



HYDRO

Annual Report
2014



Better Bigger Greener

Key figures

Amounts in NOK million unless other unit indicated	2014	2013
Revenue	77 907	64 877
<i>Underlying EBIT: ^a</i>		
Bauxite & Alumina	(55)	(1 057)
Primary Metal	3 937	1 422
Metal Markets	634	594
Rolled Products	698	615
Energy	1 197	1 653
Other and eliminations	(717)	(502)
Total	5 692	2 725
Net Income	1 228	(839)
Underlying return on average capital employed (RoACE), percent	5.2 %	2.3 %
Investments ^b	3 625	3 761
Total assets	126 273	116 324
Share price year-end, NOK	42.44	27.07
Dividend per share, NOK	1.00	0.75
Number of employees, year-end ^c	12 922	12 564
Recordable injuries, per million hours worked	3.2	3.4
Greenhouse gas emissions, million tonnes CO ₂ e ^d	7.3	6.9

Highlights



WELL POSITIONED

Several years of significant operational and commercial improvements implemented throughout the value chain have strengthened Hydro's ability to create value in an environment of stronger market fundamentals. Dedicated programs in Hydro's core business areas have generated significant savings and enhanced revenues. The global aluminium market has improved with higher all-in metal prices, and a better demand and supply balance for primary aluminium in the world outside China. Considerable weakening of the Norwegian kroner and Brazilian real against the US dollar, both major cost currencies for Hydro's operations, has strengthened the company's competitive position.

CREATING VALUE BY BECOMING BETTER, BIGGER, GREENER

A resource-rich, global aluminium company, Hydro intends to continue to drive the performance and profitability of its operations while securing safe, sustainable business practices. Hydro will continue to drive improvement, focusing on all aspects within the company's control, including health, safety, environment and compliance, operational excellence, commercial expertise and customer satisfaction. Selective, profitable growth opportunities will be pursued including highgrading the products portfolio and maturing attractive growth projects when the time is right. Hydro aims to reduce its environmental footprint and enhance its social contribution through targeted initiatives within a range of areas.

^a

Underlying EBIT

Underlying EBIT more than doubled to NOK 5,692 million compared with NOK 2,725 million in 2013, influenced by a significant increase in all-in metal prices together with the strengthening US dollar compared to the NOK and BRL.

^b

Investments

During 2014, Hydro continued to focus on maintaining a solid financial position and capital discipline. Investments in the year were mainly related to maintenance activities to safeguard our production assets.

^c

Number of employees

The number of employees increased in 2014 mainly as a result of the acquisition of Rio Tinto Alcan's share of Soral in Norway (now Hydro Husnes) and transfer of contractor employees to permanent employees in Bauxite & Alumina.

^d

Greenhouse gas emissions

Greenhouse gas emissions from Hydro's current consolidated activities increased by 6 percent in 2014, mainly as a result of increased production in Bauxite & Alumina. Total emissions from our ownership equity – including indirect emissions from electricity generation – increased by 4 percent.

Annual Report — 2014

HYDRO'S REPORTING 2014

The enclosed Board of Directors' report, together with the Financial Statements and accompanying notes fulfills Hydro's Norwegian statutory requirements for annual reporting. The remainder of the Annual Report includes additional information about Hydro's business, viability performance, financial and operating performance, risk, shareholder information and corporate governance.

The "Annual report - 2014" is available in PDF-format on our website www.hydro.com/reporting2014 in English. The "Board of Directors' report and Financial Statements - 2014" is also available in PDF-format as a separate document in both English and Norwegian. All parts of the reports can be downloaded and printed in PDF-format, together with additional, supplementary information. Paper copies of the reports can also be ordered on our website.

SIGNIFICANT INCREASE IN OPERATING RESULTS

Higher all-in metal prices, increased alumina prices and volumes, and a stronger US dollar contribute to strong operating results

Underlying EBIT more than doubled in 2014 amounting to NOK 5,692 million compared with NOK 2,725 million in the previous year influenced by a significant increase in all-in metal prices together with the strengthening U.S. dollar compared to the NOK and BRL. Higher realized alumina prices, higher alumina sales volumes and lower operating costs for Bauxite & Alumina also made a significant contribution to underlying results for the year.

Bauxite and alumina production increased to 5.9 million metric tonnes (mt) and 9.5 million mt respectively due to stable production following operational setback at Alunorte in the previous year. Primary aluminium production was about 2.0 million mt and we delivered 3.3 million mt of casthouse products to internal and external customers. Downstream, we shipped roughly 946 thousand mt of rolled products to the market. Our energy business produced around 10.2 TWh of hydroelectric power. Hydro's share of Sapa sales volumes were about 700 thousand mt. around 10.2 TWh of hydroelectric power.

