Revenue 2012

NOK MILLION

64,181

07: *Financial statements*

Consolidated financial statements

Consolidated income statements

Amounts in NOK million (except per share amounts). Years ended December 31	Notes	**2012**	2011
Revenue	7	**64 181**	71 500
Share of the profit (loss) in equity accounted investments	7, 25, 26	**(453)**	(276)
Other income, net	8	**853**	6 147
Total revenue and income		**64 580**	77 371
Raw material and energy expense	9	**41 559**	42 753
Employee benefit expense	11	**7 593**	7 150
Depreciation and amortization expense	12	**4 443**	4 421
Impairment of non-current assets	13	**1 100**	996
Other	14, 15	**9 453**	11 984
Total expenses		**64 148**	67 304
Earnings before financial items and tax	7	**432**	10 068
Financial income	16	**418**	203
Financial expense	16	**(766)**	(1 451)
Financial income (expense), net		**(348)**	(1 248)
Income from continuing operations before tax		**85**	8 819
Income taxes	17	**(803)**	(1 569)
Income (loss) from continuing operations		**(718)**	7 251
Loss from discontinued operations	5	**(528)**	(502)
Net income (loss)		**(1 246)**	6 749
Net income (loss) attributable to minority interests		**(13)**	44
Net income (loss) attributable to Hydro shareholders		**(1 233)**	6 705
Basic and diluted earnings per share from continuing operations	34	**(0.35)**	3.67
Basic and diluted earnings per share from discontinued operations	34	**(0.26)**	(0.26)
Basic and diluted earnings per share attributable to Hydro shareholders	34	**(0.61)**	3.41

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

Consolidated statements of comprehensive income

Amounts in NOK million. Years ended December 31	Notes	**2012**	2011
Net income (loss)		**(1 246)**	6 749
Other comprehensive income			
Currency translation differences, net of tax	34	**(8 234)**	(3 264)
Unrealized gain (loss) on securities, net of tax	34	**(49)**	(259)
Cash flow hedges, net of tax	34	**(137)**	58
Share of other comprehensive income in equity accounted investments, net of tax	34	**(47)**	(289)
Other comprehensive income		**(8 468)**	(3 754)
Total comprehensive income		**(9 714)**	2 995
Total comprehensive income attributable to minority interests		**(962)**	(272)
Total comprehensive income attributable to Hydro shareholders		**(8 752)**	3 267

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

Consolidated balance sheets

Amounts in NOK million, December 31	Notes	**2012**	2011
Assets			
Cash and cash equivalents		**7 034**	8 365
Short-term investments	18	**4 343**	1 780
Accounts receivable	19	**8 761**	13 217
Inventories	20	**9 685**	14 157
Other current financial assets	40	**336**	666
Total current assets		**30 159**	38 185
Assets held for sale	5	**9 435**	-
Property, plant and equipment	22	**52 208**	64 192
Intangible assets	23, 24	**5 716**	7 930
Investments accounted for using the equity method	25, 26	**10 295**	11 442
Other non-current assets	21, 40	**6 170**	7 348
Prepaid pension	32	**1 660**	1 596
Deferred tax assets	33	**910**	1 860
Total non-current assets		**76 959**	94 368
Total assets	7	**116 552**	132 554
Liabilities and equity			
Bank loans and other interest-bearing short-term debt	28	**5 956**	4 248
Trade and other payables	29	**8 336**	12 316
Provisions	31	**850**	1 369
Taxes payable		**1 913**	2 505
Other current financial liabilities	40	**466**	779
Total current liabilities		**17 522**	21 216
Liabilities in disposal groups	5	**3 394**	-
Long-term debt	30	**3 674**	4 190
Provisions	31	**3 091**	3 331
Pension obligation	32	**8 511**	9 099
Other non-current financial liabilities	40	**2 107**	2 943
Other liabilities		**982**	1 282
Deferred tax liabilities	33	**3 427**	5 325
Total non-current liabilities		**21 792**	26 170
Total liabilities		**42 709**	47 386
Share capital	34	**2 272**	2 272
Additional paid-in capital	34	**29 056**	29 056
Treasury shares	34	**(1 047)**	(1 084)
Retained earnings		**49 102**	51 792
Other components of equity	34	**(11 374)**	(3 856)
Equity attributable to Hydro shareholders		**68 009**	78 180
Minority interests		**5 835**	6 988
Total equity		**73 843**	85 168
Total liabilities and equity		**116 552**	132 554

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

Consolidated statements of cash flows

Amounts in NOK million. Years ended December 31	Notes	**2012**	2011
Operating activities			
Net income (loss)		**(1 246)**	6 749
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss from discontinued operations	5	**528**	502
Depreciation, amortization and impairment	7, 12, 13	**5 544**	5 416
Share of loss in equity accounted investments	7, 25, 26	**453**	276
Dividends received from equity accounted investments	25, 26	**-**	89
Deferred taxes		**(424)**	(283)
Gain on sale of non-current assets		**(67)**	(5 305)
Loss on foreign currency transactions	16	**280**	963
Net sales (purchases) of trading securities		**101**	(16)
Capitalized interest	16	**(15)**	(1)
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable		**706**	497
Inventories		**1 693**	(1 039)
Trade and other payables		**(914)**	945
Financial and commodity derivatives		**(897)**	(357)
Other items		**(308)**	(1 004)
Net cash provided by continuing operating activities	42	**5 434**	7 432
Investing activities			
Purchases of property, plant and equipment		**(3 256)**	(3 386)
Purchases of other long-term investments		**(158)**	(6 302)
Purchases of short-term investments		**(3 050)**	-
Proceeds from sales of property, plant and equipment		**73**	92
Proceeds from sales of other long-term investments		**99**	1 302
Net cash used in continuing investing activities		**(6 292)**	(8 294)
Financing activities			
Loan proceeds		**9 552**	3 668
Principal repayments		**(6 815)**	(2 873)
Net increase (decrease) in other short-term debt		**(492)**	130
Proceeds from shares issued		**72**	88
Dividends paid		**(1 741)**	(1 781)
Net cash provided by (used in) continuing financing activities		**576**	(768)
Foreign currency effects on cash and bank overdraft		**(344)**	(134)
Net cash used in discontinued operations	5	**(318)**	(627)
Net decrease in cash, cash equivalents and bank overdraft		**(944)**	(2 391)
Cash, cash equivalents and bank overdraft classified as assets held for sale		**(367)**	-
Cash, cash equivalents and bank overdraft at beginning of year		**8 344**	10 735
Cash, cash equivalents and bank overdraft at end of year	42	**7 033**	8 344

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

Consolidated statements of changes in equity

Amounts in NOK million	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Other components of equity	Equity attributable to Hydro share-holders	Minority interest	Total equity
December 31, 2010		1 780	9 553	(1 112)	46 616	(418)	56 418	1 025	57 443
Shares issued	34	492	19 493				19 985		19 985
Treasury shares reissued to employees	34		11	28			39		39
Dividends	36				(1 527)		(1 527)	(314)	(1 841)
Minority interest recognized at acquisition of subsidiaries								6 470	6 470
Capital contribution in subsidiaries								78	78
Transactions with minority holders					(1)		(1)	1	-
Total comprehensive income for the year					6 705	(3 438)	3 267	(272)	2 995
December 31, 2011		2 272	29 056	(1 084)	51 792	(3 856)	78 180	6 988	85 168
Treasury shares reissued to employees	34		-	37			37		37
Dividends	36				(1 528)		(1 528)	(240)	(1 768)
Capital contribution in subsidiaries								128	128
Transactions with minority holders					71		71	(71)	-
Equity interests sold								(8)	(8)
Total comprehensive income for the year					(1 233)	(7 519)	(8 752)	(962)	(9 714)
December 31, 2012		2 272	29 056	(1 047)	49 102	(11 374)	68 009	5 835	73 843

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

Oslo, March 12, 2013

Terje Vareberg
Chair

Inge K. Hansen
Deputy chair

Liv Monica Bargem Stubholt
Board member

Ove Ellefsen
Board member

Billy Fredagsvik
Board member

Finn Jebsen
Board member

Victoire de Margerie
Board member

Sten Roar Martinsen
Board member

Dag Mejdell
Board member

Eva Persson
Board member

Pedro José Rodrigues
Board member

Svein Richard Brandtzæg
President and CEO

Notes to the consolidated financial statements

Note 1 - Significant accounting policies and reporting entity

The reporting entity reflected in these financial statements comprises Norsk Hydro ASA and consolidated subsidiaries (Hydro). Hydro is headquartered in Oslo, Norway, and the group employs around 22,000 people in more than 40 countries (continuing and discontinued operations). Hydro is a global supplier of aluminium with operations throughout the industry value chain. Operations include power production, bauxite extraction, alumina refining, aluminium smelting and remelting, and rolling and extrusion activities. Hydro is listed on the Oslo and London stock exchanges.

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) that are also endorsed by the European Union (EU) and Norwegian authorities and are effective as of December 31, 2012. Hydro also provides the disclosure requirements as specified under the Norwegian Accounting Law (Regnskapsloven).

The following description of accounting principles applies to Hydro's 2012 financial reporting, including all comparative figures. See note 3 Basis of presentation and measurement of fair value, and note 4 Critical accounting judgment and key sources of estimation uncertainty for additional information related to the presentation, classification and measurement of Hydro's financial reporting.

Basis of consolidation

The consolidated financial statements include Norsk Hydro ASA and subsidiaries, which are entities in which Hydro has the power to govern the financial and operating policies of the entity (control). Control is normally achieved through ownership, directly or indirectly, of more than 50 percent of the voting power. Currently, Hydro has more than 50 percent of the voting power in all subsidiaries. Subsidiaries are included from the date control commences until the date control ceases.

Intercompany transactions and balances have been eliminated. Profits and losses resulting from intercompany transactions have been eliminated.

Minority interests

Minority interests represent non-controlling interests in subsidiaries. Minority interests are reported as a separate section of the Group's equity in accordance with IAS 27 Consolidated and Separate Financial Statements. Results attributed to minority interests are based on ownership interest or other method of allocation if required by contract.

Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. Consideration is the sum of the fair values, as of the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. The fair value of Hydro's pre-existing ownership interest in an acquiree is included in the consideration, with any gain or loss recognized in Other income, net.

The acquiree's identifiable assets, liabilities and contingent liabilities are recognized separately at the acquisition date at their fair value irrespective of any minority interest. Goodwill is initially measured either as the excess of the consideration over Hydro's interest in the fair value of the acquiree's identifiable net assets (partial goodwill) or as the fair value of 100 percent of the acquiree in excess of the acquiree's identifiable net assets (full goodwill). The method is elected on a transaction-by-transaction basis. Goodwill is not amortized, but is tested for impairment annually and more frequently if indicators of possible impairment are observed, in accordance with IAS 36 Impairment of Assets. Goodwill is allocated to the cash generating units or groups of cash generating units expected to benefit from the synergies of the combination and that are monitored for internal management purposes.

The interest of minority shareholders in the acquiree is initially measured as the minority's proportion of the fair value of the net assets recognized (partial goodwill method), or as the minority's proportion of the fair value of the acquiree (full goodwill method). Minority interests are subsequently adjusted for changes in equity after the acquisition date.

Transactions between minority shareholders and the group
Sales and purchases of share interests and equity contributions not resulting in Hydro gaining or losing control of a subsidiary are reported as equity transactions in accordance with IAS 27. No gain, loss or change of recognized assets, liabilities or goodwill is recognized as result of such transactions.

Investments in associates and jointly controlled entities
An associate is an equity investment in which Hydro has the ability to exercise significant influence, which is the power to participate in the financial and operating policy decisions of the entity. Significant influence is assumed to exist when Hydro owns between 20 to 50 percent of the voting rights unless other terms and conditions affects Hydro's influence. Currently, one equity investment of less than 20 percent ownership is classified as an associate.

A joint venture is an entity, asset or operation that is subject to contractually established joint control. Special voting rights may extend control beyond what is conveyed through the owners' proportional ownership interest. Such rights may take the form of a specified number of board representatives, the right of refusal for important decisions, or the requirement of a qualified majority for important decisions which effectively results in joint control with the specific ownership situation.

Hydro accounts for investments in associates and participation in a joint venture which is conducted in an entity, a jointly controlled entity, using the equity method. This involves recognizing Hydro's interest based on its proportional share of the entity's equity, including any excess values and goodwill. Hydro recognizes its share of net income, including depreciation and amortization of excess values and any impairment losses, in Share of the profit (loss) in equity accounted investments. Other comprehensive income derived from associates and jointly controlled entities is included in Hydro's Other comprehensive income. Hydro's proportional share of unrealized profits resulting from transactions with associates and jointly controlled entities is eliminated.

Accounting policies used by associates and jointly controlled entities may differ from the accounting policies adopted by Hydro. Differences in recognition or measurement are adjusted for prior to equity accounting described above.

Investments in associates and jointly controlled entities are tested for impairment when there are indications of a possible loss in value. An impairment loss is recognized if the recoverable amount, estimated as the higher of fair value less cost to sell or value in use is below Hydro's carrying value. Impairment losses are reversed if circumstances change and the impairment situation is no longer deemed to exist.

Investments in jointly controlled and jointly owned assets
Jointly owned assets are arrangements where Hydro and the other partners have a direct ownership in specifically identified assets. Jointly controlled assets or operations are such assets or a direct participation in certain operations that are under contractually joint control. Hydro uses the proportional method of accounting for both jointly controlled and jointly owned assets or operations. Under the proportional method, Hydro's relative share of the assets, liabilities, income and expense for these arrangements is included on a line-by-line basis in the group financial statements.

Assets held for sale and Income from discontinued operations
Assets held for sale are reported separately in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, provided that the sale is highly probable, which includes the criteria that management is committed to the sale, and that the sale will be completed within one year. Assets held for sale are not depreciated, but are measured at the lower of carrying value and the fair value less costs to sell. Assets are not reclassified in prior period balance sheets. Immaterial disposal groups are not reclassified.

A discontinued operation is a component of Hydro that is held for sale or has been disposed of and that can be clearly distinguished both operationally and for financial reporting purposes. A discontinued operation is a separate major line of business or geographical area of operations. Related cash flows, results of operations and gain or loss from disposal are reported separately as Income from discontinued operations.

Assets held for sale, liabilities in disposal groups and income and expense from discontinued operations are excluded from specifications presented in the notes unless otherwise stated.

Foreign currency transactions
Transactions in foreign currencies are initially recorded in the functional currency of the entity by applying the rate of exchange as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the

functional currency at the rate of exchange at the balance sheet date. Realized and unrealized currency gains or losses are included in financial expense.

Foreign currency translation

For consolidation purposes, the financial statements of subsidiaries, joint ventures and associates with a functional currency other than Norwegian kroner (NOK) are translated into NOK. Assets and liabilities, including goodwill, are translating using the rate of exchange as of the balance sheet date. Income, expenses and cash flows are translated using the average exchange rate for the reported period. Translation adjustments are recognized in Other comprehensive income and accumulated in Currency translation reserve in Other components of equity. On disposal of such subsidiary, joint venture or associate, the cumulative translation adjustment of the disposed entity is recognized in the income statement.

Provisions

Provisions are recognized when Hydro has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that Hydro will be required to settle the obligation, and a reliable estimate can be made of the amount, taking into account the risks and uncertainties. The provision is measured at the present value of the cash flows estimated to settle the obligation. See also the accounting policy discussion for Asset retirement obligations.

Exit and disposal activity costs

Hydro recognizes a provision in the amount of the direct costs associated with an exit and/or disposal activity when a formal commitment to a detailed exit plan is made and communicated to those affected. A provision for termination benefits to employees is recognized as of the date of employee notification. Costs related to such activities are classified as restructuring costs if the exit or disposal materially change the scope of Hydro's business.

Contingent liabilities and assets

A contingent liability is a possible obligation that arises from a past event, with the resolution of the contingency dependent on uncertain future events, or a present obligation where no outflow is probable. Contingent liabilities are disclosed in the financial statements unless the possibility of an outflow of economic resources is remote. Contingent assets are not recognized in the financial statements.

Guarantees

Hydro recognizes a liability for the fair value of obligations undertaken in issuing guarantees.

Revenue recognition

Revenue from sales of products, including products sold in international commodity markets, is recognized upon transfer of ownership, which generally occurs on delivery. Rebates and incentive allowances are deferred and recognized in income upon the realization or at the closing of the rebate period. In arrangements where Hydro acts as an agent, such as commission sales, the net commission fee is recognized as revenue.

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

Margins related to the trading of derivative commodity instruments, including instruments used for risk management purposes, purchase or delivery of physical commodities on a commodity exchange, and physical commodity swaps with a single counterparty, are presented on a net basis in the income statement with trading margins included in revenues.

Other income, net

Transactions resulting in income from activities other than normal production and sales operations are classified as Other income, net. This includes gains and losses resulting from the sale or disposal of PP&E, investments in subsidiaries, associates or joint ventures as well as government grants, rental revenue and revenue from utilities.

Inventories

Inventories are valued at the lower of cost, using the first-in, first-out method (FIFO), or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling costs. Inventory cost includes direct materials, direct labor and a portion of production overhead (manufactured goods) or the purchase price of the inventory. Abnormal amounts of idle facility expense, freight, handling costs, and wasted materials are recognized as expense in the current period. Inventory write-downs to net realizable value occurs when the cost of the inventory is not recoverable, and is reversed in later periods when there is clear evidence of an increase in the net realizable value.

Property, plant and equipment

Property, plant and equipment (PP&E) is recognized at acquisition cost when there is probable future economic benefits and the cost can be measured reliably. The carrying value of PP&E is comprised of the historical cost less accumulated depreciation and any accumulated impairment losses. The carrying value also includes the estimated fair value of the asset retirement obligation upon initial recognition of the liability. Hydro uses the cost model for investment properties.

Capitalized maintenance
Expenditures for maintenance and repairs applicable to production facilities are capitalized in accordance with IAS 16 Property, Plant and Equipment when such costs are incurred on a scheduled basis with a time interval of greater than one year. Expenditures that regularly occur at shorter intervals are expensed as incurred. Major replacements and renewals are capitalized and any assets replaced are retired.

Stripping cost
Stripping costs incurred during the mining production phase are allocated between cost of inventory produced and the existing mine asset. Stripping costs are allocated as a component of the mine asset when they represent significantly improved access to ore. Stripping costs include such activities as removal of vegetation as well as digging the actual pit for mining the ore.

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

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

Asset retirement obligations

Hydro recognizes liabilities for the estimated fair value of asset retirement obligations (ARO) relating to assets where such obligations exists, in the period incurred in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Fair value is estimated as the present value of costs relating to dismantlement or removal of buildings or other assets, and/or the restoration or rehabilitation of industrial or mining sites. The liability is recognized when an asset is constructed and ready for use or when the obligation is incurred if imposed at a later date. Related asset retirement costs are capitalized and depreciated over the useful life of the asset. Accretion costs are recognized for the change in the present value of the liability and classified as part of Financial expense. Liabilities that are conditional on a future event (e.g. the timing or method of settlement) are recognized if the fair value of the liability can be reasonably estimated.

Intangible assets

Intangible assets acquired individually or as a group are recognized at fair value when acquired. Intangible assets acquired in a business combination are recognized at fair value separately from goodwill when they arise from contractual or legal rights or can be separated from the acquired entity and sold or transferred.

Emission rights
Government granted and purchased CO_2 emission allowances expected to be used towards Hydro's own emissions are recognized as intangible assets at nominal value (cost). The amounts are not amortized but are tested for impairment at least annually. Actual CO_2 emissions which exceed the level covered by emission rights are recognized as a liability. Sale of emission rights are recognized at the time of sale at the transaction price. CO_2 emission allowances purchased for trading are measured and classified as inventory.

Research and development
Research expenditures are expensed as incurred. Development costs are capitalized as intangible assets at cost in accordance with IAS 38 Intangible Assets when the recognition criteria are met, including probable future economic benefit and that the cost can be measured reliably.

Exploration cost
Exploration cost for mineral resources are expensed as incurred. Costs related to acquired exploration rights are allocated to the relevant areas and capitalized. An area represents a unit that may be utilized based on shared infrastructure and may include

several licenses. Exploration rights are transferred to mine development cost when development starts. Exploration rights related to undeveloped areas remains on the balance sheet as intangible assets until a development is decided or a decision not to develop the area is made.

