the Board's Compensation Committee.

Borger A. Lenth was previously a member of the Board of Directors from 1990 to 1992 and has now sat in the Board since 1998. He has been deputy chairperson since 2001. Lenth is a lawyer who was CEO of Christiania Bank and managing director of NORAD and Eksportfinans. He was also secretary general of the Norwegian Ministry for Overseas Aid. Lenth chairs the board of directors of Save the Children Norway and Treschow Fritzøe AS. He is deputy chairman of BNbank and Norfund. Lenth was born in 1937, and chairs the Board's Audit Committee.

Kurt Anker Nielsen has been a member of the Board since 2004. He previously held senior positions in Novo A/S and Novo Nordisk A/S, among them CFO and CEO. He currently sits on the boards of Novo Nordisk A/S, Novozymes A/S, Novo A/S, Dako A/S and ZymoGenetics Inc. Nielsen was born in 1945, and is a member of the Board's Audit Committee.

HYDRO CREATES USEFUL PRODUCTS FROM NATURAL RESOURCES

What will happen when the world runs out of oil?

WHAT WILL HAPPEN WHEN THE WORLD RUNS OUT OF OIL?

…by then, hopefully no one will care

HYDRO CREATES USEFUL PRODUCTS FROM NATURAL RESOURCES

Energy consumption is increasing year by year. Climate challenges are mounting. The International Energy Agency estimates that consumption, primarily of oil and gas, will increase by more than 50 percent during the next 25 years. Will our environmental and climate problems increase at a similar rate? There are solutions to these challenges and we are currently working on several. Hywind is one of them.

Meeting the greatest challenges of the future with a century's experience

Until now it has been primarily the population of the Western World that has benefited fully from abundant sources of energy and many other resources. But more and more are now entering the contest to obtain them. An ever increasing share of the populations of China and India, some 2.5 billion people in total, is keen to have its share. India's middle class alone is equivalent in size to the entire population of the US, the world's largest energy consumer. Millions of people in other Asian and South American countries are also eager to participate.

Almost the entire increase in energy consumption is being met by oil and gas. Production capacity, however, is not increasing in line with consumption. This explains the high price of oil. And what's more – as long as burning fossil fuels produces climate gas emissions, this development is unsustainable in the long term. Hence, the intense research efforts to develop alternative forms of energy.

Hydro has 100 years' experience in renewable energy. We have been in the oil business for more than 40 years and have been working with hydrogen applications for twice as long. We launched the Hywind research project in 2005, a project that combines our expertise as an offshore oil producer in the world's most testing waters with the opportunities we see in wind power. Hywind consists of floating windmills that can be anchored offshore, with minimal impact on the environment, wherever prevailing winds are strongest. In such locations the windmills are unlikely to spoil the view or detract from anybody's local environment.

An ingenious idea? First of all we need to put our ideas into practice. We do not claim that Hywind alone can solve the future's energy and climate challenges. But the concept does represent a good example of the opportunities that open up when we draw upon a century of experience to meet the future's greatest challenges.

We can't just wait for technological breakthroughs to happen, so we are working hard on solutions for the short and long term.

Where we are and what we are striving to achieve

2005
- 563,000 barrels oil equivalents per day
- 1,826,000 tonnes primary aluminium
- 14 of 22 exploration wells resulted in a find
- 10.8 TWh renewable energy – of which 0.1 TWh from wind power
- 40 percent equity production of alumina

2006
- 615,000 barrels oil equivalents per day
- 1,720,000 tonnes primary aluminium after closures
- Operator in all our geographical core areas
- Phase 2 of Alunorte alumina expansion comes on stream

2010
- 750,000 barrels oil equivalents daily
- 2,000,000 tonnes primary aluminium
- Operator for exploration, production and development phases in all geographical core areas
- At least 11 TWh renewable energy
- 70 percent equity production of alumina

STEPPING UP EXPLORATION
Having stepped up oil and gas exploration in 2006, we are counting on drilling some 60 wells in Norway and overseas.

From energy to important and useful products

With a total annual production in 2005 of 206 million barrels of oil equivalents (boe) and 10.8 TWh electrical power, Hydro is a major energy producer. Hydroelectric power production was extraordinarily high due to large precipitation volumes. Our oil and gas reserves of 2,046 million boe, and substantial volumes of hydroelectric power generated at our own plants and sourced on long-term contracts, make us a truly long-term energy supplier.

But we are not only a supplier. We utilize energy and other natural resources in the production of vital products, mainly aluminium – a light metal that requires a lot of energy to produce, but very little to recycle. Moreover, when used in vehicles and buildings aluminium helps to curb energy consumption. In 2005 we produced 1.8 million tonnes of primary aluminium and supplied 3.8 million tonnes of metal to the market, an increase of roughly 5 percent compared with the previous year.

Greater energy consumption requires increased production

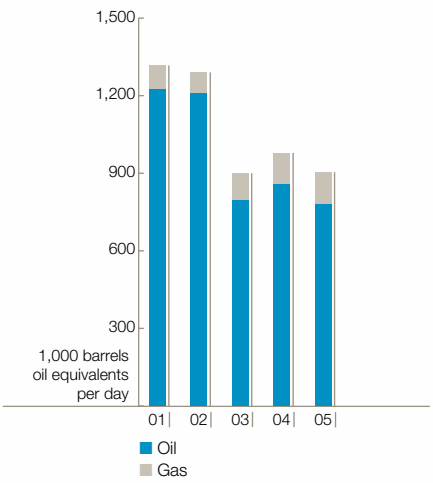
The challenges relating to world energy supply are manifold and complex. For while consumption continues to rise, the growth of known oil and gas reserves has slowed down in recent decades. From 1982 to 1992 known reserves increased from 700 billion to 1,000 billion barrels of oil equivalents (boe). In the course of the subsequent decade, reserves only grew to 1,050 billion boe. All oil companies therefore consider it their main task to prove and develop new oil and gas reserves.

Hydro is stepping up its exploration, and 22 wells in which we participated were completed in 2005 with strong results. Finds were made on 14 wells, seven abroad and seven in Norway. The Spinnaker Exploration Company, which Hydro acquired in the fourth quarter, made seven finds in the Gulf of Mexico (GoM) – a discovery rate of about 80 percent.

We are further boosting exploration in 2006, when we plan to drill a total of 60 wells, 35 to 40 of them abroad. This upswing in international activity is a consequence of a strategic shift that calls for a considerably greater concentration outside Norway, while maintaining a high level of exploration on the Norwegian continental shelf (NCS). Hydro has a very well balanced portfolio on the shelf, which stretches from the Farsund basin off southern Norway to the Barents Sea in the far north.

The company's daily oil and gas production was 563,000 boe in 2005, down from 572,000 boe in the previous year. The reasons for the decrease were production outages and delays

TOTAL OIL AND GAS PRODUCTION FROM HYDRO OPERATED FIELDS



"On both Oseberg and Troll, Hydro implemented technological solutions that were unproven on the Norwegian continental shelf…here Hydro represented the cutting edge in a development where other companies swiftly followed."

Prof. Einar Lie in the official history of Hydro

MUCH STRONGER POSITION Hydro's international position as an oil and gas company was given a considerable boost by the acquisition of Spinnaker Exploration in December 2005.

in bringing new fields on stream. Production in 2006 is expected to rise to 615,000 boe per day. Between 2005 and 2010 we are expecting average annual oil and gas production to grow by 6 percent to give a total production of roughly 750,000 boe in 2010.

International breakthrough

Our acquisition of Spinnaker, with its considerable operations in the Gulf of Mexico, the agreement to buy a 50 percent share in the Chinook field off Brazil, plus several interesting oil discoveries, all signified a breakthrough for Hydro's international oil activities in 2005. We now have operations in Angola, Canada, Iran, Libya, Russia, the US and interesting opportunities in other areas of exploration – in addition to our extensive activities on the NCS.

The Spinnaker acquisition has given Hydro access to a number of interesting development projects, especially in the GoM, with expected resources estimated at 129 million boe. In 2006, Hydro is expecting a total oil and gas production in the GoM of 30,000 barrels per day. Spinnaker has a very comprehensive seismic database for the GoM and some interesting exploration acreage, in areas close to the shore and in deep water, where the combined expertise of Hydro and Spinnaker opens up a number of interesting opportunities.

Moreover, Hydro was chosen as one of five non-Russian oil companies with the opportunity to become Gazprom's partner in the development of the Shtokman field in the Barents Sea, which is situated 555 kilometers from land at a depth of 350 meters and is one of the world's largest undeveloped gas fields. We have been involved in Shtokman for more than 15 years and are engaged in the drilling of well number 7. Hydro's project execution experience in general, and from demanding deep-water fields in particular, is expected to play a decisive role when the state-owned Russian company makes its final choice of partner in 2006.

Hydro is stepping up exploration on the onshore Anaran field in Iran in 2006 and is drilling a new well following a major oil discovery in 2005. Tests indicate that this find was probably one of the world's largest in 2005.

We were allocated an operatorship in Libya and a 100 percent share in an exploration license in the Murzuk basin, where the company has been operating since the early 1990s. We currently produce oil from three fields and are aiming to start production from a further two in 2006. The Company also participated in three discoveries made in the same area in 2005.

In Angola, Hydro is preparing to develop the Gimboa field (Block 4) at a depth of 700 meters,

Exciting potential in wave power?

By virtue of its almost 20 percent interest in the Scottish company Ocean Power Delivery, Hydro is taking part in the development, off the coast of Portugal, of the world's first commercial wave power plant. The project is intended to produce up to 2.25 megawatt from three recently built wave power generators. When the installation is in full operation in 2006, it will be capable of supplying sufficient electrical power to nearly 1,500 Portuguese households.

Ocean Power Delivery has established an internationally leading position in wave power. Its Pelamis technology has been under development for seven years and is the only wave power technology approved by the Electric Power Research Institute in the US.

If the project in Portugal fulfills its promise, it is planned to invest in a further 30 wave power generators.

Learn more:
www.hydro.com/newenergy

EXPANDING IN BRAZIL Alumina production capacity at Alunorte is increasing to 4.5 million tonnes in 2006 and 6.5 million tonnes in 2008.

in cooperation with state-owned oil company Sonangol P&P. Hydro has a 20 percent stake in the field.

Aluminium throughout the world

We produce primary aluminium in Europe, Canada and Australia, and have plans to expand our operations with a major new metal plant in Qatar in the Persian Gulf.

Aluminium is the earth's third-most plentiful element. The most important input factors in aluminium production are alumina, energy, coke and pitch. Bauxite is refined to produce alumina, which is converted into primary aluminium in an energy-intensive electrolytic process.

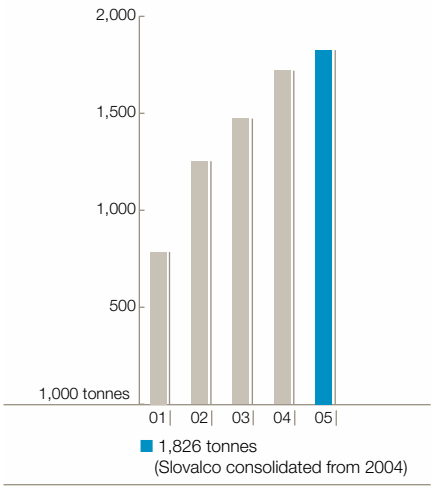
Energy accounts for roughly 30 percent of the production costs for primary aluminium. In Western Europe and the US, the two largest markets for aluminium, there is an energy deficit and prices are rising. However, both regions produce considerable volumes of aluminium and have to supplement domestic supplies with imports in order to meet demand. Hydro's energy requirements for the period until 2017-2020 have largely been met, with the exception of Germany, where our contracts expired in 2005. As much as 90 percent of our energy needs have been secured through long-term contracts or our own production; remaining requirements are covered by contracts of between three and five years' duration.

Because of energy price increases, more of the world's metal production will be in areas with an abundance of energy. But the metal will have to be transported over longer distances. This means that producing aluminium close to energy sources is still cost and energy efficient compared with transporting energy to Europe and North America. But the consequences for the aluminium industry, and the people and communities affected, will be considerable.

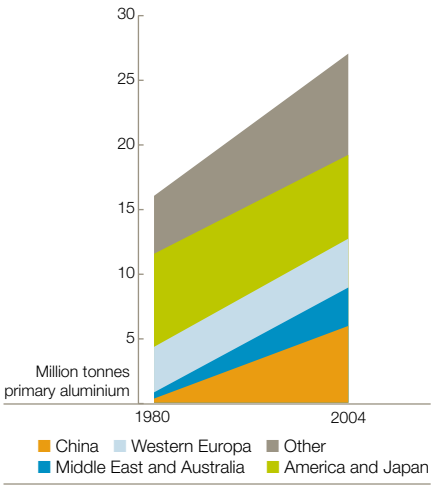
The closure in 2005 of a partly owned metal plant in Hamburg is part of this picture. The same applies to the planned closure of Stade in Germany. In 2006 we have entered into new power contracts that secure primary aluminium production in Neuss until 2008. Hydro has no current plans to increase aluminium production in Europe, but is considering several opportunities in areas where energy is available at competitive prices.

Hydro's total aluminium sales rose in 2005 to 3.8 million tonnes, of which 1.8 million tonnes were primary aluminium. The increase is partly due to the full effect of the recent years' expansions in Sunndal, Norway, and an expansion of the partly owned Alouette plant in Canada, which accounted for a 104,000-tonne production increase.

PRODUCTION OF PRIMARY ALUMINIUM



GLOBAL PRODUCTION INCREASE



Source: IAI, Sustainability in the 21st century, 2005

REMELTING One of aluminium's great advantages is that it can be remelted with a fraction of the energy required in primary production.