BOARD OF DIRECTORS' REPORT p.10

Hydro's Board of Directors' report including key developments.

01: BUSINESS DESCRIPTION p.27

Detailed strategy and operating information is provided for each of Hydro's business areas including an overview of industry developments. Key regulatory and taxation information is also included.

02: VIABILITY PERFORMANCE p.63

The Hydro Way forms the basis for our viability reporting. The first part describes our policy, strategy and main results. The viability performance statements include reporting principles and quantitative information, while the country by country report is prepared to fulfill Norwegian legal requirements to extractive industries.

03: FINANCIAL AND OPERATING PERFORMANCE p.119

Financial and operating results are discussed per business area as well as financial income/expense and income tax for Hydro. Information on items excluded from underlying EBIT is provided as well as disclosures covering liquidity and capital resources and return on capital.

04: RISK REVIEW p.139

Hydro's risks and mitigating actions are described including financial and commercial risks, operational risks, strategic risks, compliance risks and market risks.

05: SHAREHOLDER INFORMATION p.147

Shareholder information includes share price development, dividend policy, funding and credit rating policy, the Annual General Meeting and the financial calendar for 2015

06: CORPORATE GOVERNANCE p.153

Hydro's corporate governance practice is described in relation to regulatory compliance, corporate directives and code of conduct and our governance bodies.

07: FINANCIAL STATEMENTS p.F1

Hydro's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) are provided, together with the financial statements for the parent company Norsk Hydro ASA prepared in accordance with Norwegian accounting principles.

08: APPENDIX p.A1

Terms and definitions

Our Business

Hydro is a resource rich, fully integrated aluminium company with operations in all major activities along the aluminium industry's value chain. Our operations include one of the world's largest bauxite mines and the world's largest alumina refinery, both located in Brazil. We have primary metal production facilities in Europe, Canada, Australia, Brazil and Qatar. We are a leading worldwide supplier of value-added casthouse products, such as extrusion ingots, sheet ingots and foundry alloys. In 2014, we delivered about 3.3 million metric tons of products to internal and external customers, mainly from casthouses integrated with our primary smelters and from an extensive network of specialized remelt facilities close to customers in Europe and the U.S.

We are an industry leader as a supplier to a range of downstream markets, in particular the packaging, lithographic, building, automotive and transport sectors. We deliver high-quality, energy-saving aluminium products and solutions, and have strong positions in markets that provide opportunities for good financial returns. Through the Sapa joint venture transaction we have transformed our extrusion operations and generated substantial synergies.

With more than 100 years of experience in hydropower, Hydro is the second-largest operator of power production in Norway. We have substantial, self-generated power capacity to support our production of primary metal, and are engaged in a number of initiatives to secure competitive power supplies for our aluminium operations.

The Hydro Way

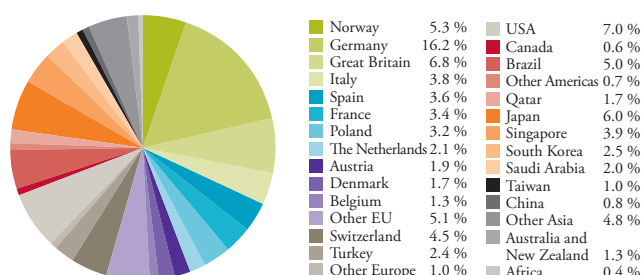
The Hydro Way is our approach to business, an approach that has existed within our company from the beginning and that has underpinned our success over the years. The Hydro Way defines our identity - our distinct set of characteristics - and constitutes a unique way of doing things that differentiates us from other companies. It also describes how we run our business in terms of our mission, values, talents, operating model and strategic direction.

Employees

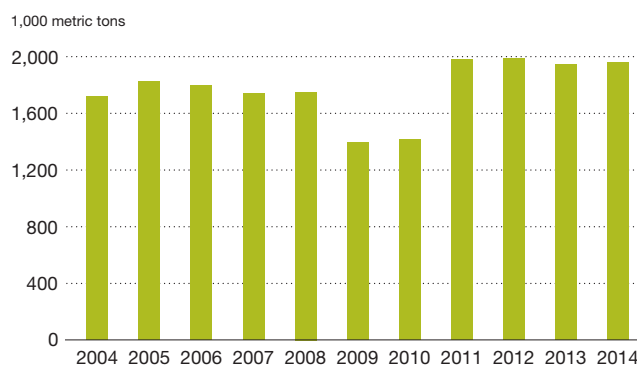
Hydro's organization is made up of about 13,000 employees involved in activities in 50 countries. These employees represent great diversity, in terms of competence, gender, age and cultural background. We see this diversity as a significant resource, not least to encourage innovation. To be able to pull together as a team we depend on an efficient organization with common values and goals. Good leadership, proper organizational structure and the right tools are all essential if we are to achieve this. This includes attracting - and retaining - the right employees.

