



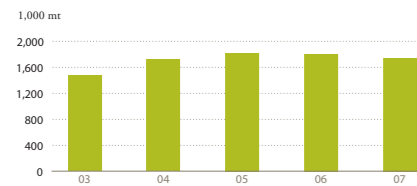
HYDRO

2007 – in brief



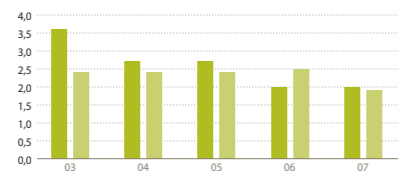
Highlights — 2007

Primary aluminium production



Lost-time injuries

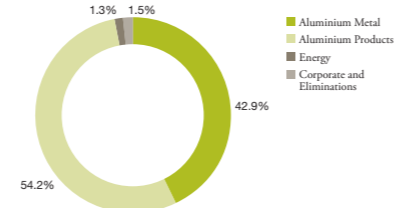
Per million hours worked



■ Hydro employees ■ Contractor employees

External revenue per segment

NOK 94,316 million



15,522

Realized aluminium price,
NOK per mt



FULL CONCENTRATION

The biggest restructuring in Hydro's recent history has been completed. In the fall of 2007 the company's oil operations were merged with Statoil of Norway, and an agreement was signed to sell Hydro's petrochemicals business to UK-based Ineos. The company's remaining magnesium production was sold or phased out, and other operations outside the core areas were divested. Hydro, the former conglomerate, has now become a aluminium company.

THE WORLD'S BIGGEST IN QATAR

In November 2007 we laid the foundation stone for the biggest aluminium plant ever built in a single phase. The Qatalum plant in the Gulf state of Qatar, with its annual production capacity of 585,000 tonnes, represents another step taken by Hydro towards a global production system, and one closer to the rapidly growing markets of the Middle East and Asia. Qatalum is being built in cooperation with Qatar Petroleum and also comprises a modern, energy efficient gas-fired power plant. Aluminium production is scheduled to come on stream towards the end of 2009.



14.6%

Return on average capital
employed

Key figures — 2007

Amounts in NOK million unless other unit indicated

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

¹⁾ Excluding discontinued operations
²⁾ 2007: proposed dividend

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

b [Share price]
Following the merger of Hydro's oil and gas activities with Statoil, Hydro's share price declined by approx. 2/3 since Hydro's shareholders received shares in StatoilHydro as compensation in the merger.

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

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

e [Safety]
We did not achieve our goal of 20 percent improvement of number of injuries per million hours worked. We also faced two fatal accidents in 2007 and one in February 2008.

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



Aluminium. All the way

Hydro has now committed all its energy to a future in aluminium. All the way. We have been using our energy for more than a century in order to meet the people's needs. And our experience of producing aluminium using renewable energy goes back almost 100 years as well. We are now concentrating 100 percent on the production and development of the light metal that provides us with answers to some of the future's greatest challenges.

Lighter, safer, more environmentally friendly transport. All the way. Energy efficient buildings. Packaging that gives food a longer shelf-life. More viable communities. Throughout the world. 22,000 employees in more than 30 countries apply their expertise in energy efficient production, advanced metallurgy and versatile processing to develop useful products in close, innovative cooperation with customers on every continent.



EXPERIENCE
HYDRO

Hydro is a leading aluminium company
with operations on all continents.

Join us on our journey

To develop and thrive in a changing world requires expertise, innovative skill and foresight – and not least the will and ability to change and adapt. The certainty that Hydro possesses these important prerequisites gives me confidence, even when there is turbulence on all sides.

Hydro has been through some major changes, and the biggest of them all took place in 2007. Five years ago Hydro was an industrial conglomerate with three main business areas. We then listed the world's biggest fertilizer company – Yara. The merger of Hydro's oil and gas operations with Statoil last fall created a new global energy company – StatoilHydro – which has emerged stronger and with greater opportunities. After the divestment of Hydro Polymers was finalized on February 1 2008, an extensive restructuring was completed.

Hydro is still Hydro, but we are now an aluminium company.

These changes demonstrate our will and ability to respond to challenges and grasp opportunities. It is people who create progress. Our shareholders should first and foremost thank our employees for the solid returns they are enjoying. By processing natural resources in innovative and efficient ways, Hydro has helped to create more viable societies for more than a century. We will continue to do so as an aluminium company. Aluminium is the metal of the future and Hydro's future is in aluminium.

Aluminium is steadily attracting new supporters and areas of application by virtue of its properties and usability. We are expecting demand to grow by 5 percent annually, not least as a result of the high level of activity in major economies like China and India. Markets will fluctuate, but I believe that the economic dynamism, which is now improving the lives of millions of people throughout the world, will continue. Aluminium is one of the input factors in a modern and more affluent society.

Aluminium's popularity is also good news for the environment. Aluminium can make buildings more energy efficient, prolong the shelf-life of foodstuffs and make transport less energy intensive. Best of all: Aluminium can be recycled and used time and time again, while expending only a fraction of the energy required for its primary production. It's no wonder the future looks so bright. The material we produce lasts forever.

Turning challenges to our advantage

Heavy global growth has created bottlenecks and cost inflation. It is challenging to secure access to power and raw materials, reliable subcontractors and to win the battle for the most talented people. Even more important are our own strategy and the ways in which we operate, innovate and cooperate.