Remelting and recycling close to the market

One advantage of aluminium is that it can be remelted again and again without losing its properties. The remelting of scrap and recycling are energy efficient, environmentally and cost efficient, requiring only 5 percent of the energy expended in producing primary metal.

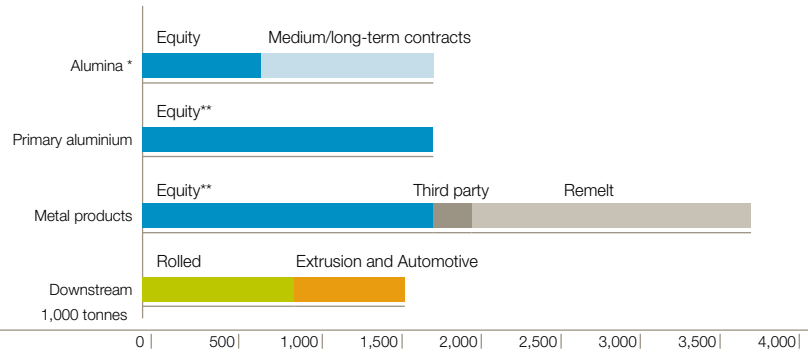
For many years, Hydro expanded remelt capacity in Europe and the US. Most of these plants are close to the market in areas where primary production capacity is declining. The remelting, semi-fabrication and transport of finished products can be cost efficient in markets with a long-term deficit in both energy and aluminium. The challenges in recovering scrap from end users are the infrastructure for collection, transport and sorting, and metal purification technology. The high value of aluminium and its excellent recycling characteristics, encourage efficient and profitable recycling systems. In Europe, there is a well developed industry for this, though for now Hydro has not undertaken any major investments.

In 2005, 1.8 million tonnes of the aluminium Hydro delivered to the market were recycled. We also invested in an advanced, self-developed remelt process for thin-gauge foil at the Rheinwerk plant in Germany.

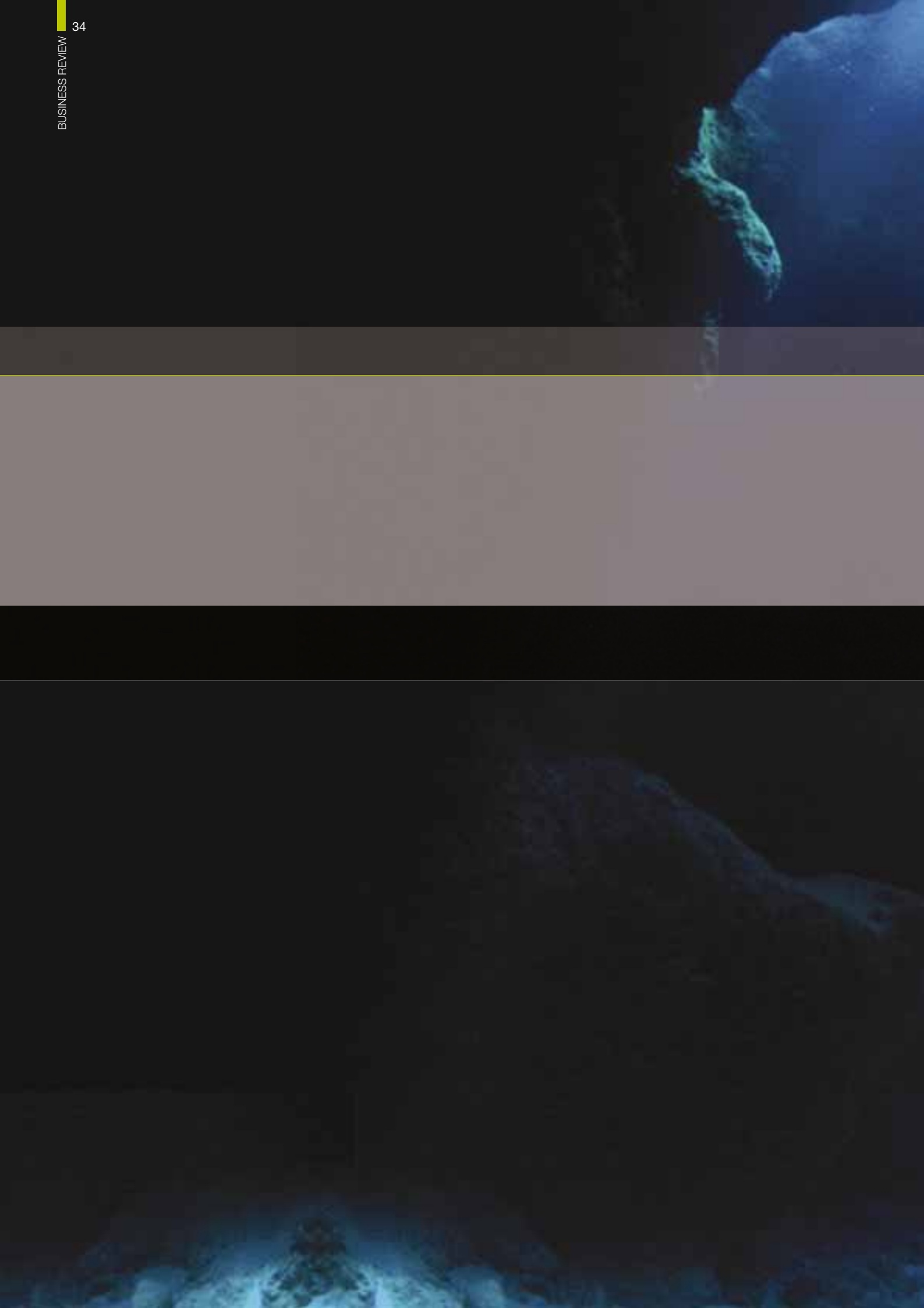
Strengthened alumina position

Following completion of a new phase of construction at Alunorte in Brazil in the first half of 2006, Hydro is expected to increase its self-sufficiency in aluminium from roughly 40 to 50 percent. The expansion will increase total production to 4.5 million tonnes. Another expansion in 2008 will raise Alunorte's production to 6.5 million tonnes, giving Hydro access to 2.2 million tonnes. Because the production of alumina requires major capital expenditures, we will continue to pursue our strategy of meeting our needs through a combination of our own production and long-term contracts.

UNIQUE DIFFERENTIATED PORTFOLIO



* Aluminium equivalents (2 tonnes alumina per tonne aluminium) ** Slovalco 100% included



HYDRO IS DETERMINED TO ACHIEVE OPTIMAL RESULTS

Is safety ignored for the sake of profit?

IS SAFETY IGNORED FOR THE SAKE OF PROFIT?

… profitability and safe operations are two sides of the same coin

HYDRO IS DETERMINED TO ACHIEVE OPTIMAL RESULTS

Tougher competition in a more global market. One round of cost cutting followed by another. Isn't there the temptation to cut corners? Do we ignore environmental and safety concerns to save a few dollars? Our experience is that it is easier to resist temptation than many people think. Profitable – and safe and environmentally responsible – operations go hand in hand.

The ability to carry out complex and major projects is crucial

Aukra on Norway's northwest coast is the scene of one of the largest construction project in the Western world. Ormen Lange is not just a complex subsea development at depths of down to 1,100 meters. It is not just the world's longest subsea gas pipeline – Langeled. This gigantic project includes two landfall terminals: at Aukra and at Easington in England.

The project has posed some unusually tough challenges. Yet not one single aspect has tempted those responsible to cut corners. On the contrary, with a budget of NOK 66 billion and more than 2,000 construction workers engaged on the task, it is imperative that rules and regulations are complied with scrupulously. Which also means that each and every monthly report from the project's management bears the same refrain – on time and within budget. As 2006 dawned, the project was 60 percent complete thanks to expert planning and management. Despite this, serious accidents have occurred, and intense efforts will further improve routines. We thoroughly analyze the causes of accidents and near-misses.

From autumn 2007, Ormen Lange will start supplying gas to the UK, where up to 20 percent of consumption will be met from this Norwegian Sea gas field. By then, our project organization will be occupied with brand new assignments. In the Barents Sea perhaps?

Hydro's operations require us to make capital-intensive and technically complex investments involving a high degree of new and unproven technology. Our ability to complete such projects is crucial to the company's long-term competitiveness. Achieving a good return on our investments is important, but equally important is to earn and maintain the trust of our business partners and the communities where we operate.

At the heart of these achievements is an organization that runs projects across business boundaries. All our major projects are underpinned by consistent decision-making processes that are continuously refined. This expertise is one reason why Hydro was chosen as one of Gazprom's five potential partners on the huge Shtokman project in the Barents Sea.

Where we are and what we are striving to achieve

2005
- Strategic shift in Aluminium. Metal production strengthened. Downstream improvements
- Ormen Lange 60 percent completed
- Two fatal accidents. Total recordable injuries per million hours: 5.2. Target of 4.5 not achieved
- Aluminium production required 14.2 kWh/kg
- One of the most energy-efficient oil companies

2006
- Aluminium split into two business areas
- Ormen Lange 85 percent completed
- No fatal accidents. Total recordable injuries per million hours down by 20 percent
- New waste handling strategy in Aluminium
- New energy-efficiency strategy in Oil & Energy

2010
- Metal production repositioned. Downstream returns substantially improved
- Our project expertise applied in all geographical core areas
- No serious injuries
- Production of aluminium requires maximum 13.5 kWh/kg in 2011
- No waste from own aluminium plants in 2015
- Energy efficiency in Oil & Energy 3 to 5 percent improved

ENERGY EFFICIENCY ON THE NORWEGIAN CONTINENTAL SHELF Emphasis on greater energy efficiency for many years has made Hydro one of the world's most energy-efficient oil companies. In the future, we will concentrate even more on energy management, operational and maintenance procedures, and optimizing processes. With these measures we believe that it is realistic to reduce energy consumption by between 3 and 5 percent within 2010.

Best-ever financial results

Hydro's 2005 income from continuing operations was the best in the company's history – NOK 46,152 million before tax and NOK 15,716 million after tax, equivalent to NOK 62.70 per share, with operating revenues of NOK 174.2 billion. These strong results reflected sustained high oil and gas prices and improved aluminium prices, together with continued strong and efficient operational performance. Return on average capital employed (RoaCE) was 16.8 percent, up from 13 percent in 2004. Adjusted for the effects of certain events*, RoaCE was 19.9 and 13.6 percent for 2005 and 2004, respectively.

RoaCE for Oil & Energy was 26.2 percent; for Aluminium it was 3.4 percent. Adjusted for certain major events*, RoaCE was 32.7 percent and 6.0 percent, respectively. Aluminium's results are not satisfactory and the company announced a strategic shift in December 2005, in which the first step was to separate the Aluminium Metal and Aluminium Products operations. Management in each of these business areas will in future concentrate their attention on optimizing operations in primary metal production and downstream manufacturing, respectively.

Efficient recovery and production of oil and gas

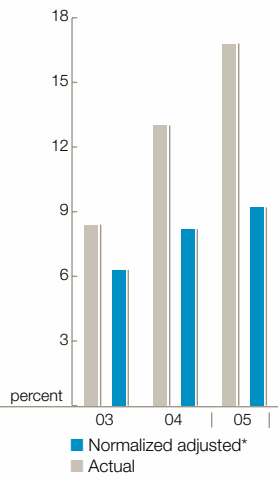
Achieving maximum returns from oil and gas fields is vital to our success. Gas injection and horizontal drilling are the results of dedicated research and development efforts designed to extract more oil and gas from each field – at the lowest cost possible. This in itself also represents an environmental gain in that existing installations are utilized in a better way, avoiding the deployment of new installations with the impact these might have.

Hydro's research and development has given us a world-leading position as an advanced multilateral well specialist. In recent years, we have been responsible for 88 percent of all such offshore wells drilled worldwide. In 2005, we drilled the first six-branch well on the Norwegian continental shelf (NCS). This expertise is more important as new finds are increasingly demanding to recover. We developed an advanced simulator for marine operations that handles large databases of seabed information and has been used for planning and execution of all major operations on Ormen Lange, contributing to safe and efficient project execution.

The transport of unprocessed gas over long distances is an important feature of the profitable development of offshore gas fields. Hydro is also developing methods for the safe and stable operation of subsea installations and for multiphase transport via long-distance pipelines.

* 2005: The acquisition of Spinnaker in December and the impairment loss within Hydro's aluminium business. 2004: Impairment losses within Hydro's aluminium business, together with the effect of a change in Norwegian tax legislation

RETURN ON AVERAGE CAPITAL EMPLOYED



"I believe they do it because they have a strong sense of social responsibility"

Helen Wright, East Riding's Rural Development Manager – on Hydro's role in setting up a business development fund in Easington

EFFICIENT PRODUCTION An increasing share of Hydro's aluminium is produced in modern smelters that are among the most energy efficient in the world, and in remelters close to markets.

Optimal aluminium production

Aluminium is not performing satisfactorily. Therefore, we intend to concentrate on strengthening our primary metal production by investing in capacity in areas where energy supplies and prices are attractive, by closing unprofitable production facilities and by implementing a comprehensive turnaround operation in our downstream manufacturing operations.

Since 2000, we have cut the cost of alumina from partly owned plants from USD 165 per tonne to an estimated level of USD 145 per tonne in 2006. A substantial share of this was achieved at Alunorte in Brazil, one of the world's most cost-efficient alumina plants that is expanding production substantially in 2006 and has begun another major expansion.

Our aluminium production plants at Sunndal in Norway and Alouette in Canada rank among the most efficient in the world. Hydro's self-developed production technology occupies a leading international position.

Efficient casthouses

Hydro has an efficient network of aluminium casthouses and remelt plants centrally located in major Western European and US markets. The location of these plants and our expertise together represent an excellent platform for serving our customers by receiving their scrap and by working on joint product development projects. In 2005, we supplied nearly 1.8 million tonnes of remelted metal to the market.