Geographical distribution of operating revenues

NOK million 77,907



Primary aluminium production



Key Developments

Underlying EBIT more than doubled in 2014 amounting to NOK 5,692 million compared with NOK 2,725 million in the previous year influenced by a significant increase in all-in metal prices together with the strengthening U.S. dollar compared to the NOK and BRL. Higher realized alumina prices, higher alumina sales volumes and lower operating costs for Bauxite & Alumina also made a significant contribution to underlying results for the year.

Several years of significant operational and commercial improvements implemented throughout the value chain have strengthened Hydro's ability to create value in an environment of stronger market fundamentals. Dedicated programs in Hydro's core business areas have generated roughly NOK 3.7 billion in annual improvements by the end of 2014. Additional savings of 1.5 billion relating to these programs are expected to be realized by the end of 2016.

Following several years of challenging market conditions, the global aluminium market has improved with higher all-in metal prices, and a better demand and supply balance for primary aluminium with a market deficit of around one million mt in the world outside China. Considerable weakening of the Norwegian kroner and Brazilian real against the US dollar, both major cost currencies for Hydro's operations, has strengthened the company's competitive position. However, significant uncertainty continues surrounding general economic developments in Europe in particular, together with the risk of increasing exports of fabricated and semi-finished products from China.

Hydro met its most important target of no fatal accidents in 2014, and the number of serious accidents was at historically low levels. Hydro's safety performance is among the best in

the industry and we reduced our TRI rate (total recordable injuries per million hours worked) by six percent in 2014, however, we did not meet our target for the year.

Strategic Direction

A resource-rich, global aluminium company, Hydro intends to continue to drive the performance and profitability of its operations while securing safe, sustainable business practices.

Hydro will continue to lift alumina production in Alunorte towards name-plate capacity together with achieving the NOK 1 billion improvement target by the end of 2015. Hydro is committed to sustain realized improvements and to identify further savings for Primary Metal's global portfolio of fully-owned smelters. Optimizing margins by focusing on high premium products will continue to be high on the agenda for Hydro's Metal Markets operations. Hydro intends to improve margins through high-grading its Rolled Products portfolio and differentiation through innovation, quality and reliability.

Hydro is engaged in a systematic dialogue with local, state and federal politicians, industry associations, nongovernmental organizations and local communities regarding the regulatory challenges facing its operations in Brazil underlying the need for competitive and predictable framework conditions for Hydro's operations.

Hydro is intensifying its efforts to improve its TRI rate for 2015. Continued strengthening of the company's compliance activities is also an important objective for 2015. Implementation of Hydro's people strategy will continue in 2015 with an emphasis on people performance and development processes together with on-going focus on strategic workforce planning.

Aluminium market price increasing through 2014

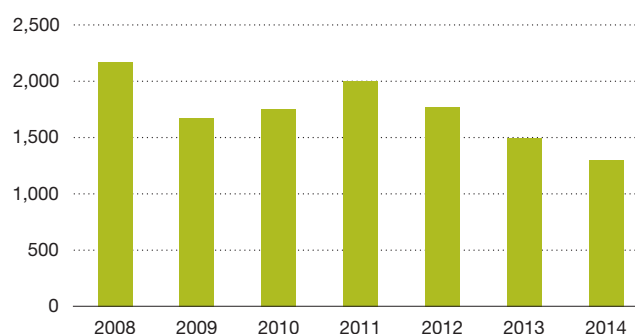
LME 3-month in USD/tonne (weekly average prices)



Source: Ecowin

Implied primary aluminium cost

In USD/metric tons



Becoming Better, Bigger and Greener

After challenging years, the fundamentals in the aluminium market show some improvement - and our ambitious improvement strategy yields significant results turning Hydro into a strong player well positioned for a better, bigger and greener future.

It is a healthy development that aluminium demand exceeds production and has started eating into the large inventories in the world outside China. It was very satisfying that higher all-in metal prices and lower costs enabled Hydro to report its best ever quarterly result in 4th quarter of 2014 since becoming a pure play aluminium company in 2007, with record contributions from Primary Metal and Bauxite & Alumina.