Hydro is ready to take part in further growth; we have a new structure, we are profitable and financially robust. Our operations are close to markets and customers. We are working systematically to secure raw materials supply and now cover 70 percent of our alumina requirements from plants where we have equity interests. This proportion will continue to increase. We utilize our own in-house developed technology while enhancing it further. Many of our competitors face demanding electrical power negotiations. In Hydro we face a similar challenge, but we cover 35 percent of our power needs through our own hydroelectric resources. The remainder we obtain from long-term contracts.

The entire industry is finding it difficult to identify suitable locations for major new plants. In Hydro we have made good headway here. Our long-term, international partnerships make us an attractive partner for new projects. In Qatar we are constructing the biggest aluminium plant ever built in a single phase – with its own power supply. An outstanding team with experience gained on other complex mega-projects will ensure that Qatalum is able to supply its first metal in late 2009. Meanwhile, we are busy planning where our next big expansion project will be located.

Closer to the future

More ambitious climate targets mean that we must find solutions to demanding challenges. The CO₂ quota market in Europe has already had a considerable impact on energy prices. In Hydro we do not view environmental considerations as obstacles, but as a basis for all economic activity. Tough demands inspire us. We believe they give us the opportunity to forge ahead and develop new, forward-looking solutions.

Through our research and technology development we are seeking to minimize the environmental impact of aluminium production. The result is steadily increasing aluminium production per kilowatt hour, lower greenhouse gas emissions per tonne, and the development of new aluminium products, such as the integration of solar cells into aluminium building facades. Through our engagement in solar energy we are using our materials, process and industrial expertise to develop the solutions of tomorrow. The more aluminium is used, the better will it be for the climate, energy efficiency and society at large. That is a great vision for our industry.

In all areas, and in every corner of the world, it is a pledge of honor for us to act with great respect towards people, societies and the environment. In accordance with our values we have joined the UN Global Compact initiative. For several years we have met the criteria to be included in the Dow Jones' Sustainability Index (DJSI). For two years running Hydro has in fact topped the ranking for our industry in this widely acknowledged index.

Even though we have made continuous progress over many years, we were unable to improve our safety performance in 2007. Two fatal accidents in 2007 and one in February 2008 are enormous tragedies that affect us all greatly. Any accident is one too many. For 2008 we have set ourselves ambitious targets and are working on measures to achieve them.

Come closer

The consolidation of our industry poses both challenges and opportunities. Hydro has emerged more visibly and clearly in this new landscape. We are comfortable with our portfolio and our development opportunities, and we can see definite advantages in mastering the entire value chain.

We are proud of Hydro, the aluminium company. We have faith in the future and are confident our projects will bring us further. In this report we intend to show you who we are, where we stand and where we are heading. We believe that by inviting you in and showing you everything, you will also want to join us on our journey.



“It's no wonder the future looks so bright. The material we produce lasts forever.”

Eivind Reiten

Eivind Reiten
President and CEO

LEARN MORE ABOUT OUR INDUSTRY

The global aluminium industry is going through far-reaching structural changes.

The aluminium industry is changing. Changing dramatically. Some of our competitors are moving upstream and joining forces with widely diversified mining companies. Others are heading downstream and becoming integrated in companies that specialize in semi-manufacturing. Hydro is doing both and concentrating entirely and extensively on aluminium. Only aluminium. All the way. We are engaged in different parts of the

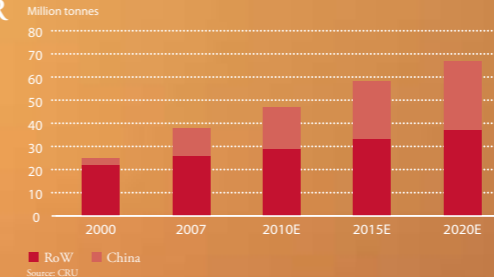
world in increasing our access to important raw materials. By utilizing Norway's hydro-electric power resources and our own technology we are continuing to further develop the world's purest metal production. In Qatar we are constructing the world's biggest aluminium plant ever built in a single phase. And throughout the world we are processing aluminium to create innovative products that make life easier for you and me.

GROWTH

GLOBAL GROWTH OF 5 PERCENT PER YEAR.

The primary aluminium market is global and the growth in demand is mainly driven by China.

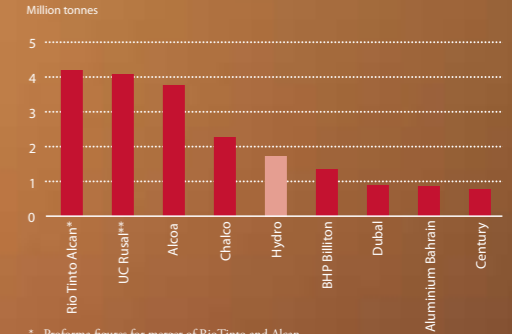
China driving global demand primary aluminium



PLAYERS

INTEGRATED ALUMINIUM COMPANIES AS WELL AS METALS AND MINING COMPANIES CHARACTERIZE THE INDUSTRY.