Downstream challenges

Sections of the company's extensive downstream network face a challenging situation, primarily due to increasing competition from low-cost producers in China and Russia, as well as a generally weaker supply and demand balance. Although Hydro has built up strong market positions and solid customer relations, especially in Europe, we are finding that margins and profitability are under constant pressure.

During recent years rolling mill capacity utilization has increased from 86 percent in 2002 to 96 percent in 2005. By means of product development and investments in new capacity we have increased our production of lithographic plate, a favorable market segment where growth is roughly 5 percent annually.

Optimal remote control

Advanced operations taking place on oil installations in the middle of the stormy North Sea are controlled directly from land. We call this eOperations, and it is revolutionizing the way Hydro works.

Thanks to a broadband fiber optic connection, a quarter of our North Sea oil production is now being controlled from our new operations center at Sandsli, near Bergen in Norway. Not only is it more efficient and flexible, it also helps us to recover more valuable oil from under the seabed.

eOperations connects platforms and rigs together with Hydro's organization and supplier companies on land. Distance is no longer a problem, and expertise is always available where it is needed most, whether the experts we need are on land or offshore.

Data from North Sea operations is available at exactly the same time as it is recorded offshore, enabling offshore crews to discuss issues with their land-based colleagues by video conference. In time, Sandsli can become a global operations center that will support Hydro's operations in all parts of the world.

Our extrusion plants around the world mainly serve local markets and their results vary widely. While we enjoy a strong position in building products, especially in Europe, our North American operations have not shown satisfactory margins. Nor did our Automotive business, which has struggled over several years, demonstrate satisfactory development in 2005. However, the production of engine blocks and components in Germany and Hungary has performed very well.

Efficient organization

An efficient organization based on a strong corporate culture is essential to our competitiveness. It is therefore important that the organization is able to meet individual needs and respect the integrity of employees.

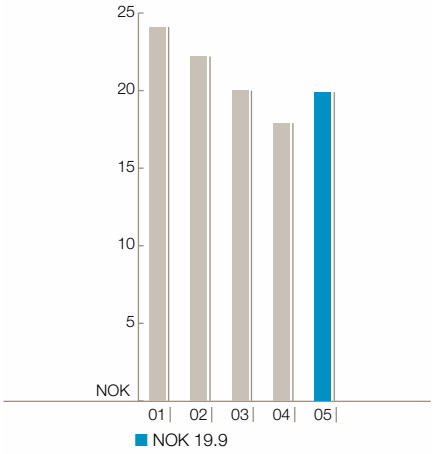
Hydro Monitor was launched in 2004 to provide a broad survey of the organization and enable us to identify improvement and areas that need further measures. During 2005, about half of the employees were requested to take part in the survey; of these, 82 percent responded. The survey allows for anonymous responses to questions relating to their workplace, thus providing managers with valuable feedback. In the most recent survey, 82 percent of participants replied that they had a good understanding of Hydro's values, 71 percent stated that they are encouraged to participate in decisions relating to their own working situation and 87 percent believe that they are able to handle organizational changes in the future. The survey results are discussed at the unit level and necessary measures are implemented.

A total of 6,100 employees participated in Hydro's performance and appraisal tool in 2005. The vast majority of plants also offer similar appraisal dialogues or individual development plans for all employees. The latest Hydro Monitor survey revealed that 93 percent feel they have the skills to perform their jobs in the best possible way, while only 66 percent believe that they are able to utilize their abilities and skills in the best possible manner in their current jobs.

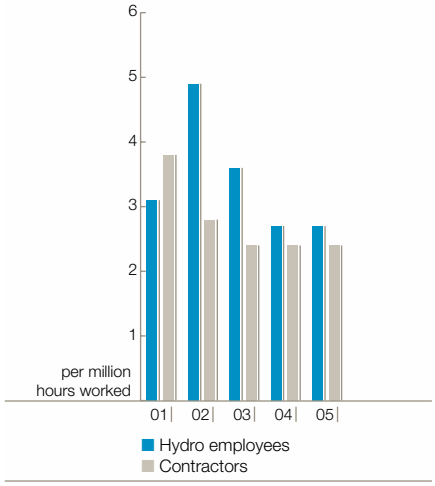
Trainee program

We wish to recruit employees who demonstrate courage, determination and foresight, and can help us create solutions for tomorrow. We have established an international trainee program in 2005, which currently has 28 participants. This 18-month introduction and development program includes job rotation in different areas, joint sessions together with other trainees, as well as seminars dealing with competency and strategic issues. Participants are closely monitored and evaluated. The program will continue with about 25 new trainees in 2006. For information on Hydro's approach to diversity, see page 21, and compensation, see page 23.

PRODUCTION COST PER BARREL



LOST-TIME INJURIES



SAFE ENERGY CONTROL The energy control system in our aluminium business is undergoing continual improvement. It ensures that plant and machinery are not connected to any form of energy when adjustments or repairs are being carried out.

HSE TRAINING Hydro's top 200 managers completed a four-module HSE training course in 2005. This program will be continued, while new managers will also be trained.

Necessary concentration on health and working environment

Health, safety and environment (HSE) is a line responsibility in Hydro. In addition, all employees are responsible for their own safety and for contributing to a sound working environment. This is a necessity if we are to achieve our business ambitions.

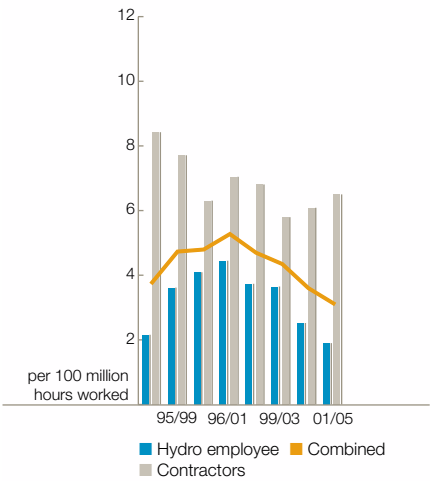
The President's Safety Award recognizes the efforts made to prevent accidents and injuries. In 2005, the Safety Award went to Automotive unit Ellay Enfield in the UK.

In 2005, we established corporate standards for the prevention and treatment of intoxicant abuse. An intranet site has been developed to assist the organization to deal with problems of intoxicant abuse. Hydro's handbook for assessing risks in the working environment has been tested in all sectors of Hydro. Pilot projects were conducted in several sectors in 2005 and almost 90 percent of the organization will be included in the course of 2006.

The reporting of incidents is important to prevent accidents. All accidents are investigated in order to identify causes and introduce measures aimed at preventing repetition. Investigative commissions are set up in the wake of serious incidents, while minor incidents are reported and followed up routinely. A survey of our reporting systems concluded that too little importance is attached to human factors in minor incidents. We are therefore working on improving our reporting systems, gaining greater knowledge and implementing measures aimed at reducing incidents that are due to human error. Oil & Energy has established its own training center to improve the concerted efforts of management personnel on the various platforms. In addition, a number of our units run programs on behavior-based safety.

Total recordable injuries per million hours worked (TRI) was adjusted for 2004 from the previously reported figure of 5.6 to 6.0 due to under-reporting in one sector. (Lost-time injuries per million hours worked for contractors was adjusted from 2.7 to 2.4 following the late reporting of hours worked.) TRI in 2005 was 5.4, a 10 percent improvement. We did not achieve our goal of a 20 percent improvement. Important measures designed to improve safety levels include HSE training of all managers and efforts to promote work-related behavioral safety. The varying requirements on reporting of sick leave in different countries presents a challenge. A model for sick-leave reporting was tested on about 10,000 of our Norwegian employees in 2005. This model will be further tested in 2006, while a number of activities will be conducted locally to reduce absence, including the systematic identification of opportunities for improving the working environment. A project was launched in 2003 to reassess technical safety at all of Hydro's offshore installations. It will be completed in 2006. The

FATAL ACCIDENTS



There were two fatal accidents in Hydro in 2005. In addition, two employees of companies in which Hydro has a minority share (50 percent or less) lost their lives. We thoroughly investigate serious accidents in all companies where we have ownership interests in order to prevent reoccurrences and secure knowledge transfer.

TAKING CARE OF THE RAINFOREST
Extensive programs have been implemented at Hydro's partly owned bauxite mines in Brazil in order to recultivate the rainforest's natural vegetation once extraction has taken place.

design, physical condition as well as the underlying operational and organizational procedures of all critical safety systems will be reviewed.

The number of hydrocarbon leakages from Hydro's offshore operations was reduced from 13 in 2002 to six in 2005. We are constantly striving to achieve our vision of zero leaks.

The technical status of installations, employee behavior and management focus are important elements here. For several years we have been working on a project to develop a technical safety indicator. Pilot projects are being run in many of Hydro's sectors. Our intention is to start using this as a key indicator at all of the our plants and installations from 2007.

Environment

Optimal operations are also beneficial for the environment. They lead to lower raw material and energy consumption, reduced emissions, less waste and lower costs. When we acquire plants that do not meet our environmental requirements, we endeavor to implement rapid improvement measures. New plants must comply with our environmental standards as well as those of local authorities. We also have requirements for our suppliers.

Climate change

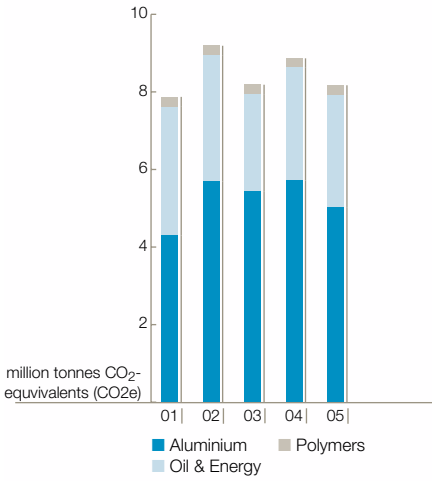
As a global industrial company, we recognize the risks represented by climate gas emissions and future climate changes. We are reducing specific climate gas emissions. As an aluminium producer we are making our contribution to reducing emissions. Using more aluminium in vehicles lessens weight and fuel use. We are also developing energy-efficient aluminium building systems.

Hydro strives for openness with regard to risk and the opportunities linked to future climate changes. In 2005, Hydro was included among the world's best on the Climate Leadership Index, which ranks global companies according to how seriously they take climate change.

Hydro's investments are long term by nature. To provide advanced solutions ensuring low climate gas emissions, we endeavor to apply the best technology available – even in those regions of the world where climate gas emissions are not currently regulated.

Hydro's climate gas emissions (from our operatorships) were 8.17 million tonnes of CO_2 equivalents (CO2e) in 2005. Based on ownership share, emissions were 9.29 million tonnes CO2e, roughly 32 percent less than in 1990 given the same basis. The decrease is from sys-

TOTAL GREENHOUSE GAS EMISSIONS



"We have major concerns about this project, especially over the loss of habitat. The trenching for the rest of the pipeline is eight meters, which is bearable, but in the near shore area where the juvenile lobsters are, it is almost going to be destroyed."

Giles Bartlett, Environmental Officer, North Eastern Sea Fisheries Committee – on the Langeled project

DRILLING WASTE Waste materials not injected into subsea reservoirs on the Norwegian continental shelf are shipped ashore for energy recovery. In 2006, we will require our Norwegian suppliers to establish total resource management systems for the optimal utilization of drilling liquids. By 2010, all non-injected drilling waste from the Norwegian continental shelf will be treated in this way.

tematic production improvements and new technology. We have long worked to cut or eliminate CO_2 emissions from gas-powered plants and other use of fossil fuel-powered plants.

Sustainable utilization of water resources

Water resources are subject to critical pressure in certain regions. It is therefore necessary to secure these resources. Access to water is critical for our operations, and Hydro itself may have an impact on the water situation in areas where we operate. In 2005 we started to look more closely into these challenges and our efforts will continue in 2006. Our ambition is to make a contribution to a sustainable water situation in our areas of operation.

Biodiversity

Hydro's global operations bring the company into contact with areas that are vulnerable. The conservation of biodiversity is crucial to sustainable development and therefore important for Hydro. We have charted the Ormen Lange and Langeled pipeline routes, which has provided fresh knowledge relating to certain coral species. We also carried out in 2005 a pilot survey of our petrochemicals business to reveal potential challenges. Biodiversity is also important in assessing new sources of bauxite and developing new oil and gas fields.

Other environmental considerations

In March 2006, we achieved our goal of zero discharges in accordance with the agreement between the authorities and the oil industry. The Norwegian Pollution Control Authority will in 2006 review all the operator's reports, but we will continue to set further discharge reduction targets internally, as improvement opportunities still exist.

Hydro has made an active contribution to developing an overall plan designed to manage activities in the Barents Sea. The Ministry of the Environment is responsible for this task, though various parties have been invited to take part in the process. Our goal is to contribute to a balanced and specialized appraisal of risk and effect. The exploration well "Obelix," drilled in the Barents Sea in 2005, was the most environmentally acceptable drilling operation ever. Only environmentally compatible chemicals were used, and the planned minimal discharges were accepted by the authorities in an extremely stringent zero-discharge regime.

New environmental targets were set in 2005 for our aluminium operations. The targets relate to the use of resources, waste and emissions, and will help the organization harness its efforts towards efficient environmental measures.

Energy optimization bears fruit

The energy required to produce one kilogram of primary aluminium in Hydro's Norwegian smelters has been cut by 28 percent over the last 40 years. Since 1999 alone this has enabled us to step up annual production by 100,000 tonnes without increasing energy consumption – a rise of more than 15 percent. More will follow.

One way in which Hydro is reducing climate gas emissions is by producing energy efficient products as effectively as possible. Many years' painstaking progress in aluminium production explain the improvements that have been achieved. Of course, this makes good commercial sense when energy supplies are limited and prices are high. Energy accounts for roughly 30 percent of the total cost incurred in producing primary aluminium. In 2005, we consumed an average of 14.2 kWh to produce one kilogram of aluminium. By 2011 we plan to reduce electricity consumption to 13.5 kWh/kg.