Better

The lowered cost of producing a ton of aluminium is not simply a result of shortsighted “cost-cutting”, but a lasting result of systematic and determined improvement programs. As earnings outlook has improved, now is the time to prove the strength of our improvement culture: Stepping-up when you have to is one thing, but true culture is reflected through advancements also when not driven by external distress.

3.7 billion NOK of annual improvements has so far been achieved in the combined improvement programs since 2009. 1.5 BNOK is yet to be realized within the next two years, and we are committed to deliver.

The proposal of the Board of Directors to raise dividend from 0.75 to 1.00 NOK per share reflects our operational performance for 2014, a strong financial position and improved earnings outlook for 2015 – and is in line with our commitment to return cash to shareholders.

Bigger

Improvements will be supplemented with selective growth and portfolio high-grading measures as well as further technological advancements aiming to establish Hydro as a leading industry player, and maturing some of the most competitive projects in the world when the time is right. Demand for aluminium is the fastest growing of any metal in the world. Low weight, strength and recyclability make it the material of choice to respond to the global challenge of sustainable economic growth.

The world is expected to need 35 percent more aluminium in 2020 than in 2014. We want to develop as a company to

meet this customer demand. When doing so, we see it as our responsibility, and our unique opportunity, to minimize our direct impact on the environment and at the same time maximize the benefits of aluminium in use.

Greener

Our mission of “creating a more viable society by developing natural resources and products in innovative and efficient ways”, is directly translated into developing advanced technological processes, products and solutions not all can master, to the benefit of all.

For us in Hydro, aluminium is not merely a commodity. Aluminium is where natural resources come together with our intellectual capabilities. Building on the inherent properties of aluminium, we add know-how and technological edge in order to find solutions to the major challenges of our time – like saving energy and reducing greenhouse gas emissions.

Carbon neutral by 2020

Our strategic choice of being the world’s first metal and mining company to become carbon neutral from a lifecycle perspective is not only an attempt to reap the benefits of the current light-weighting trend driven by tightening emission standards, but a strategy to make aluminium a part of the long term solution to climate change.

Our innovative solutions are aiming to improve fuel efficiency through lighter vehicles, enable zero-energy buildings and develop light-weight, resource-efficient packaging that preserves food and demands less energy for transport.

Already today we serve the largest and most important car producers in Europe, some of the most demanding industrial customers in the world, in their efforts to make lighter cars that consume less fuel and emit less CO₂. Intimate knowledge of aluminium properties at the atomic level allow us to develop tailor made solutions with and for the customers, turning expertise through the entire value chain into optimal solutions to the end user.

The close link between advanced aluminium solutions and earning a higher return on our metal, imply a win-win situation for Hydro and the society.

“Green is the new Black”

Since the launch of our climate strategy in 2013, we have made several commercially motivated decisions that are also in line with this strategy:

- The increased production at Sunndal and the integration of Husnes bring our share of metal produced on clean hydropower to over 70 percent
- Increasing our own production of hydropower, we have now reached 10 TWh annually
- Investment in a new automotive sheet line in Germany, raising our production capacity for aluminium car body sheets to 200,000 tonnes a year, and the implementation of new casting technology in Norway, enable us to meet the demands of the automotive industry.
- Our new recycling line for cans at the Neuss plant in Germany will more than double its annual recycling capacity from 50,000 tonnes to more than 100,000 tonnes
- Enova, a public enterprise funding new energy and climate-related technology development, supports our plans to pilot the world's most energy-efficient primary aluminium technology at Karmøy, Norway in 2017.

To strive for Greener is not an alternative to a black bottom line, on the contrary it goes perfectly hand in hand. In aluminium I may argue that Green is the new Black.

Responsibility is not a cost, it saves cost

In the same way I see a clear business case in behaving responsibly. Hydro has signed on to the UN Global

Compact, participates in the World Business Council for Sustainable Development and the International Council on Mining and Metals (ICMM), and was included on the Dow Jones Sustainability Indices and FTSE4Good list for 2014.

Safe operations remain Hydro's first priority, and I am encouraged by the improvement last year; no fatalities, fewer major accidents and 27 percent less high risk incidents than in 2013. We recorded a lower total recordable injury rate for both own employees and contractors, with a TRI of 3.2. To improve our safety efforts, we continue to improve our ability to identify hazards before they occur.

One safety milestone at Alunorte, the world's largest alumina refinery, celebrating 365 days without lost time injuries among own employees, illustrates that zero is possible.

Positioning for a new 100 years

Our current willingness to invest again – selectively – not only reflects the relief of an improving market, but even more our determination to position Hydro to capture the market opportunities of tomorrow. Several challenges of our time can be solved with clever use of aluminium.