Depreciation and amortization

Depreciation and amortization expenses are measured on a straight-line basis over the estimated useful life of the asset, commencing when the asset is ready for its intended use. Mine property and development costs in extractive activities are depreciated using the unit-of-production method. Tangible and intangible assets with an indefinite useful life are not depreciated. Estimated useful life by category is as follows:

- Machinery and equipment, initial investment 4-30 years, for power plants up to 75 years
- Machinery and equipment, capitalized maintenance 1-15 years
- Buildings 20-50 years
- Intangibles with definite lives 3-10 years, for rights related to hydroelectric power production up to 50 years

A component of an item of property, plant and equipment with a significantly differing useful life and a cost that is significant in relation to the item is depreciated separately. At each financial year-end Hydro reviews the residual value and useful life of its assets, with any estimate changes accounted for prospectively over the remaining useful life of the asset.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, in accordance with IAS 36 Impairment of Assets. Exploration cost for undeveloped areas are assessed for impairment under IFRS 6 Exploration for and Evaluation of Mineral Resources. Intangible assets with indefinite useful life are tested for impairment at least annually. The carrying amount is not recoverable if it exceeds the higher of the asset's or cash generating unit's fair value less costs to sell or the value in use. An impairment loss is recognized in the amount that the carrying value exceeds its recoverable amount. Losses are reversed in the event of a subsequent increase in the recoverable amount of an impaired asset, however, impairment of goodwill is not reversed.

Financial assets

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

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

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

Cash and cash equivalents
Cash and cash equivalents in the balance sheet includes cash, bank deposits and all other monetary instruments with a maturity of less than three months from the date of acquisition, and are measured at fair value. Cash and cash equivalents in the statement of cash flows is presented net of outstanding bank overdrafts connected to cash management activities.

Short-term investments
Short-term investments include bank deposits and all other monetary instruments with a maturity between three and twelve months at the date of purchase. Short-term investments also includes Hydro's current portfolio of marketable equity and debt securities which are considered trading securities and measured at fair value. The resulting unrealized holding gains and losses are included in Financial income. Investment income is recognized when the right to receive cash flows has been established.

Accounts receivable
Accounts receivable are initially recognized at fair value, and subsequently accounted for at amortized cost and are reviewed for impairment on an ongoing basis. Individual accounts are assessed for impairment taking into consideration delayed payments and other indicators of financial difficulty. Other overdue accounts receivable are assessed for impairment based on prior collection experience, the customer portfolio, local economic conditions and management assessment. Discounting generally does not have a material effect on accounts receivable, however, in special cases discounting may be applied.

Other non-current assets
Other non-current assets include Hydro's portfolio of non-marketable equity securities that are not consolidated or accounted for using the equity method. The portfolio is classified as available-for-sale securities and is measured at fair value with changes in fair value recognized in Other comprehensive income. Investment income is recognized when the right to cash flows has been established. Fair value of the investment is estimated based on valuation model techniques for non-marketable securities. When the estimated fair value of the investment is below Hydro's cost, and the difference is significant or prolonged, the impairment is recognized in the income statement. Any accumulated reduction in fair value previously recognized in Other comprehensive income is reclassified to the income statement.

Financial liabilities
Financial liabilities represent a contractual obligation by Hydro to deliver cash in the future, and are classified as either short or long-term. Financial liabilities include financial instruments used for cash-flow hedges, financial derivatives, commodity derivative contracts and other financial liabilities. Financial liabilities, with the exception of derivatives, are initially recognized at fair value including transaction costs directly attributable to the transaction and are subsequently measured at amortized cost.

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

Derivative instruments
Derivative instruments are marked-to-market with the resulting gain or loss reflected in the income statement, except when the instruments meet the criteria for cash flow hedge accounting. Derivatives, including hedging instruments and embedded derivatives with expected cash flows within twelve months from the balance sheet date, or held solely for trading are classified as short-term. Instruments with expected cash flows more than 12 months after the balance sheet date are classified as short and long-term based on the timing of the estimated cash flows.

Derivative contracts are presented gross on the balance sheet unless contract terms include the possibility to settle the contracts on a net basis and Hydro has the intention and ability to do so. The ability to settle net is conditional on simultaneous offsetting cash-flows.

Physical commodity contracts are evaluated on a portfolio basis. If a portfolio of contracts contains contracts of a similar nature that are settled net in cash, or the assets are not intended for own use, the entire portfolio of contracts is recognized at fair value and classified as derivatives. Physical commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of the commodity in accordance with Hydro's expected purchase, sale or usage requirements (own use) are not accounted for at fair value. Commodity purchase contracts are generally considered to be the primary source for usage requirements. Hydro's own production of such commodities, for instance electricity, is considered to be available for use or sale at its discretion unless relevant concessions contains restrictions for use.

Derivative commodity instruments are marked-to-market with their fair value recorded in the balance sheet as either assets or liabilities. Adjustments for changes in the fair value of the instruments are reflected in revenue and/or cost.

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

Interest income and expense relating to swaps are netted and recognized as income or expense over the life of the contract.

Hedge accounting is applied when specific hedge criteria are met, including documentation of the hedge relationship. The changes in fair value of the hedging instruments are offset in part or in full by the corresponding changes in the fair value or cash flows of the underlying hedged exposures. Gains and losses on cash flow hedging instruments are recognized in Other comprehensive income and deferred in the Hedging reserve in Other components of equity until the underlying transaction is recognized in the income statement. Deferred gains and losses relating to forecasted hedged transactions that are no longer expected to occur are immediately recognized in the income statement. Any amounts resulting from hedge ineffectiveness are recognized in the current period's income statement.

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

Income taxes, current and deferred

Taxes payable is based on taxable profit for the year which excludes items of income or expense that are taxable or deductible in other years. Taxable profit also excludes items that are never taxable or deductible. Hydro's liability for current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

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

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

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

Deferred taxes are not provided on undistributed earnings of subsidiaries when the timing of the reversal of this temporary difference is controlled by Hydro and is not expected to happen in the foreseeable future. This is applicable for the majority of Hydro's subsidiaries.

Share-based compensation

Hydro accounts for share-based compensation in accordance with IFRS 2 Share-based Payment. Share-based compensation expense is measured at fair value over the service period and includes social security taxes that will be paid by Hydro at the settlement date. All changes in fair value are recognized in the income statement.

Employee benefits and post-employment benefits

Payments to employees, such as wages, salaries, social security contributions, paid annual leave, as well as bonus agreements are accrued in the period in which the associated services are rendered by the employee.

Post-employment benefits are recognized in accordance with IAS 19 Employee Benefits. The cost of providing pension benefits under a defined benefit plan is determined separately for each plan using the projected unit credit method. Past service costs are recognized in the income statement on a straight-line basis over the remaining vesting period. Past service cost related to benefits that are already vested are recognized immediately. Net cumulative actuarial gains and losses in excess of the greater of 10 percent of the benefit obligation (before deducting plan assets) and 10 percent of the fair value of any plan assets are recognized in the income statement over the remaining service period of active plan participants. When the number of active plan participants is negligible as compared to the number of inactive plan participants, then the excess cumulative actuarial gain (loss) is fully recognized at the beginning of the following year. The funded status of a defined benefit pension plan is measured as of December 31, and disclosed in note 32 Employee retirement plans.

Contributions to defined contribution plans are recognized in the income statement in the period in which they accrue. Multi-employer defined benefit plans where available information is insufficient to use defined benefit accounting are accounted for as if the plan were a defined contribution plan.

Segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments.

Note 2 - Changes in accounting principles and new pronouncements

New pronouncements

As of the date of authorization of these financial statements, the following standards, amendments and interpretations relevant to Hydro have been issued by the IASB.

Standards to be implemented in 2013:

- IFRS 13 Fair Value Measurement; effective date January 1, 2013.
- IAS 19 Employee Benefits (as revised in 2011); effective date January 1, 2013.
- IFRIC 20 Stripping Cost in the Production Phase of a Surface Mine; effective date January 1, 2013.

Standards to be implemented in 2014 or later years:

- IFRS 10 Consolidated Financial Statements; effective date January 1, 2013 (EU: January 1, 2014).
- IFRS 11 Joint Arrangements; effective date January 1, 2013 (EU: January 1, 2014).
- IFRS 12 Disclosures of Interests with Other Entities; effective date January 1, 2013 (EU: January 1, 2014).
- IAS 27 Separate Financial statements (as revised in 2011); effective date January 1, 2013 (EU: January 1, 2014).
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011); effective date January 1, 2013 (EU: January 1, 2014).
- IFRS 9 Financial Instruments - Classification and Measurement; effective date January 1, 2015.

As of the date of issue of Hydro's financial statements, all of the new pronouncements to be implemented in 2013 were endorsed by the EU.

The implementation of IAS19R will impact how post employment benefits including pensions are measured and presented in the financial statements. The main effects are that all measurement changes are immediately recognized in the balance sheet with the effect reflected in Other Comprehensive Income. Further, a net interest cost is calculated based on the funded status of the plan at the beginning of the year. The interest is determined by reference to the market yield on high quality corporate bonds where a deep market for such bonds exists (including Norway, the Euro zone and the UK). Hydro has elected to classify the net interest component as Financial expense. The amended standard is expected to result in decreased recognized net pension obligation by about NOK 2.3 billion for Hydro's continuing operations. For Hydro's assets held for sale the expected effect is a decrease in net pension liabilities of about NOK 0.3 billion. There will also be changes in certain equity accounted investments. The changes are expected to result in a credit to equity on an after tax basis of about NOK 1.6 billion as of December 31, 2012. The pension cost included in EBIT for 2012 is expected to be about NOK 140 million lower compared to the previous principle, the expected charge to financial expense will be about NOK 280 million, and the credit to Other Comprehensive Income for 2012 is expected to be NOK 2.4 billion after tax.

Hydro is in the process of assessing its associates, joint ventures, jointly owned assets and part-owned subsidiaries to classify each investment under IFRS 10, IFRS 11 and IAS 28. Our preliminary assessment indicates that a few investments will be accounted for differently and the change will have limited impact on Hydro's financial statements. Hydro is also in the process of evaluating the potential accounting impact of IFRS 9.

Note 3 - Basis of presentation and measurement of fair value

Basis of presentation

The financial statements have been prepared on a historical cost basis except for certain assets, liabilities and financial instruments, which are measured at fair value. Preparation of financial statement including note disclosures requires management to make estimates and assumptions that affect amounts reported. Actual results may differ. See note 4 Critical accounting judgment and key sources of estimation uncertainty.

Presentation and classification of items in the financial statements is consistent for the periods presented. Gains and losses on disposal of non-current assets are presented net, as well as expenditures related to provisions that are reimbursed by a third party. However, insurance compensation is reported on a gross basis.

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

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

Net present value

Interest rates used for calculating net present values are rounded to the nearest 25 basis points.

Measurement of fair value

For both financial statement measurement and note disclosure, fair value is estimated using inputs which are to varying degrees objectively observable. Certain items are valued on the basis of quoted prices in active markets for identical assets or liabilities, others are valued on the basis of inputs that are derived from observable prices, while certain positions are valued on the basis of judgmental assumptions that are to a limited degree or not at all based on observable market data.

Financial instruments

The estimated fair value of Hydro's financial instruments is based on market prices and valuation methodologies. Valuations are made with the objective to include relevant factors that market participants would consider in setting a price, and to apply accepted economic and financial methodologies for the pricing of financial instruments. References for less active markets are carefully reviewed to establish relevant and comparable data. Extrapolations and other accepted valuation techniques are employed in periods with few or no transactions.

Hydro's credit spread for similar liabilities is used when determining the fair value of financial instruments where Hydro is net liable. Hydro determines the appropriate discount factor and credit spread for financial assets based on both an individual and portfolio assessment.

Marketable and non-marketable equity securities

Fair value for listed shares is based on quoted market prices as of the balance sheet date. Fair value for unlisted shares is calculated based on commonly accepted valuation techniques utilizing significant unobservable data. If fair value cannot be measured reliably unlisted shares are recognized at cost.

Derivatives

Fair value of financial derivatives is estimated as the present value of future cash flows, calculated by reference to quoted swap price curves and exchange rates as of the balance sheet date.

Fair value of commodity derivatives is measured as the present value of future cash flows, calculated using forward curves and exchange rates as of the balance sheet date. Estimates from brokers and extrapolation techniques are applied for non-quoted periods to achieve the most relevant forward curve. In addition, when deemed appropriate, correlation techniques between commodities are applied. Options are revalued using appropriate option pricing models and credit spreads are applied where deemed to be significant.

Embedded derivatives

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

Note 4 - Critical accounting judgment and key sources of estimation uncertainty

The application of accounting policies require that management make estimates and judgments in determining certain revenues, expenses, assets, and liabilities. The following accounting policies represent areas that are considered more critical, involving a higher degree of judgment and complexity.

Impairment of non-current assets

IAS 36 requires that Hydro assess conditions that could cause an asset to become impaired and to test recoverability of potentially impaired assets. These conditions include internal and external factors such as Hydro's market capitalization, significant changes in Hydro's planned use of the assets or a significant adverse change in the expected prices, sales volumes or raw material cost. Each Cash Generating Unit (CGU) or individual asset is reviewed for impairment indicators. Most of Hydro's assets are assigned to CGUs. The identification of CGUs involves judgment, including assessment of where active markets exist, and the level of interdependency of cash inflows. For Hydro, the CGU is usually the individual plant, unless the asset or asset group is an integral part of a value chain where no independent prices for the intermediate products exist, a group of plants is combined and managed to serve a common market, or where circumstances otherwise indicate significant interdependencies.

If a loss in value is indicated, the recoverable amount is estimated as the higher of the CGU's fair value less cost to sell, or its value in use. Directly observable market prices rarely exist for our assets, however, fair value may be estimated based on recent transactions on comparable assets, bids or other discussions of potential transactions involving the asset, or internal models used by Hydro for transactions involving the same type of assets. Calculation of value in use is a discounted cash flow calculation based on continued use of the assets in its present condition, excluding potential exploitation of improvement or expansion potential.

Determination of the recoverable amount involves management estimates on highly uncertain matters, such as commodity prices and their impact on markets and prices for upgraded products, development in demand, inflation and operating expenses. We use internal business plans, quoted market prices and our best estimate of commodity prices, currency rates, discount rates and other relevant information. A detailed forecast is developed for a period of three to five years with projections thereafter. Hydro does not include a general growth factor to volumes or cash flows for the purpose of impairment tests, however, cash flows are generally increased by expected inflation and market recovery towards previously observed volumes is considered. Estimated cash flows are discounted with a nominal risk adjusted discount rate. For further information about impairment tests, see note 13 Impairment of non-current assets.

Financial instruments

Certain commodity contracts are deemed to be financial instruments under IAS 39 or to contain embedded derivatives which are required to be recognized at fair value, with subsequent changes in fair value impacting the income statement. Determining whether contracts qualify as financial instruments at fair value involves evaluation of markets, Hydro's use of those instruments and historic or planned use of physically delivered products under such contracts. Determining whether embedded derivatives are required to be separated and accounted for at fair value involve assessing price correlations and normal market pricing mechanisms for relevant products and market places. Where no directly observable market prices exist, fair value is estimated through valuation models which rely on internal assumptions as well as observable market information such as forward curves, yield curves and interest rates. Market stability impacts the reliability of observed prices and other market information, and consequently, the extent of judgment necessary to estimate appropriate market prices for valuation purposes. Volatility also impacts the magnitude of changes in estimated fair value, which can be substantial, in particular on long-term contracts. Historically, financial and commodity markets have been highly volatile.

Employee retirement plans

Hydro provides both defined benefit employee retirement plans and defined contribution plans. A significant share is defined benefit plans. Measurement of pension cost and obligations under such plans require numerous assumptions and estimates that can have a significant impact on the recognized pension cost and obligation, such as future salary levels, discount rates, turnover rate, and the rate of return on plan assets.

The discount rate is based on the yield from high quality corporate bonds. Hydro provides defined benefit plans in several countries and in various economic environments that affects the actual discount rate applied. Around 70 percent of Hydro's defined benefit obligation (DBO) relates to Norway. The discount rate applied for Norwegian plans as of December 31, 2012 was 3.75 percent, based on the yield on covered bonds issued in Norway. Previous years the discount rates were based on government bond yield as no deep market for high quality corporate bonds was deemed to exist. As the market for covered bond has developed in size and liquidity we currently deem this market to be sufficiently deep to serve as reference for the discount rate for our post employment benefit plans in Norway. The discount rate derived from covered bonds is about 1.5 percentage points above the rate derived from government bonds, resulting in a reduction of the computed obligation of about NOK 2.3 billion at the end of 2012. Hydro's weighted average discount rate used is 3.3 percent for the main German plans. Hydro's weighted average discount rate at the end of 2012 was 0.4 percentage points above the rate used at the end of 2011 mainly due to the change in reference market in Norway, increasing the discount rate used for those plans by 1.25 percentage points, and reduced interest rates in the Euro zone reducing the discount rates for those plans by about 1.5 percentage points.

Assumptions for salary increase in the remaining service period for active plan participants are based on expected salary increases for each country or economic area. Hydro expects a somewhat lower salary increase for our Norwegian activities compared to the average development in Norway, based on the challenged profitability and international competition in our industry.

Changes in these assumptions can influence the funded status of the plan as well as the net periodic pension cost. Hydro incurred an actuarial gain of NOK 2,600 million for the year, mainly resulting from increased discount rate in Norway and higher than estimated return on plan assets. Actual return on plan assets was NOK 497 million above the estimated return for the year. The DBO is sensitive to changes in assumed discount rates and assumed compensation rates. Based on indicative sensitivities, a 0.5 percentage point reduction or increase in the discount rate will increase or decrease the DBO in the range of 7 percent, for 2012 this is around NOK 1.1 billion. A 0.5 percentage point reduction or increase in compensation rates for all plan member categories will decrease or increase the DBO in the range of 10 percent, for 2012 around NOK 1.5 billion. The DBO is also sensitive to demographic assumptions. An indicative sensitivity for change in mortality assumptions indicates that a one year increase in expected life for each plan member increases the DBO with around 5 percent, for 2012 around NOK 0.8 billion.

Business combinations and goodwill

In a business combination consideration, assets and liabilities are recognized at fair value, and any excess purchase price included in goodwill. Where Hydro had an existing ownership interest in the acquiree that interest is also reassessed to determine its acquisition date estimated fair value, resulting in the acquisition date gain or loss. In the businesses Hydro operates, fair values of individual assets and liabilities are normally not readily observable in active markets. This requires the use of valuation models to estimate the fair value of acquired assets and liabilities. Such valuations are subject to numerous assumptions including the useful lives of assets, replacement costs and the timing and amounts of certain future cash flows, which may be dependent on future commodity prices, currency rates, discount rates and other factors.

In accordance with IAS 36, goodwill and certain intangible assets are reviewed at least annually for impairment. See discussion above about impairment of non-current assets relating to the determination of a CGU and valuation principles and methodologies.

Contingencies, uncertain liabilities and environmental liabilities

Liabilities that are uncertain in timing or amount are recognized when a liability arises from a past event and an outflow of cash or other resources is probable and can be reasonably estimated. Contingent liabilities are possible obligations where a future event will determine whether Hydro will be required to make a payment to settle the liability, or where the size of the payment cannot be determined reliably. Contingent liabilities are disclosed unless a future payment is considered remote. Evaluation of uncertain liabilities and contingencies requires judgment and assumptions regarding the probability of realization and the timing and amount or range of amounts that may ultimately be incurred. Such estimates may vary from the ultimate outcome as a result of differing interpretations of laws and the assessment of damages. Environmental liabilities and asset retirement obligations require interpretation of scientific and legal data, in addition to assumptions about probability and future costs. A discussion of Hydro's major contingencies is included in note 38 Contingent liabilities and contingent assets.

Insurance and other compensation

Hydro has insurance contracts and certain other arrangements giving right to compensation for damage and/or losses. Compensation claims are recognized when it is deemed to be virtually certain that Hydro will receive a compensation under the contract. Such determination requires detailed analysis of the legal basis for the claim; any contingencies that are or may be raised by the liable party; evaluation of assessment from technical, legal or other third party experts; and other relevant information. To recognize such claims Hydro normally expect to have received either a confirmation from the liable party that the claim is valid and will be honored, or a confirmation from an external expert that Hydro has a valid claim with no or remote risk of not being honored. The claim is measured at Hydro's best estimate of the amount to be received.

Income tax

Hydro calculates income tax expense based on reported income in the different legal entities. Deferred income tax expense is calculated based on the differences between the carrying value of assets and liabilities for financial reporting purposes and their respective tax basis that are considered temporary in nature. Valuation of deferred tax assets is dependent on management's assessment of future recoverability of the deferred benefit. Expected recoverability may result from expected taxable income in the future, planned transactions or planned tax optimizing measures. Economic conditions may change and lead to a different conclusion regarding recoverability. Tax authorities in different jurisdictions may challenge Hydro's calculation of taxes payable from prior periods. Such processes may lead to changes to prior periods' taxable income, resulting in changes to income tax expense in the period of change.

Note 5 - Significant subsidiaries and changes to the consolidated group

There were no significant changes to the group during 2012.

The Hydro group's continuing operations consists of about 100 companies in about 20 countries. Most subsidiaries are 100 percent owned, directly or indirectly, by Norsk Hydro ASA. There are minority interests in some subsidiaries. The more significant ones are described below.

Albras
Hydro holds 51 percent of the shares in the Brazilian aluminium smelter Alumínio Brasileiro SA (Albras). The minority owner has significant influence on certain decisions in the entity, including operational and investment budgets. The minority interests in Albras amounted to NOK 3,226 million as of December 31, 2012.