These improvements are not the result of a single simple measure, but of widely applied research and development in every link of the production chain.

Learn more:
www.hydro.com/people
www.hydro.com/environment
www.hydro.com/principles

Minnie Mouse

HYDRO IS DRIVEN BY AN INSTINCT TO COMMERCIALIZE

Can our planet sustain a high standard of living for everyone?

CAN OUR PLANET SUSTAIN A HIGH STANDARD OF LIVING FOR EVERYONE?

...only if we start to think outside the box

HYDRO IS DRIVEN BY AN INSTINCT TO COMMERCIALIZE

More vehicles are on the road, and more land is taken to build homes and offices each year. Can everyone have equally high living standards as the wealthiest countries enjoy today? Our situation has similarities with when Hydro was founded 100 years ago. The questions point to some interesting commercial opportunities and innovative answers.

Innovation to meet market needs

A century ago the challenge was to produce enough food for a growing population. Hydro came about thanks to the apparently visionary idea of utilizing Norwegian hydroelectric power to fix atmospheric nitrogen and produce fertilizer. One of our greatest challenges today is to obtain enough energy for an increasing population. This requires innovation and action both locally and globally.

For example, one long-term goal is to construct buildings that produce as much energy as they use. Hydro Building Systems at its research center in Ulm, Germany, has taken on this challenge. With TEmotion building façades, the researchers have come up with a complete technological concept and are a lot closer to achieving our goal.

Hydro has been able to offer window and façade solutions with advanced systems for heating, cooling and ventilation for some years now. TEmotion takes such solutions several steps further. This innovative and advanced building cladding system in aluminium and glass comes complete with all the components required for heating, cooling, ventilation, sun screening and lighting. In addition, TEmotion includes solar panels and can make buildings energy self-sufficient – today. Furthermore, a system for storing surplus energy in the form of hydrogen is being developed in cooperation with Hydro's unit for new energy. TEmotion was awarded two prizes at BATIMAT, the international building trades fair, in 2005.

New energy-efficient solutions help to meet growing interest in the market, where demand and prices are increasing. Official bodies also act as a driving force here. For example, the EU estimates that 45 percent of CO_2 emissions are due to energy consumption in buildings and has therefore stipulated that building façades shall contribute to energy saving.

As with other forward-looking solutions from Hydro, TEmotion is supplied in modules that simplify assembly and reduce energy consumption during the building phase. And once the building has served its original purpose, it is good to know that 85 percent of the aluminium in façades can be recycled.

Where we are and what we are striving to achieve

2005

- Supplied 3.8 million tonnes aluminium to the market
- Acquired Spinnaker Exploration Company
- Agreed to buy 50 percent of the Chinook field in Brazil
- World leader in drilling multilateral wells
- Chosen by Gazprom as one of five potential partners on the Shtokman field in the Russian part of the Barents Sea

2006

- New business opportunities based on Hydro's deep-water and Spinnaker's seismic expertise
- Partner on Shtokman
- Construction of aluminium plant Qatalum in Qatar decided

2010

- Increased value creation deriving from strengthened market positions for aluminium metal
- Chinook field in Brazil supplying at least 30,000 barrels of oil equivalents per day
- At least 150,000 barrels of oil equivalents per day produced outside Norway
- Qatalum producing 570,000 tonnes of aluminium annually

LØVETANN An innovative architectural concept has been launched in conjunction with Hydro. Working with Snøhetta, the acclaimed architects, an exciting modular home design using aluminium has been developed that can be adapted to differing living needs during various life phases.

Solid platform for an instinct to commercialize

We recover, produce and sell energy, we develop new energy, and we convert energy to aluminium – as primary metal, remelted metal and downstream products. This provides us with a solid platform for creating business opportunities for meeting the most important challenges of the future. Our competency, innovative ability and cooperation with customers and research institutions to find solutions, are key elements of our long-term competitiveness.

Strategy for innovation and research

Profitable innovation requires in-depth knowledge of customer needs and the overall regulatory framework, but also a perspective on the opportunities and challenges that will arise in the long term.

Oil & Energy

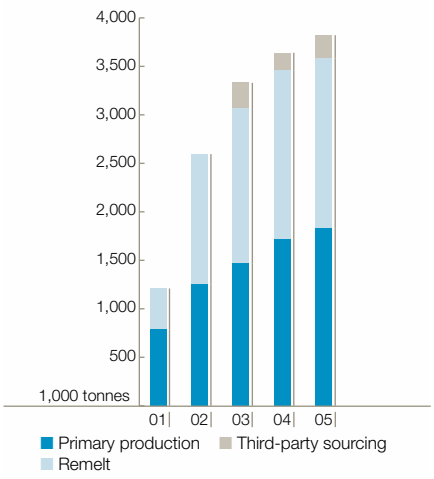
An overall goal for our oil and gas business is to secure access to new reserves. This means that we step up our exploration and increase discovery probability. We made important moves in 2005 and intend to intensify these efforts in coming years.

It is equally important for us to obtain as much as possible from acreage that is already productive. We are therefore making determined efforts to extract even more oil and gas from existing fields. Tail-end production and development of small fields by making use of the infrastructure already in place are complementary activities.

We can draw on a wide range of resources and expertise in carrying out such tasks. Our two research centers employ some 300 people, while 600 to 700 employees work in operational and technological fields such as drilling, production, development, petroleum and gas. The overriding research strategy for Oil & Energy is reflected in six programs: exploration, increased recovery, development of small fields, new energy, the CO_2 chain, and HSE technology. A number of projects and activities are included within each of these main programs.

We have set up our own Technology Forum, with NOK 60 million available annually, to which all employees can bring ideas and obtain financial support. We are also open to external impulses, and our goal is for half of our R&D funds to be spent outside Hydro. We enjoy fruitful cooperation with academic institutions through grants, joint training courses and offers of internships for students. We have established two venture funds that invest in and help develop ideas. We administer a seed capital fund that provides local knowledge-based communities with the opportunity to develop and commercialize oil and energy technology.

ALUMINIUM CASTHOUSE PRODUCTION AND THIRD-PARTY SOURCING



"Aluminium façades and windows can give buildings a clean and elegant finish. What's more, they are maintenance free – and that's a big advantage."

Achim Jäger, architect

CUSTOMER COOPERATION Our Extrusion Academy deals with topics such as how aluminium profiles are designed and manufactured, as well as their many areas of application. We invite selected customers in many countries to such seminars several times each year. This is one of many ways in which Hydro's aluminium extrusion expertise is passed on to our customers.

Aluminium

Efficient production and continuous improvement are prequisites for being competitive in aluminium. At our latest primary metal production plants we use technology we have developed ourselves and which is state of the art in energy efficiency and environmental impact.

We have gained much experience from implementing and commercializing innovative ideas and concepts. In several areas we are developing new solutions in close cooperation with our customers. Innovation takes place through research and development, applied technology, product development, new or improved production processes, and commercial concepts.

Our experience tells us that the more clearly the need is defined, the greater is the opportunity of the innovation's success. An idea has the greatest chance of success if it provides an answer to a distinct problem as identified by customers, the market in general or by Hydro employees. A lot of effort is expended in identifying these needs as a basis for innovation.

Award-winning customer satisfaction

Satisfied customers are necessary for long-term commercial success. Hydro landed several prizes in 2005 that confirm how strong our customer relations are.

Less than a year after Hydro won Toyota's supplier award for outstanding quality, we won recognition for cost control. Our Raufoss, Norway, plant, which supplies bumper beams to the auto industry, was one of five winners from among 300 qualified Toyota suppliers. The cost savings were a result of Hydro's continuous improvement. A Hydro-produced magnesium engine mount that has set a new standard was featured in Automotive News.

Our customer bases in Aluminium and Oil & Energy are quite different in nature, so coordinated customer satisfaction surveys that include all of Hydro are not undertaken. In Oil & Energy it is mainly in the marketing of petroleum and oil products that we deal with single customers and personal customers. Norsk Hydro Olje AB in Sweden carries out traditional customer satisfaction surveys of its energy and motorist customers.

In Aluminium, we have developed a system for measuring customer satisfaction. This system consists of measuring customer satisfaction with the product we deliver, as well as product quality and our service. Information is gathered from a wide spectrum of relevant sources and forms the basis for a customer satisfaction index that is measured at regular intervals and every other year at a minimum.

The Hydro Innovation Award 2005

In order to stimulate the innovation drive, best practice sharing and motivation, we have established an internal innovation award. In 2005 a number of good proposals were submitted, including the first diesel V6 engine block ever produced in aluminium, the TEmotion self-sustaining building facades and Hywind floating windmills.

The winning project was the Optimal Pipe Route, a multi-discipline simulation tool enabling pipelines to be laid over extended distances. The project, which combines expertise from several specialist fields, has given Hydro a head start in the development of new oil and gas finds with a high potential.

Optimal Pipe Route has been important for the Ormen Lange subsea-to-land solution and for Langeled, the world's longest subsea gas pipeline. The tool is expected to play a prominent role when considering possible future development solutions in the Barents Sea.

SOCIAL COMMERCE

Is restructuring just another word for greed?

IS RESTRUCTURING JUST ANOTHER WORD FOR GREED?

… timely change is corporate responsibility in practice

SOCIAL COMMERCE

Changes in the global economy do not arrive at convenient intervals. Upheaval has become part of our everyday lives. The best way to protect ourselves against the consequences is to continuously improve our operations. But sometimes there is no alternative to closure or radical restructuring. In our 100 years of doing business, we have learned that it is best to act while there is still room for maneuver.

We must invest in those areas with the greatest opportunities in the long term

In 2005, we closed down production of primary aluminium in Hamburg, Germany. We did so not because of any downturn in the market, but because of the rapidly rising price of electricity in Germany. During the course of 2006 we will terminate metal production at several locations in Norway and Germany. There are a number of reasons for this: the cost of bringing older production facilities up to modern environmental standards, a shortage of energy and high electricity prices. Sections of our production capacity at Karmøy in Norway are also due to be closed in 2009.

At the same time, we are planning major expansion projects in other parts of the world; so big, in fact, that the company's output of primary metal is expected to increase by over 10 per cent – despite the closures – in the years to 2010. In future, metal production will be located where we can expect stable access to competitively priced energy. That rules out the possibility of major expansions in Europe and the US. If we are to retain our position as a leading aluminium producer, we must invest where we see the chance to develop the business over the long term.

In 2006, Hydro's downstream aluminium business, which employs 19,000 people at around 100 plants worldwide, will also face new challenges. These facilities are very different from each other. Some are highly profitable, while others are struggling to fend off growing competition from China and Russia. At present, we still do not know what will be the outcome of the wide-ranging review of Aluminium Products, which will be undertaken during the first half of 2006. Sell-offs, closures and turnarounds are all alternatives which will be carefully considered.

For employees and local communities, the consequences of these changes could be painful in the short term. In our experience, however, it is better to restructure while we are still in control of the situation and can help find alternative job opportunities than to wait for the inevitable to happen.

Where we are and what we are striving to achieve:

2005

- Open dialogue with employees and local communities important part of restructuring processes
- No known instances of corruption or human rights violations
- Hydro's Integrity Program launched
- Payments to host governments reported in accordance with Extractive Industries Transparency Initiative

2006

- Effective restructuring with respect for employees and their communities
- No instances of corruption or human rights violations
- New corporate responsibility and business ethics standards for suppliers
- Implementation of Hydro's Integrity Program throughout the organization

2010

- All important suppliers comply with our supplier standards
- All units comply with and report on anti-corruption standards, human and workers' rights, and report their performance
- Preferred partner worldwide due to responsible business operations

OVERALL APPROACH Restructuring, in-house and external cooperation, and our endeavors to run our businesses in the best way possible are all part of what we call social commerce.

Social commerce in practice

Change is part of our everyday lives. We may like it or not, but without the ability to change, we would not be where we are today. All those around us – customers, suppliers, employees, shareholders or society at large – are best served by companies that keep pace with changes in the market. The crucial factor is how that change and restructuring is accomplished.

In those cases where restructuring has negative consequences for the local community, Hydro has a tradition of finding acceptable solutions in cooperation with employees, trade unions and local government authorities.

Good communication is vital if change is to be implemented as smoothly as possible. We try to keep all parties informed on developments in our markets and businesses. We try to bring up potential problems as early as possible, so that we can have time to identify and discuss alternative solutions. Help for business start-ups, financial support for employees wishing to retrain, severance packages and early retirement are all important tools in the event of downsizing. The important thing is to ensure that the initiatives and tools are rooted in local conditions and opportunities.

"We on the local council have not yet abandoned the battle to get the facilities modernized, but at the same time we see that we need new jobs. What Hydro can do is to bring jobs to Årdal through the Hydro system."

Arild Ingar Lægreid, Mayor of Årdal

Necessary for value creation

The ability to manage and develop both human and natural resources is vital for long-term success. Working to reduce the environmental impact of our operations, respect human rights, meet our responsibilities as an employer, combat corruption and maintain an open dialogue with society at large is not simply a moral duty, but is a necessary part of value creation. For this reason, change management, internal and external cooperation and efforts to operate in accordance with good business practice are all included in what we call socially responsible business operations.

Hydro's corporate responsibility activities are based on internal requirements, national legislation and international conventions, as well as our voluntary commitments. Our support for the principles of the UN's Global Compact on human rights, working conditions, the environment and anti-corruption are among our most important voluntary commitments. We also support the OECD's Guidelines for Multinational Enterprises.

By means of publications issued in a number of different languages, and through internal communication channels, Hydro's employees are reminded of the significance of exercising corporate responsibility, among other things by taking a stand on ethical dilemmas.