Primary aluminium production



* Proforma figures for merger of Rio Tinto and Alcan
** Proforma figures for merger of Rusal, Sual and Glencore
Source: CRU 2006

DRIVERS

FOUR INDUSTRY DRIVERS DEFINE THE BUSINESS CONTEXT. a b c d

a [Global demand]

The aluminium price follows global growth factors such as energy prices and other commodity prices. During the last years the price has increased as a result of higher production costs. China has dramatically increased its consumption and production of aluminium and is expected to be the main contributor to increasing demand for aluminium going forward.

b [Customer needs]

The market for fabricated aluminium products is more fragmented and cyclical than the market for primary aluminium. Knowledge about regional markets, efficient production and product development in close cooperation with customers are critical success factors.

c [Access to raw materials]

Bauxite is the main raw material for aluminium. Bauxite is refined into alumina which is used as input in primary aluminium production. Long-term control over these input factors is critical, either through direct ownership, joint ventures or long-term contracts.

d [Access to low-cost energy]

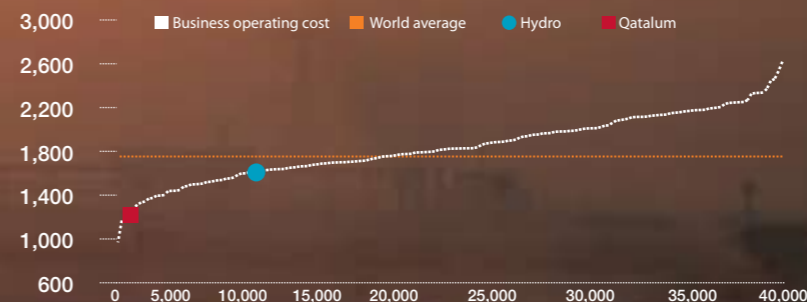
Energy constitutes nearly 30 percent of the cost in primary aluminium production. Predictable access to low-cost energy is critical and is the main reason new production capacity is built in energy-rich areas such as the Middle East.

COST

CASH COST PER TONNE DECIDES COMPETITIVE POSITION.

Hydro is well positioned below the world average and we are working to improve our position further through increased efficiency and new investments.

Cash cost per tonne primary aluminium in US-dollars



Aluminium price in USD/tonne

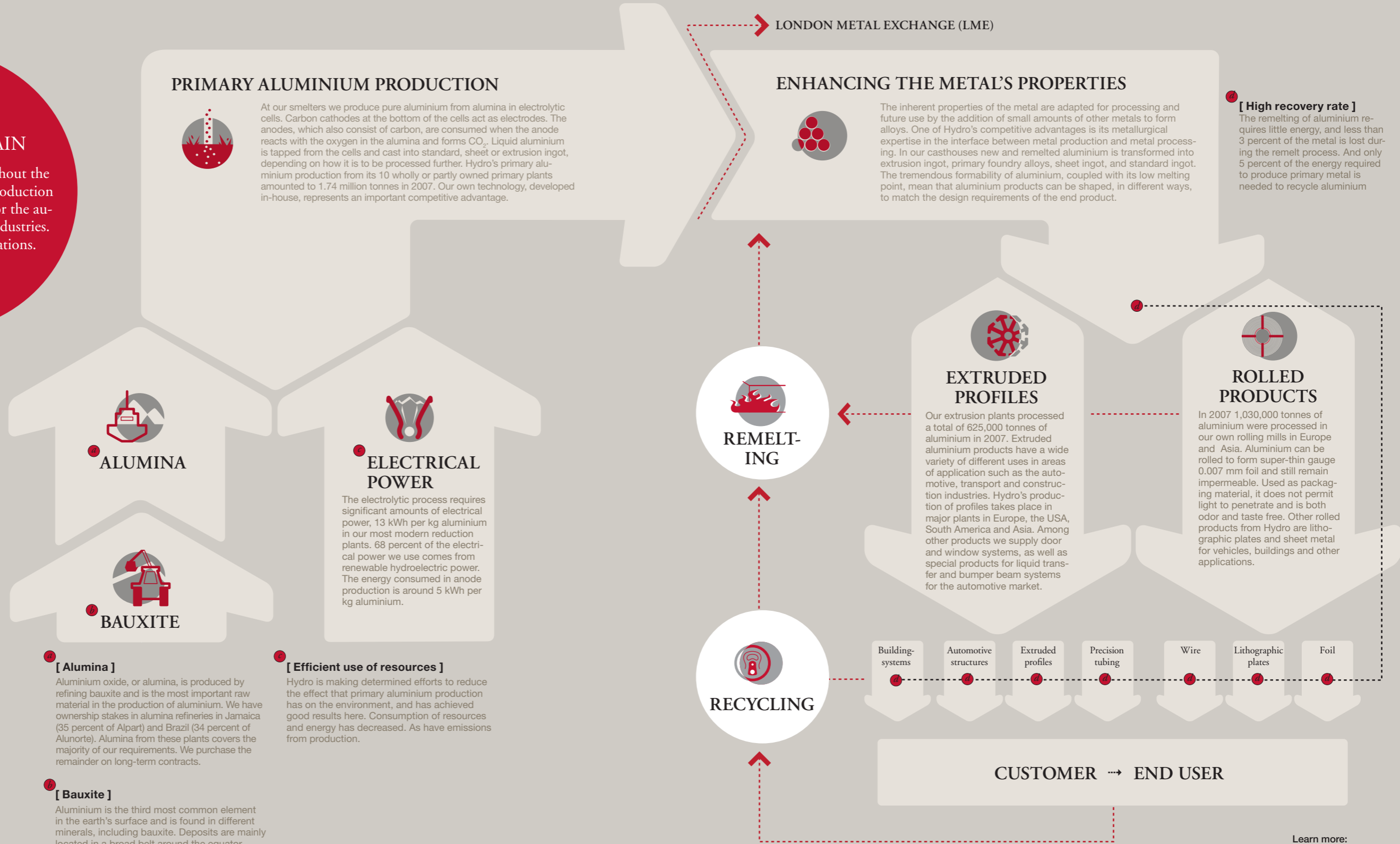


There has been increased consolidation in the industry. The metals and mining company Rio Tinto acquired the integrated aluminium company Alcan in 2007. The Russian aluminium companies Rusal and Sual merged to form UC Rusal in 2006, and most recently the metals and mining company BHP Billiton has attempted to acquire Rio Tinto.