Slovalco
Hydro holds 55 percent of the total shares and 60 percent of the voting interest in the Slovac smelter Slovalco a.s. The minority owner has significant influence on certain decisions in the entity, including operational and investment budgets. The minority interests in Slovalco amounted to NOK 867 million as of December 31, 2012.

Alunorte
Hydro holds 92 percent of the shares in the Brazilian alumina refinery Alumina do Norte do Brasil S.A. (Alunorte), an increase from 91 percent during 2012. The minority interests has limited influence on the operational decisions. The minority interests in Alunorte amounted to NOK 1,519 million as of December 31, 2012.

Discontinued operations and Assets held for sale

In October 2012 Hydro's Board of Directors decided to combine the Extruded Products activities with the Profiles and Building System, as well as extruded and welded tubes, of the Norwegain industrial group Orkla's fully-owned subsidiary Sapa. The new combined company, to be named Sapa, will be a 50/50 jointly controlled entity owned by Orkla and Hydro. The units to be contributed includes Hydro's Building systems activities, the Precision tubing activities and general extrusion activities, which comprises all of the Extruded Products segment. Extruded Products have production facilities in Europe, North and South America, and China and sells such products as aluminium extrusion and semi fabricated products for the building and construction, transportation and engineered products industrial sectors. Hydro will continue to deliver metal products to Sapa at market prices after closing. The transaction is subject to clearance by competition authorities in several countries. Completion of the transaction is considered highly probable and is expected to take place in the first half of 2013.

The Extruded Products business is reported as Assets held for sale as of mid October 2012. The results of operations in the businesses to be contributed to the jointly controlled entity are reported separately under the caption "Loss from discontinued operations" for the current and prior period. No interest expense related to loans is allocated to discontinued operations. Cash flows from discontinued operations are presented separately. In the balance sheet as of December 31, 2012, assets in the business to be disposed of and the related liabilities are reported as "Assets held for sale" and "Liabilities in disposal groups", respectively. The assets and related liabilities are carried at the lower of its value measured under the general principles, or its fair value as a disposal group. Prior period balance sheets are not reclassified. Other components of equity includes negative cumulative translation differences of NOK 804 million related to assets held for sale.

Asset groups held for sale

	December 31	
Amounts in NOK million	**2012**	2011
Current assets	**4 750**	-
Non-current assets	**4 684**	-
Total assets	**9 435**	-
Current liabilities	**782**	-
Non-current liabilities	**2 612**	-
Assets held for sale, net	**6 041**	-

Summary of financial data for discontinued operations

Amounts in NOK million	01.01 - 31.12 2012	2011
Revenue and other income	**17 598**	20 019
Share of the profit (loss) in equity accounted investments	**18**	16
Depreciation, amortization and impairment	**392**	742
Other expenses	**17 637**	19 533
Loss before financial items and tax	**(413)**	(240)
Financial income (expense), net	**(45)**	(40)
Loss before tax	**(458)**	(280)
Income tax expense	**(70)**	(222)
Loss from discontinued operations	**(528)**	(502)
Net cash provided by (used in) operating activities	**313**	(155)
Net cash used in investing activities	**(716)**	(470)
Net cash provided by financing activities	**123**	9
Foreign currency effects on cash	**(38)**	(11)
Net cash used in discontinued operations	**(318)**	(627)

Note 6 - Financial and commercial risk management

Hydro is exposed to market risks from fluctuations in the price of commodities bought and sold, prices of other raw materials, currency exchange rates and interest rates. Price volatility, which may be significant, can have a substantial impact on Hydro's results. Market risk exposures are evaluated based on a holistic approach in order to take advantage of offsetting positions and to manage risk on a net exposure basis. Natural hedging positions are established where possible and economically viable. Hydro uses financial derivatives to some extent to manage financial and commercial risk exposures. Hydro's main policy to manage market volatility is to keep a strong financial position. Hydro's market risk strategy is materially unchanged in 2012 compared to previous years.

Commodity price risk exposure

Aluminium

Hydro produces primary aluminium and fabricated aluminium products including remelting. Hydro also engages in sourcing and trading activities to procure raw materials and primary aluminium for internal use and for resale to external customers. These activities serve to optimize capacity utilization, reduce logistical costs and strengthen our market positions.

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

In order to secure cash flow or margins for specific projects or special circumstances, Hydro might enter into future contracts on a longer-term basis. In these cases, hedge accounting has normally been applied. See the section on cash flow hedges in note 41 Derivative instruments and hedge accounting.

Bauxite and alumina

Hydro produces more alumina than is consumed in its primary aluminium production. In addition, Hydro has entered into long-term agreements to purchase alumina from third parties. The majority of purchase and sale of alumina are under contracts where the price is linked to the LME aluminium price, but material tonnages are also sold with reference to a spot market price index.

Hydro is a producer and consumer of bauxite. Hydro's usage needs for bauxite are secured through long-term contracts as well as by own production. The purchasing contracts have links to the LME aluminium price and to alumina indexes. The risk associated with aluminium price links in contracts for bauxite and alumina is managed together with the market risk arising from changes in the aluminium price discussed above.

Electricity
Hydro is a large power consumer with a significant power production. Hydro's consumption is mainly secured through long-term contracts with power suppliers and through Hydro's own production in Norway. Hydro's own production is influenced by hydrological conditions which can vary significantly. The net power position in Norway is balanced out in the Nordic power market. In order to manage and mitigate risks related to price and volume fluctuations, Hydro utilizes physical contracts and derivatives including future contracts, forwards and options. Hydro also participates in trading activities within strict volume and risk limits.

A significant part of Hydro's power purchase contracts are linked to aluminium prices in order to mitigate market price risk related to the sales of its aluminium products. These contract elements are separated from their host contracts and accounted for as derivatives.

Other raw materials
Hydro is party to both long-term and short-term sourcing agreements for a range of raw materials and services with both fixed and variable prices. Such agreements include pitch, petroleum coke, caustic, natural gas, coal, fuel oil and freight. The number of purchasing agreements with prices linked to the price of other commodities such as aluminium is limited and the fair value exposure is considered to be immaterial.

Foreign currency risk exposure
The prices of Hydro's upstream products bauxite, alumina and primary aluminium, are denominated in US dollars. Margins for mid- and downstream products are mainly priced in US dollars and Euro. Further, the prices of major raw materials used in Hydro's production processes, are quoted in US dollars in the international commodity markets. Hydro also incurs local costs related to the production, distribution and marketing of products in a number of different currencies, mainly Norwegian Krone, Brazilian Real, Euro, US dollar and Canadian dollar.

Hydro's primary underlying foreign currency risk is consequently linked to fluctuations in the value of the US dollar versus the currencies in which significant costs are incurred. In addition, Hydro's results and equity are influenced by value changes for the functional currencies of the individual entities and the Norwegian Krone as the Group's presentation currency.

To mitigate the US dollar exposure, Hydro's policy is to raise funding in US dollar. To reduce the effects of fluctuations in the US dollar and other exchange rates, Hydro also use foreign currency swaps and forward currency contracts from time to time.

Interest rate exposure
Hydro is exposed to changes in interest rates, primarily as a result of financing its business operations and managing its liquidity in different currencies. Cash and other liquid resources, as well as debt, are currently mainly held in Norwegian Krone and US dollars. The corresponding interest rate exposures are consequently related to Norwegian Krone and US dollar short-term rates.

Financial instruments and provisions are also exposed to changes in interest rates in connection with discounting of positions to net present value. See sensitivity analysis of financial instruments below.

Sensitivity analysis
In accordance with IFRS, Hydro has chosen to provide information about market risk and potential exposure to hypothetical loss from its use of derivative financial instruments and other financial instruments and derivative commodity instruments through sensitivity analysis disclosures. The sensitivity analysis depicted in the tables below reflects the hypothetical gain/loss in fair values that would occur assuming a 10 percent increase in rates or prices and no changes in the portfolio of instruments as of December 31, 2012 and December 31, 2011, respectively. Effects shown below are largely also representative of reductions in rates or prices by 10 percent but with the opposite sign convention. Only effects that would ultimately be accounted for in profit and loss, or equity, as a result of a change in rates or prices are included. All changes are before tax.

Amounts in NOK million	Fair value as of December 31, 2012 [1]	Gain/loss from 10 percent increase in: Foreign currency exchange rates USD	EUR	Other	Commodity prices Aluminium	Other	Interest rates	Other
Derivative financial instruments [2]	-	-	-	-	-	-	-	-
Other financial instruments [3]	4 145	(759)	228	82	-	-	(6)	40
Derivative commodity instruments [4]	(297)	(295)	2	(2)	(8)	(149)	(39)	25
Financial instruments directly to equity [5]	727	150	(15)	-	213	50	(31)	90

Amounts in NOK million	Fair value as of December 31, 2011 [1]	Gain/loss from 10 percent increase in: Foreign currency exchange rates USD	EUR	Other	Commodity prices Aluminium	Other	Interest rates	Other
Derivative financial instruments [2]	27	(75)	(20)	-	-	-	-	-
Other financial instruments [3]	7 890	(572)	285	79	-	-	(9)	41
Derivative commodity instruments [4]	(1 157)	(490)	1	3	(233)	(266)	(13)	4
Financial instruments directly to equity [5]	1 052	421	3	3	231	-	(42)	-

1) The change in fair value due to price changes is calculated based on pricing formulas for certain derivatives, the Black-Scholes/Turnbull-Wakeman models for options and the net present value of cash flows for certain financial instruments or derivatives. Discount rates vary as appropriate for the individual instruments.

2) Includes mainly forward currency contracts.

3) Includes cash and cash equivalents, investments in marketable securities, bank loans and other interest-bearing short-term debt and long-term debt. Trade payables and trade receivables are also included.

4) Includes all contracts with commodities as underlying, both financial and physical contracts, such as LME contracts and NASDAQ OMS Commodities Europe contracts, which are accounted for at fair value.

5) Includes shares classified as available-for-sale and hedging derivatives.

Hydro's management emphasizes that the above sensitivity analysis contains material limitations due to the necessarily simplified assumptions including:

- Include only the effects of the derivative instruments discussed above and of certain financial instruments (see footnotes in the table above) which excludes all related offsetting physical positions, contracts, and anticipated transactions.
- No adjustments for potential correlations between the risk exposure categories, such as the effect of a change in a foreign exchange rate on a commodity price.
- The unlikely assumption that all rates or prices simultaneously move in directions that would have negative/positive effects on Hydro's portfolio of instruments.

The above discussion about Hydro's risk management policies and the estimated amounts included in the sensitivity analysis relate to the balance sheet position as of December 31. Outcomes could differ materially based on actual developments in the global markets. The methods used by Hydro to analyze risks discussed above should not be considered projections of future events, gains or losses.

Credit risk management

Hydro manages credit risk by setting counterparty risk limits and establishing procedures for monitoring exposures and timely settlement of customer accounts. Hydro is also monitoring the financial performance of key suppliers in order to reduce the risk of default on operations and key projects. Our overall credit risk exposure is reduced due to a diversified customer base representing various industries and geographic areas. Enforceable netting agreements, guarantees, and credit insurance, also contribute to a lower credit risk.

Credit risk arising from derivatives is generally limited to net exposures. Exposure limits are established for financial institutions relating to current accounts, deposits and other obligations. Credit risk related to commodity derivatives is limited by settlement through commodity exchanges. Current counterparty risk related to the use of derivative instruments and financial operations is considered limited.

Liquidity risk

Volatile commodity prices and exchange rates as well as fluctuating business volumes and inventory levels can have a substantial effect on Hydro's cash positions and borrowing requirements.

To fund cash deficits of a more permanent nature Hydro will normally raise long-term bond or bank debt in available markets. A committed credit facility from banks amounting USD 1.7 billion, maturing in 2014, remained undrawn. During 2012, Hydro issued a NOK 1.5 billion bond maturing in 2019.

Hydro has obtained bank guarantees to cover daily cash settlements for unrealized positions held toward electricity or commodity exchanges.

Repayments of long-term debt are disclosed in note 30 Long-term debt. Further, all other financial liabilities, such as trade payables, with the exception of derivatives, have a final maturity date within one year. An overview of estimated gross cash flows from derivatives accounted for as liabilities and assets is presented below. Many of these assets and liabilities are offset by cash flows from contracts not accounted for as derivatives.

Expected gross cash flow from derivatives accounted for as financial liabilities and financial assets, respectively, as of end of year:

	December 31, 2012		December 31, 2011	
Amounts in NOK million	Liabilities	Assets	Liabilities	Assets
2012			(711)	741
2013	(403)	525	(52)	63
2014	(568)	629	-	2
Total	(971)	1 154	(763)	806

The cash-flows above are to a large extent subject to enforceable netting agreements reducing Hydro's exposure substantially.

For additional information on contracts accounted for at fair value, see note 41 Derivative instruments and hedge accounting.

Note 7 - Operating and geographic segment information

Hydro identifies its reportable segments and discloses segment information under IFRS 8 Operating Segments which requires Hydro to identify its segments according to the organization and reporting structure used by management. Operating segments are components of a business that are evaluated regularly by the chief operating decision maker for the purpose of assessing performance and allocating resources. Hydro's chief operating decision maker is the President and CEO. Generally, financial information is required to be disclosed on the same basis that is used by the CEO.

Hydro's operating segments represent separately managed business areas with unique products serving different markets. Hydro's reportable segments are the six business areas Bauxite & Alumina, Primary Metal, Metal Markets, Rolled Products, Extruded Products and Energy. Extruded Products are excluded from the reporting as the segment is held for sale and discontinued operations from October 15, 2012, see note 5 Significant subsidiaries and changes to the consolidated group.

Bauxite & Alumina activities includes bauxite mining activities, production of alumina and related commercial activities, primarily the sale of alumina.

Primary Metal includes primary aluminium production, remelting and casting activities. The main products are comprised of extrusion ingots, foundry alloys and sheet ingot.

Metal Markets includes all sales activities relating to products from our primary metal plants and operational responsibility for Hydro's stand-alone remelters as well as physical and financial metal trading activities.

Rolled Products includes Hydro's rolling mills. The main products are comprised of aluminium foil, strip, sheet, and lithographic plate for application in such sectors as packaging, automotive and transport industries, as well as for offset printing plates.

Energy includes operating and commercial responsibility for Hydro's power stations in Norway and energy sourcing for Hydro's world-wide aluminium operations.

Other consist of Hydro's captive insurance company Industriforsikring, its industry parks, internal service providers and certain other activities.

Operating segment information

Hydro uses two measures of segment results, Earnings before financial items and tax - EBIT and EBITDA. EBIT is consistent with the same measure for the group, considering the principles for measuring certain intersegment transactions and contracts described below. Hydro defines EBITDA as Income (loss) before tax, financial income and expense, depreciation, amortization and write-downs, including amortization and impairment of excess values in equity accounted investments. Hydro's definition of EBITDA may be different from other companies.

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

Intersegment sales and transfers reflect arm's length prices as if sold or transferred to third parties at the time of inception of the internal contract, which may cover several years. Transfers of businesses or assets within or between Hydro's segments are reported without recognizing gains or losses. Results of activities not considered part of Hydro's main operations as well as unallocated revenues, expenses, liabilities and assets are reported together with Other under the caption Other and eliminations.

The accounting policies used for segment reporting reflect those used for the Group with the following exceptions: Internal commodity contracts may meet the definition of a financial instrument in IAS 39 or contain embedded derivatives that are required to be bifurcated and valued at fair value under IAS 39. However, Hydro considers these contracts as sourcing of raw materials or sale of own production, and accounts for such contracts as executory contracts. Certain other internal contracts may contain lease arrangements that qualify as a capital lease. However, the segment reporting reflects the responsibility allocated by Hydro's management for those assets. Costs related to certain pension schemes covering more than one segment are allocated to the operating segments based either on the premium charged or the estimated service cost. Any difference between these charges and pension expenses measured in accordance with IFRS, as well as pension assets and liabilities are included in Other and eliminations.

The following tables include information about Hydro's operating segments.

Amounts in NOK million	External revenue 2012	External revenue 2011	Internal revenue 2012	Internal revenue 2011	Share of the profit (loss) in equity accounted investments 2012	Share of the profit (loss) in equity accounted investments 2011
Bauxite & Alumina	**8 459**	8 595	**4 806**	5 876	**-**	6
Primary Metal	**4 479**	4 462	**22 210**	30 258	**(324)**	13
Metal Markets	**28 960**	33 363	**10 971**	15 362	**-**	-
Rolled Products	**20 000**	21 392	**80**	(95)	**(67)**	(76)
Energy	**2 095**	3 424	**2 595**	2 969	**(2)**	15
Other and eliminations	**187**	264	**(40 663)**	(54 369)	**(61)**	(235)
Total	**64 181**	71 500	**-**	-	**(453)**	(276)

Amounts in NOK million	Earnings before financial items and tax (EBIT) [1] 2012	Earnings before financial items and tax (EBIT) [1] 2011	Depreciation, amortization and impairment 2012	Depreciation, amortization and impairment 2011	EBITDA 2012	EBITDA 2011
Bauxite & Alumina	**(783)**	5 846	**1 750**	1 580	**967**	7 438
Primary Metal	**(1 275)**	1 265	**3 026**	3 136	**1 768**	4 421
Metal Markets	**135**	457	**174**	101	**309**	557
Rolled Products	**791**	66	**401**	399	**1 245**	519
Energy	**1 448**	2 550	**129**	132	**1 577**	2 685
Other and eliminations	**116**	(116)	**63**	69	**218**	109
Total	**432**	10 068	**5 544**	5 416	**6 083**	15 730

Amounts in NOK million	Non-current assets 2012	Non-current assets 2011	Total assets [2] 2012	Total assets [2] 2011	Investments [3] 2012	Investments [3] 2011
Bauxite & Alumina	**37 974**	43 603	**42 208**	48 895	**1 430**	36 865
Primary Metal	**26 790**	33 133	**33 927**	42 138	**1 023**	9 505
Metal Markets	**880**	1 165	**6 038**	8 079	**37**	103
Rolled Products	**4 961**	4 636	**11 811**	12 059	**405**	435
Extruded Products	**-**	4 653	**-**	10 497	**-**	-
Energy	**4 863**	5 420	**5 717**	6 436	**430**	564
Other and eliminations	**1 492**	1 758	**7 415**	4 449	**56**	39
Total continued operations	**76 959**	94 368	**107 117**	132 554	**3 382**	47 510
Classified as held for sale			**9 435**	-		
Total			**116 552**	132 554		

1) Total segment Earnings before financial items and tax is the same as Hydro group's total Earnings before financial items and tax. Financial income and financial expense are not allocated to the segments. There are no reconciling items between segment Earnings before financial items and tax to Hydro Earnings before financial items and tax. Therefore, a separate reconciliation table is not presented.

2) Total assets exclude internal cash accounts and accounts receivables related to group relief.

3) Additions to property, plant and equipment plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments. Excludes investments in discontinued operations. Investments 2011 include investments related to the acquisition of Vale Aluminium with NOK 35,321 million for Bauxite & Alumina and NOK 8,055 million for Primary Metal.

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

Operating revenues are identified by customer location.

Amounts in NOK million	Revenue 2012	Revenue 2011	Non-current assets 2012	Non-current assets 2011	Investments [3] 2012	Investments [3] 2011
Norway	**2 880**	4 326	**15 593**	16 749	**1 079**	1 122
Germany	**9 957**	10 592	**4 374**	5 048	**321**	345
Great Britain	**4 442**	4 233	**209**	264	**3**	11
Italy	**2 506**	3 323	**239**	407	**17**	18
Spain	**2 069**	2 298	**57**	567	**2**	7
France	**1 703**	1 949	**38**	655	**4**	7
Poland	**1 655**	1 911	**-**	111	**-**	-
The Netherlands	**1 459**	1 554	**488**	569	**84**	53
Austria	**1 028**	1 343	**-**	194	**-**	-
Other	**4 211**	5 432	**1 099**	1 924	**77**	66
Total EU	**29 030**	32 635	**6 504**	9 739	**508**	506
Switzerland	**3 715**	7 840	**238**	366	**-**	2
Other Europe	**3 083**	3 068	**-**	-	**-**	-
Total Europe	**38 708**	47 869	**22 335**	26 853	**1 587**	1 630
USA	**5 199**	4 949	**323**	1 230	**7**	22
Canada	**166**	250	**1 475**	1 670	**74**	89
Brazil	**1 883**	1 218	**43 948**	53 118	**1 644**	45 014
Other Americas	**749**	381	**-**	117	**-**	10
Qatar	**1 596**	1 484	**7 978**	8 852	**-**	306
Other Asia	**14 393**	13 879	**126**	471	**6**	18
Australia and New Zealand	**1 105**	1 133	**773**	2 057	**62**	424
Africa	**383**	338	**-**	-	**-**	-
Total outside Europe	**25 473**	23 631	**54 624**	67 515	**1 795**	45 882
Total continued operations	**64 181**	71 500	**76 959**	94 368	**3 382**	47 510

Note 8 - Other income

Amounts in NOK million	2012	2011
Gain on sale of property, plant and equipment	**47**	74
Gain on previous ownership interests in acquired subsidiaries [1]	**-**	4 222
Gain on sale of subsidiaries, associates and jointly controlled entities	**47**	1 126
Revenue from utilities [2]	**128**	131
Rental revenue	**303**	314
Other [3]	**328**	281
Other income, net	**853**	6 147

1) Remeasurment gain on the previous ownership interests in Alunorte and CAP.
2) Revenue from utilities include quay structures, pipe network, tank terminal, process water and grid rental.
3) Other includes government grants, royalties, insurance compensation and settlements of pre-existing relationships in acquired entities.