PAYROLL

NOK million	2005	2004	2003
Norway	6,322	6,761	6,490
Germany	2,205	2,287	2,353
Other Europe	3,259	3,539	3,422
Total Europe	11,786	12,587	12,265
USA	1,100	757	798
Canada	155	142	173
Other America	52	42	29
Asia	54	54	72
Other	315	265	237
Total outside Europe	1,675	1,260	1,309
Total	13,461	13,847	13,574

EARLY AS POSSIBLE We bring up potential problems as early as possible, to have time to identify and discuss alternative solutions.

Local dialogue

Good communication with those affected by our operations is important. When we embark on new projects, we immediately identify groups and institutions that may be affected by our business. These may be representatives of the local community, public authorities, investors, suppliers, customers and non-government organizations. We strongly emphasize candor and credibility in all our contacts with these groups. The outcome of this dialogue forms the basis of plans we develop to handle our corporate responsibility regarding the project in question.

Hydro has been the operator for the construction phase of the Ormen Lange project, and has maintained a systematic and effective dialogue with various stakeholder groups during that time. Taking on board their opinions has resulted in the project implementing better and more appropriate solutions.

Oil and gas exploration off Norway's north coast has prompted vigorous public debate. We place great emphasis on providing information about our activities and plans in the Barents Sea, and take an active part in meetings, debates and seminars with politicians at all levels, local business representatives, non-governmental organizations and other stakeholders.

In connection with the planned aluminium plant in Qatar, we carried out an initial analysis of the project's impact on society and the environment in 2005. This analysis covers demographic issues, political conditions, human rights and business ethics. In addition, a dialogue with various interested parties, such as the government authorities, business partners, the local community, contractors and non-governmental organizations has been initiated. This will form the basis for determining how any social or environmental challenges arising from the project are to be addressed.

From partly owned primary production to wholly owned remelting in Hamburg

The closure of Hamburger Aluminium-Werk in 2005 was accompanied by strong criticism of the company's owners, Alcoa, AMAG and Hydro. The decision to close was based on Germany's high energy prices. A total of 420 jobs were at risk of being lost. However, closure did not mark the end of metal production at the site.

At the start of the year Hydro acquired sole ownership of the aluminium casthouse at Hamburger Aluminium-Werk, with the aim of continuing operations and supplying its own rolling mill in the area with remelted metal. The casthouse has 100 employees, and will become Hydro's largest remelting works, with an annual capacity of 130,000 tonnes.

NUMBER OF EMPLOYEES*

	2005	2004	2003
Norway	11,638	12,133	12,587
Germany	5,613	5,591	5,629
Other Europe	9,760	10,536	10,937
Total Europe	27,011	28,260	29,153
US	3,621	3,780	3,719
Canada	363	372	374
Other Americas	633	779	782
Africa	26	31	30
Asia	582	811	949
Australia and New Zealand	529	571	566
Total outside Europe	5,754	6,344	6,420
Total	32,765	34,604	35,573

* 31 December

"As painful as this closure is, it won't be the last. Globalization has triggered worldwide structural change that we cannot escape from."

Thomas Straubhaar, Head of Hamburgisches Weltwirtschafts-Institut

DEMONSTRATIONS Employees and the local community demonstrated against the closure of the Stade smelter by planting crosses inscribed with the names of those affected by the decision.

Remelting requires only 5 percent of the energy needed to produce primary metal. Energy costs are therefore not as crucial as for aluminium smelters. Its location, right next to a major rolling mill and close to the important German markets, is also advantageous, both with regard to acquiring supplies of scrap metal for remelting and distribution of remelted metal.

After restructuring, Hydro has around 620 employees at its facilities in the Hamburg area.

The restructuring effort in Hamburg is also a good illustration of the development of Hydro's metal production. More primary production will take place in areas offering competitively priced energy. At the same time, we are developing an extensive system for remelting metal near the market. This network of plants supplies approximately the same amount of metal as our primary smelting works. This is also an aspect of what we call social commerce.

Controversial closure in Stade

In 2005 it was decided to close Hydro's production of primary aluminium in Stade, Germany. This decision has prompted strong reactions among employees, local authorities and the media. Both local authorities and media have been distrustful of Hydro and communicating the need for restructuring and closures has been an immense challenge.

We have made a thorough assessment of the challenges ahead, and have held information meetings with employees and local authorities. Our primary objective is to offer alternative jobs to the majority of the nearly 400 employees at the plant, either in start-up companies or existing businesses. We have set up a separate business development entity to contribute towards this and to carry out the physical closure of the plant, so that the existing buildings can be used for new purposes. Finding new jobs for our employees is a major challenge, with unemployment in the area running at over 10 percent. The employees are being offered counseling and severance packages.

Human rights

Hydro supports the principles enshrined in the Universal Declaration of Human Rights. The term "human rights" can embrace many elements; we have singled out certain areas that are particularly relevant for a company such as Hydro. We do not accept child or forced labor at our plants, or those belonging to our suppliers or partners. In 2005 we conducted an investigation which confirmed that we do not have any instances of child or forced labor at our plants. Fundamental employee rights such as the right to a minimum wage and regulated working hours, as well as freedom of association, are also vital issues for us.

CURRENT INCOME TAX

NOK million	2005	2004
Norway	28,784	22,537
Germany	146	783
Other Europe	504	71
Total Europe	29,434	23,391
US	(253)	2
Canada	691	127
Other Americas	15	36
Africa	1,072	490
Asia	(170)	2
Australia and New Zealand	48	94
Total outside Europe	1,403	751
Total	30,837	24,142

EQUALITY Hydro does not accept discrimination based on gender, religion, race, national or ethnic background, cultural background, social group, disability, family status, age or political opinion.

Since natural resources are often located in areas inhabited by indigenous people, it is particularly important to ensure that their interests and needs are safeguarded. We are keen to protect cultural diversity and strive to act with due care and respect when we go into areas inhabited by indigenous people or other minorities. We have minority interests in operations which affect indigenous people in Brazil and Canada. The operator companies in these areas have good relations with the groups concerned.

Hydro does not permit discrimination on the basis of gender, religion, race, national or ethnic origin, cultural background, social group, disability, family status, age or political opinion. For a detailed report on diversity, please refer to page 21.

Employing armed security guards is necessary in certain countries. This may imply challenges with respect to human rights. Hydro has endorsed the Voluntary Principles on Security and Human Rights. We have not seen critical incidents in our limited use of armed guards.

Hydro's Integrity Program

To prevent corruption and human rights violations, we introduced a wide-ranging integrity program in 2005. This builds on the company's standards with respect to corporate responsibility and ethical business practices. To help managers deal with issues and problems associated with corruption and human rights, a set of guidelines and tools has been developed. The material, published in the form of a handbook, is available in 10 languages, and has been distributed throughout the organization. In addition, information meetings and discussions have been held with business sectors, coupled with management seminars. Over the past 10 years, the voluntary organization Transparency International has helped to put the fight against corruption high on the international agenda. Hydro has contributed to the formulation of Transparency International's business principles for countering bribery, which have been key in developing Hydro's Integrity Program. To further strengthen international anti-corruption efforts, we also support the Partnering Against Corruption Initiative.

Employees are encouraged to discuss any concerns they may have with their supervisors, and report any violations of Hydro's internal requirements. Since 2003, we have had an independent whistleblower channel which is open to all employees, and which can be used if it does not seem appropriate to raise an issue with the immediate manager.

Hydro supports the Extractive Industries Transparency Initiative (EITI), which publishes payments from companies to governments to create transparency. We report total payments

PAYMENTS TO HOST GOVERNMENTS*

NOK million	2005
OIL & ENERGY	
Norway	27,579
US	21
Canada	184
Brazil	-
Angola	625
Libya	268
Russia	38
Iran	-
Cuba	-
Denmark	-
Mozambique	0.2
Morocco	-
Madagascar	-
Nigeria	-
ALUMINIUM	
Brazil	89
Jamaica	56

* Total payments to host governments connected to exploration and production of oil, gas, bauxite and aluminia. The reporting is according to the intentions in Extractive Industries Transparency Initiative (EITI) This is not included in the independent auditor's report on page 65

NEW COMMUNITY HALL Easington on the UK's east coast is where the world's longest subsea gas pipeline, Langeled, comes ashore. Hydro and its partners wished to create a legacy that would benefit the local community. They did so by funding the building of a new community hall and setting up a business development fund.

made to governments in the countries where we have oil or gas exploration and production or bauxite mining and alumina production.

Hydro does not give financial contributions to political parties.

Supplier standards

Improved routines for selecting and monitoring suppliers are being drawn up. The guidelines in this area encompass the anti-corruption, human rights and working condition standards to be included in all phases of supplier monitoring. They supplement the currently existing health, safety and environmental requirements.

Community investments

In 2005, new guidelines were developed for community investments. The guidelines are intended to help make sure that such investments are made in accordance with Hydro's business strategy, while also supporting local and regional needs and development plans.

We are assisting Russian suppliers to prepare for future oil and gas developments in the Barents Sea. We have helped to raise competence and qualify companies as suppliers to international projects. We have also helped suppliers find Norwegian partners. In February 2006, Hydro opened development centers for suppliers in Murmansk and Arkhangelsk. Hydro has established partnerships with universities in Murmansk, Moscow and Arkhangelsk to develop competencies in oil- and gas-related technologies.

As part of our centennial celebrations, Hydro is contributing NOK 100 million over a 10-year period to a new national science center in Bergen, Norway. The objective is to increase youngsters' interest in science and technology. In addition, the company contributed NOK 30 million to the Norwegian Red Cross, Norwegian People's Aid and Save the Children Norway. We also contributed NOK 710,000 to Transparency International's work in Norway and internationally. Our contribution to Amnesty International Norway was NOK 1 million.

In total, Hydro spent over NOK 95 million in 2005 on community investments, sponsorships and other contributions. This includes our support of the Nobel Peace Center in Oslo, as well as our long-standing sole sponsorship of the Oslo Philharmonic Orchestra.

Learn more:
www.hydro.com/principles
www.hydro.com/society
www.hydro.com/people

Corporate governance

A sound and transparent governance structure contributes to value creation and improved results; it builds trust and provides a basis for socially responsible conduct. Corporate governance is therefore crucial to Hydro's development. Strategies and targets are drawn up on the basis of an integrated governance and management system.

Compliance with legislation and other requirements
Hydro's main listing is on the Oslo Stock Exchange, where the company is subject to Norwegian securities legislation and stock exchange regulations. The share is also listed on the New York Stock Exchange (NYSE) and five other stock exchanges. Information regarding Hydro's shareholder policy can be found on page 66.

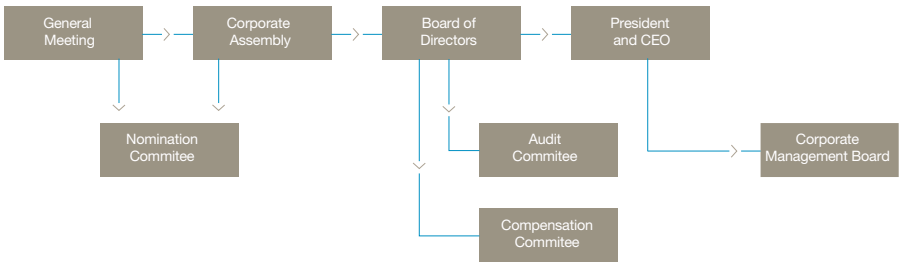
Hydro complies with the Norwegian recommendations for good corporate governance of 2005. A detailed description of how we meet each individual requirement can be found at www.hydro.com/norwegiancode

Hydro complies with the requirements of the US Sarbanes-Oxley Act of 2002, which applies to foreign companies listed on the NYSE. From 2006 we also fulfill the requirements of Sarbanes-Oxley 404. It sets additional requirements on documentation that a company's accounting systems and financial reporting procedures are satisfactory. This, in turn, provides the basis for management to issue binding affirmations that the procedures are working as they should. In 2005, Hydro was engaged in preparing for implementation in 2006.

For the seventh time in a row, Hydro was included in 2005 in the Dow Jones Sustainability Index, and in the corresponding UK index, FTSEGood, for the sixth time.

Corporate directives and Code of Conduct
All Hydro units must comply with local laws. The Company sets minimum requirements that apply to all units where we are operator or own more than 50 percent. These directives address, among other things, strategy and business planning, finance, risk management, organizational and employee development, health, safety and environment, and ethics and social responsibility. The Code of Conduct and information about our whistleblower channel are available to employees on Hydro's intranet and in the brochure "You and Hydro." Directives on these issues and "You and Hydro" are available on www.hydro.com/principles

Risk management
Risk management is an integrated part of the Company's planning and reporting functions. Exposure to certain risks, such as those threatening life and health, should be reduced to a minimum. Hydro carries out risk assessments in all areas where the Company's assets are exposed. Risk management deals with all aspects of value creation, including strategy, finance, commercial matters, organization, corporate responsibility, regulatory and legal issues. Please refer to page 20 for a detailed discussion of financial risk management. The various instruments used for managing risks associated with corporate responsibility are discussed on pages 41-43 and 54-58.