To some extent the consolidation has been driven by the positive outlook for the aluminium price which has increased significantly. The five-year forward curve reached new record levels in 2007.

EXPLORE OUR VALUE CHAIN

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



PRIMARY ALUMINIUM PRODUCTION



At our smelters we produce pure aluminium from alumina in electrolytic cells. Carbon cathodes at the bottom of the cells act as electrodes. The anodes, which also consist of carbon, are consumed when the anode reacts with the oxygen in the alumina and forms CO₂. Liquid aluminium is tapped from the cells and cast into standard, sheet or extrusion ingot, depending on how it is to be processed further. Hydro's primary aluminium production from its 10 wholly or partly owned primary plants amounted to 1.74 million tonnes in 2007. Our own technology, developed in-house, represents an important competitive advantage.

ENHANCING THE METAL'S PROPERTIES



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

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

ALUMINA

BAUXITE

ELECTRICAL POWER

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

REMELTING

RECYCLING

EXTRUDED PROFILES

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

ROLLED PRODUCTS

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

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

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

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

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

CUSTOMER → END USER



➤ "This became big business very quickly. The tray goes right in the oven. The food cooks. It sizzles. It has the smell. People feel they are contributing to the cooking of the meal. You don't feel guilty. You can buy your Sunday dinner in these containers," says managing director Andrew Dent of Nicholl.

VIEW US FROM THE
CUSTOMER'S ANGLE

Closer cooperation with customers
is an ambition. And a promise.

You and I. Marks & Spencer. Nicholl and Hydro

We have more in common than you might believe. You and I want food that is as fresh, tasty and inviting when on the plate, ready for eating, as it was when packaged by the farmer or in the shop. We, our customers, and our customers' customers all want to proclaim that we are the most environmentally friendly people around. That's why we are taking a long-term approach. You and I. Marks & Spencer. Nicholl and Hydro.

UK-based Nicholl is one of the world's leading packaging companies. They are therefore equally interested in the food to be packaged as in the packaging they themselves produce. Their customer Marks & Spencer is one of the leading fresh food retailers. To package their foodstuffs, they want to use quality, recycled materials that will keep the contents fresh for long periods. That's where we come in. Through close cooperation, advanced metallurgy, quality and flexible production we try to keep the customers of both Nicholl and Marks & Spencer satisfied.

For example, Nicholl and Hydro have joined forces to develop a new generation of smooth-walled aluminium trays. When Nicholl's and our experts develop new technology together, any illusion that packaging is just packaging disappears. Because here the issues are micrometers, formability, strength and shelf-life. The weight has to be reduced due to price and climate considerations. While product quality requires that formability, strength and shelf-life need to be enhanced.

"We form aluminium into smooth-walled trays for keeping food in. We're good at that. But we don't know as much about aluminium as Hydro. We are therefore working closely together," says Nicholl's managing director Andrew Dent.

"Hydro is a big company, but it doesn't seem like one," he says.

In Holmestrand, Norway, Hydro produces top quality aluminium foil from recycled metal, with greenhouse gas emissions that are as low as possible. Great expertise is needed for this. Success is all down to the interplay between metal production and processing – the development of the right alloys, the metallurgy involved.

"Our new smooth-walled aluminium trays are unique. They became an overnight success and have created a completely new market. Marks & Spencer took chicken out of plastic containers and into aluminium trays about four-five years ago. We couldn't have supplied this product, with its unique properties, without the right aluminium alloy," says Andrew Dent.

"Did you know that the key to tasty packaged food is the smooth-walled contour of the tray?"

SHARE IN OUR INNOVATION

Hydro is intensifying its innovative drive in technology and product development.

Innovation. An exciting future. In aluminium



BIGGEST AND MOST EFFICIENT
Qatalum will be a world-class aluminium metal plant. The production technology employed is one of the most advanced in the world.

IMPROVED WORK PROCESSES
We strive to improve the way we work. Every single day. In all parts of the organization.

THE DETAILS DECIDE
Refrigerated food display cases become easier to stock and clean with an innovative hinge. Made from three aluminium extrusions.

MORE RENEWABLE ENERGY
Nevada Solar One is one of the biggest solar energy parks in the world. Aluminium profiles from Hydro help produce more renewable energy.

TESTING THE NEXT GENERATION
Improved energy utilization and lower emissions are necessary in order to curb global warming. That is why we are developing and testing new technology.

SYSTEMATIC SOLAR ENERGY
Through product development and collaboration with the most innovative players in the industry, Hydro is making solar energy more systematic.

It is Hydro's own technology that will make the new Qatar metal plant the world's most advanced aluminium producer. We use the same production technology in our own plants while continuously developing it. A decade of research has made it more and more energy efficient. Step by step. This has also resulted in lower emissions of CO₂. The technology has been successfully utilized at Sunndal, Europe's biggest aluminium metal plant.

We have made quantum leaps before. And we will make new ones. All the same: The most important improvements are those that take place every day, in the workplaces of our 22,000 employees. By means of continuous improvement processes and determined cooperation throughout our global organization, we develop Hydro's production systems and work processes. At every stage of our operations.

The hinge allows the glass cover to be swung up and away from the display case, replacing the previous fixed solution. It was developed at our Ornago, Italy, extrusion plant for ISA Italy Spa, which produces food display coolers for supermarkets and other retail outlets. Says Giuseppe Colombrita, from the Ornago technical department: "The customer came to us with a need. We developed a new concept. It's a completely new system."