In 2015 we will celebrate Hydro Høyanger aluminium plant's 100th anniversary – and mark the beginning of the next hundred years of turning pure, renewable hydropower into energy in solid state, in the form of aluminium.

I am confident that our 13,000 people strong Hydro organization has the competence and experience – the commercial instinct, the drive to optimize, the curiosity to innovate and the passion to make a difference – to make Hydro as important in the aluminium industry as I believe aluminium is important to the world and society.

“Greener is not an alternative to a black bottom line. In aluminium I may argue that Green is the new Black.”

Svein R. Brandtzaeg

Svein Richard Brandtzaeg
President & CEO



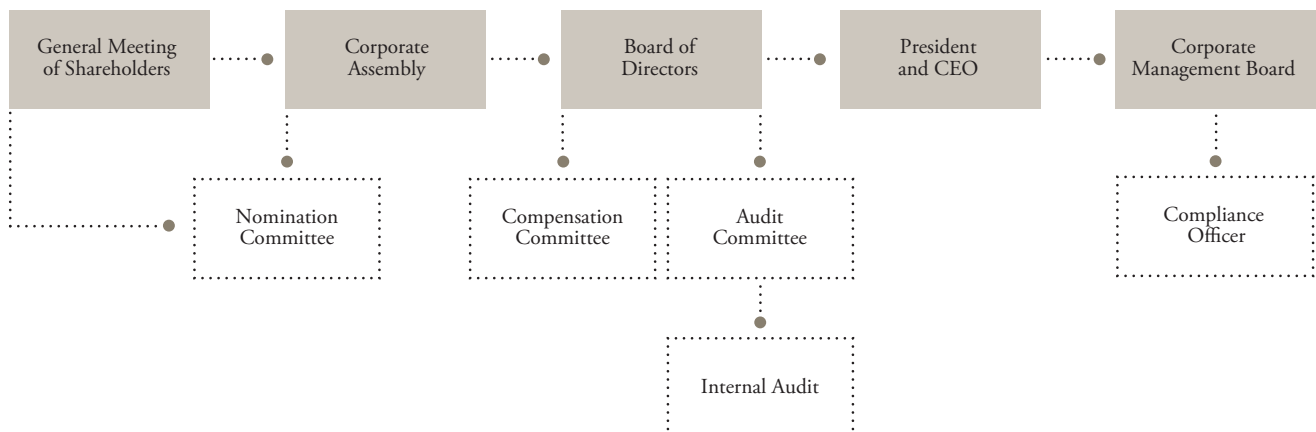
Board and Management

Board of Directors



From left to right: Pedro José Rodrigues, Irene Rummelhoff, Dag Mejdell, Finn Jebsen, Ove Ellefsen, Inge K. Hansen, Billy Fredagsvik, Sten Roar Martinsen.
In the front, Eva Persson and Liv Monica Bargem Stubholt.