Learn more:
www.hydro.com/governance
www.hydro.com/norwegiancode
www.hydro.com/principles

Governance bodies

Description	Developments and events in 2005	References
General Meeting of Shareholders Company shareholders exercise ultimate authority through the General Meeting. 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. The General Meeting of Shareholders: • Elects the shareholders' representatives in the Corporate Assembly • Elects the external auditor and determines the auditor's remuneration • Approves the annual report according to Norwegian requirements and financial statements, including dividend proposed by the Board of Directors and recommended by the Corporate Assembly Shareholders may, at least 14 days before an ordinary general meeting, request that proposals for resolutions are submitted to the General Meeting, or that points are added to the agenda.	General Meeting in May.	The protocols can be found on www.hydro.com/governance
Corporate Assembly Eighteen members. Twelve are elected by the General Meeting of Shareholders, six are elected by and among the group's employees in Norway. In accordance with Norwegian law, the Corporate Assembly: • Elects the Board of Directors and determines their remuneration • Nominates the external auditor to be elected by the General Meeting of Shareholders • Based on recommendations from the Board of Directors, makes decisions in matters relating to investments that are substantial in relation to Hydro's resources, and when closures and reorganizations will lead to significant changes for the workforce • Provides recommendations to the General Meeting of Shareholders on the approval of the Board of Director's proposal on financial statements and dividend.	Five meetings *Members*: Svein Steen Thomassen (chairperson), Siri Teigum (deputy chairperson), Aase Gudding Gresvig, Westye Høegh, Idar Kreutzer, Sylvi Lem, Anne Merete Steensland, Sigurd Støren, Sten-Arthur Sælør, Lars Tronsgaard, Karen Helene Ulltveit-Moe, Svein Aaser, Sven Edin, Billy Fredagsvik, Kjell Kvinge, Dag Harald Madsen, Roger Oterholt, Rune Strande *Deputy members*: Anne-Margrethe Firing, Erik Garaas, Wolfgang Ruch, Terje Venold, Nils Roar Brevik, Tore Amund Fredriksen, Sónia F. T. Gjesdal, Line Melkild, Bjørn Nedreaas, Bjørn Øvstetun	See Note 3 to the Consolidated Financial Statements for remuneration paid to members of the Corporate Assembly See the Articles of Association §§ 7-8 at www.hydro.com/governance
Nomination Committee (Established in 2001) Four members. Two appointed by the General Meeting of Shareholders, two appointed by the Corporate Assembly. The Chair of the Corporate Assembly has a permanent seat on the committee. Nominates candidates to the Board of Directors and the Corporate Assembly and proposes remuneration to the Board, its sub-committtees and to the Corporate Assembly.	Two meetings *Members:* Svein Steen Thomassen (chairperson) Siri Teigum, Westye Høegh, Reier Søberg	See Articles of Association § 5A Biographical information of the Nomination committee members can be found at www.hydro.com/governance
Board of Directors Nine members. Six elected by the Corporate Assembly. Three elected by and among the Company's employees in Norway. Elections are normally made for a period of two years. In accordance with Norwegian law, the Board of Directors assumes the overall governance of the Company, ensures that appropriate steering and control systems are in place and supervises the day-to-day management as carried out by the President and CEO. All shareholder-elected members are external. No members elected by employees belong to the Company's executive management. Employee directors have no other service	Twelve meetings. 94 percent meeting attendance by the board members. All shareholder-elected members were deemed to be independent in accordance with Norwegian and New York Stock Exchange (NYSE) standards. Except as noted below, none of the Company's non-employee Board members had any other service contractual agreements with the Company. Elisabeth Grieg, who is a member of the Board of Directors and of the Audit Committee, partly owns the family company Grieg Maturitas AS,	The Board's mandate can be found at www.hydro.com/governance See page 24 for biographical information on the Board members

Description	Developments and events in 2005	References
Board of Directors (cont.) contractual agreements with the Company outside of their employee contracts, though they are subject to their duties as Board members.	which indirectly owns 65% of Grieg Logistics AS. Grieg Logistics AS received compensation of NOK 125,745,650 in 2005, NOK 36,631,635 in 2004, and NOK 1,425,124 in 2003 from Hydro for transportation services mainly related to Hydro's offshore operations and services from forwarding and customs clearance for the onshore Ormen Lange project. In May, Sten Roar Martinsen took over as new employees' representative after Odd Semstrøm. The Board of Directors conducted a self-evaluation of its work, competence and cooperation with management.	See Note 4 to the Consolidated Financial Statements for remuneration, share ownership and loans to Board members
Compensation committee (Established in October 2001) Consists of three of the Board of Directors' nine members. The committee reviews the performance and recommends proposals on compensation for the President & CEO to the Board of Directors. The committee assists in the evaluation of compensation for the Corporate Management Board and in determination of performance-promoting schemes for management. The Board has concluded that each of the members of the Compensation Committee is independent under Norwegian and NYSE listing standards.	Three meetings *Members:* Jan Reinås (chairperson) Håkan Mogren Ingvild Myhre	The mandate can be found on www.hydro.com/governance
Audit Committee (Established in November 2001) Consists of four of the Board of Directors' nine members. The Audit Committee meets the SEC and NYSE rules and requirements regarding independence and competence. The Audit Committee assists the Board of Directors relating to the integrity of the Company's financial statements and financial reporting processes and internal controls; the company's risk assessment and risk management policies related to financial reporting; the qualifications, independence and performance of the external auditor; and the performance of the internal audit function related to internal controls over financial reporting. To ensure the independence of the internal audit function, the director of Internal Audit may report any matters directly to the Board Audit Committee, at his own discretion. The Audit Committee maintains a pre-approval policy governing the engagement of the Company's primary and other external auditors to ensure auditor independence in accordance with SEC rules and regulations.	Seven meetings Revised the audit committee mandate to focus its role related to financial reporting and auditing issues. Conducted a self-evaluation in accordance with its mandate. *Members:* Borger A. Lenth (chairperson) Elisabeth Grieg Kurt Anker Nielsen* Terje Friestad * Nielsen serves on the committee as a "financial expert" as defined by SEC rules.	The mandate can be found on www.hydro.com/governance
President & CEO and Corporate Management Board According to Norwegian corporate law, the President & CEO constitutes a formal governing body that is responsible for the daily management of the Company. The division of functions and responsibilities between the President & CEO and the Board of Directors is defined in greater detail in the rules of procedures established by the Board. The Corporate Management Board (including the President & CEO) has a shared responsibility for promoting Hydro's objectives and securing the Company's property, organization and reputation. Members of the Corporate Management Board are also Executive Vice Presidents with responsibility for the respective business areas, Finance and Leadership & Culture.	Met on a weekly basis No member of Hydro's Board of Directors or the Corporate Management Board has any family relationship with any other director or member of the Corporate Management Board.	See page 7 for biographical information on the Corporate Management Board See Note 4 to the Consolidated Financial Statements for remuneration, share ownership and loans to the President & CEO and members of the Corporate Management Board

The content on this page has been partly restated since the printing of this report, including this PDF edition. An updated version of this page can be found in the web version of this report at www.hydro.com

GRI index

Report in accordance with Global Reporting Initiative, Sustainability Reporting Guidelines

This overview shows how Hydro reports according to Global Reporting Initiative (GRI) guidelines for voluntary reporting of sustainable development. The tables show where information about each issue can be found, this is either fully or partly described compared to GRI's definition. The guidelines comprise economic, environmental and social dimensions relating to an enterprise's activities, products and services. GRI collaborates with the United Nations Environment Programme (UNEP) and UN Secretary-General Kofi Annan's Global Compact. We believe in all material respects that our reporting practice is consistent with GRI's reporting principles. The electronic version of the GRI Index refers to specific sections in the three reports constituting Hydro's reporting for 2005, or to information on www.hydro.com. See www.hydro.com/gri

Topic	Sub-topic	GRI references		Annual Review 2005 www.hydro.com/gri
Vision and strategy		1.1	Statement of Hydro's sustainability vision and strategy	5, 13, 17
		1.2	Statement from the CEO	2-4
Profile	Organizational profile	2.1	Name of reporting organization	Cover
		2.2	Major products and/or services, including brands if appropriate	Cover, 5-6, 19
		2.3	Operational structure of the organization	5-6
		2.4	Description of major divisions and operating companies	5-6, 8-19
		2.5	Countries in which the organization's operations are located	5, 11, 55-56, Website
		2.6	Nature of ownership; legal form	66-68
		2.7	Nature of markets served	5, 10-19
		2.8	Scale of the reporting organization	Foldout, 5-6, 15, 55, Website
		2.9	List of stakeholders and key attributes of each, including size	1, 9, 53-58, Website
	Report scope	2.10	Contact persons for the report	Cover
		2.11	Reporting period	Cover
		2.12	Date of most recent previous report	Annual report 2004
		2.13	Boundaries of report	1, 64
		2.14	Significant changes in size, structure and limitation of scope	2-4
		2.15	Basis for reporting	1, 64
		2.16	Restatements and reasons for restatements	Website
	Report profile	2.17	Position on applying GRI principles	64
		2.18	Accounting criteria/definitions used	Foldout, 1, 64
		2.19	Changes from previous years in the measurement methods	Not relevant
		2.20	Internal practices to provide assurance about the report	59-61
		2.21	Current practice to provide independent assurance about the report	65
		2.22	Means by which report users can obtain additional information	Foldout, 1, Website
Governance structure and management systems	Structure and governance	3.1	Governance structure of the organization	6, 59-61
		3.2	Independence of non-executive board members	24-25, 60-61
		3.3	Process for determining the expertise of board members	23, 61
		3.4	Board process to manage sustainability risks and opportunities	20-21, 59
		3.5	Executive compensation for achievement of non-financial goals	23, 61
		3.6	Organizational structure for audit of non-financial policies	6, 65
		3.7	Codes of conduct and policies relevant to sustainable performance	54-58, 59, 64
		3.8	Shareholder communication with the board of directors	Not reported
	Stakeholder engagement	3.9	Basis for identification and selection of major stakeholders	50-58, Website
		3.10	Approaches to stakeholder consultation	50-58
		3.11	Type of information generated by stakeholder consultations	50-58
		3.12	Use of information resulting from stakeholder engagements	50-58
		3.13	Explanation on how the precautionary principle is addressed	41-43, 64
	Policies and management systems	3.14	Endorsed voluntary economic, environmental and social charters and principles	56-58, 64
		3.15	Memberships in industry groups and advocacy organizations	Website
		3.16	Policies and/or systems for impact management	47, 49, 56-58
		3.17	Managing indirect economic, environmental and social impacts	50-58
		3.18	Major decisions on the location of, or changes in, operations	2-4, 53-56
		3.19	Programs and procedures on sustainability performance	27-58
		3.20	Certification of economic, environmental and social systems	Not reported

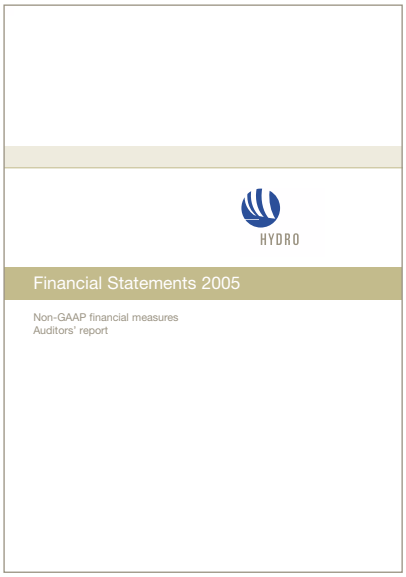
Topic	Sub-topic	GRI references		Annual Review 2005 www.hydro.com/gri
GRI content index		4.1	GRI content index	62-63
Economic aspects	Customers	EC1	Net sales	Foldout, Website
		EC2	Geographic breakdown of markets	11, 15, Website
	Suppliers	EC3	Cost of all goods, materials, and services purchased	Not reported
		EC4	Percentage of contracts paid in accordance with agreed terms	Not reported
	Employees	EC5	Total payroll and benefits broken down by country or region	54, Website
	Providers of capital	EC6	Distributions to providers of capital	Foldout, 66-68
		EC7	Increase/decrease in retained earnings at end of period	66-68
	Public sector	EC8	Total sum of taxes broken down by country	56, Website
		EC9	Subsidies	Not relevant
		EC10	Donation to community, civil society and other groups	9, 58
Environmental aspects	Materials	EN1	Total materials used other than water, by type	Website
		EN2	Materials used that are wastes from external sources	15, 33, Website
	Energy	EN3	Direct energy use	20, 43, Website
		EN4	Indirect energy use	Not reported
	Water	EN5	Total water use	43, Website
	Biodiversity	EN6	Location and size of land in biodiversity-rich habitats	43, Website
		EN7	Description of the major impacts on biodiversity	43, Website
	Emissions, effluents and waste	EN8	Greenhouse gas emissions	Foldout, 21-22, 42, Website
		EN9	Use and emissions of ozone-depleting substances	Not reported
		EN10	NOx, Sox, and other significant air emissions by type	Website
		EN11	Total amount of waste by type and destination	Website
		EN12	Significant discharges to water by type	Website
		EN13	Significant spills	42, Website
	Products and services	EN14	Environmental impacts of principal products and services	Not reported
	Compliance	EN15	Percentage of reclaimable product	15, 33
		EN16	Incidents and fines	42-43
Labor practices and decent work	Employment	LA1	Breakdown of workforce	22, 23, 55-56, Website
		LA2	Employment creation/turnover	53-56, Website
	Labor/management relations	LA3	Trade unions	56, 64
		LA4	Information, consultations & negotiations	50-58
	Health and safety	LA5	Health and safety practices	21-22, 41-42
		LA6	Health and safety committees	Not reported
		LA7	Health and safety key figures	Foldout, 10, 14, 21, 37, 40-41, Web
		LA8	Health and safety HIV/AIDS	Not reported
	Training and education	LA9	Training and education	21, 40-42
	Diversity and opportunity	LA10	Equal opportunity policies or program	21-22, Website
		LA11	Senior management and corporate governance bodies	6-7, 21, 24-25
Human rights	Strategy and management	HR1	Human rights relevant to operations	56-58, 64
		HR2	Investment/procurement decisions	56-58, 64
		HR3	Supply chain and contractors	56-58
	Non-discrimination	HR4	Non-discrimination	56-58, 64
	Freedom of association and collective bargaining	HR5	Freedom of association and collective bargaining	56-58, 64
	Child labor	HR6	Child labor	56, 64
	Forced and compulsory labor	HR7	Forced and compulsory labor	56, 64
Society	Community	SO1	Community	53-58
	Bribery and corruption	SO2	Bribery and corruption	22, 57-58
	Political contributions	SO3	Political contributions	58
Product Responsibility	Customer health and safety	PR1	Customer health and safety	Not reported
	Products and services	PR2	Products and services	Not reported
	Respect and privacy	PR3	Respect for privacy	Website

Progress report UN Global Compact

The Global Compact was formed at the initiative of the UN Secretary General, Kofi Annan, in 1999, because the UN wishes business and industry to be more closely associated with the UN's work. Companies that sign the Global Compact undertake to support 10 principles on human rights, labor standards, the environment and the fight against corruption.