Note 9 - Raw material and energy expense

Amounts in NOK million	2012	2011
Raw material expense and production supplies	**40 929**	42 694
Change in inventories own production	**404**	(91)
Write-downs of inventories	**239**	152
Reversals of write-downs of inventory	**(13)**	(1)
Raw material and energy expense	**41 559**	42 753

Raw material expense and production supplies include effect of commodity derivative instruments. See note 41 Derivative instruments and hedge accounting.

Note 10 Board of Directors' statement on Management remuneration

Board of Directors' statement on Management remuneration

The statement on the remuneration of the company's Chief Executive Officer (CEO) and other members of the Corporate Management Board has been prepared in accordance with the provisions of the Norwegian Public Limited Companies Act, the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance.

Guidelines for management remuneration
Hydro's guidelines for the remuneration of the company's CEO and other members of the Corporate Management Board reflect Hydro's global human resources policy, whereby *"Hydro shall offer its employees an overall compensation package that is competitive and in line with good industry standards in the country in question. Where appropriate this package should include, in addition to the base salary, also a performance-based incentive that overall shall reflect individual performance."*

Process for determination of remuneration
The Board of Directors has appointed a separate compensation committee consisting of the board chairman and two shareholder-elected board members, as well as one employee representative. The CEO normally participates in the committee's meetings unless the committee is considering issues regarding the CEO. Other representatives of senior management may attend meetings if requested to do so.

The committee functions as an advisory body for the Board of Directors and the CEO and is responsible primarily for:

- Making recommendations to the Board of Directors based on the committee's annual evaluation of the principles and systems underlying the remuneration of the CEO and other members of the Corporate Management Board.
- Making recommendations to the Board of Directors based on the committee's annual evaluation of the overall remuneration of the CEO, including the annual basis for bonus payments and bonus payments actually made.
- Assisting the CEO by consulting on the remuneration of the other members of the Corporate Management Board.

Key principles for determination of remuneration during the coming financial year
The following statement regarding the remuneration of members of the Corporate Management Board will be presented for an indicative vote to the annual shareholders' meeting to be held in May 2013. The Board of Directors proposes that the guidelines set forth below shall apply for 2013 and up until the annual shareholders' meeting in 2014.

The remuneration of members of the Corporate Management Board shall reflect at all times the responsibility of the CEO and the other members of the Corporate Management Board for the management of Hydro, taking into account the complexity and breadth of the company's operations, as well as the growth and sustainability of such operations. The determination of the level of the total compensation package will be, first and foremost, based on being competitive, but not a wage leader, within the relevant labour markets, while at the same time reflecting Hydro's international focus and presence. The Board will thus continue the practice from recent years with regard to moderation in executive remuneration, which in the Board's view reflects the expectations in this area.

Hydro attaches importance to transparency and to ensuring that remuneration arrangements are developed and implemented in accordance with principles for good corporate governance.

The total remuneration of the CEO and other members of the Corporate Management Board will consist of a fixed package of salary and benefits supplemented by performance-based bonuses, share-based long-term incentive plans, employee share plans, pension and insurance arrangements and severance pay.

Fixed remuneration The fixed remuneration provided to members of the Corporate Management Board includes a base salary (which is the main element of remuneration) and benefits in kind such as a company car or car allowance, a telephone, newspapers and other similar benefits. The base salaries of individual members of the Corporate Management Board are evaluated annually in light of the complexity and responsibility of the relevant employee's role and his or her contribution, qualifications and experience, together with conditions in the labor market and general salary trends.

Bonus The maximum annual performance-based bonus payable to the CEO is equal to 50 percent of his or her annual base salary. The maximum annual performance-based bonus payable to any other member of the Corporate Management Board is equal to 40 percent of his or her annual base salary. The Board of Directors evaluates and determines annually the bonus system for the CEO and members of the Corporate Management Board. The bonus parameters are established as part of the annual business-planning process. The Board of Directors is concerned to ensure that bonus parameters are ambitious and balanced, and they reflect the varied nature of Hydro's operations. The annual bonus shall reflect (a) achievements in relation to pre-defined financial targets, (b) achievements of operational and organizational key performance indicators (KPIs) including targets relating to safety and environment (HSE) and corporate social responsibility (CSR), and (c) compliance with and the promotion of Hydro's core values ("The Hydro Way"). The targets are established as part of the annual business-planning process. Bonus payments to the CEO and the other members of the Corporate Management Board are dependent on Hydro achieving positive underlying earnings before interest and tax (EBIT), together with delivery of operational goals within pre-defined budgetary frameworks. Bonus payments are not taken into account when determining the basis for pensionable salary.

Long Term Incentive The long-term incentive (LTI) consists of 30 percent or 25 percent of annual base salary payable, respectively, to the CEO and other members of the Corporate Management Board. LTI payments are dependent on Hydro achieving positive underlying earnings before interest and tax (EBIT) for the previous financial year. Recipients of LTI payments are required to invest the net amount received after tax in Hydro shares. Any such shares must be held for three years. Any holder of such shares who voluntarily terminates his or her employment during such three-year period must pay to the company an amount equal to the after-tax value of the shares at the date of such termination. The LTI arrangement is re-evaluated annually. LTI payments are not taken into account when determining the basis for pensionable salary.

Other share-based remuneration The CEO and other members of the Corporate Management Board are eligible to participate fully in Hydro's discounted employee share purchase plan on the same terms as all other eligible employees (as described below in note 11 Employee and management remuneration).

No share-based remuneration plans in the form of share options, or share appreciation rights (SARs), will be implemented.

Pensions The pension scheme for new employees in Norway, including senior management will be a defined contribution plan. In 2010 Hydro executed an internal pension reform through a transition in Norway to a defined contribution pension plan, whereby the existing defined benefit pension plan was closed to externally recruited new employees with effect from March 1, 2010. As of January 1, 2013 just under 30 percent of the employees in Norway have a the defined contribution plan. The defined contribution plan stipulates that 5 percent of salary between 1 to 6 G and 8 percent of salary between 6 and 12 G are paid into the plan. For salaries in excess of 12 G, 20 percent of the salary is allocated as a vested right. ("G" is the Norwegian National Insurance basic amount). In 2012 a new assessment of Hydro's current pension systems was initiated, including special arrangements for senior executives. Conclusions from the assessment will be based on new legislation resulting from the work of the Norwegian Banking Law Commission.

The CEO and with one exception the other Norwegian members of the Corporate Management Board are members of Hydro's defined benefit pension plan. One member of the Corporate Management Board has the defined contribution plan.

Based on a previously established scheme current Norwegian members of the Corporate Management Board have the right to retire at age 65 on a pension with 65 percent of pensionable income until age 67. This unfunded pension scheme was closed in 2011. After the age of 67 regular pension plans apply (defined contribution or defined benefit).

The CEO is in addition entitled to retire on a pension after reaching the age of 62. The Board of Directors may also require the CEO to do so. From the age of 62, defined pension benefits consist of 60 percent of the pensionable salary. After age 65, the rate of pension is 65 percent of the pensionable salary. A ceiling has been established regarding the CEO's pensionable earnings. Future salary increases will increase the CEO's pension basis up to a ceiling of NOK 5.5 million (such amount to be adjusted annually from the date in 2009 on which the CEO took up his appointment in accordance with the annual percentage changes in the National Insurance basic amount, "G"). Full pension entitlement is earned after 30 years' employment at Hydro.

Corresponding early retirement arrangements were put in place during 2010 in respect of the then other Norwegian members of the Corporate Management Board. These arrangements have the effect that future salary increases will only increase the pension basis up to a ceiling equivalent to NOK 3.5 million on January 1, 2010 (such amount to be adjusted annually in line with the annual percentage changes in the National Insurance basic amount, "G"). These pensions also make the receipt of 60 percent of the pensionable salary between the ages of 62 and 65 dependent on at least five years' membership in the Corporate Management Board between the ages of 50 and 60. The established early retirement arrangement from 62 to 65 years does not apply to persons who are entitled to retire before reaching the age of 62 under a previous agreement or has been appointed to the Corporate Management Board 2012 or later.

Insurance The CEO and other members of the Corporate Management Board are covered by insurance arrangements applicable to all Hydro employees with a rank of vice president or higher.

Termination agreement In the event the CEO's employment is terminated before age 62 either unilaterally by Hydro or as the result of mutual agreement, the CEO has a contractual right to a notice period of six months, plus severance pay and other remuneration (excluding bonus and LTI payments) for a period of 12 months, but not beyond the age of 62. If the CEO earns other income during such 12-month period, Hydro may under certain conditions reduce the CEO's severance pay. In the event of the CEO's voluntary resignation, the ordinary rules of the Norwegian Working Environment Act regarding termination of employment will apply.

During 2010 corresponding arrangements were put in place regarding the other members of the Corporate Management Board, with the exception of one member who in accordance with a prior arrangement is already entitled to transfer to a less demanding role on reaching the age of 59 and to retire on reaching the age of 62. In respect of appointments to the Corporate Management Board in 2012 or later, severance pay will be paid for a period of six months following a six-month notice period.

Members of the Corporate Management Board outside Norway Oliver Bell and Hans-Joachim Kock are employed by a foreign subsidiary. Their base salaries and other conditions of employment are determined in accordance with Hydro's global human resources policy and local industry standards. Certain special conditions apply with regards to Johnny Undeli's responsibilities in Brazil, but his remuneration generally accords with those of other members of the Corporate Management Board. Undeli, Bell and Kock are covered by the LTI plan (described above) on the same terms as the other members of the Corporate Management Board.

Key principles for determining remuneration during the previous financial year
The remuneration of the CEO and the members of the Corporate Management Board for the financial year 2012 was based in essence on the same guidelines as those described above.

In July 2012, the Board of Directors decided to increase the CEO's base salary by 2.3 percent, from NOK 5,500,000 to NOK 5,627,000 with effect from January 1, 2012.

The base salary of the other members of the Corporate Management Board (excluding CEO) increased in the annual salary adjustment by between 2.0 percent and 4.4 percent in 2012, with an average increase of 2.6 percent.

Bonus payments for 2011 were determined and paid in 2012 on the basis of the principles described above (see also note 11 Employee and management remuneration).

Bonus payments for 2012 will be determined and paid in 2013 on the basis of the principles described above.

Note 11 - Employee and management remuneration

Corporate Management Board remuneration

Corporate management board members' salaries, remuneration in kind, bonus, share based long term incentive for 2011 and 2010 settled in 2012 and 2011, respectively, and the estimated increase in the value of their pension benefits, as well as any loans outstanding and Hydro share ownership as of December 31, 2012 and 2011 are shown in the table below. Hydro did not have any guarantees made on behalf of any of the corporate management board members during 2012 and 2011.

Name	Base salary 1) 2)	Maximum bonus potential 1) 2)	Remuneration paid: Salary 1) 3)	In kind 1) 3)	Bonus 1) 3)	Long-term incentive plan (LTI) 1) 3)	Pension benefits 1) 4)	Out-standing loans 1) 5)	LTI-shares allocated	Hydro share ownership 6)
2012										
Svein Richard Brandtzæg	5 627	2 814	6 068	273	1 655	1 650	3 415	-	23 820	90 967
Jørgen C. Arentz Rostrup 7)	3 083	1 233	3 250	237	748	754	(3 695)	-	10 881	34 083
Johnny Undeli	6 272	1 264	6 652	218	770	773	1 758	-	11 152	24 584
Hilde Aasheim	2 942	1 177	3 150	195	716	718	2 275	-	11 221	22 633
Oliver Bell	3 969	1 587	3 976	119	928	997	3 129	-	16 043	30 458
Hans-Joachim Kock	4 820	1 322	4 843	1 847	-	834	1 414	-	13 630	26 955
Arvid Moss	2 743	1 097	2 905	253	676	666	2 807	-	10 219	86 476
Wenche Agerup	2 628	1 051	2 766	223	638	591	1 102	-	9 243	30 180
Kjetil Ebbesberg 8)	2 611	653	2 800	218	615	640	920	-	10 009	17 042
Tom Røtjer 8)	2 721	680	2 943	234	641	667	2 209	-	9 829	39 975
2011										
Svein Richard Brandtzæg	5 500	2 750	5 632	225	1 937	1 545	5 667	449	16 454	62 847
Jørgen C. Arentz Rostrup	3 015	1 206	3 075	170	828	725	3 541	-	7 564	22 902
Johnny Undeli	6 040	1 236	6 136	215	876	750	2 117	-	8 150	13 132
Hilde Aasheim	2 870	1 148	2 962	230	835	690	2 451	-	7 048	11 112
Kjetil Ebbesberg	2 560	1 024	2 643	184	766	618	1 534	-	6 979	8 033
Oliver Bell	3 962	1 585	3 980	166	1 307	988	1 509	-	11 415	14 415
Hans-Joachim Kock	4 880	1 357	5 008	1 457	1 211	497	1 359	-	5 825	13 325
Arvid Moss	2 665	1 066	2 705	209	764	644	3 042	-	7 136	75 957
Tom Røtjer	2 668	1 067	2 808	178	730	648	3 177	-	6 896	29 846
Wenche Agerup	2 570	1 028	2 603	182	645	489	2 785	230	5 100	20 637

1) Amounts in NOK thousand. Amounts paid by subsidiaries outside Norway have been translated to NOK at average exchange rates for each year.

2) Base salary is per December 31, or per the date of stepping down from the Corporate Management Board. Maximum bonus potential is for the year presented, and for the period as corporate management board member. Bonus, if any, will be paid in the following year.

3) Salary is the amount paid to the individual during the year presented, and includes vacation pay. Remuneration-in-kind is the total of all non-cash related benefits received by the individual during the year presented and includes such items as the taxable portion of insurance premiums, car and mileage allowances and electronic communication items. Bonus is the amount paid in the year presented based on performance achieved and bonus potential for the year before, including bonus earned before the individuals joined the Corporate Management Board. The LTI plan benefit reflects gross (pre-tax) amounts. For corporate management board members on net salary employment contracts, benefits have been converted to the gross (pre-tax) amounts.

4) The estimated change in the value of pension benefits reflects both the effect of earning an additional year's pension benefit and the adjustment to present value of previously earned pension rights. It is calculated as the increase in the Defined Benefit Obligations (DBO) calculated with stable assumptions. As such, the number includes both the annual accrual of pension benefits and the interest element related to the total accrued pension benefit. For all individuals listed in the table, this is the estimated change from January 1 to December 31.

5) The loans to corporate management board members, including close familiy members, were extended under an employee benefit scheme applicable to all employees in Norway. Per December 31, 2012, no loans were outstanding. Per December 31, 2011, the loans to Svein Richard Brandtzæg had interest rates of 3.75 and 3.9 percent and repayment periods of six and eight years. The loan to Wenche Agerup had an interest rate of 7.25 percent and a repayment period of two years. The loans were repaid in 2012.

6) Hydro share ownership is the number of shares held directly by the corporate management board member and any shares held by close family members and controlled entities. Hydro share ownership for all corporate management board members is as of December 31.

7) Jørgen C. Arentz Rostrup stepped down from the Corporate Management Board and left Hydro as of February 15, 2013.

8) Kjetil Ebbesberg and Tom Røtjer stepped down from the Corporate Management Board as of August 15, 2012.

Under the long term incentive for 2010 settled in 2012 and 2011, former corporate management board member Ola Sæter received 1,796 and 3,741 shares with a gross (pre-tax) value of NOK 162 thousand and NOK 338 thousand, respectively. Under the long term incentive for 2010 settled in 2011, former corporate board member Odd Ivar Biller received 2,222 shares with a gross (pre-tax) value of NOK 196 thousand.

Effective March 30, 2009, Eivind Reiten stepped down as President and CEO, and left Hydro. He had a termination agreement with right to certain benefits (excluding bonus) for a three-year period, beginning March 30, 2009. In 2012 and 2011, Reiten received a total remuneration of NOK 1,593 thousand and NOK 6,404 thousand, respectively.

United Kingdom employee share-based compensation

In 1988, Hydro established a stock option share purchase program for employees in the United Kingdom. The last options were granted in July 2002 and the program was operational until July 2012, when the last remaining options expired. No further options will be granted. During 2012 and 2011 no options were exercised.

Employee share purchase plan

Hydro has established a share purchase plan for employees in Norway. The plan payout is based on share price performance, and whether the share price (adjusted for dividend paid) increases with at least 12 percent or not during the performance period. Employees are eligible to receive an offer to purchase shares under this plan if they were 1) employed by Norsk Hydro ASA or a more than 90 percent owned Norwegian subsidiary, and 2) employed as of December 31 through the final acceptance date of the share purchase offer.

Compensation expense related to the 2011 performance measurement period was accrued and recognized over the service period of December 31, 2011 through March 31, 2012, the final acceptance date of the offer. In 2012 and 2011 the participation rates of eligible employees in the employee share purchase plan were 81 and 82 percent, respectively. Details related to the employee share purchase plan are given in the table below.

Employee share purchase plan **Performance measurement period**	2012	2011	2010
Total shareholder return performance target achieved	<12%	<12%	<12%
Employee rebate, NOK	2 500	2 500	2 500
Employee rebate, percent	25%	25%	25%

Share purchase plan compensation	**2012**	2011
Award share price, NOK	**33.25**	46.01
Number of shares issued, per employee	**300**	217
Total number of shares issued to employees	**981 300**	759 283
Compensation expense related to the award, NOK thousand	**8 157**	8 734

Employee benefit expense

The average number of employees for 2012 and 2011 was 22,172 and 22,595, respectively. As of year end 2012 and 2011 Hydro employed 21,566 and 22,813 people, respectively. The average number of employees in continuing operations for 2012 and 2011 was 13,138 and 13,083, respectively. As of year end 2012 and 2011, Hydro's continuing operations employed 12,994 and 13,304 people, respectively. The specification of employee benefit expenses for 2012 and 2011 is given in the table below.

Employee benefit expense

Amounts in NOK million	**2012**	2011
Salary	**5 814**	5 769
Social security costs	**771**	748
Other benefits	**418**	26
Net periodic pension cost (note 32)	**591**	607
Total	**7 593**	7 150

Note 12 - Depreciation and amortization expense

Specification of depreciation and amortization by asset category

Amounts in NOK million	**2012**	2011
Buildings	**612**	686
Machinery and equipment	**4 070**	4 077
Intangible assets	**117**	164
Depreciation and amortization from discontinued operations	**(355)**	(507)
Depreciation and amortization expense	**4 443**	4 421

Note 13 - Impairment of non-current assets

Amounts in NOK million	**2012**	2011
Classification by asset category		
Impairment losses		
Property, plant and equipment	**1 118**	1 153
Intangible assets	**20**	78
Impairment from discontinued operations	**(37)**	(235)
Total impairment of non-current assets	**1 100**	996
Classification by segment		
Impairment losses		
Primary Metal	**1 019**	970
Metal Markets	**76**	-
Energy	**5**	21
Other activities	**-**	5
Total impairment of non-current assets	**1 100**	996

All Cash Generating Units (CGUs) or fixed assets that are not part of a CGU are reviewed for impairment indicators at each balance sheet date. Tests for impairment have been performed for the CGUs where impairment indicators have been identified. The recoverable amount for these units have been determined estimating the Value in Use (VIU) of the asset and if appropriate its fair value less cost to sell (FV), and comparing the highest of the two against the carrying value of the CGUs. The calculation of VIU has been based on management's best estimate, reflecting Hydro's business planning process. The discount rates are derived as the weighted average cost of capital (WACC) for a similar business in the same business environment. For Hydro's businesses the pre tax nominal discount rate is estimated at between 10.25 and 13.5 percent (2011: 9-12 percent). Impairment losses have been recognized where the recoverable amount is less than the carrying value.

Hydro Primary Metal's Kurri Kurri plant in Australia was written down by NOK 970 million in 2011, following the decline in aluminium prices and uncertain market outlook, in combination with a strong Australian dollar. The recoverable amount was determined based on the VIU. In 2012, after management's decision to close the production, the plant was written down by an additional NOK 1,019 million, to the plant's FV. The FV was determined based on external valuation reports in addition to internal value assessments.

Metal Markets' remelter in Taiwan was written down by NOK 76 million to the estimated FV prior to the sale of the activity.