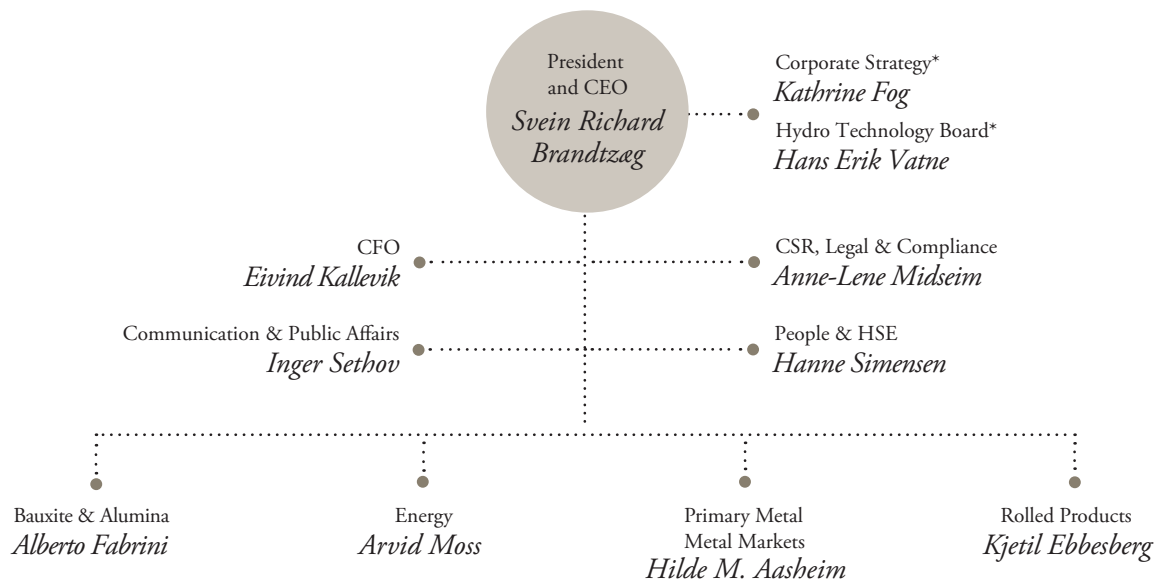
Governance bodies in Hydro



Corporate Management Board



From left to right: Inger Sethov, Anne-Lene Midseim, Hanne Simensen, Arvid Moss, Alberto Fabrini, Svein Richard Brandtzæg, Eivind Kallevik, Hilde Merete Aasheim, Kjetil Ebbesberg.



* Staff positions reporting directly to CEO

Key developments and strategic direction

Strong position in an environment of improved market conditions

Several years of significant operational and commercial improvements implemented throughout the value chain have strengthened Hydro's ability to create value in an environment of improving market fundamentals.

Bauxite & Alumina's From B to A improvement program is back on track, reaching about NOK 700 million of annual improvements in 2014. Recovering from operational setbacks at Alunorte in the previous year, bauxite production at Paragominas reached 10.2 million mt (annualized) in the fourth quarter of 2014, and Hydro continued to lift alumina production at Alunorte towards name-plate capacity of 6.3 million mt per year. In 2013, Primary Metal launched new initiatives targeting savings of USD 180 per mt for its global portfolio of part-owned smelters and further savings for its fully-owned smelters on top of the USD 300 per mt achieved at the end of 2013. These programs had generated roughly NOK 2.3 billion in annual improvements by the end of 2014. Rolled Products' Climb program has contributed around NOK 600 million, while continued focus on operational and commercial improvements have strengthened Hydro's Energy business. Since 2009, the programs discussed above have generated increasing improvements, reaching around NOK 3.7 billion annually by the end of 2014 including cost savings related to our headquarter operations. Additional savings of 1.5 billion relating to these programs are expected to be realized by the end of 2016.¹⁾ In addition, NOK 1 billion (Hydro's share NOK 500 million) of restructuring improvements and synergies have been targeted for the Sapa joint venture by the end of 2016. The program is ahead of plan, with about half of the expected savings reflected in underlying results for 2014.

Securing long-term competitive power sourcing has been of critical importance to sustain the viability of Hydro's smelter portfolio in Norway. In 2014, Hydro entered into long-term power agreements for the annual supply of energy totaling 2.7 TWh to its Norwegian smelters over a 10 year period from 2021 onwards.

Following several years of challenging market conditions, the global aluminium market has improved with higher all-in metal prices²⁾ due to a better demand and supply balance for primary aluminium with a market deficit of around one

million mt in the world outside China. Considerable weakening of the Norwegian kroner and Brazilian real against the US dollar, both major cost currencies for Hydro's operations, has strengthened the company's competitive position. However, significant uncertainty continues surrounding general economic developments in Europe in particular.

In China, the aluminium market was oversupplied in 2014 resulting in a market surplus of one million mt. An oversupply in China combined with high metal price differentials could increase the export of fabricated and semi-finished products and result in further export of primary metal.

Creating value by becoming better, bigger and greener

Hydro is committed to a proactive, strategic business approach aimed at strengthening the company's ability to add value. Hydro will continue to drive improvement, focusing on all aspects within the company's control, including health, safety, environment and compliance, operational excellence, commercial expertise and customer satisfaction. Tight capital discipline will remain a top priority together with maintaining the company's robust financial position.

Selective, profitable growth opportunities will be pursued to improve Hydro's relative industry position, including high-grading the products portfolio and maturing attractive growth projects, mainly depending on developments in the balance between industry production capacity and market demand.

Hydro believes that sustainable business practices improve the company's ability to create shareholder value while making a positive difference wherever it operates. Hydro aims to reduce its environmental footprint and has the goal to become carbon-neutral by 2020. The company also intends to enhance its social contribution through targeted initiatives within a range of areas, including biodiversity, recycling and water management, stakeholder engagement and promoting CSR in its supply chain.

Operating performance

Underlying EBIT more than doubled in 2014 amounting to NOK 5,692 million compared with NOK 2,725 million in the previous year influenced by a significant increase in all-in metal prices together with the strengthening US dollar compared to the NOK and BRL. Higher realized alumina

1) Calculated on a real basis with 2014 as a reference year.