Hydro has played an active role in the Global Compact since its formation. The table below provides a summary of our progress in relation to the Compact's 10 principles. A more complete survey can be found at www.hydro.com/globalcompact

Human rights		Page
Principle 1	Support and respect the protection of internationally proclaimed human rights	22, 56-58
Principle 2	Make sure not to be complicit in human rights abuses	22, 56-58
Labor standards		
Principle 3	Uphold the freedom of association and the effective recognition of the right so collective bargaining	56
Principle 4	Elimination of all forms of forced and compulsory labor	56
Principle 5	Effective abolition of child labor	56
Principle 6	Eliminate discrimination in respect of employment and occupation	22-23, 57
Environment		
Principle 7	Support a precautionary approach to environmental challenges	42-43
Principle 8	Undertake initiatives to promote greater environmental responsibility	42-43
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	29-33 42-43
Anti-corruption		
Principle 10	Work against all forms of corruption, including extortion and bribery	57-59



About the reporting

Hydro has decided to publish a three-part report for 2005. This Annual Review is being distributed to all shareholders together with the financial statements supplement. Combined, these two reports contain the annual report, the financial statements and auditors' report, and consequently satisfy Norwegian statutory requirements. The reports are available in Norwegian and English. In addition, we have prepared an "Annual Report and Form 20-F," which includes detailed, comprehensive business, operating and other information and meets Hydro's reporting requirements to the United States Securities and Exchange Commission (SEC).

The objective of our reporting is to provide interested parties with a fair and balanced picture of Hydro's operations, practices and results for 2005 within the areas of society, people and the environment. We believe that our combined reporting fulfill this objective.

The main part of Hydro's reporting on society, people and the environment are found in the Annual Review. Our reports are based on the sustainability reporting principles of the Global Reporting Initiative, and also explain how Hydro complies with the 10 principles of the UN's Global Compact. All documents as well as more detailed information on our reporting practices is available at www.hydro.com/reports

Independent Auditors' Report

To Hydro's reporting on society, people and environment

We have reviewed Hydro's management systems related to sustainable development within environment, health, safety, social responsibility and information about this presented in

- Hydro's Annual Review 2005, chapters "Letter to shareholders," "Business Review," "GRI index," and "Global Compact Reporting"
- Hydro's Annual Report and Form 20-F for 2005, chapter "Facts and figures, Society, People, Environment"

in total referred to as "the Reporting." The Reporting is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

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

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews with management responsible for environment, health, safety and social responsibility at corporate and business area levels, as well as at the reporting units Oil & Energy Operations – Sandsli and Troll C, Hydro Aluminium Extrusion – Lausanne, Hydro Aluminium Structures – Tønder, Hydro Aluminium Rolled Products – Malaysia and Hydro Polymers – Stenungsund.

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

Conclusions

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

1. Hydro has established systems at corporate and business area levels to identify, manage and to involve stakeholders on material aspects related to sustainable development within environment, health & safety and social responsibility, in accordance with the principles of AA1000AS.
2. Hydro has applied detailed procedures to identify, collect, compile, and validate data and information about environment, health & safety and social responsibility to be included in the Reporting, as described in "About the Reporting" in Annual Report and Form 20-F for 2005. Data for 2005 presented in the Reporting is consistent with data accumulated as a result of these procedures and appropriately reflected in the Reporting.
3. Hydro has implemented and locally adopted, as necessary, the management systems referred to in item 1 above at the reporting units that we have tested. Data for 2005 from these units has been reported according to the procedures noted in item 2 and is consistent with source documentation presented to us.
4. Hydro applies a reporting practice in accordance with its objectives and principles for reporting, as described in "About the Reporting" in Annual Report and Form 20-F for 2005 and aligned with the GRI reporting principles. The GRI Index presented in the Hydro Annual Review together with the GRI Index presented on www.hydro.com/gri appropriately reflects the extent to which the Reporting aligns with the indicators in the GRI Sustainability Reporting Guidelines. References made in the "Global Compact Reporting" table are consistent with the Reporting.

Oslo, 7 March 2006
Deloitte Statsautoriserte Revisorer AS

Preben J. Sørensen
State Authorized Public Accountant
Environment & Sustainability Services

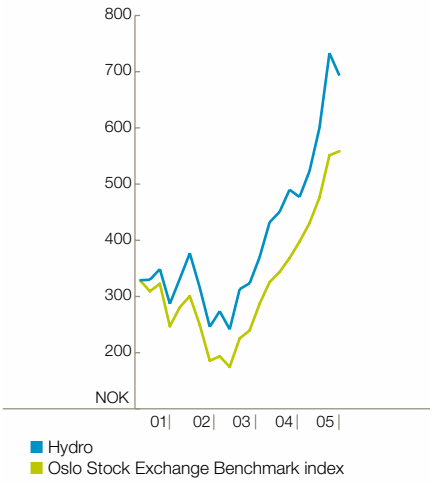
Shareholder information

Hydro's share price increased from NOK 477 at the end of 2004 to NOK 693 at the end of 2005. Including a dividend of NOK 20 per share, the total return was NOK 236 – 49 percent.

Hydro has one class of share, and at the end of 2005 there were 250,138,464 outstanding shares. A total of 322 million Hydro shares were traded on the Oslo Stock Exchange in 2005, which in value terms represented some 13 percent of the total turnover on the exchange. In addition, Hydro's ordinary shares are listed in London, Paris, Frankfurt, Düsseldorf and Hamburg. The Company's American Depositary Shares (ADS) are listed on the New York Stock Exchange (NYSE).

The value of each Hydro share is now significantly above other shares listed on the Oslo Stock Exchange. We consider it appropriate that the value of the Hydro share is brought more in line with the other shares listed on the Oslo Stock Exchange. The Board of Directors will therefore propose to the Annual General Meeting on 9 May 2006, that one old Hydro share is split into five new shares. The discussion in this section refers to numbers of shares or amounts per share before the proposed share split.

SHARE PRICE IN NOK

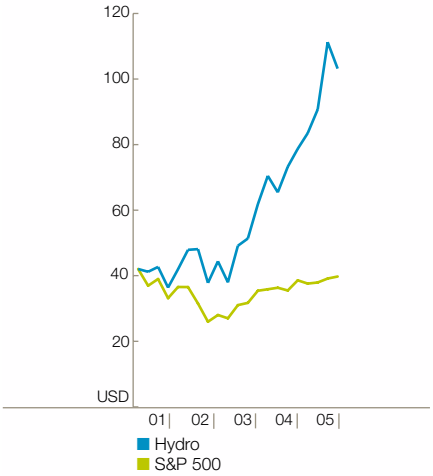


Dividend policy

Long-term returns to shareholders should reflect the value created in the company. Shareholders' returns consist of dividends and the share price development. The intention is that dividends should show a steady development in line with the growth in the company's results, while taking into consideration opportunities for creating value through profitable new investments. Over time, value creation will be reflected to a greater extent by share price development than through dividends, and Hydro's dividend policy states that the dividends over a period of several years should average roughly 30 percent of the company's net income. Future dividends will be dependent on Hydro's future earnings, financial condition and cash flow, as well as other factors affecting Hydro.

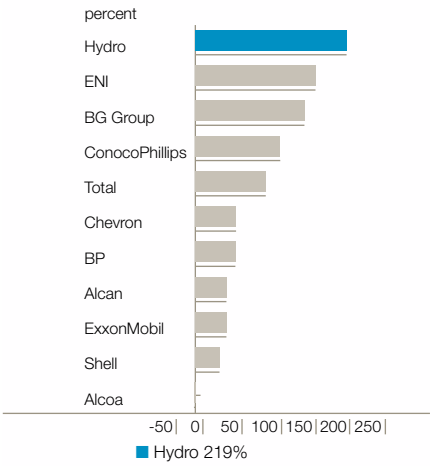
The Board of Directors has proposed a dividend of NOK 22 per share for 2005, which is a continuation of the level for 2004. This should be seen in the context of the solid financial position that Hydro has achieved through strong financial results, partly driven high commodity prices. It is furthermore emphasized that if commodity prices were to return to more normal levels, priority will be given to paying a dividend that is line with the payout ratio target of 30 percent, in preference to maintaining an absolute and increasing per share amount.

SHARE PRICE IN USD



The Annual General Meeting will consider the dividend proposal of the Board of Directors. If approved, dividends will be paid on Tuesday, 23 May 2006 to persons listed as shareholders as per 9 May 2006 in the Norwegian Central Securities Depository (VPS), or are authorized by the shareholders to receive the dividend. The dividend to holders of American Depositary Receipts ("ADRs"), evidencing ADSs, will be paid one to two weeks after 23 May 2006. For non-Norwegian shareholders, Norwegian tax will be deducted at source in accordance with the current regulations. The shares will be quoted exclusive of dividend on the Oslo Stock Exchange from 10 May 2006 inclusive.

TOTAL SHAREHOLDER RETURN 2001-2005 IN USD



Buyback of shares

In periods when earnings are high, Hydro may consider buying back shares in addition to ordinary dividend payments. Such considerations will be made in the light of alternative investment opportunities available to the company and its financial situation.

On 8 February 2005 we redeemed 2,191,190 shares held by the Norwegian State as part of a buyback program launched in 2004. At the same time we performed a capital reduction through canceling 5 million shares, We also bought back 934,400 shares in the market in 2005, under a new program approved by the Extraordinary General Meeting on 1 December 2004. According to this authorization we can buy back up to 5,617,621 shares in the market with the intention of canceling the shares through a capital reduction. The State once again agreed to participate by redemption and cancellation of a proportional number of shares.

Consequently, this buyback program may involve up to 10 million shares. When redeeming the State's shares, Hydro will pay a price equal to the volume-weighted average of the prices Hydro paid for the shares bought in the market, plus an interest rate of NIBOR plus one percent to compensate for the later settlement. The authorization expires in May 2006 and does not allow for share repurchases at shares prices above NOK 700 per share.

The Board of Directors will propose to the Annual General Meeting on 9 May 2006 to approve a new buyback authorization of 8,000,000 shares over a one-year period, with the similar conditions as previously, whereby approximately 4,494,096 shares can be purchased in the market. The proposed share price interval for which buybacks can be made is for share prices between NOK 250 and NOK 1,500 per share.

Funding and credit rating

To maximize value creation over time, and to strike a balance with Hydro's operational risk exposure, adequate access to financial resources is necessary. A condition for this is that the company's financial position secures access to loan capital on attractive terms. Our objective is to maintain a credit rating at the leading agencies, Standard & Poor's and Moody's, of a clean single A rating. As of 1 March 2006, Hydro's senior unsecured debt was rated "A1" by Moody's, subject to a possible downgrade, and "A" with negative outlook from Standard & Poor's. Over time we intend to keep the adjusted net debt/equity ratio at 0.5, which will contribute to maintaining the credit rating. When calculating this ratio, we include off-balance sheet pension obligations and operational leasing commitments. These adjustments are discussed under the caption "Non-GAAP Financial Measures" in the supplement to this report.

Major shareholders and voting rights

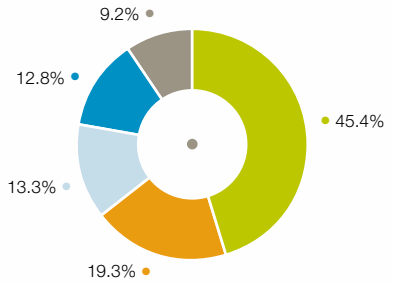
Hydro´s 20 largest shareholders, 31 December 2005

Shareholder	Numbers of shares	Ownership interest
Norwegian State	113,483,658	43.82%
State Street Bank (nominee)	11,998,731	4.63%
Morgan Guaranty Trust (ADR)	10,023,942	3.87%
Folketrygdfondet	9,355,327	3.61%
Hydro	8,815,964	3.40%
JPMorgan Chase Bank (nominee)	5,324,911	2.06%
Euroclear Bank (nominee)	3,255,937	1.26%
EuroPacific Growth Fund	3,175,000	1.23%
Mellon Bank (nominee)	2,429,660	0.94%
The Northern Trust Company (nominee)	2,227,673	0.86%
Vital Forsikring	2,181,886	0.84%
New Perspective Fund	2,164,000	0.84%
State Street Bank (nominee)	1,970,026	0.76%
JPMorgan Chase Bank (nominee)	1,847,211	0.71%
Clearstream Banking (nominee)	1,758,869	0.68%
Investors Bank & Trust Company (nominee)	1,716,449	0.66%
SIS Segaintersettle (nominee)	1,538,846	0.59%
Storebrand Livsforsikring	1,514,659	0.58%
Capital World Growth and Income Fund	1,465,900	0.57%
Investors Bank & Trust Company (nominee)	1,465,194	0.57%

Source: VPS

At the end of 2005, Hydro had 39,766 registered shareholders, The Norwegian State was the largest, with 43.8 percent, Other Norwegian shareholders owned 16.2 percent (including Hydro's own shares), while 40.0 percent was held by foreign owners, All shares carry one vote. It is, however, a requirement of Norwegian legislation that one can only vote for shares registered in one's name. Shares registered with a fund manager have to be re-registered before the Annual General Meeting in order to obtain voting rights. This also applies to Hydro's US-listed American Depository Receipts (ADR).