The energy plant in Nevada, USA, is enormous. It covers an area equivalent to 200 soccer pitches. Production came on stream in summer 2007, and the plant produces power enough to meet the needs of 14,000 households. In collaboration with Nevada Solar One, Hydro has developed advanced aluminium profiles for more than 180,000 moveable mirrors that concentrate the sun's rays. The result is more energy for a better climate.

In spring 2008 we commenced trial production at a test plant in Årdal; Norway, designed to make aluminium production more efficient. We are also looking into the possibility of capturing the carbon dioxide produced during aluminium production. The test plant builds on the technology we have developed in-house. If the plant lives up to our expectations, the technological progress made will boost aluminium's contribution to meeting the climate challenge.

Domal, Technal and Wicona, three leading suppliers of building systems, are all wholly owned by Hydro. They develop doors, windows and other top quality building systems. In the western world, more than 40 percent of all energy is consumed in buildings. We plan our systems with the aim of minimizing energy consumption and improved comfort. Together with our part-owned company Ascent Solar we are bringing solar technology one more step forward. And improving its integration in more energy-efficient buildings.

EXAMINE OUR RESULTS

2007 was a good year for Hydro, partly due to good markets, partly to good operations and the effects of restructuring.

Aluminium Metal

2007 targets

- Metal repositioning – final investment decision on Qatalum
- 1,730,000 tonnes primary aluminium after closures
- Successful advancement on Alunorte phase 3 alumina expansion

2007 results

- Major repositioning program completed
- 1,742,000 tonnes primary aluminium production following completion of closure program
- Final investment decision on Qatalum taken
- Alunorte phase 3 expansion on schedule and on budget

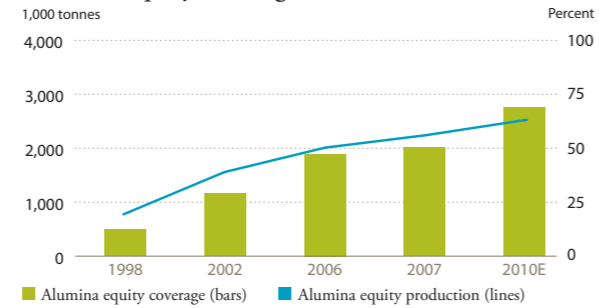
2008 targets

- Successful advancement of Qatalum
- Alunorte phase 3 expansion complete
- Finalize agreement with Vale on new alumina refinery in Brazil
- Aluminium Metal Production System implemented in Norwegian smelters

Ambitions going forward

Our ambition is to reach 2 million tonnes of primary aluminium production per year by the end of 2011, the first year of full production from Qatalum. We plan to transfer project competence gained with Qatalum to new smelter projects. We aim to improve further our smelter cost position and to be ready to begin utilizing next-generation cell technology to improve our global competitive position and ambitious performance goals. Our goal is to increase our equity alumina production from 63 percent at the end of 2007 to 75 percent in 2011.

Alumina equity coverage



Aluminium Products

2007 targets

- Complete restructuring program defined in 2006
- Long-term portfolio defined

2007 results

- Automotive casting business divested
- Exited the magnesium business
- Several smaller divestments and closures
- Plant rationalizations and improvement programs executed
- Significant improvements in financial results

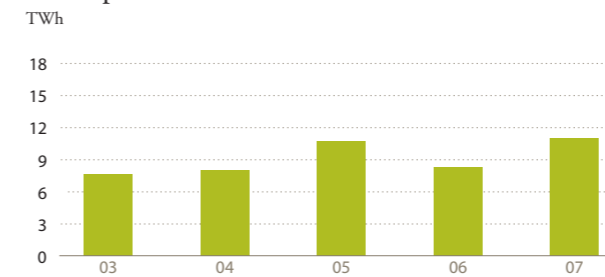
2008 targets

- Continued improvement in profitability for underperforming U.S. extrusion units and automotive structures
- Selected growth projects delivered in Extrusion Eurasia and Building Systems

Ambitions going forward

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

Power production



Energy

2007 targets

- Move focus in Energy business from oil and gas to aluminium
- Foothold in solar energy industry

2007 results

- Energy business with sourcing focus in aluminium company
- Investments in Ascent Solar and establishment of HyCore

2008 targets

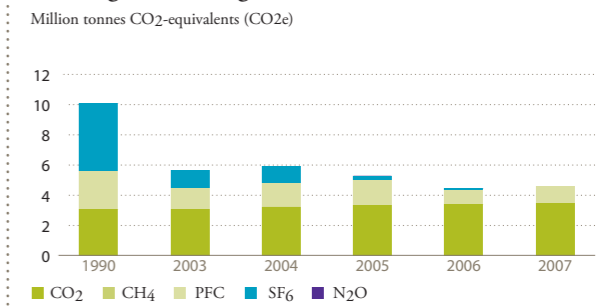
- Energy sourcing arrangements for primary aluminium growth
- Technology development and startup of commercial operations in solar business

Ambitions going forward

Our goal is to capitalize on our energy competence supporting the sourcing of power to our smelters on a global basis. We aim to develop our investments in solar power, building on our initial, promising investments within this emerging high-growth industry.