Goodwill and intangible assets with indefinite life are required to be tested annually, in addition to any tests required when impairment indicators are determined to be present. Hydro has elected to do the annual impairment test of goodwill in the fourth quarter.

Goodwill is allocated to CGUs or groups of CGUs as shown in the following table:

Amounts in NOK million	**2012**	2011
Alunorte (Bauxite & Alumina)	**2 811**	3 310
Remelters sector (Metal Markets)	**228**	244
Extruded Products	**-**	747
Total goodwill	**3 040**	4 301

Goodwill in Bauxite & Alumina was allocated to a CGU consisting of the Alunorte alumina refinery, the main bauxite source Paragominas and certain related activities, all acquired in 2011. The recoverable amount has been determined based on a VIU calculation, and amounts to NOK 38 billion. The value exceeds the carrying value by about 20 percent. The calculation used cash flow projections in BRL based on business plans approved by management covering a five-year period. Cash flows have been estimated for the following 35 years based on the five-year detailed forecast period using Hydro's long-term assumptions for alumina prices and key raw material prices. Improvements expected from the currently implemented improvement programs and certain planned equipment replacements are included. Further improvements are not included in the cash flow forecasts. Production volumes are assumed to be stable through the period. Cash flows beyond the five-year period are inflated by the expected long-term inflation levels.

The main assumptions to which the test is sensitive are the expected sales price for alumina, the exchange rate between the US dollar and the Brazilian real and the discount rate. For the alumina sales price we have assumed price levels equivalent to real-term prices in the range of 350-375 US dollar per mt. Cash flows denominated in US dollars are translated to BRL at a stable rate equal to the exchange rate at year-end for the first five years, for future periods the exchange rate is translated with a rate development reflecting the inflation difference between international inflation and the higher expected Brazil specific inflation. The discount rate assumed is 13.5 percent, reflecting a nominal pre-tax discount rate. If one of the key parameters were changed with no changes to the other assumptions, the recoverable amount for the CGU would equal the carrying amount with a discount rate of 15.5 percent, a reduction of the alumina price of 5 percent, or a stronger BRL to USD by 7 percent over the entire 40-year period.

For Metal Markets the impairment test on goodwill has been based on approved business plan for the next year, managements best estimate of cash flows for the following four years and extrapolated to a 15 years cash flow estimate, providing a VIU exceeding the carrying value. See note 4 Critical accounting judgment and key sources of estimation uncertainty for additional information about impairment testing.

Note 14 - Research and development

Total expensed research and development cost was NOK 247 million in 2012 and NOK 248 million in 2011. Research and development activities are intended to make production of aluminium more efficient including further improving the operational and environmental performance of Hydro's electrolysis technology. A significant proportion of the means are also used for further developing the production processes and products within casting and alloy technology as well as rolled products.

To the extent development costs are directly contributing to the construction of a fixed asset, the development costs are capitalized as part of the asset provided all criteria for capitalizing the cost are met. Costs incurred during the preliminary project stage, as well as maintenance costs, are expensed as incurred.

Note 15 - Operating leases

Future minimum lease payments due under non-cancellable operating leases are as follows:

Operating lease expense for office space, machinery and equipment amounts to NOK 328 million for 2012 and NOK 322 million for 2011.

Amounts in NOK million	Less than 1 year	1-5 years	Thereafter	Total
Operating lease obligation 2012	290	1 201	2 034	3 525
Operating lease obligation 2011	378	1 414	3 609	5 401

Note 16 - Financial income and expense

Amounts in NOK million	**2012**	2011
Interest income	**286**	256
Dividends received and net gain (loss) on securities	**133**	(53)
Financial income	**418**	203
Interest expense	**(393)**	(348)
Capitalized interest	**15**	1
Net foreign exchange gain (loss)	**(280)**	(963)
Other	**(108)**	(141)
Financial expense	**(766)**	(1 451)
Financial income (expense), net	**(348)**	(1 248)

Note 17 - Income tax expense

Amounts in NOK million	**2012**	2011
Income (loss) from continuing operations before taxes		
Norway	**2 035**	4 340
Other countries	**(1 950)**	4 480
Total	**85**	8 819
Current taxes		
Norway	**820**	1 335
Other countries	**408**	517
Current income tax expense	**1 227**	1 852
Deferred taxes		
Norway	**229**	370
Other countries	**(654)**	(653)
Deferred tax expense (benefit)	**(424)**	(283)
Total income tax expense (benefit)	**803**	1 569

Components of deferred taxes

Origination and reversal of temporary differences	**302**	(377)
Benefit tax loss carryforwards	**(1 038)**	(335)
Net change in unrecognized deferred tax assets	**395**	561
Tax expense (benefit) allocated to Other components of equity	**(83)**	(132)
Deferred tax expense (benefit)	**(424)**	(283)

Reconciliation of Norwegian nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2012**	2011
Expected income taxes at statutory tax rate [1)]	**24**	2 469
Hydro-electric power surtax [2)]	**399**	584
Equity accounted investments	**127**	77
Foreign tax rate differences	**(412)**	(356)
Tax free income	**(99)**	(1 620)
Losses, other tax benefits and deductions with no tax benefits, net	**765**	414
Income tax expense (benefit)	**803**	1 569
Effective tax rate	**949.5%**	17.8%

1) Norwegian nominal statutory tax rate is 28 percent.

2) A surtax of 30 percent is applied to taxable income, with certain adjustments, for Norwegian hydro-electric power plants. The surtax comes in addition to the normal corporate taxation.

Note 18 - Short-term investments

Amounts in NOK million	**2012**	2011
Bank, time deposits	**3 050**	-
Equity securities	**820**	845
Debt securities	**433**	456
Other	**40**	479
Total short-term investments	**4 343**	1 780

Note 19 - Accounts receivable

Amounts in NOK million	**2012**	2011
Trade receivables	**6 379**	10 749
Allowance for credit losses	**(85)**	(392)
VAT receivables	**791**	880
Other receivables	**1 676**	1 980
Accounts receivable	**8 761**	13 217

Note 20 - Inventories

Amounts in NOK million	**2012**	2011
Raw materials	**3 957**	6 103
Work in progress	**2 597**	3 002
Finished goods	**3 130**	5 052
Inventories	**9 685**	14 157

Raw materials include spare parts. All amounts are net of any write-downs.

Note 21 - Other non-current assets

Amounts in NOK million	**2012**	2011
Non-marketable equity securities	**918**	1 052
Other securities	**536**	536
Employee loans	**184**	222
Derivative instruments	**498**	450
Prepaid taxes	**3 262**	4 090
Other receivables	**773**	999
Other non-current assets	**6 170**	7 348

Note 22 - Property, plant and equipment

Amounts in NOK million	Land	Buildings	Machinery and equipment	Plant under construction	Total
Cost					
December 31, 2010	933	15 871	42 968	984	60 754
Acquisitions through business combinations	36	6 374	35 207	1 823	43 439
Other additions	-	148	1 262	2 733	4 144
Disposals	(1)	(169)	(660)	-	(831)
Transfers	9	199	1 096	(1 305)	-
Foreign currency translation effect	(5)	(313)	(1 760)	(148)	(2 226)
December 31, 2011	971	22 109	78 114	4 087	105 280
Additions	-	519	1 464	1 953	3 935
Disposals	(2)	(152)	(1 022)	(13)	(1 189)
Transfers	(11)	443	1 860	(2 293)	-
Assets classified as held for sale	(299)	(2 250)	(6 901)	(356)	(9 807)
Foreign currency translation effect	(49)	(1 274)	(6 500)	(477)	(8 300)
December 31, 2012	610	19 396	67 014	2 900	89 920
Accumulated depreciation and impairment					
December 31, 2010	(1)	(8 258)	(27 641)	(5)	(35 905)
Depreciation for the year	-	(686)	(4 077)	-	(4 763)
Impairment losses	(48)	(272)	(758)	(75)	(1 153)
Disposals	-	140	602	-	743
Transfers	-	(7)	7	-	-
Foreign currency translation effect	-	(6)	4	(7)	(10)
December 31, 2011	(49)	(9 090)	(31 862)	(88)	(41 088)
Depreciation for the year	-	(612)	(4 070)	-	(4 682)
Impairment losses	(4)	(230)	(887)	3	(1 118)
Disposals	-	72	932	-	1 004
Transfers	-	-	(56)	56	-
Assets classified as held for sale	47	1 374	5 135	-	6 556
Foreign currency translation effect	3	254	1 354	4	1 615
December 31, 2012	(2)	(8 230)	(29 454)	(26)	(37 712)
Carrying value					
December 31, 2011	922	13 019	46 252	3 999	64 192
December 31, 2012	607	11 166	37 561	2 874	52 208

Note 23 - Intangible assets

Amounts in NOK million	Intangible assets under development	Capitalized software systems	Mineral rights	Other intangible assets	Total
Cost					
December 31, 2010	55	1 228	-	1 451	2 735
Acquisitions through business combinations	-	74	1 113	1 855	3 043
Other additions	33	46	-	94	173
Disposals	-	(8)	-	(39)	(47)
Transfers	(5)	-	-	5	-
Foreign currency translation effect	-	(7)	(46)	(119)	(172)
December 31, 2011	84	1 334	1 067	3 247	5 731
Additions	56	19	-	3	77
Disposals	-	(13)	(4)	(74)	(90)
Transfers	(1)	1	-	-	-
Assets classified as held for sale	(20)	(451)	-	(462)	(933)
Foreign currency translation effect	-	(55)	(160)	(304)	(520)
December 31, 2012	118	836	903	2 409	4 266
Accumulated amortization and impairment					
December 31, 2010	-	(797)	-	(1 003)	(1 800)
Amortization for the year [1)]	-	(108)	-	(139)	(247)
Impairment loss	-	-	-	(77)	(78)
Disposals	-	7	-	5	12
Foreign currency translation effect	-	4	-	8	12
December 31, 2011	-	(895)	-	(1 207)	(2 102)
Amortization for the year [1)]	-	(87)	-	(132)	(220)
Impairment loss	-	(1)	-	(19)	(20)
Disposals	-	14	-	27	41
Assets classified as held for sale	-	259	-	358	617
Foreign currency translation effect	-	38	-	56	94
December 31, 2012	-	(672)	-	(917)	(1 589)
Carrying value					
December 31, 2011	84	438	1 067	2 040	3 629
December 31, 2012	118	163	903	1 492	2 677

1) Amortization of a sourcing contract is reported as Raw material and energy expense in the income statement.

Note 24 - Goodwill

Amounts in NOK million	Bauxite & Alumina	Metal Markets	Extruded Products	Total
Cost				
December 31, 2010	-	238	747	985
Additions	3 499	-	-	3 499
Foreign currency translation effect	(189)	6	-	(183)
December 31, 2011	3 310	244	747	4 301
Assets classified as held for sale	-	-	(701)	(701)
Foreign currency translation effect	(498)	(16)	(46)	(560)
December 31, 2012	2 811	228	-	3 040
Carrying value				
December 31, 2011	3 310	244	747	4 301
December 31, 2012	2 811	228	-	3 040

See note 13 Impairment of non-current assets for information about the impairment testing of goodwill on an annual basis.

Note 25 - Investments in associates

Amounts in NOK million	Alunorte	Aluchemie	SKS Pro-duksjon	NorSun	Ascent Solar	Other	Total
December 31, 2010	6 724	565	338	120	135	265	8 148
Investments							-
Change in long-term advances, net		10				(10)	-
Hydro's share of net income (loss)	21	14	20	(4)	(44)	10	18
Amortization	(3)	(16)	(3)			(3)	(25)
Impairment losses				(116)	(56)		(172)
Dividends and other payments received by Hydro	(43)		(35)			(3)	(81)
Derecognized investments	(6 482)		(340)			(122)	(6 944)
Foreign currency translation and other	(217)	(4)	20		(7)	(4)	(211)
December 31, 2011	-	569	-	-	29	133	732
Investments						5	5
Change in long-term advances, net		77				(15)	62
Hydro's share of net income (loss)		(6)				(29)	(35)
Amortization		(15)				-	(15)
Impairment losses						(58)	(58)
Dividends and other payments received by Hydro							
Derecognized investments					(27)	(10)	(37)
Foreign currency translation and other		(28)			(2)	(1)	(31)
December 31, 2012	-	597	-	-	-	25	622

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

Aluminium & Chemie Rotterdam B.V. (**Aluchemie**) is an anode producer located in the Netherlands. Hydro owns 36.2 percent and has 21.2 percent of the voting rights. Other shareholders are Rio Tinto Alcan (53.3 percent) and Søral (10.5 percent). Hydro purchased anodes from Aluchemie amounting to NOK 748 million in 2012 and NOK 824 million in 2011 based on a cost plus formula. Sales of anode butts and coke from Hydro to Aluchemie amounted to NOK 87 million in 2012 and NOK 120 million in 2011. Hydro is committed to purchase a share of produced anodes based on it's ownership interest. For certain product lines the right and obligation to purchase is higher, as agreed between the shareholders. Aluchemie is part of Primary Metal.

Ascent Solar Technologies Inc. (Ascent) develops thin-film photovoltaic modules and is located in Denver, Colorado in the US. Hydro divested its interest in 2012.

NorSun AS (NorSun) is a company in the solar industry. Hydro owns 17.4 percent of NorSun. Significant influence is obtained through representation in the board of directors as agreed in the shareholders agreement. Hydro's investment is fully impaired.

Note 26 - Investments in jointly controlled entities

Amounts in NOK million	Alunorf	Søral	Qatalum	Alpart	Other	Total
December 31, 2010	1 241	647	8 574	(68)	106	10 501
Investments (sale), net			599	77	(1)	675
Change in long-term advances, net	(13)		(293)			(306)
Hydro's share of net income (loss)	(6)	(16)	30	(2)	5	11
Amortization	(54)					(54)
Impairment losses				(10)	1	(9)
Dividends and other payments received by Hydro	(8)				(9)	(17)
Foreign currency translation and other	(8)		(98)	3		(103)
December 31, 2011	1 152	631	8 812	-	102	10 697
Investments (sale), net					4	4
Change in long-term advances, net	(12)					(12)
Hydro's share of net income (loss)	(14)	(34)	(241)		(2)	(291)
Amortization	(52)					(52)
Impairment losses					(2)	(2)
Dividends and other payments received by Hydro						-
Foreign currency translation and other	(55)		(592)		(37)	(684)
December 31, 2012	1 019	597	7 979	-	65	9 660

Negative value of investments in jointly controlled entities of NOK 13 million as of December 31, 2012 is included in Other liabilities.

Specification of jointly controlled entities

Amounts in NOK million, except ownership	Percentage owned by Hydro at year end	Investments in and advances to investees		Hydro's current trade receivable (payable), net with investees	
	2012	**2012**	2011	**2012**	2011
Alunorf	**50.0%**	**1 019**	1 152	**(243)**	(306)
Søral	**49.9%**	**597**	631	**(96)**	(92)
Qatalum	**50.0%**	**7 979**	8 812	**(660)**	(664)
Others		**65**	63	**-**	(2)
Total		**9 660**	10 658	**(999)**	(1 064)

Below is a description of significant jointly controlled entities' business operation, ownership and the nature of related party transactions with Hydro including amounts if material. Contractual and capital commitments, contingent liabilities and guarantees reported by the jointly controlled entity is included where applicable.

Aluminium Norf GmbH (Alunorf) located in Germany is the world's largest rolling mill and is owned by Hydro and Hindalco Industries (50 percent each). Alunorf produces flat rolled products from raw material from the partners based on a tolling arrangement. Sales from Alunorf to Hydro amounted to NOK 1,423 million in 2012 and NOK 1,475 million in 2011. Hydro's capital and financing commitments are regulated in the Joint Venture agreement. Hydro's financing commitment based on its interest is NOK 109 million as of December 31, 2012. Alunorf is part of Rolled Products.

Sør-Norge Aluminium AS (Søral) is the fourth largest primary aluminium manufacturer in Norway located in Husnes, Hordaland. Søral has an annual production capacity of about 180,000 mt of liquid metal. Hydro owns 49.9 percent and Rio Tinto Alcan 50 percent. Each partner purchases its proportional share of production at current market prices. Hydro's purchases from Søral amounted to NOK 667 million in 2012 and NOK 956 million in 2011. Sale of alumina and metal from Hydro to Søral amounted to NOK 198 million in 2012 and NOK 458 million in 2011. Søral is part of Primary Metal.

Qatar Aluminium Ltd. (Qatalum) is a primary aluminium smelter with a dedicated power plant located in Qatar. Qatalum has an annual production capacity of about 600,000 mt of liquid metal. Qatalum is owned by Hydro and Qatar Petroleum Ltd., (50 percent each). Hydro is committed to sell fixed quantities of alumina and purchase all products from Qatalum at market based prices. Purchases of metal from Qatalum amounted to NOK 8,549 million in 2012 and NOK 6,358 million in 2011. Sales from Hydro to Qatalum amounted to NOK 1,537 million in 2012 and NOK 1,192 million in 2011. Qatalum is part of Primary Metal.

The income statement and balance sheet information included in the table below is based on reported figures from the joint ventures, which could differ from Hydro's assessment of the underlying values.

Amounts in NOK million (unaudited)	**2012**	2011
Income statement data		
Revenues	**13 711**	12 012
Earnings before financial items and tax	**(235)**	178
Income (loss) before tax	**(651)**	7
Net income (loss)	**(611)**	(28)
Balance sheet data		
Current assets	**6 756**	7 309
Non-current assets	**30 435**	34 042
Assets	**37 191**	41 351
Current liabilites	**2 619**	1 774
Non-current liabilities	**15 507**	18 515
Equity	**19 065**	21 062
Liabilites and equity	**37 191**	41 351

Note 27 - Jointly owned assets

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

The most significant of these arrangements are Hydro's 20 percent ownership in the Alouette plant in Canada, and the 12.4 percent ownership in the Tomago plant in Australia. Both plants produce primary aluminium. Hydro provides alumina relative to its share of the metal production, and receives produced metal for further processing or sale. Other costs of operations, including power consumption and labor, are incurred on a joint basis by the owners. Unrealized losses or gains relating to embedded derivatives and operational hedges associated with the physical supply of power to the plants are also incurred or earned on a joint basis by the owners.

The following key figures show the main impact of these two arrangements:

Amounts in NOK million	**2012**	2011
Property, plant and equipment	**2 090**	2 362
Share of expenses	**1 201**	1 173
Depreciation and amortization	**247**	230
Produced volume (kmt)	**186**	183

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

Amounts in NOK million	**2012**	2011
Bank loans and overdraft facilities	**4 428**	2 779
Other interest-bearing short-term debt	**395**	416
Current portion of long-term debt	**1 133**	1 053
Bank loans and other interest-bearing short-term debt	**5 956**	4 248

Note 29 - Trade and other payables

Amounts in NOK million	**2012**	2011
Accounts payable	**6 085**	8 736
Payroll and value added taxes	**1 198**	2 023
Accrued liabilities and other payables	**1 053**	1 556
Trade and other payables	**8 336**	12 316

Note 30 - Long-term debt

Long-term debt payable in various currencies

Amounts in NOK million	**2012**	2011
USD	**2 520**	4 340
NOK	**1 500**	3
Other	**-**	1
Total unsecured loans	**4 020**	4 344
Other long-term debt	**787**	898
Outstanding debt	**4 807**	5 242
Less: Current portion	**(1 133)**	(1 052)
Total long-term debt	**3 674**	4 190

Norsk Hydro ASA has a USD 1,700 million, seven-year revolving multi-currency credit facility with a syndicate of international banks, maturing in July 2014. A commitment fee on undrawn amounts is calculated as a percentage of the loan margin under the facility. Any borrowing under the facility will be unsecured, and the debt agreement contains no financial ratio covenants and no provisions connected to the value of underlying assets. The facility is for general corporate purposes, and provide readily available and flexible long-term funding. There was no borrowing under the facility as of December 31, 2012.

Repayments of long-term debt including interest

Amounts in NOK million	Unsecured loans	Other	Interest	Total
2013	376	757	137	1 270
2014	376	8	114	498
2015	408	7	108	523
2016	440	7	101	547
2017	347	7	93	447
Thereafter	2 074	1	176	2 250
Total	4 020	787	728	5 535

Note 31 - Provisions

		2012			2011	
Amounts in NOK million	**Short-term**	**Long-term**	**Total**	Short-term	Long-term	Total
Warranties	**46**	**-**	**46**	53	1	54
Exit and disposal activities	**32**	**1**	**33**	153	1	154
Environmental clean-up and asset retirement obligations (ARO)	**105**	**1 631**	**1 736**	134	1 699	1 833
Medical and other employee benefits	**167**	**361**	**528**	337	452	790
Social security costs on pension	**-**	**638**	**638**	-	644	644
Insurance	**432**	**-**	**432**	575	-	575
Other	**68**	**460**	**528**	117	532	650
Total provisions	**850**	**3 091**	**3 941**	1 369	3 331	4 700

The following table includes a specification of changes to provisions for the year ending December 31, 2012 and the expected timing of cash outflows relating to the provisions.