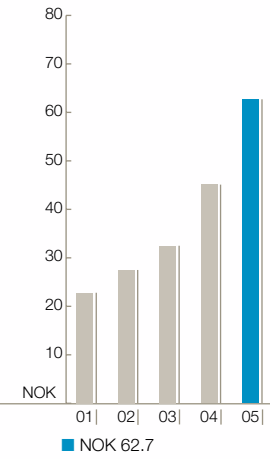
GEOGRAPHICAL OWNERSHIP DISTRIBUTION OF SHARES



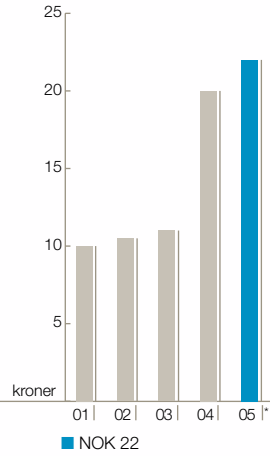
250,138,464 outstanding shares at 31 December 2005

UK · Others · Norwegian state · Norway · USA

EARNINGS PER SHARE FROM CONTINUING OPERATIONS



DIVIDEND PER SHARE



*Proposed dividend

The Hydro share

In NOK except where noted	2005	2004	2003	2002	2001
Share price high, Oslo [1]	748.50	521.50	365.91	388.83	356.21
Share price low, Oslo	462.50	361.50	231.01	240.70	273.33
Share price average, Oslo	595.69	443.87	299.78	308.24	326.93
Share price year-end, Oslo	693.00	477.00	361.94	273.77	331.52
Share price high, NYSE	$ 117.16	$ 83.62	$ 54.74	$ 46.11	$ 39.59
Share price low, NYSE	$ 74.00	$ 53.44	$ 31.65	$ 32.67	$ 30.86
Share price average, NYSE	$ 92.28	$ 66.09	$ 42.47	$ 38.67	$ 36.31
Share price year-end, NYSE	$ 103.18	$ 78.72	$ 54.49	$ 39.16	$ 37.03
Earnings per share (EPS)	62.70	49.40	42.60	34.00	30.50
EPS from continuing operations	62.70	45.10	32.50	27.50	22.80
P/E [2]	11.05	10.58	11.14	9.96	14.54
Dividend per share	22.00 [3]	20.00	11.00	10.50	10.00
Pay-out ratio [4]	35%	44%	26%	31%	33%
Dividend growth	10%	82%	5%	5%	5%
Pay-out ratio five year average [5]	34%	29%	28%	31%	31%
Debt/equity ratio [6]	0.31	0.11	0.38	0.60	0.34
Credit rating, Standard & Poor's	A	A	A	A	A
Credit rating, Moody's	A1	A2	A2	A2	A2
Beta [7]	1.76	1.56	0.84	0.94	1.18
Non-Norwegian ownership, year-end	40%	37%	35%	36%	34%
Outstanding shares, average	250,807,304	254,411,433	257,528,511	257,799,411	258,434,202
Outstanding shares, year-end	250,138,464	250,839,230	256,712,000	257,960,532	257,634,172

1) Adjustment factor of 0.881699 used for share prices prior to the demerger of Hydro' Agri businss on 25 March 2004, according to Oslo Stock Exchange's calculation methods
2) Share price at year-end divided by EPS from continuing operations
3) Proposed dividend
4) Dividend per share divided by earnings per share (2004: EPS from continuing operations)
5) Interest-bearing debt + Net pension liability (tax adjusted) + Operating lease commitments (discounted) – cash and cash equivalents – Short-term investments divided by Shareholders' Equity + Minority interest
6) Total dividend divided by net income for last five years
7) Change in share price compared with Oslo Benchmark Index (measured for rolling 48 months)

Information from Hydro

Hydro gives a high priority to communicating with the stock market, and wishes to maintain an open dialogue with market participants. Our objective is to provide sufficient information at the same time to all market participants in order to ensure a fair valuation of the share. Information of a share-price sensitive nature is conveyed by press release. Hydro hosts regular meetings for investors in Europe and the US. Most brokers in Oslo and London publish equity research reports on Hydro.

Hydro's annual review is available in English and Norwegian. The quarterly reports are published in English. The Company also publishes an expanded annual report in English, which is filed with the Securities and Exchange Commission (SEC) in the US, and contains significantly more information than this report, satisfying the requirements of Form 20-F. Form 6-K is also filed with the SEC on a quarterly basis. Hydro's annual and quarterly reports may be obtained on request from Hydro's Investor Relations department. These reports and important information about Hydro is published on a continuous basis on Hydro's website: www.hydro.com/ir

Key figures

NOK million	2005	2004	2003	2002	2001
HYDRO					
Results					
Operating revenues	174,201	153,891	131,778	132,477	116,147
Other operating costs	(111,683)	(105,146)	(96,205)	(102,081)	(86,483)
Depreciation, depletion and amortization	(16,086)	(16,898)	(13,947)	(12,729)	(10,693)
Operating income	46,432	31,847	21,625	17,667	18,971
Income from continuing operations before taxes and minority interest	46,152	32,781	21,146	19,526	18,747
Income tax expense	(30,317)	(21,197)	(12,923)	(12,452)	(12,945)
Minority interest	(118)	(106)	151	26	92
Income from continuing operations before cumulative effect of change in accounting principle	15,716	11,477	8,375	7,100	5,894
Net income	15,638	12,560	10,968	8,765	7,892
Balance sheet [1]					
Current assets	70,293	70,406	75,683	66,397	80,323
Non-current assets	156,902	129,836	142,946	140,814	117,599
Total assets	227,195	200,243	218,629	207,211	197,922
Current liabilities	53,256	46,077	50,339	47,857	42,993
Long-term liabilities	77,462	66,705	79,550	82,344	79,085
Minority shareholders' interest in consolidated subsidiaries	981	1,571	660	1,143	1,051
Shareholders' equity	95,495	85,890	88,080	75,867	74,793
Total liabilities and shareholders' equity	227,195	200,243	218,629	207,211	197,922
Cash flow and financial position					
Cash provided by operating activities	27,385	27,724	22,773	19,080	-
Cash used in investing activities [2]	(24,318)	(23,962)	(7,054)	(35,492)	-
Cash used in financing activities	(6,797)	(13,579)	(8,092)	(5,926)	-
Adjusted net interest-bearing debt/equity [1] [3]	0.31	0.11	0.38	0.60	0.34
Rate of return:					
RoaCE, percent [4]	16.8	13.0	8.4	7.2	7.3
RoaCE adjusted, percent [4] [5]	19.9	13.6	8.4	7.2	-
RoaCE normalized adjusted, percent [4] [5] [6]	9.2	8.2	6.3	-	-
Capital employed [1]	108,571	85,965	90,831	93,768	76,543
Investments [7]	41,110	19,464	17,712	44,166	15,346
Number of employees [1]	33,765	34,604	42,911	49,712	35,567

1) As of 31 December.
2) Net after sale of investments.
3) Interest-bearing debt + net pension liability (tax adjusted) + operating lease commitments (discounted) – cash and cash equivalents. – short-term investments divided by Shareholders' Equity + Minority interest.

Key figures

NOK million	2005	2004	2003	2002	2001
OIL & ENERGY					
Operating revenues	91,490	71,269	58,805	55,845	52,180
Operating income	43,451	31,144	21,143	15,947	19,178
Adjusted EBITDA	54,339	41,777	31,826	25,340	27,604
RoaCE, percent [4]	26.2	23.4	16.2	11.6	13.1
RoaCE adjusted, percent [4] [5]	32.7	23.4	16.2	11.6	-
Investments [7]	36,179	12,067	11,259	14,696	10,090
Capital employed [1]	56,353	36,511	42,329	43,552	40,423
Exploration activity	2,582	1,412	1,609	2,376	2,018
Exploration expense	1,839	1,264	1,577	3,558	1,400
Production cost per boe, NOK [8]	19.9	17.9	20.0	22.2	24.0
Realized oil price per bbl, USD	53.1	37.3	28.7	24.7	24.2
Realized oil price per bbl, NOK	342.2	251.3	202.9	194.2	217.2
Realized gas price per Sm^3 , NOK	1.52	1.09	1.03	0.95	1.21
Oil production 1,000 boe/day	398	417	393	370	322
Gas production 1,000 boe/day	165	155	137	110	99
Total oil and gas production 1,000 boe/day	563	572	530	480	421
Proved reserves of oil and gas, million boe [1]	2,046	2,076	2,288	2,225	2,073
Power production, TWh	10.8	8.1	7.3	10.1	9.6
Number of employees [1]	3,715	3,527	3,464	4,039	3,891
ALUMINIUM					
Operating revenues	80,836	79,589	68,323	63,435	51,083
Operating income	2,511	1,805	2,456	1,698	185
Adjusted EBITDA	8,044	8,655	6,498	4,334	2,543
RoaCE, percent [4]	3.9	3.5	4.7	2.7	0.9
RoaCE adjusted, percent [4] [5]	7.0	6.0	4.7	2.7	-
Investments [7]	3,762	6,194	5,581	25,318	3,526
Capital employed [1]	46,644	43,542	44,926	42,015	24,561
Realized aluminium price, USD/tonne	1,812	1,629	1,440	1,372	1,484
Realized aluminium price, NOK/tonne	11,905	11,370	10,440	11,264	13,208
Primary aluminium production, 1,000 tonnes	1,826	1,720	1,473	1,253	785
Extruded products, 1,000 tonnes	694	626	569	556	476
Rolled products, 1,000 tonnes	953	941	893	693	133
Number of employees [1]	24,555	25,967	26,728	27,110	16,244

4) Return on average Capital Employed.
5) Adjusted for the effects of major events. 2005: The acquisition of Spinnaker in December and the impairment loss within Hydro's aluminium business. 2004: Impairment losses within Hydro's aluminium business, together with the effect of a change in Norwegian tax legislation.
6) Assumptions: Oil price: 25 USD/boe, Aluminium price: 1,500 USD per tonne, NOK/USD: 7.0, NOK/EUR: 8.0
7) Investments in property, plant and equipment, long-term securities, intangibles, long-term advances and investments in non-consolidated investees.
8) Excluding gas injection costs.

Safe harbor statement

In order to utilize the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995, Hydro is providing the following cautionary statement: This document contains forecasts, projections, estimates, statements of management's plans, objectives and strategies for Hydro, such as planned expansions, investments or other projects, targeted production volumes, capacities or rates, start-up costs, cost reductions, profit objectives, and various expectations about future developments in Hydro's markets (particularly prices, supply and demand, and competition), results of operations, margins, risk management and so forth. These forward-looking statements are based on a number of assumptions and forecasts, including world economic growth and other economic indicators (including rates of inflation and industrial production), trends in Hydro's key markets, and global oil and gas, and aluminium supply and demand conditions. By their nature, forward-looking statements involve risk and uncertainty and various factors could cause Hydro's actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. For a detailed description of factors that could cause Hydro's results to differ materially from those expressed or implied by such statements, please refer to Hydro's Form 20-F for the year ended 31 December 2005, and subsequent filings on Form 6-K with the US Securities and Exchange Commission (SEC).

Cautionary note

The SEC permits oil and gas companies, in their filings with the SEC, only to disclose proved reserves that a company has demonstrated by actual production or conclusive formation tests to be economically and legally producible under existing economic and operating conditions. We use certain terms in this document, such as expected recoverable resources, that the SEC's guidelines strictly prohibit us from including in filings with the SEC. Investors are urged to consider closely the disclosure in Form 20-F for the year ended 31 December 2005

Non-GAAP financial measures

For Non-GAAP financial measures that Hydro uses in its financial reporting, Hydro provides a presentation of what Hydro believes to be the most directly comparable GAAP financial measure and a reconciliation between the non-GAAP and GAAP measures. This information can be found in Hydro's quarterly and annual reports and other written communications.

Hydro's Form 20-F as well as its annual and quarterly reports can be obtained at Hydro's website www.hydro.com, or by contacting Norsk Hydro, N-0240 Oslo, Norway. Hydro's SEC file number is 1-9159.

Financial calendar

27 April 2006	First quarter results 2006
9 May 2006	Annual General Meeting 2006
25 July 2006	Second quarter results 2006
24 October 2006	Third quarter results 2006

Annual General Meeting

The Annual General Meeting of Norsk Hydro ASA will be held at the Gamle Logen, Grev Wedels plass 2, Oslo, Norway, on Tuesday, 9 May 2006, at 17:00 CET. In accordance with the company's Articles of Association, notice of the Annual General Meeting will be published in Aftenposten, Dagens Næringsliv and Dagsavisen.

Shareholders who wish to attend the Annual General Meeting are asked to inform the following registrar by 16:00 CET on Friday, 5 May:
DnB NOR Bank ASA
Verdipapirservice
0021 Oslo, Norway
Fax: + 47 22 48 11 71

You may also register electronically on the company's 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.

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 the company.

Hydro prepares its financial statements in accordance with generally accepted accounting principles in Norway (N GAAP) and the United States (US GAAP). Unless otherwise stated, the comments in the annual report are independent of accounting principle, while the figures referred to appear in the accounts drawn up according to US GAAP. The differences in net income, according to N GAAP and US GAAP, are immaterial and are presented in note 28 to the consolidated financial statements enclosed with this report.

From 2007 onwards Hydro will prepare its accounts in accordance with International Financial Reporting Standards (IFRS). From the same date Form 20-F, the report that Hydro submits to the Securities and Exchange Commission (SEC) in the US, will be based on IFRS with a reconciliation to US GAAP.

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

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HYDRO

Progress of a different nature