Direct greenhouse gas emissions



Viability performance

2007 targets

- No fatal accidents. Total recordable injuries per million hours down by 20 percent
- Effective restructuring carried out with respect to employees and their communities

2007 results

- Two fatal accidents. Total recordable injuries per million hours up from 4.0 to 4.1 percent
- Restructuring processes in Norway, USA and Canada, as well as the divestment of Automotive Castings, implemented in cooperation with employees and local communities

2008 targets

- No fatal accidents. Total recordable injuries per million hours down by 20 percent
- Effective restructuring carried out with respect to employees and their communities
- Complete our new climate strategy, including setting specific targets

Ambitions going forward

Our ambition is to have no serious injuries. We intend to be a preferred partner worldwide due to our responsible business operations. We have a long-term vision of reducing greenhouse gas emission.

> The temperature is rising. The polar ice is melting at an increasing rate. Al Gore, the UN's climate panel and an increasing number of environmentalists and experts have given the world a waking call. Our climate problems are man-made. People are worried and are demanding measures that can reverse this development. People want action and they want it now!

But not many of us are prepared to give up all the things that make life enjoyable. And we cannot, in good conscience, deny others access to the same benefits we have enjoyed in full for many years. That's why the number of cars in the world will continue to multiply. Living standards will increase for more and more people, so will energy consumption.

LEARN HOW WE CAN CONTRIBUTE TO REDUCING CLIMATE EMISSIONS

Both the products and the way we are producing them should contribute to a more viable society.

The climate issue is heavy. Aluminium is light

> The climate equation is complex and demanding. It may seem insoluble. Still, we want to contribute in the hunt for solutions. By bringing in the aluminium factor.

The most important advantages of this very relevant light metal are found in its properties; the challenges lie in its energy content.

> The production of primary aluminium is energy-intensive. Once produced, however, aluminium becomes a bank of energy – in solid form. The deposit is paid back in the form of lower energy consumption in vehicles, as discovered by the car and transportation industries. In their search for lighter solutions, they use more and more aluminium. The same is the case in packaging and construction. Recycling of this light metal is another payback area, requiring a minimum of energy. These are some of the reasons why aluminium is a favoured material in a life cycle perspective.

For an ordinary passenger car a 100 kg weight reduction alone can reduce fuel consumption by 0.35 liters for every 100 kilometers traveled. Over

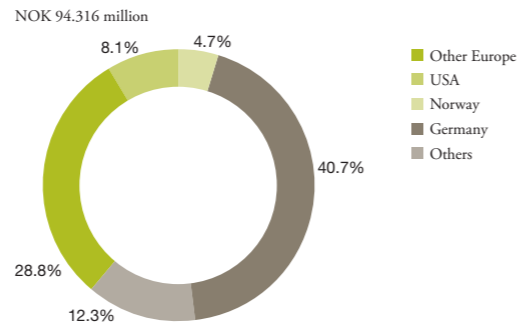
the lifetime of the vehicle, this represents a two-tonne reduction in carbon dioxide emissions.

In the goods transport sector the climate effect is great when the weight of both the vehicle and its load are reduced – by lighter packaging for example. Several of the world's major goods vehicle producers number among Hydro's customers. One of them is Brødrene Plagborg of Denmark. They supply advanced, customized goods vehicle extensions using our specially developed aluminium profiles. Thus they enable Scania, Iveco, Mercedes-Benz, Volvo and their customers, among them Post Denmark, to make transport lighter for your benefit and mine.

Some times the answer can be easy.

An exceptional year for Hydro

Geographical distribution of operating revenues



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

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

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

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

Results for our downstream business improved during the year but were impacted by losses within our US extrusion operations. Comprehensive rationalization programs have been executed dur-

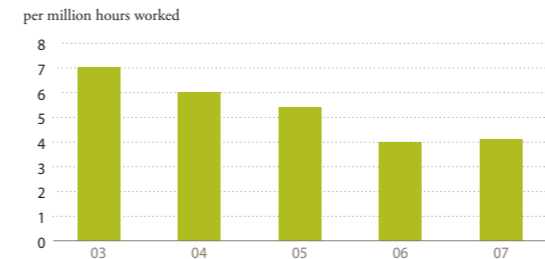
ing 2007 to improve the financial performance of this business and align the cost structure with lower market demand.

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

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



Total recordable injuries



Public attitudes on climate change and global regulatory developments and their influence on power prices will have an increasing strategic impact on our business. Hydro has included climate change as a key item on our strategy and business development agenda to ensure focus on these issues regarding future investment decisions and strategic development.

Viability performance

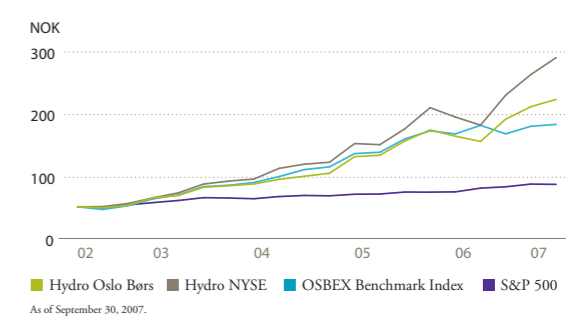
In 2007 we headed the aluminium and basic resources sector of the Dow Jones Sustainability Index for the second successive year, and qualified again for FTSE4Good. Yet, our overall safety performance did not improve. We did not reach our target of a 20 percent improvement in total recordable injuries (TRI), and we had two fatal accidents in 2007 and one in February 2008. Our ambition is still to improve TRI by 20 percent per year, and we are suitable measures to make this possible.

In 2007 we developed an interactive e-learning program dealing with our policies and employee rights and obligations. Produced in 13 languages, it is mandatory for all employees worldwide and discusses issues such as work environment and ethical dilemmas.