Amounts in NOK million	Warran-ties	Exit and disposal	Environ-mental clean-up and ARO	Medical and other employee benefits	Social security costs pension	Insur-ance	Other	Total
Specification of change in provisions								
December 31, 2011	54	154	1 833	790	644	575	650	4 700
Additions	113	453	222	458	54	219	112	1 631
Used during the year	(95)	(411)	(102)	(392)	(44)	(256)	(79)	(1 379)
Reversal of unused provisions	(21)	(11)	(46)	(173)	(1)	(105)	(26)	(384)
Accretion expense and effect of change in discount rate	-	-	46	-	-	-	-	46
Provisions in disposal groups	(2)	(145)	(45)	(131)	(15)	-	(43)	(381)
Foreign currency translation	(2)	(7)	(171)	(25)	-	-	(86)	(291)
December 31, 2012	46	33	1 736	528	638	432	528	3 941
Timing of cash outflows								
2013	46	32	105	167	-	432	68	850
2014-2017	-	1	839	138	291	-	45	1 314
Thereafter	-	-	792	223	347	-	415	1 777
December 31, 2012	46	33	1 736	528	638	432	528	3 941

Provisions for exit and disposal activities relate to labor force reductions, demolition costs and certain other costs.

Provisions for environmental clean-up relate to production facilities currently in operation and facilities that are closed. Asset retirement obligations relate to restoration or rehabilitation of industrial or mining sites, disposal of contaminated material and certain liabilities related to Norwegian power plant concessions to be reverted to the Norwegian government. See note 4

Critical accounting judgment and key sources of estimation uncertainty for additional information about environmental liabilities.

Provisions for medical benefits primarily relate to post-retirement medical benefits for employees in North America. Provisions for other employee benefits relate to expected short-term performance bonus payments and short and long-term provisions for expected bonus payments that are based on the number of years of service, primarily for our European operations. Such bonuses are expected to be paid in periods between 10 to 50 years of service, or upon termination of employment.

Provisions for social security costs on pension relate primarily to operations in Europe having defined benefit pension plans. See note 32 Employee retirement plans for additional information.

Insurance provisions relate to insurance contracts issued by Hydro's captive insurance company, Industriforsikring AS, to external parties including associates and jointly controlled entities. Related reinsurance receivables included in Accounts receivables amounted to NOK 226 million and NOK 328 million as of December 31, 2012 and 2011, respectively.

Note 32 - Employee retirement plans

Pension Benefits

Norsk Hydro ASA and some of its subsidiaries have defined benefit retirement plans that cover the majority of their employees. These plan benefits are generally based on years of service and final salary levels. Other companies, including the Brazilian businesses, have defined contribution plans. Most defined benefit plans in Norway are closed for new members and new employees become members of a defined contribution plan.

Amounts in NOK million	**2012**	2011
Net periodic pension cost		
Defined benefit plans		
Benefits earned during the year, net of participants' contributions	**358**	323
Interest cost on prior period benefit obligation	**531**	641
Expected return on plan assets	**(395)**	(531)
Recognized (gain) loss	**-**	6
Past service cost	**4**	10
Curtailment/settlement (gain) loss	**48**	-
Net periodic pension cost	**547**	449
Defined contribution plans	**64**	64
Multiemployer plans	**31**	31
Termination benefits and other	**(51)**	63
Total net periodic pension cost	**591**	607
Change in defined benefit obligation (DBO)		
Defined benefit obligation at beginning of year	**(20 486)**	(18 356)
Benefits earned during the year	**(384)**	(347)
Interest cost on prior period benefit obligation	**(624)**	(740)
Actuarial gain (loss)	**2 600**	(1 817)
Plan amendments	**-**	(5)
Benefits paid	**853**	844
Curtailment/settlement gain (loss)	**101**	-
Special termination benefits	**(49)**	(43)
Reclassified to liabilities in disposal groups	**2 240**	-
Foreign currency translation	**267**	(22)
Defined benefit obligation at end of year	**(15 481)**	(20 486)

Change in pension plan assets

Amounts in NOK million	2012	2011
Fair value of plan assets at beginning of year	**12 582**	12 536
Actual return on plan assets	**892**	349
Company contributions	**224**	166
Plan participants' contributions	**5**	5
Benefits paid	**(528)**	(525)
Settlements	**(5)**	-
Reclassified to Assets Held for Sale	**(2 239)**	-
Foreign currency translation	**(63)**	51
Fair value of plan assets at end of year	**10 867**	12 582

Status of pension plans reconciled to balance sheet

Defined benefit plans		
Funded status of the plans at end of year	**(4 614)**	(7 904)
Unrecognized net (gain) loss	**(2 022)**	864
Unrecognized past service cost	**3**	6
Net accrued pension recognized	**(6 634)**	(7 033)
Termination benefits and other	**(218)**	(470)
Total net accrued pension recognized	**(6 852)**	(7 503)
Amounts recognized in the balance sheet consist of		
Prepaid pension	**1 660**	1 596
Accrued pension liabilities	**(8 511)**	(9 099)
Net amount recognized	**(6 852)**	(7 503)

Weighted-average assumptions used to determine net periodic pension cost

Discount rate	**3.0%**	4.0%
Expected return on plan assets	**4.0%**	5.2%
Rate of compensation increase	**2.5%**	2.7%

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

Discount rate	**3.6%**	3.2%
Rate of compensation increase	**2.1%**	2.5%

Analysis of defined benefit obligation (DBO)

DBO arising from plans that are wholly or partly funded	**(8 112)**	(12 983)
DBO arising from plans that are unfunded	**(7 369)**	(7 503)
Total DBO	**(15 481)**	(20 486)

Weighted-average investment profile plan assets at end of year [1)]	Target allocation	2012	2011
Asset category			
Equity securities	21-29%	**27%**	27%
Debt securities	30-46%	**36%**	38%
Real estate	25%	**23%**	21%
Other	8-14%	**14%**	14%
Total		**100%**	100%

1) Property used by Hydro represents 20 percent of total plan assets at the end of 2012 and 2011.

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

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

The defined benefit obligations in Hydro's Norwegian defined benefit plans have been calculated according to the mortality tables known as K2005. New mortality tables, K2013, are expected to become available in near future. Those tables are expected to imply longer expected life, in particular for younger employees.

In Norway, Hydro participates in a pension plan that entitles the majority of its Norwegian employees life-long benefits in addition to other plans. The benefits are financed through a pooled arrangement by private sector employers ("avtalefestet pensjon, AFP") where also The Norwegian state contributes. The plan is a defined benefit plan with limited funding and where plan assets are not segregated. The information required to calculate a proportional share of the plan and account for the plan as a defined benefit plan is not available from the plan administrator. Hydro therefore accounts for the plan as if it were a defined contribution plan. The annual premiums have increased since inception and are expected to increase further. The employer contributions are included in Multiemployer plans.

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

Other retirement benefits

Hydro has unfunded retiree medical and life insurance plans for certain of its employees outside Norway. Related net periodic post retirement cost was NOK 0.3 million in 2012. The post retirement liability as of December 31, 2012 was NOK 46 million and NOK 73 million in 2011.

Note 33 - Deferred tax

The tax effects of temporary differences and tax loss carryforwards giving rise to deferred tax assets and liabilities were as follows as of December 31, 2012 and December 31, 2011:

Amounts in NOK million	**Assets 2012**	**Liabilities 2012**	Assets 2011	Liabilities 2011
Inventory valuation	**163**	**(294)**	166	(355)
Accrued expenses	**453**	**(311)**	687	(347)
Property, plant and equipment	**3 832**	**(8 423)**	4 104	(9 735)
Other intangible assets	**773**	**(384)**	1 005	(724)
Pensions	**1 596**	**(463)**	1 692	(445)
Derivatives	**281**	**(58)**	485	(50)
Other	**365**	**(1 003)**	579	(807)
Tax loss carryforwards	**2 688**		2 071	
Subtotal	**10 151**	**(10 936)**	10 789	(12 463)
Of which not recognized as tax asset	**(1 732)**		(1 791)	
Gross deferred tax assets (liabilities)	**8 419**	**(10 936)**	8 998	(12 463)

Recognition of net deferred tax asset is based on expected taxable income in the near future.

At the end of 2012, Hydro had tax loss carryforwards of NOK 7,333 million, primarily in Brazil, Spain, Italy and Australia. Carry forward amounts expire as follows:

Amounts in NOK million	
2013	-
2014	3
2015	50
2016	-
2017	-
After 2017	1 235
Without expiration	6 045
Total tax loss carryforwards	7 333

Note 34 - Shareholders' equity

Share capital

Number of shares	Ordinary shares issued	Treasury shares	Ordinary shares outstanding
December 31, 2010	1 621 163 811	(33 387 070)	1 587 776 741
Treasury shares reissued to employees		847 813	847 813
Shares issued	447 834 465		447 834 465
December 31, 2011	2 068 998 276	(32 539 257)	2 036 459 019
Treasury shares reissued to employees		1 109 143	1 109 143
December 31, 2012	2 068 998 276	(31 430 114)	2 037 568 162

The share capital of Norsk Hydro ASA as of December 31, 2012 and 2011 was NOK 2,271,760,107.04 consisting of 2,068,998,276 ordinary shares at a par value of NOK 1.098 per share.

An extraordinary General Meeting on June 21, 2010 authorized the Board of Directors to issue new shares to Vale Austria Holdings as part of the consideration for the acquisition of Vale Aluminium. At completion of the transaction February 28, 2011 shares representing 22 percent of the outstanding shares of Norsk Hydro ASA were issued to Vale Austria Holdings.

Treasury shares

The treasury shares may, pursuant to the decision of the General Meeting at the time these shares were acquired, be used as consideration in connection with commercial transactions or share schemes for the employees and representatives of the Corporate Assembly and the Board of Directors.

The treasury shares amount per December 31, 2012 of NOK 1,047 million was comprised of NOK 35 million share capital and NOK 1,013 million retained earnings.

Earnings per share

Basic and diluted earnings per share is computed using net income (loss) attributable to Hydro shareholders and the weighted average number of outstanding shares in each year. There are no significant diluting elements. Earnings per share from continuing operations is calculated using Income (loss) from continuing operations less the relevant net income attributable to minority interests and the weighted average number of outstanding shares in each year. Earnings per share from discontinued operations is calculated using Loss from discontinued operation and the weighted average number of outstanding shares in each year. Minority interests in discontinued operations were insignificant. The weighted average number of outstanding shares used for calculating basic and diluted earnings per share was 2,037,199,618 for the year 2012 and 1,965,039,601 for 2011.

Hydro's outstanding founder certificates and subscription certificates entitle the holders to participate in any share capital increase, provided that the capital increase is not made in order to allot shares to third parties as compensation for their transfer of assets to Hydro. These certificates represent dilutive elements for the earnings per share computation.

Change in Other components of equity

The table below specifies the changes in Other components of equity for 2012 and 2011.

Amounts in NOK million	**2012**	2011
Currency translation differences		
January 1	**(3 972)**	(708)
Currency translation differences during the year	**(8 217)**	(2 408)
Reclassified to Net income on sale of foreign operations	**(18)**	(856)
December 31	**(12 206)**	(3 972)
Unrealized gain (loss) on securities		
January 1	**45**	304
Unrealized gain (loss) on available-for-sale securities	**(57)**	(411)
Reclassified to Net income on sale or impairment of available-for-sale securities	**(23)**	-
Tax benefit (expense)	**31**	151
December 31	**(4)**	45
Cash flow hedges - See note 41 Derivative instruments and hedge accounting		
January 1	**74**	15
Period gain (loss) recognized in Other comprehensive income	**(185)**	185
Reclassification of hedging gain (loss) to Net income	**(5)**	(107)
Tax benefit (expense)	**52**	(20)
December 31	**(63)**	74
Other components of equity in equity accounted investments		
January 1	**(459)**	(170)
Period gain (loss) recognized in Other comprehensive income	**(32)**	(291)
Reclassified to Net income	**(16)**	2
December 31	**(506)**	(459)
Total other components of equity attributable to Hydro shareholders as of December 31	**(11 374)**	(3 856)
Total other components of equity attributable to minority interests as of December 31	**(1 406)**	(456)

Note 35 - Capital management

Hydro's capital management policy is to maximize value creation over time, while maintaining a strong financial position and an investment grade credit rating.

Credit rating

To secure access to capital markets at attractive terms and remain financially solid, Hydro aims to maintain an investment grade credit rating from the leading agencies, Standard & Poor's (current rating BBB) and Moody's (current rating Baa2). Hydro targets, over the business cycle, a ratio of Adjusted funds from operations of at least 40 percent of Adjusted net interest-bearing debt, and an Adjusted net interest-bearing debt to Adjusted equity ratio below 55 percent.

Liquidity management and funding

Hydro manages its funding requirements centrally to cover group operating requirements and long-term capital needs. During 2012 net cash provided by operations was sufficient to cover operating requirements and capital expenditures as well as dividend payments.

Hydro has an ambition to access national and international capital markets as primary sources for external long-term funding. In 2012 Hydro issued a NOK 1.5 billion seven year bond in the Norwegian capital market to extend the maturity profile of its funding base.

Funding of subsidiaries, associates and jointly controlled entities

Normally the parent company, Norsk Hydro ASA, incurs debt and extends loans or equity to wholly-owned subsidiaries to fund capital requirements. Hydro's policy is to finance part-owned subsidiaries and investments in associates and jointly controlled entities according to its ownership share, on equal terms with the other owners. All financing is executed on an arm's-length basis. Project financing is used for certain funding requirements mainly to mitigate risk while also considering partnership and other relevant factors.

Shareholder return

Shareholder return consists of dividends and share price development. Hydro aims to provide its shareholders with a competitive return compared with alternative investments in similar companies. Our policy is to distribute an average of 30 percent of net income in the form of ordinary dividends over the business cycle. Dividends for a particular year are based on expected future earnings and cash flow, future investment opportunities, the outlook for world markets and Hydro's current financial position. Share buybacks or extraordinary dividends may be used to supplement ordinary dividends during periods of strong financial results after considering the status of the business cycle and capital requirements for future growth.

Hydro's capital management measures

Hydro's management uses the Adjusted net interest-bearing debt to Adjusted equity ratio to assess the group's financial standing and outlook. Net interest-bearing debt is defined as Hydro's short- and long-term interest-bearing debt adjusted for Hydro's liquidity positions. Adjusted net interest-bearing debt is adjusted for liquidity positions regarded unavailable for servicing debt, pension obligations and other obligations which are considered debt-like in nature.

The ability to generate cash compared to financial liabilities is an important measure of risk exposure and financial stability. Hydro's management uses Adjusted funds from operations and the ratio Adjusted funds from operations to Adjusted net interest-bearing debt as capital management measures. Adjusted funds from operations is defined as Net income adjusted for non-cash items such as depreciation, amortization and impairments, and deferred taxes. Adjustments are also made for Hydro's share of depreciation, amortization and impairments in its equity accounted investments as well as for unrealized effects on derivative contracts and certain other items.

Both financial ratio calculations include adjustments for the indebtedness of Hydro's equity accounted investments. Though Hydro has no financial obligations towards the lenders after Hydro's guarantee of Qatalum debt was terminated in 2012, the adjustments are considered relevant as the debt and cash flow level in the equity accounted investments affect Hydro's overall financial risk profile.

Adjusted net interest-bearing debt, Adjusted equity and the above mentioned financial ratios are presented in the following table.

Adjusted net interest-bearing debt to equity

Amounts in NOK million, except ratio	2012	2011
Cash and cash equivalents	**7 034**	8 365
Short-term investments	**4 343**	1 780
Bank loans and other interest-bearing short-term debt	**(5 956)**	(4 248)
Long-term debt	**(3 674)**	(4 190)
Net interest-bearing debt	**1 747**	1 708
Cash and cash equivalents and short-term investments in captive insurance company 1)	**(1 275)**	(1 329)
Net pension obligation at fair value, net of expected income tax benefit 2)	**(4 337)**	(6 916)
Operating lease commitments, net of expected income tax benefit 3)	**(1 915)**	(3 102)
Short and long-term provisions net of expected income tax benefit, and other liabilites 4)	**(2 489)**	(2 867)
Adjusted net interest-bearing debt excluding equity accounted investments (EAI)	**(8 269)**	(12 507)
Net interest-bearing debt in EAI 5)	**(6 077)**	(7 388)
Adjusted net interest-bearing debt including EAI	**(14 346)**	(19 895)
Total equity	**73 843**	85 168
Net pension liability (asset) not recognized	**2 020**	(871)
Expected income tax liability (benefit)	**(606)**	261
Adjusted equity	**75 257**	84 558
Adjusted net interest-bearing debt including EAI / Adjusted equity	**0.19**	0.24
Adjusted funds from operations / Adjusted net interest-bearing debt including EAI	**0.39**	0.42

1) Cash and cash equivalents and short-term investments in Hydro's captive insurance company Industriforsikring AS are assumed to not be available to service or repay future Hydro debt, and are therefore excluded from the measure Adjusted net interest-bearing debt.

2) Net pension liability at fair value is the total of both the recognized and unrecognized pension liability. The expected income tax benefit related to the net pension liability is defined as the total of the net deferred tax asset related to pensions as of December 31 and 30 percent of the unrecognized net pension liability as of December 31 and is NOK 527 million and NOK 1 508 million, respectively, for 2012 and 2011. The figure also includes the long-term provision for postretirement medical benefits of NOK 46 million, net of an estimated 30 percent expected tax benefit.

3) Operating lease commitments are discounted using a rate of 2.8 percent and 3.4 percent for 2012 and 2011, respectively. The expected tax benefit on operating lease commitments is estimated at 30 percent.

4) Consists of Hydro's short and long-term provisions related to exit and disposal activities, environmental clean-up, asset retirement obligations, net of an expected tax benefit estimated at 30 percent, and other non-current financial liabilities.

5) Net interest-bearing debt equity accounted investments is defined as the total of Hydro's relative ownership percentage of each equity accounted investment's short and long-term interest-bearing debt less their cash positions, reduced by total outstanding loans from Hydro to the equity accounted investment. Net interest-bearing debt per individual equity accounted investment is limited to a floor of zero. Currently, the major part of the adjustment is related to Qatalum.

Note 36 - Dividends

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

For fiscal year 2012 the Board of Directors has proposed a dividend of NOK 0.75 per share to be paid in May 2013. The Annual General Meeting, scheduled to be held May 8, 2013, will consider this dividend proposal. If approved, this would be a total dividend of approximately NOK 1,528 million. In accordance with IFRS, the fiscal year 2012 proposed dividend is not recognized as a liability in the 2012 financial statements.

Dividends declared and paid in 2012 and 2011 for the prior fiscal year, respectively, are as follows:

	Paid in 2012 for fiscal year 2011	Paid in 2011 for fiscal year 2010
Dividend per share paid, NOK	**0.75**	**0.75**
Total dividends paid, NOK million	**1 528**	**1 527**
Date proposed	**February 16, 2012**	**February 16, 2011**
Date approved	**May 8, 2012**	**May 5, 2011**
Dividend payment date	**May 22, 2012**	**May 18, 2011**

Dividends to minority shareholders in Hydro's subsidiaries are reported as dividends in Consolidated statements of changes in equity.

Note 37 - Guarantees

Amounts in NOK million	**2012**	2011
Guarantees related to jointly controlled entities	**55**	7 708
Sales guarantees	**1 623**	3 024
Other guarantees	**83**	98
Total guarantees not recognized	**1 761**	10 830

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

Note 38 - Contingent liabilities and contingent assets

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. Hydro is of the opinion that resulting liabilities, if any, will not have a material adverse effect on its consolidated results of operations, liquidity or financial position. See note 4 Critical accounting judgment and key sources of estimation uncertainty for additional information.

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

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

Note 39 - Contractual commitments and other commitments for future investments

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

Amounts in NOK million	2013	Investments thereafter	Total
Contract commitments for investments in property, plant and equipment	410	162	572
Additional authorized future investments in property, plant and equipment	718	-	718
Contract commitments for other future investments	5	-	5
Total	1 133	162	1 295

Hydro has long-term contractual commitments for the purchase of aluminium, raw materials, electricity, and transportation in addition to long-term sales commitments. The future non-cancellable fixed and determinable obligation under these commitments as of December 31, 2012 is as follows:

Amounts in NOK million	Bauxite, alumina and aluminium	Energy related	Other	Sales commit-ments
2013	5 026	7 048	862	(10 927)
2014	4 653	5 439	632	(7 708)
2015	3 433	5 359	514	(6 002)
2016	2 970	5 120	354	(3 193)
2017	2 499	4 995	312	(1 755)
Thereafter	28 679	22 153	3 401	(10 042)
Total	47 260	50 114	6 075	(39 627)

Amounts relating to contracts which are wholly or partly linked to market prices such as LME, are based on the spot price as of the balance sheet date.