2) The all-in price refers to the LME aluminium price plus premiums

Amounts relating to annual improvements achieved by the end of 2014 are based on a comparison to cost and revenue levels in 2011 except for the USD 300 per mt program which is compared to 2009.

prices, higher alumina sales volumes and lower operating costs for Bauxite & Alumina also made a significant contribution to underlying results for the year.

Hydro met its most important target of no fatal accidents in 2014, and the number of serious accidents was at historically low levels. Hydro's safety performance is among the best in the industry. In 2014, we reduced our TRI rate (total recordable injuries per million hours worked) by six percent, down to 3.19, however, we did not meet our target for the year.

Priorities for 2015

A resource-rich, global aluminium company, Hydro intends to continue to lift the performance and profitability of its operations while securing safe, sustainable business practices. Priorities in 2015 include:

- Strengthening performance within health, safety, security and environment (HSE), compliance and corporate social responsibility (CSR)
- Enhancing workforce performance and engagement
- Delivering on targeted cost reduction and improvement programs and identifying further potential
- Pursuing recycling opportunities to improve earnings and reduce environmental impact
- Further developing high-margin growth segments through innovative and differentiated products
- Maximizing energy asset potential and continuing long-term sourcing efforts
- Advancing the company's leading position in technology development and innovation
- Maintaining capital discipline and strong financial position
- Continue our proactive approach to regulatory challenges including ICMS taxation by systematic dialogue with key stakeholders in Brazil

Hydro is intensifying its efforts to improve its TRI rate for 2015 based on leadership, employee involvement and defined risk mitigating activities. Continued strengthening of the company's compliance activities is also an important objective for 2015, including allocating additional resources, further awareness training and stronger emphasis on integrity risk management in the supply chain.

Implementation of Hydro's people strategy will continue in 2015 with an emphasis on people performance and development processes such as My Way and Hydro Monitor. Hydro will continue its focus on strategic workforce planning in order to secure future requirements for managers and technical specialists and meet Hydro's diversity aspirations.

Hydro will continue to lift alumina production in Alunorte towards name-plate capacity of 6.3 million mt per year together with achieving the NOK 1 billion improvement target by the end of 2015. During the coming year Hydro will maintain momentum and continue to concentrate on increased production, higher productivity, lower operating costs and manning, as well as further optimization of the company's sales portfolio. Measures include sourcing arrangements aimed at reducing logistical costs and improving margins. Hydro also intends to continue increasing its share of alumina sales volumes at index pricing as old legacy LME linked contracts gradually expire.

Hydro is committed to sustain realized improvements and to identify further savings beyond the USD 300 improvement program completed in 2013 for Primary Metal's global portfolio of fully-owned smelters. Progress toward achieving savings targeted for Hydro's portfolio of partly-owned smelters of USD 180 per mt is also an important objective in the coming year. The program, which is planned to be completed by the end of 2016, is expected to generate annual improvements of roughly NOK 1.2 billion (Hydro's share) compared to 2011 cost levels.

Product premiums have become an increasingly larger share of total aluminium metal prices and reached record-high levels during 2014. Optimizing margins by focusing on high-premium products will continue to be high on the agenda for Hydro's Metal Markets operations. Implementation of new casting technology at the company's sheet ingot casthouses in Høyanger and Årdal, Norway, will also enable Hydro to target more advanced market segments including customers in the automotive segment.

Recycling is an important element supporting the company's ambition to become carbon-neutral by 2020. Hydro aims to be a leading player in this growing market segment to pursue commercial opportunities and reduce the environmental impact of its operations. Plans include increasing the capability and capacity to use post-consumed and other types of contaminated scrap and to increase sales of recycling friendly alloys. The most important projects currently include a recycling line for used beverage cans at Hydro's smelter in Neuss, Germany, and a plant upgrade in the Clervaux, Luxembourg, remelter.

Hydro intends to improve margins through high-grading its product portfolio and differentiation through innovation, quality and reliability. Based on expected strong demand in the automotive Body-in-White market segment, Rolled Products is investing in a new production line to lift its capacity for aluminium car body sheet fourfold to 200,000 mt per year. Initiatives relating to the Rolled Products' Clim

improvement program will continue with the goal of generating annual revenue and cost improvements of NOK 800 million by 2016 compared to cost levels at the end of 2011.

Capturing the full value potential from Hydro's Norwegian hydropower assets and using its competence to secure competitive energy sourcing for the company's global activities is a key element of Energy's improvement strategy. Operational excellence will continue to be a priority to secure cost-effective, safe and reliable production.