Since 1990 we have reduced our climate gas emissions by 44 percent compared to 1990. In 2008 we will complete a comprehensive climate change strategy, including the setting of specific targets.

Business development, guidance, severance payments and funds for restructuring are among the tools utilized in managing restructuring processes. Recent years' processes have been successful largely due to a constructive dialogue with employees and the local communities affected.

Share price in NOK



Shareholder information

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

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

Hydro is one of the world's largest primary aluminium producers and the leading worldwide supplier of value-added casthouse products such as extrusion ingots, sheet ingots, wire rod and foundry alloys.

Underlying EBIT

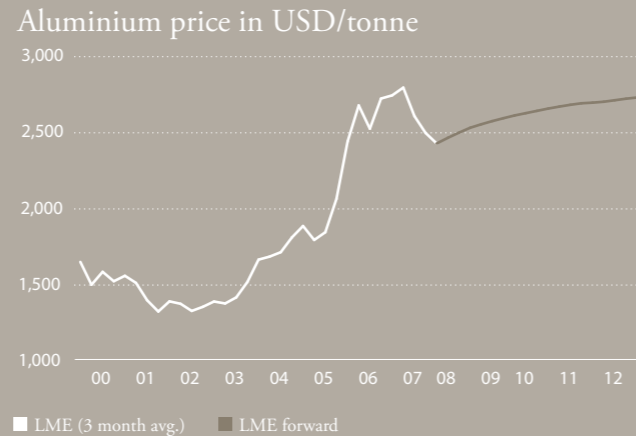
[NOK million]	2007	2006
Bauxite & Alumina	681	898
Primary Aluminium	6,552	6,651
Commercial	722	643
Other and eliminations	84	(65)
Total	8,041	8,127

1,742

Primary aluminium production
1,000 tonnes

HIGHLIGHT

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



Aluminium Metal

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

Alumina is one of the most important smelter cost elements for the industry. We have ownership interests in alumina refineries that provided approximately 63 percent of our alumina needs in 2007 (Alunorte in Brazil and Alpart in Jamaica). The most important of these interests, Alunorte, is the world's largest alumina refinery and, in our view, one of the most cost-effective. Our remaining alumina supply requirements are covered through medium to long-term contracts. We source bauxite for Alunorte from MRN, in which Hydro has an equity participation of 5 percent and partly by long-term contracts. Alpart has its own captive bauxite supplies.

We produced 1.74 million tonnes of primary metal during the year at plants located in Australia, Canada, Germany, Norway and Slovakia. 2007 marks the completion of a major program to reposition our primary smelter capacity towards modern, cost-efficient production facilities, and we are well positioned on the industry's cost curve. We also finalized the decision to build Qatalum, a major new primary metal facility in Qatar. Our 50 percent ownership share is expected to add additional production capacity of approximately 290,000mt per year of highly competitive metal by the end of 2010. Our ambition is to reach a total of 2 million tonnes of primary aluminium per year net of closed capacity by the end of 2011, the first year of full production from Qatalum.

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

In 2007, we delivered a total of 3.2 million tonnes of casthouse products to internal and external customers, including 1.1 million tonnes of remelted and recycled metal and 0.3 million tonnes of third party metal.

2007 results

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

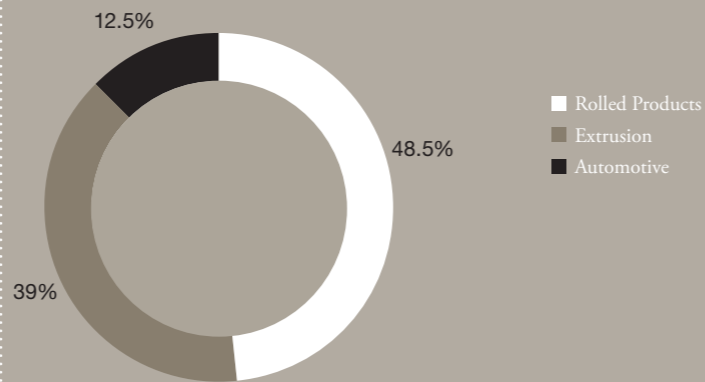
To reduce the environmental footprint of our aluminium smelters, it is vital to increase energy efficiency and reduce emissions of the greenhouse gas PFC. We did not meet our energy efficiency targets in 2007, but the test production of our next generation of electrolytic cells launched in the spring 2008 will – if successful – make an important contribution towards meeting our long-term targets. We are exploring the possibility of separating CO₂-rich off-gas from the reduction process. When commercially available, this may provide a feed to third-party capturing solutions.

Comprehensive rationalization programs have been executed during 2007 to improve the financial performance of this business and align the cost structure with lower market demand.

Underlying EBIT

[NOK million]	2007	2006
Rolled Products	562	520
Extrusion	852	818
Automotive	(67)	(51)
Other and eliminations	6	8
Total	1,353	1,294

External revenue 2007: NOK 51,166 million

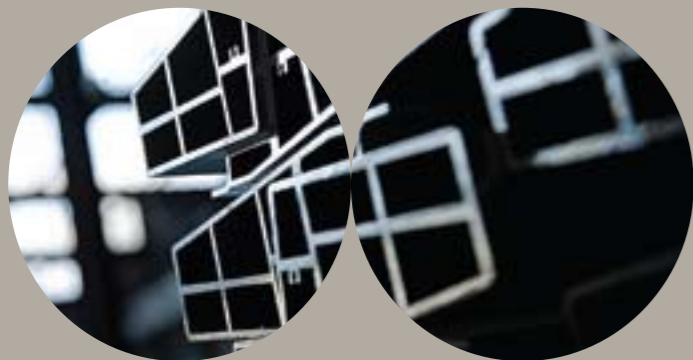


HIGHLIGHT

The underlying performance of our rolled products business improved during 2007 and our European extrusion and building systems operations delivered another strong performance during the year.