Long-term sales commitments mainly relate to alumina, aluminium and electricity. Amounts include commitments for the delivery of electricity from power stations that will revert to the Norwegian government amounting to 547 GWh in 2013 and 14.9 TWh in total. Commitments relating to concession power from stations that are not subject to reversion amount to 249 GWh annually.

Hydro also has contractual commitments for the sales and purchase of products from part-owned entities. These commitments are excluded from the table above.

Hydro also has other long-term purchase and sales commitments which include variable elements which are not included in the table above.

Note 40 - Financial instruments

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

Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets [1)]	Other financial liabilities	Non-financial assets and liabilities	Total
2012							
Assets - current							
Cash and cash equivalents	7 034	-	-	-	-	-	7 034
Short-term investments	4 343	-	-	-	-	-	4 343
Accounts receivable	-	-	7 148	-	-	1 612	8 761
Other current financial assets	336	-	-	-	-	-	336
Assets - non-current							
Investments accounted for using the equity method	-	-	258	-	-	10 037	10 295
Other non-current assets	490	8	957	1 453	-	3 262	6 170
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	5 956	-	5 956
Trade and other payables	-	-	-	-	5 250	3 086	8 336
Other current financial liabilities	416	50	-	-	-	-	466
Liabilities - non-current							
Long-term debt	-	-	-	-	3 674	-	3 674
Other non-current financial liabilities	702	155	-	-	1 250	-	2 107
2011							
Assets - current							
Cash and cash equivalents	8 365	-	-	-	-	-	8 365
Short-term investments	1 780	-	-	-	-	-	1 780
Accounts receivable	-	-	11 583	-	-	1 634	13 217
Other current financial assets	666	-	-	-	-	-	666
Assets - non-current							
Investments accounted for using the equity method	-	-	219	-	-	11 223	11 442
Other non-current assets	450	-	1 222	1 587	-	4 090	7 348
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	4 248	-	4 248
Trade and other payables	-	-	-	-	7 376	4 939	12 316
Other current financial liabilities	779	-	-	-	-	-	779
Liabilities - non-current							
Long-term debt	-	-	-	-	4 190	-	4 190
Other non-current financial liabilities	1 467	-	-	-	1 476	-	2 943

1) Includes the investment in the independent pension trust Norsk Hydros Pensjonskasse, carried at cost.

The above specification relates to financial statement line items containing financial instruments.

Hydro's liability to acquire the remaining shares in Paragominas is included as a financial liability at amortized cost, net of certain guarantees issued by the seller in Hydro's acquisition of Vale Aluminium in 2011, measured at fair value.

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

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

Amounts in NOK million	Financial instruments at fair value through profit or loss	Derivatives identified as hedging instruments	Loans and receivables	Available-for-sale financial assets	Other financial liabilities	Non-financial assets and liabilities	Total [1]
2012							
Income statement line item							
Revenue	(150)	-	-	-	-	-	(150)
Raw material and energy expense	(600)	-	-	-	-	-	(600)
Financial income	(56)	-	-	(75) [2]	-	-	(131)
Financial expense	27	-	-	-	-	-	27
Gain/loss directly in Other comprehensive income							
Recognized directly in Other comprehensive income (before tax)				56			
Removed from Other components of equity and recognized in the income statement				23			
2011							
Income statement line item							
Revenue	(752)	(102)	-	-	-	-	(854)
Raw material and energy expense	(277)	-	-	-	-	-	(277)
Financial income	43	-	-	13 [2]	-	-	56
Financial expense	18	-	-	-	-	-	18
Gain/loss directly in Other comprehensive income							
Recognized directly in Other comprehensive income (before tax)				411			
Removed from Other components of equity and recognized in the income statement				-			

1) Amount indicates the total gains and losses to financial instruments for each specific income statement line item.
2) Includes dividends, realization of shares, and impairments from equity instruments classified as available-for-sale.

Currency effects, with the exception of currency derivatives, are not included above. Negative amounts indicate a gain.

The following is an overview of fair value measurements categorized on the basis of observability of significant measurement inputs. Certain items are valued on the basis of quoted prices in active markets for identical assets or liabilities (level 1 inputs), others are valued on the basis of inputs that are derived from observable prices (level 2 inputs), while certain positions are valued on the basis of judgmental assumptions that are to a limited degree or not at all based on observable market data (level 3 inputs). The level in this fair value hierarchy within which measurements are categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Amounts in NOK million	2012	Level 1	Level 2	Level 3	2011	Level 1	Level 2	Level 3
Assets								
Commodity derivatives	821	172	121	528	1 067	556	124	387
Currency derivatives	-	-	-	-	49	-	49	-
Cash flow hedges	14	-	14	-	-	-	-	-
Securities held for trading	1 253	429	815	9	1 301	425	855	22
Available for sale financial assets	918	-	-	918	1 052	-	-	1 052
Total	3 006	601	950	1 455	3 469	981	1 028	1 461
Liabilities								
Commodity derivatives	(1 118)	(77)	(44)	(997)	(2 224)	(337)	(123)	(1 764)
Currency derivatives	-	-	-	-	(22)	-	(22)	-
Cash flow hedges	(205)	-	-	(205)	-	-	-	-
Total	(1 323)	(77)	(44)	(1 202)	(2 246)	(337)	(145)	(1 764)

The following is an overview in which changes in level 3 measurements are specified:

	Commodity derivatives		Investments	
Amounts in NOK million	Assets	Liabilities	Securities held for trading	Available for sale financial assets
December 31, 2010	156	(2 197)	25	1 509
Total gains (losses)				
in income statement	(206)	202	(7)	(13)
in Other comprehensive income	-	-	-	(411)
Acquisition through business combination	482	-	-	-
Purchases	-	-	7	1
Issues	-	(8)	-	-
Settlements	(37)	240	(2)	-
Currency translation difference	(8)	-	-	(34)
December 31, 2011	387	(1 764)	22	1 052
Total gains (losses)				
in income statement	239	555	(11)	(22)
in Other comprehensive income	-	-	-	(56)
Purchases	-	-	-	2
Issues	-	(10)	-	-
Settlements	(39)	213	(2)	(11)
Currency translation difference	(59)	8	-	(45)
December 31, 2012	528	(997)	9	918
Total gains (losses) for the period	239	555	(11)	(22)
Total gains (losses) for the period included in the income statement for assets held at the end of the reporting period	200	768	(11)	1

Gains or losses relating to level 3 commodity derivatives appearing in the above are included in the income statement in Raw material and energy expense. Changes in fair value for embedded derivatives are reported as gains or losses for the period. Losses relating to available for sale assets are included in Financial income.

Certain measurements classified as level 3 are highly sensitive to changes in assumptions, the effects of which would be material. Sensitivities relating to commodity derivatives are based on models utilized in the calculation of position balance as of December 31, adjusted for alternate assumptions. Please see note 6 Financial and commercial risk management for more detail on valuation methodology and limitations inherent in the analysis. The following is an overview of such sensitivity:

	Gain (loss) from 10 percent increase in				Gain (loss) from 10 percent decrease in			
Amounts in NOK million	USD	Aluminium	Other commodity	Interest rates	USD	Aluminium	Other commodity	Interest rates
Commodity derivatives	(305)	111	(176)	(40)	305	(38)	176	45
Available for sale financial assets	232	213	-	(33)	(229)	(213)	-	33

Note 41 - Derivative instruments and hedge accounting

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

Commodity derivatives

The following types of commodity derivatives were recorded at fair value on the balance sheet as of December 31, 2012 and December 31, 2011. Contracts that are designated as hedging instruments in cash flow hedges are not included. The presentation of fair values for electricity and aluminium contracts shown in the table below include the fair value of traditional derivative instruments such as futures, forwards and swaps, in conjunction with the physical contracts accounted for at fair value.

Amounts in NOK million	**2012**	2011
Assets		
Electricity contracts	**82**	127
Aluminium futures, forwards and options	**739**	940
Total	**821**	1 067
Liabilities		
Electricity contracts	**(38)**	(77)
Coal forwards	**(1 041)**	(1 803)
Aluminium futures, forwards and options	**88**	(474)
Other	**(127)**	129
Total	**(1 118)**	(2 224)

The underlying commodities for bifurcated embedded derivatives are included.

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

Embedded derivatives

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

Cash flow hedges

Hydro has periodically entered into hedge programs to secure the price of aluminium and alumina to be sold. Aluminium futures, options and swaps on the London Metal Exchange and with external banks have been used for this purpose. Certain of these hedge programs have been accounted for as cash flow hedges, where gains and losses on the hedge derivatives are recognized in Other Comprehensive Income, and accumulated in the hedging reserve in equity and reclassified into operating revenues when the corresponding forecasted sale of aluminium or alumina is recognized.

In 2012 Hydro entered into a hedge arrangement for parts of the power consumption in the Rheinwerk smelter in Germany. The price differential between the German and the Nordic power market was secured through derivative contracts for 150 MW for the period 2013 to 2020.

Hydro also hedged part of the US dollar exposure on sales of alumina and aluminium to be produced in the Brazilian plants Alunorte and Albras. USD 134 million were sold forward in 2012. Of these forward instruments, USD 35 million mature in 2013 and USD 99 million in 2014, at an average rate of 2.21 and 2.32 BRL/USD for 2013 and 2014 respectively.

In anticipation of the Vale transaction, Hydro entered into forward and option instruments in 2010 relating to sales of alumina and aluminium to be produced in the Vale Aluminium entities Alunorte and Albras acquired February 28, 2011. Hedge accounting was applied for these instruments from July 1, 2011. At the end of 2011, this cash flow hedge program had expired.

Ineffectiveness amounting to NOK 5 million was recognized in the income statement in 2012. No ineffectiveness was recognized in 2011 in connection with cash flow hedges.

The table below gives aggregated numbers related to the cash flow hedges for the period 2011 to 2012.

	2013	**2012**	2011
Expected to be reclassified to the income statement during the year (NOK million)	(25)	**5**	(54)
Reclassified to the income statement from Other components of equity (NOK million) [1)]		**3**	77

1) Deviates from expected reclassifications due to changes in market prices throughout the year. Negative amounts indicate a loss.

As of December 31, 2012 an asset of NOK 14 million and a liability of NOK 205 million were recognized on the balance sheet as fair value of hedging instruments. No such hedging instruments were recognized as of December 31, 2011.

Hydro performs trading operations to reduce currency exposures on commodity positions. The effect of such operations is recognized as a part of Financial expense in the income statement.

For the after tax movement in Hydro equity relating to cash-flow hedges for 2012 and 2011, please see note 34 Shareholders' equity.

Fair Value of Derivative Instruments

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

For further information on fair values, see note 3 Basis of presentation and measurement of fair value. See note 40 Financial instruments for a specification of the classification of derivative positions according to a fair value hierarchy.

Note 42 - Cash flow information

Reconciliation of cash and cash equivalents

Amounts in NOK million	**2012**	2011
Cash and cash equivalents	**7 034**	8 365
Bank overdraft	**(1)**	(21)
Cash, cash equivalents and bank overdraft	**7 033**	8 344

Cash disbursements and receipts included in cash from operations

Amounts in NOK million	**2012**	2011
Income taxes paid	**1 786**	1 560
Interest paid	**302**	300
Interest received	**286**	256
Other dividends received	**12**	7

Note 43 - Auditor remuneration

KPMG AS is the Group auditor of Norsk Hydro ASA.

The following table shows fees to KPMG for 2012 and 2011. For all categories the reported fee is the recognized expense for the year. Fees to KPMG for 2011 include fee related to the share issues, recognized directly in equity.

Amounts in NOK million	Audit	Audit related	Other services	Tax related	Total
2012					
Norway	10	-	1	-	12
Outside Norway	18	-	-	-	18
Total	27	1	1	-	30
2011					
Norway	10	1	1	-	12
Outside Norway	14	1	-	-	15
Total	24	2	1	-	28

Note 44 - Board of Directors and Corporate Assembly

Board of Directors' remuneration and share ownership

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

Fees are based on the position of the board members and board committee assignments. Annual fees for 2012 for the chairperson of the board, deputy chairperson and directors are NOK 550,000, NOK 345,000 and NOK 300,000, respectively, unchanged from the year before. The chairperson of the audit committee and the chairperson of the compensation committee receive an additional NOK 175,000 (unchanged from 2011) and NOK 100,000 (2011: NOK 31,000) annually in fees, respectively, and audit and compensation committee members receive NOK 113,500 (unchanged from 2011) and NOK 75,000 (2011: NOK 26,000) annually, respectively, for their participation on these committees.

Total board fees and individual board member fees for 2012 ans 2011, and outstanding loans and board member share ownership as of December 31, 2012 and 2011, are presented in the tables below.

Board of Directors' fees

Amounts in NOK thousand	**2012**	2011
Fees and other remuneration paid to board members during the year	**4 281**	3 824
Fees paid in prior year for service rendered in current year	**9**	24
Fees paid during the year for service rendered in other years	**-**	(16)
Total fees for board services provided to Hydro during the year	**4 290**	3 832
Fees and other remuneration - normal board activities	**3 450**	3 245
Fees - compensation committee	**325**	109
Fees - audit committee	**516**	478
Total fees for board services provided to Hydro during the year	**4 290**	3 832

	Board fees 1)		Outstanding loans 1) 2)		Number of shares 3)	
Board member	**2012**	2011	**2012**	2011	**2012**	2011
Terje Vareberg 4)	**650**	581	**-**	-	**18 391**	18 391
Inge K. Hansen 5)	**486**	475	**-**	-	**12 000**	12 000
Finn Jebsen 6)	**375**	326	**-**	-	**53 406**	53 406
Eva Persson 7)	**414**	389	**-**	-	**-**	-
Liv Monica Stubholt 8)	**375**	326	**-**	-	**-**	-
Dag Mejdell 9)	**203**	-	**-**	-	**13 400**	-
Pedro Rodrigues 10)	**75**	-	**-**	-	**-**	-
Victoire de Margerie 11)	**75**	-	**-**	-	**-**	-
Billy Fredagsvik 12) 13)	**376**	338	**55**	96	**2 459**	2 159
Sten Roar Martinsen 12) 14)	**375**	326	**-**	-	**3 515**	3 215
Ove Ellefsen 12) 15)	**328**	175	**-**	-	**2 844**	2 544
Bente Rathe 16)	**349**	459	**-**	-	**29 000**	29 000
Tito Martins 17)	**200**	250	**-**	-	**-**	-
Jørn B. Lilleby 12) 18)	**-**	172		33		2 074
Heidi M. Petersen 19)	**-**	7				
Total	**4 281**	3 824	**55**	129	**135 015**	122 789

1) Amounts in NOK thousand.

2) Loans are extended to board members who are also Hydro employees under an employee benefit scheme available to all employees in Norway. Loans are as of December 31, 2012 and 2011 for board members as of December 31, 2012 and 2011; otherwise loans are as of the date the individual stepped down from the Board of Directors. For 2012, the loan to Billy Fredagsvik has an interest rate of 3.9 percent and a repayment period of 6 years. For 2011, the loans to Billy Fredagsvik had an interest rate of 3.9-7.25 percent and a repayment period of 1-7 years. The loan to Jørn Lilleby had an interest rate of 3.9 percent and a repayment period of 2 years. All payments have been made in a timely fashion and in accordance with the agreed payment schedule. Loans have not been extended to related parties.

3) Number of shares owned as of December 31, 2012 and 2011 for board members as of December 31, 2012 and 2011; otherwise it is the number of shares owned as of the date the individual stepped down from the Board of Directors. Shareholdings disclosed include shares held by close members of family and controlled entities, in addition to shares held directly by the board member/former board member.

4) Chairperson of the board and chairperson of the board compensation committee.

5) Deputy chairperson of the board as of October 1, 2012. Chairperson of the board audit committee.

6) Member of the board compensation committee.

7) Member of the board audit committee.

8) Member of the board compensation committee.

9) Member of the board as of May 25, 2012. Member of the board audit committee as of October 1, 2012.

10) Member of the board as of September 21, 2012.

11) Member of the board as of October 1, 2012.

12) Employee representative on the board elected by the employees in accordance with Norwegian Company Law. As such, these individuals also are paid regular salary, remuneration in kind and pension benefits that are not included in the table above.

13) Member of the board audit committee as of October 1, 2011, until October 1, 2012.

14) Member of the board compensation committee.

15) Member of the board audit committee as of October 1, 2012.

16) Deputy chairperson of the board and member of the board audit committee until October 1, 2012.

17) Member of the board as of February 28, 2011, until August 13, 2012.

18) Member of the board and member of the board audit committee until May 13, 2011.

19) Member of the board and member of the board compensation committee in 2010.

Corporate Assembly

Corporate Assembly members owned 61,524 shares as of December 31, 2012. Loans to employees who are members of the Corporate Assembly were extended under an employee benefit scheme that is available to all employees in Norway. Loans outstanding to Corporate Assembly members who are also Hydro employees totaled NOK 398 thousand as of December 31, 2012. The interest rate on these loans is between 3.90 and 7.25 percent and the repayment period is between one and 13 years.

Note 45 - Related party information

As of December 31, 2012, The Norwegian state had ownership interests in Hydro through the Ministry of Trade and Industry and Folketrygdfondet, which manages the Government Pension Fund - Norway. The Ministry of Trade and Industry held 34.8 percent of total shares outstanding (2011: 34.8 percent). Folketrygdfondetheld 4.0 percent (2011: 4.3 percent). There are no preferential voting rights associated with the shares held by the Norwegian State. Hydro has concluded that the Norwegian state's shareholding represents significant interest in Hydro, and that the State thus is a related party.

As of December 31, 2012, Vale Austria Holdings GmbH, a wholly owned subsidiary of Vale S.A. owned 22.0 percent of the outstanding shares in Norsk Hydro ASA (2011:22.0 percent). The shares were issued as consideration for Hydro's acquisition of Vale Aluminium in 2011. Hydro has concluded that the Vale's shareholding represents significant influence in Hydro, and that Vale thus is a related party.

Long-term purchase contracts for bauxite with Vale were entered into as part of the acquisition in 2011. The contracts provides Hydro right and obligation to purchase bauxite from Vale at a price formula consisting of a fixed element and a variable element linked to the price of aluminium and alumina. In addition, some service and supply arrangements for the acquired entities with Vale S.A and its subsidiaries exists. The majority of these arrangements are of a transitional nature.

The Norwegian state has ownership interests in a substantial number of companies. The ownership interests in 71 companies are managed by the ministries and covered by public information from the Ministry of Trade and Industry [1)]. We have not assessed which of these companies that are controlled by the State. Hydro has business transactions with a number of these companies, including purchase of power from Statkraft SF. Generally, transactions are agreed independent of the possible control exercised by the State.

A significant share of Hydro's defined benefit post-employment plans is managed by the independent pension trust, Norsk Hydro Pensjonskasse. This trust owns some of the office buildings rented by Hydro. The rental arrangements were priced based on market price benchmarks and has a remaining life of around 8 years. Hydro has paid a total rental of NOK 195 million and NOK 192 million for 2012 and 2011, respectively. In addition, Hydro is involved with pension trusts in Great Britain and some other countries. There are no similar arrangements with those trusts.

The members of Hydro's board of directors during 2012 and 2011 are stated in note 44 Board of Directors and Corporate Assembly, where their remuneration and share ownership is outlined. Some of the board members or their close members of family serve as board members or executive directors in other companies. In addition, some members of Hydro's corporate management board or their close members of family serve as board members in other companies. Hydro has not identified any transactions where the relationship is known to have influenced the transaction. Some close family members of members of Hydro's management are employed in non-executive positions in Hydro.

Hydro's significant associated companies and transactions with those companies are described in note 25 Investments in associates. Hydro's significant jointly controlled entities and transactions with those entities are described in note 26 Investments in jointly controlled entities. Hydro has joint venture arrangements with a number of other companies. Generally, the relationships are limited to a combined effort within a limited area. Hydro considers the joint venture partners as competitors in other business transactions, and do not see these relationships as related party relationships.