1,655

Sales volume to external market
1,000 tonnes



Aluminium Products

Hydro is an industry leader for a range of downstream aluminium products and markets, in particular the building, packaging and lithographic market sectors. We are a high quality, value-added supplier of aluminium products and solutions, with strong positions in markets that provide opportunities for good financial returns. Our ambition is to be recognized as the world's best aluminium solutions company by being an agile and innovative technology leader working in partnership with our customers to drive our business and the aluminium industry forward. We are currently working to further improve the financial performance of our downstream operations combined with selective growth within targeted segments.

We generated revenues of approximately NOK 51.4 billion from the sale of aluminium products during 2007, employing around 16,000 employees in 31 countries. Our operations are primarily located in Europe, where we generated approximately 80 percent of our total operating revenues in 2007. About 10 percent of our total operating revenues were generated from North America in 2007.

Our extrusion operations consist mainly of general soft alloy extruded products and building systems for facades, wall partitions, doors and windows. About 70 percent of our total extrusion revenues in 2007 came from our general extrusion businesses and 30 percent came from building systems. Through our global network of extrusion plants we serve local customers with customized profiles and building systems. In 2007, we shipped 508,000 tonnes of extruded products from our network of extrusion plants.

We are the second largest supplier in the European rolling industry in terms of market share and hold leading positions within high value-added rolled products segments such as lithographic (printing) plates and aseptic foil. In 2007, we shipped just above one million tonnes of rolled products from our seven European plants and our Malaysian plant.

We are a global leader in precision tubing with production in all major regions and supply solutions for automotive heat exchange applications. We are one of the leading suppliers of extruded aluminium automotive

structural components to original equipment manufacturers (OEMs) in Europe and North America. Our automotive business shipped around 117,000 tonnes during 2007.

2007 results

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

Our automotive castings business was sold in 2007 as part of the ongoing strategy to restructure our aluminium processing activities. We also withdrew from the magnesium business with the closure of our Becancour plant in Canada and the divestment of our magnesium casthouses. Following a difficult market situation in the US, our Extrusion organization has been subject to significant restructuring measures. The total head count has been reduced by over 25 percent. The processes were conducted in cooperation with the employees and their representatives, as well as the local communities affected.

Through the energy business, Hydro operates Norway's second largest portfolio of hydroelectric power facilities. We also aim to further develop solar energy as a strategic focus area. Another critical mission is to secure competitive, long-term power supply to enable continued growth in our aluminium business.

Underlying EBIT

[NOK million]	2007	2006
Energy	1,184	1,464

Nordic system power price



HIGHLIGHT

Power production in 2007 was the second highest year recorded historically and more than 20 percent higher than normal.

11.0 TWh

Power production in 2007

Energy

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

Hydro operates 17 hydroelectric power plants in Norway with a normal annual production of approximately 9.0 TWh. Our annual hydropower production can vary by +/- 20 percent depending on variations in hydrological conditions. Our most important production facilities are located in Telemark, Rørdal-Suldal and Sogn. In addition to owned generation capacity, our power portfolio in Norway includes around 7 TWh purchased annually under long-term contracts, mainly with the Norwegian state-owned company, Statkraft. Our portfolio provides long-term power at predictable prices for our industrial operations in Norway.

In addition to sourcing power for our aluminium operations, Hydro's Energy business also provides an average of about 2 TWh of power externally, primarily related to concession power obligations and to contracts with our former fertilizer business, Yara International ASA. We balance our portfolio in the spot market at the NordPool power exchange.

Hydro invested approximately NOK 300 million in partnership shareholdings in the solar energy business. Our investments include a 22 percent ownership interest in US-based Ascent Solar Technologies Inc., which has an advanced position in thin film technology. We also hold a 16 percent interest in NorSun AS, which is constructing an ingot pulling and wafering plant in Årdal, Norway, as well as a 49 percent interest in HyCore ANS, a partnership with Umicore SA of Belgium, for development of new cost-efficient solar-grade polysilicon manufacturing processes.

2007 results

Underlying EBIT for our Energy business amounted to NOK 1,184 million in 2007, down from NOK 1,464 million in 2006.

The decrease resulted from higher development costs relating to our solar partnership companies, somewhat higher operating costs and lower prices realised on net spot sales, which more than offsets the positive effects of higher hydropower production. Hydro's power production in Norway amounted to 11.0 TWh in 2007, up 32 percent from the 8.3 TWh in 2006. Power production in 2007 was the second highest year recorded historically and more than 20 percent higher than normal.



Hydro's reporting 2007

Information type	2007 – in brief	Financial Statements & Board of Directors Report – 2007	Annual Report – 2007	Internet
Overview	●		●	●
Financial depth/analysis		●	●	●
Viability reporting			●	●
Corporate information			●	●
Interactive report				●



2007 – in brief



Financial Statements & Board of Directors Report – 2007



Annual Report – 2007



Internet



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Design and production: Creuna **Photo:** Dag Thorenfeldt, Kimm Saatvedt, Tony Hall, Helge Hansen, Thomas Mølvig and Hydro **Print:** Kampen Grafisk
This publication is printed on FSC-certified paper. The printer holds a Nordic Swan certificate.



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