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

Financial statements Norsk Hydro ASA

Income statements

Amounts in NOK million	Notes	2012	2011
Revenue		**401**	311
Gain (loss) on sale of subsidiaries and associates, net		**(3)**	(8)
Total revenue and income		**398**	303
Employee benefit expense	2, 3	**370**	341
Depreciation and amortization expense	4, 5	**27**	25
Impairment of non-current assets	5	**5**	21
Other		**393**	280
Total operating expenses		**795**	668
Operating loss		**(397)**	(365)
Financial income, net	6	**121**	3 750
Income (loss) before tax		**(276)**	3 386
Income taxes	7	**(48)**	(773)
Net income		**(324)**	2 613
Appropriation of net income and equity transfers			
Dividend proposed		**(1 528)**	(1 527)
Retained earnings		**1 852**	(1 086)
Total appropriation		**324**	(2 613)

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

Balance sheets

Amounts in NOK million, December 31	Notes	**2012**	2011
Assets			
Deferred tax asset	7	**95**	-
Other intangible assets	5	**46**	47
Intangible assets		**141**	47
Property, plant and equipment	4	**185**	191
Shares in subsidiaries	8	**56 672**	56 695
Intercompany receivables		**21 834**	23 040
Prepaid pension, investments and other non-current assets	2, 10	**2 609**	2 579
Total financial non-current assets		**81 115**	82 314
Intercompany receivables		**5 010**	6 974
Prepaid expenses and other current assets		**151**	163
Short-term investments		**3 050**	-
Cash and cash equivalents		**5 344**	6 322
Total current assets		**13 555**	13 459
Total assets		**94 995**	96 011
Equity and liabilities			
Paid-in capital			
Share capital	13	**2 272**	2 272
Treasury shares	13	**(35)**	(36)
Paid-in premium	13	**28 987**	28 987
Other paid-in capital	13	**69**	69
Retained earnings			
Retained earnings	13	**27 177**	29 030
Treasury shares	13	**(1 013)**	(1 048)
Equity	13	**57 458**	59 274
Long-term provisions	2	**2 347**	2 420
Long-term debt	12	**2 993**	2 589
Intercompany payables		**5 346**	5 700
Other long-term liabilities		**8 338**	8 288
Bank loans and other interest-bearing short-term debt		**1 301**	590
Dividends payable		**1 528**	1 527
Intercompany payables		**22 741**	22 362
Other current liabilities	7	**1 281**	1 549
Total current liabilities		**26 852**	26 029
Total equity and liabilities		**94 995**	96 011

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

Statements of cash flows

Amounts in NOK million	**2012**	2011
Net income (loss)	**(324)**	2 613
Depreciation, amortization and impairment	**32**	46
Loss (gain) on sale of non-current assets, net	**2**	(16)
Changes in receivables and payables, and other items	**1 724**	(297)
Net cash provided by operating activities	**1 434**	2 346
Investments in subsidiaries	**-**	(26 354)
Sales of subsidiaries	**-**	20 114
Net sales (purchases) of other investments	**(3 073)**	31
Net cash used in investing activities	**(3 073)**	(6 209)
Dividends paid	**(1 528)**	(1 527)
Proceeds from shares issued	**25**	26
Other financing activities, net	**2 273**	2 220
Net cash provided by financing activities	**770**	719
Foreign currency effects on cash	**(109)**	(90)
Net decrease in cash and cash equivalents	**(978)**	(3 234)
Cash and cash equivalents at beginning of year	**6 322**	9 556
Cash and cash equivalents at end of year	**5 344**	6 322

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

Notes to the financial statements Norsk Hydro ASA

Note 1 - Summary of significant accounting policies

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

Shares in subsidiaries, associates and jointly controlled entities

Shares in subsidiaries, associates and jointly controlled entities are presented according to the cost method. Group relief received is included in dividends from subsidiaries. Dividend from subsidiaries is recognized in the year for which it is proposed by the subsidiary to the extent Norsk Hydro ASA can control the decision of the subsidiary through its share holdings. Shares in subsidiaries, associates and jointly controlled entities are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may exceed the fair value of the investment. An impairment loss is reversed if the impairment situation is deemed to no longer exist.

Employee retirement plans

Norsk Hydro ASA has adopted the alternative treatment allowed in NRS 6 whereby employee retirement plans are measured as required by IAS 19, see note 1 Significant accounting policies and reporting entity to the consolidated financial statements for additional information.

Foreign currency transactions

Realized and unrealized currency gains or losses on transactions are included in Financial income, net. Similarly, unrealized currency gains or losses on assets and liabilities denominated in a currency other than the Norwegian kroner are also included in Financial income, net. This is in accordance with NRS' preliminary standard on transactions and accounts in foreign currency.

Cash and cash equivalents

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

Short-term investments

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

Property, plant and equipment

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

Intangible assets

Intangible assets acquired individually or as a group are recognized at fair value when acquired, in accordance with NRS' preliminary standard on intangible assets. Intangible assets are amortized on a straight-line basis over their useful life and tested for impairment whenever indications of impairment are present.

Norsk Hydro ASA accounts for CO_2 emission allowances at cost as an intangible asset. The emission rights are not amortized, impairment testing is done on an annual basis. Sale of CO_2 emission rights is recognized at the time of sale at the transaction price.

Leased assets
Leases are assessed under NRS 14 Leasing. Lease arrangements that transfer the majority of risks and control to Hydro is considered financial lease, and recognized as asset and liability. Payments under other leases and renatal arrangments are expensed over the lease term.

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

Derivative instruments
Forward currency contracts and currency options are recognized in the financial statements and measured at fair value at each balance sheet date with the resulting unrealized gain or loss recorded in Financial income, net.

Contingencies and guarantees
Norsk Hydro ASA recognizes a liability for the fair value of obligations it has undertaken in issuing guarantees. Contingencies are recognized in the financial statements when probable of occurrence and can be estimated reliably.

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

Risk management
For information about risk management in Norsk Hydro ASA see note 6 Financial and commercial risk management to the consolidated financial statements.

Income taxes
Deferred income tax expense is calculated using the liability method in accordance with the NRS's preliminary standard on Income Taxes. Under the liability method, deferred tax assets and liabilities are measured based on the differences between the carrying values of assets and liabilities for financial reporting and their tax basis which are considered temporary in nature. Deferred income tax expense represents the change in deferred tax assets and liability balances during the year. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates become effective.

The tax effect of equity transactions, such as group contribution given, is recognized as a part of the equity transaction and do not affect the income tax expense.

Note 2 - Employee retirement plans
Norsk Hydro ASA is affiliated with the Hydro Group's Norwegian pension plans. The defined benefit plans are administered by Norsk Hydro's independent pension trust. The defined benefit plans are closed. The defined contribution plans are administered by the external Norwegian pension provider Storebrand. Norsk Hydro ASA's defined benefit plans covered 4,733 participants as of December 31, 2012 and 5,001 participants as of December 31, 2011, while the defined contribution plans covered 165 participants as of December 31, 2012 and 179 participants as of December 31, 2011. The plans comply with minimum requirements for pension plans in Norway.

The defined benefit obligations in Norsk Hydro ASA's defined benefit plans have been calculated according to the mortality tables known as K2005. New mortality tables, K2013, are expected to become available in near future. Those tables are expected to imply longer expected life, in particular for younger employees.

Norsk Hydro ASA participates in a pension plan that entitles its employees life-long benefits in addition to other plans, starting at the employees' choice between the age of 62 and 75 years. The benefits are financed through a pooled arrangement by private sector employers ("avtalefestet pensjon, AFP") where also The Norwegian state contributes. The plan, which came into effect from January 1, 2011, is a defined benefit plan with limited funding and where plan assets are not segregated. The information required to calculate a proportional share of the plan and account for the plan as a defined benefit plan is not available from the plan administrator. Hydro therefore accounts for the plan as if it were a defined contribution plan. The yearly premiums have increased since inception and are anticipated to increase further in order to fulfil the regulatory funding requirement. The employer contributions are included in Multiemployer plans.

Net periodic pension cost

Amounts in NOK million	**2012**	2011
Defined benefit plans		
Benefits earned during the year	**99**	89
Interest cost on prior period benefit obligation	**155**	211
Expected return on plan assets	**(206)**	(278)
Past service cost	**4**	6
Net periodic pension cost	**52**	27
Defined contribution plans	**7**	7
Multiemployer plans	**4**	6
Termination benefits and other	**11**	20
Total net periodic pension cost	**74**	61

Change in defined benefit obligation (DBO)

Amounts in NOK million	**2012**	2011
Defined benefit obligation at beginning of year	**(6 400)**	(5 778)
Benefits earned during the year	**(99)**	(89)
Interest cost on prior period benefit obligation	**(155)**	(211)
Actuarial gain (loss)	**1 331**	(627)
Plan amendments	**-**	(1)
Benefits paid	**330**	324
Curtailment/settlement gain (loss)	**157**	-
Special termination benefits	**(14)**	(18)
Defined benefit obligation at end of year	**(4 850)**	(6 400)

Change in pension plan assets

Amounts in NOK million	**2012**	2011
Fair value of plan assets at beginning of year	**5 370**	5 499
Actual return on plan assets	**375**	120
Company contributions	**55**	-
Benefits paid	**(245)**	(249)
Settlements	**(83)**	-
Fair value of plan assets at end of year	**5 472**	5 370

Status of pension plans reconciled to balance sheet

Amounts in NOK million	**2012**	2011
Defined benefit plans		
Funded status of the plans at end of year	**622**	(1 030)
Unrecognized net (gain) loss	**(1 006)**	444
Unrecognized past service cost	**3**	6
Net accrued pension recognized	**(382)**	(580)
Termination benefits and other	**(31)**	(56)
Total net accrued pension recognized	**(413)**	(636)
Amounts recognized in the balance sheet consist of		
Prepaid pension	**1 609**	1 466
Accrued pension liabilities	**(2 022)**	(2 101)
Net amount recognized	**(413)**	(636)

Assumptions used to determine net periodic pension cost

	2012	2011
Discount rate	**2.50%**	3.75%
Expected return on plan assets	**4.00%**	5.25%
Expected salary increase	**3.25%**	3.75%
Expected pension increase	**1.75%**	2.00%

Assumptions used to determine pension obligation at end of year

	2012	2011
Discount rate	**3.75%**	2.50%
Expected salary increase	**3.00%**	3.25%
Expected pension increase	**1.00%**	1.75%

Investment profile plan assets at end of year

	2012	2011
Asset category		
Equity securities	**27%**	26%
Debt securities	**36%**	34%
Real estate	**23%**	24%
Other	**14%**	17%
Total	**100%**	100%

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

Note 3 - Management remuneration, employee costs and auditor fees

See note 11 Employee and management remuneration in the notes to the consolidated financial statements for information and details related to the Corporate Management Board remuneration. Costs for corporate management board members employed by subsidiaries are charged to Norsk Hydro ASA for services rendered as members of the Corporate Management Board.

See note 44 Board of Directors and Corporate Assembly in the notes to the consolidated financial statements for information and details related to the Board of Directors' remuneration.

Partners and employees of Hydro's appointed auditors, KPMG, own no shares in Norsk Hydro ASA or any of its subsidiaries. For 2012, audit fees and fees for other services were NOK 6 million and NOK 1 million, respectively, the same as in 2011. Audit related fees for 2011 were NOK 1 million.

The average number of employees in Norsk Hydro ASA was 510 in 2012 as compared to 571 in 2011. As of year end 2012 and 2011 Norsk Hydro ASA employed 436 and 549 employees, respectively.

Total loans given by Norsk Hydro ASA to Norwegian employees as of December 31, 2012 were NOK 170 million. Loans to employees consist of NOK 110 million secured loans (home and car loans) with the remainder unsecured. The unsecured loan balance as of December 31, 2012 related to the employee share purchase plan was NOK 6 million.

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

Amounts in NOK million	**2012**	2011
Payroll and related costs:		
Salaries	**685**	677
Social security costs	**111**	114
Social benefits	**2**	(4)
Net periodic pension cost (note 2)	**74**	61
Internal invoicing of payroll related costs	**(502)**	(506)
Total	**370**	341

Note 4 - Property, plant and equipment

Operating lease expense amounted to NOK 201 million in 2012 and NOK 197 million in 2011. The company has the following future operating lease commitments under non-cancellable leases: 2013: NOK 195 million, 2014: NOK 195 million, 2015: NOK 195 million, 2016: NOK 195 million, 2017: NOK 195 million and thereafter: NOK 618 million.

Amounts in NOK million	Land	Buildings	Machinery, etc	Plant under construction	Total
Cost December 31, 2011	6	98	219	4	327
Additions at cost	-	6	8	3	16
Retirements	-	-	(3)	-	(3)
Transfers	-	-	6	(6)	-
Accumulated depreciation December 31, 2012	-	(42)	(113)	-	(155)
Carrying value December 31, 2012	6	62	116	1	185
Depreciation in 2012	-	(2)	(18)	-	(20)

Note 5 - Intangible assets

Amounts in NOK million	Cost	Accumulated amortization	Carrying value
Balance December 31, 2011	79	(32)	47
Additions at cost	11		11
Amortization for the year		(7)	(7)
Impairment loss		(5)	(5)
Balance December 31, 2012	90	(44)	46

Note 6 - Financial income and expense

Amounts in NOK million	**2012**	2011
Dividends from subsidiaries	**4**	1 926
Interest from group companies	**1 025**	1 912
Other interest income	**138**	71
Interest paid to group companies	**(445)**	(908)
Other interest expense	**(143)**	(158)
Net foreign exchange gain (loss)	**(447)**	630
Other, net	**(11)**	278
Financial income, net	**121**	3 750

Note 7 - Income taxes

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

	Temporary differences Tax effect	
Amounts in NOK million	**2012**	2011
Short-term items	**37**	1
Pensions	**116**	178
Other long-term items	**(58)**	(182)
Deferred tax assets (liabilities)	**95**	(3)

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

Reconciliation of nominal statutory tax rate to effective tax rate

Amounts in NOK million	**2012**	2011
Income (loss) before taxes	**(276)**	3 386
Expected income taxes at statutory tax rate	**(77)**	948
Permanent differences and other, net	**125**	(175)
Income taxes	**48**	773
Effective tax rate	**(17.27%)**	22.82%
Components of income tax		
Current income tax	**169**	504
Change in deferred tax	**(122)**	269
Income tax	**48**	773

See note 17 Income tax expense and note 33 Deferred tax in the consolidated financial statements for further information.

Taxes payable as of December 31, 2012 and 2011 were NOK 778 million and NOK 1,100 million, respectively.

Note 8 - Shares in subsidiaries

Company name	Currency	Percentage of shares owned by Norsk Hydro ASA	Total share capital of the company (1,000's)	Book value (NOK million)
Hydro Aluminium AS	NOK	100.00	14 472 252	50 826
Norsk Hydro Produksjon AS	NOK	100.00	868 560	5 530
Hydro Aluminium Deutschland GmbH [1)]	EUR	25.04	73 894	92
Grenland Industriutvikling AS	NOK	100.00	26 750	88
Herøya Industripark AS	NOK	100.00	9 680	62
Norsk Hydro Plastic Pipe AS	NOK	100.00	10 000	39
Industriforsikring AS	NOK	100.00	20 000	20
Herøya Nett AS	NOK	100.00	1 760	11
Hydro Kapitalforvaltning AS	NOK	100.00	2 500	4
Total				56 672

1) The company is owned 74.96 percent by Norsk Hydro Deutschland GmbH & Co. KG, which is a subsidiary of Hydro Aluminium AS, and 25.04 percent by Norsk Hydro ASA.

Percentage of shares owned equals percentage of voting shares owned. The location of subsidiaries is indicated by the currency code used in the table or by the name of the subsidiary. Several of the above-mentioned companies also own shares in other companies.

The carrying value of the shares held in Grenland Industriutvikling AS has been written down by NOK 23 million in 2012. Part of the carrying value of shares in Norsk Hydro Produksjon AS has been allocated to Herøya Industripark AS and Herøya Nett AS following a demerger of Norsk Hydro Produksjon AS.

Note 9 - Related party information

See note 45 Related party information in the notes to the consolidated financial statements for identification of related parties and primary relationships with those parties.

The Norwegian state and Vale S.A are related parties to Norsk Hydro ASA. Both shareholdings represent significant influence in Norsk Hydro ASA.

Norsk Hydro ASA operates the cash pooling arrangements in Hydro. Further, Norsk Hydro ASA extends loans to subsidiaries, associates and jointly controlled entities at terms and conditions reflecting prevailing markets conditions for corresponding services, allowing for a margin to cover administration and risk. See note 6 Financial income and expense for information on interest paid to and received from group companies.

Norsk Hydro ASA allocates cost for corporate staff services and shared services to subsidiaries. The total amount allocated in 2012 was NOK 223 million.

Transactions with associates and jointly controlled entities consist mainly of loans to such entities owned by subsidiaries of Norsk Hydro ASA.

For information on transactions with employees and management, see note 3 Management remuneration, employee costs and audit fees and note 11 Employee and management remuneration in the notes to the consolidated financial statements. For information on transactions with Board of Directors and Corporate Assembly see note 44 Board of Directors and Corporate Assembly in the notes to the consolidated financial statements.

Note 10 - Specification of balance sheet items

Amounts in NOK million	**2012**	2011
Securities	**536**	536
Prepaid pension	**1 608**	1 466
Associates and jointly controlled entites	**13**	22
Other non-current assets	**452**	557
Total prepaid pension, investments and other non-current assets	**2 609**	2 579

Note 11 - Guarantees

Norsk Hydro ASA provides guarantees arising in the ordinary course of business including stand-by letters of credit, performance bonds and various payment or financial guarantees. See note 37 Guarantees in the consolidated financial statements for additional information. All commercial guarantees are on behalf of subsidiaries.

Amounts in NOK million	**2012**	2011
Guarantees related to jointly controlled entities	**55**	7 696
Sales guarantees	**-**	600
Commercial guarantees	**5 222**	5 022
Total guarantees not recognized	**5 277**	13 318

Note 12 - Long-term debt

As of December 31, 2012, long-term debt amounted to NOK 2,993 million, of which NOK 2,074 million fall due after 2017. As of December 31, 2011, long-term debt amounted to NOK 2,589 million. See note 30 Long-term debt in notes to the consolidated financial statements for further information.

Note 13 - Number of shares outstanding, shareholders and equity reconciliation

The share capital of Norsk Hydro ASA as of December 31, 2012 was NOK 2,271,760,107.04 consisting of 2,068,998,276 ordinary shares at NOK 1.098 per share. As of December 31, 2012 Norsk Hydro ASA had purchased 31,430,114 treasury shares at a cost of NOK 1,047 million. See Consolidated statements of changes in equity and note 34 Shareholders' equity for additional information.

The table shows shareholders holding one percent or more of the total 2,037,568,162 shares outstanding as of December 31, 2012, according to information in the Norwegian securities' registry system (Verdipapirsentralen).

Name	Number of shares
The Ministry of Trade and Industry of Norway	708 865 253
Vale Austria Holdings GmbH	447 834 465
Folketrygdfondet	80 454 494
The Northern Trust Co.[1)]	55 120 445
State Street Bank and Trust Co.[1)]	50 748 560
Clearstream Banking S.A.[1)]	44 749 031
Rasmussengruppen AS	32 377 000

1) Nominee accounts.

Changes in equity

Amounts in NOK million	Paid-in capital	Retained earnings	Total equity
December 31, 2011	31 292	27 981	59 274
Net income		(324)	(324)
Dividend proposed		(1 528)	(1 528)
Treasury shares	1	36	37
December 31, 2012	31 293	26 164	57 458

Responsibility Statement

We confirm to the best of our knowledge that the consolidated financial statements for 2012 have been prepared in accordance with IFRS as adopted by the European Union, as well as additional information requirements in accordance with the Norwegian Accounting Act, that the financial statements for the parent company for 2012 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and result of Norsk Hydro ASA and the Hydro Group for the period. We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair review of the development, performance and financial position of Norsk Hydro ASA and the Hydro Group, together with a description of the principal risks and uncertainties that they face.

Oslo, March 12, 2013

Terje Vareberg Chair	**Inge K. Hansen** Deputy chair	**Liv Monica Bargem Stubholt** Board member
Ove Ellefsen Board member	**Billy Fredagsvik** Board member	**Finn Jebsen** Board member
Victoire de Margerie Board member	**Sten Roar Martinsen** Board member	**Dag Mejdell** Board member
Eva Persson Board member	**Pedro José Rodrigues** Board member	**Svein Richard Brandtzæg** President and CEO

Auditor's report

To the Annual Shareholders' Meeting of Norsk Hydro ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Norsk Hydro ASA, which comprise the financial statements of the parent company Norsk Hydro ASA and the consolidated financial statements of Norsk Hydro ASA and its subsidiaries. The parent company's financial statements comprise the balance sheet as at 31 December 2012, the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The consolidated financial statements comprise the balance sheet as at 31 December 2012, and the income statement and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the President and CEO's Responsibility for the Financial Statements

The Board of Directors and the President and CEO are responsible for the preparation and fair presentation of the parent company financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and for the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as the Board of Directors and the President and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the separate financial statements

In our opinion, the parent company's financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norsk Hydro ASA as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Norsk Hydro ASA and its subsidiaries as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and statement on Corporate Governance
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and statement on Corporate Governance concerning the financial statements, and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Accounting Registration and Documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 12 March 2013
KPMG AS

Arne Frogner
State Authorized Public Accountant

[Translation has been made for information purposes only]

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

The board of directors' proposal for the financial statements for the financial year 2012 and the Auditors' report have been submitted to the corporate assembly.

The corporate assembly recommends that the directors' proposal regarding the financial statements for 2012 for the parent company, Norsk Hydro ASA, and for Norsk Hydro ASA and its subsidiaries be approved by the annual general meeting, and that the net income for 2012 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, March 12, 2013
Siri Teigum