Hydro aims to provide its shareholders with competitive returns compared to alternative investments in peer companies through ongoing cost reductions, product portfolio optimization, efficiency improvements and product innovation. The company will continue to focus on securing its financial position through exercising strong capital discipline while maintaining a sustainable level of capital expenditures to safeguard its operating portfolio. Strong cash generation and preserving Hydro's investment grade credit rating continue to be key priorities.

Hydro is engaged in a systematic dialogue with local, state and federal politicians, industry associations, non-governmental organizations and local communities regarding the regulatory challenges facing its operations in Brazil. The focus of the dialogue is on Hydro's contribution to a sustainable aluminium value chain in the state of Pará and underlines the need for competitive and predictable framework conditions for Hydro's operations.

Well positioned in an industry with attractive potential

Hydro is well positioned with attractive positions throughout the value chain and a highly attractive asset base including high quality bauxite and alumina, captive hydropower, a competitive smelter portfolio, European leadership in rolling operations, strong position in recycling and a world leading extrusion position through its investment in the Sapa joint venture. Following years of depressed earnings and unsatisfactory returns for the industry as a whole, improved market fundamentals together with years of dedicated improvement and restructuring efforts provide the basis for moving toward more sustainable profitability. These factors have strengthened Hydro's position to utilize opportunities as the global economy evolves.

Hydro's drive for technological leadership will continue in order to raise its cost competitiveness, strengthen environmental standards and support long-term growth ambitions. A 75,000 mt pilot plant for full-scale industrial testing of the world's most energy-efficient smelter technology is planned for Hydro's smelter at Karmøy,

Norway. The project is supported by a contribution of NOK 1.5 billion from Enova, a Norwegian public enterprise that supports new energy and climate-related technology. Execution of the project is subject to obtaining a sustainable power solution for the plant.

Hydro has an attractive project portfolio, including the possibility for a new alumina refinery in Barcarena, close to Alunorte, a possible expansion of the Paragominas bauxite mine, the potential of doubling the capacity of the Qatalum smelter and the possibility to expand the part-owned Alouette smelter in Canada. Partnerships and joint ventures across the value chain provide the potential for further developing Hydro's asset portfolio. Investments in these projects are mainly dependent on ongoing developments in the balance between industry production capacity and market demand.

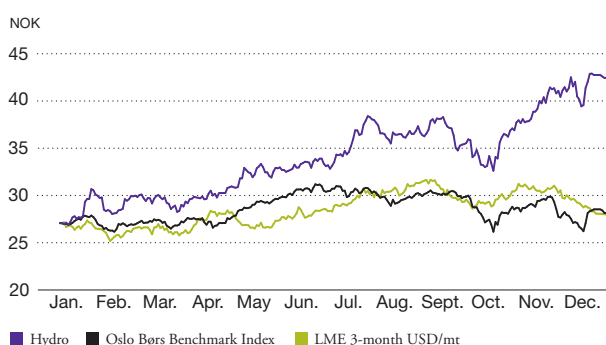
Hydro is committed to maintain the viability of the company's global business operations and is working systematically to ensure stable, predictable framework conditions in the countries where it operates.

Investor information

Hydro's share price closed at NOK 42.44 at the end of 2014.

Hydro's Board of Directors proposes to pay a dividend of NOK 1 per share for 2014 reflecting the company's commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2014, strong financial position and improved earnings outlook for 2015. Hydro's policy is to pay out, on average, 40 percent of net income as ordinary dividend over the cycle to our shareholders. This policy was revised by Hydro's Board of Directors in 2015, from 30 percent to 40 percent of net income over the cycle.

Share price development in 2014



Financial results

Underlying operating results

Key financial information

NOK million, except per share data	Year 2014	Year 2013
Revenue	77 907	64 877
Earnings before financial items and tax (EBIT)	5 674	1 663
Items excluded from underlying EBIT ¹⁾	18	1 063
Underlying EBIT	5 692	2 725
<i>Underlying EBIT :</i>		
Bauxite & Alumina	(55)	(1 057)
Primary Metal	3 937	1 422
Metal Markets	634	594
Rolled Products	698	615
Energy	1 197	1 653
Other and eliminations ²⁾	(717)	(502)
Underlying EBIT	5 692	2 725
Underlying EBITDA	10 299	7 306
Underlying income (loss) from discontinued operations ²⁾	-	220
Net income (loss)	1 228	(839)
Underlying net income (loss)	3 728	1 610
Earnings per share ³⁾	0.39	(0.45)
Underlying earnings per share ³⁾	1.55	0.65
<i>Financial data:</i>		
Investments ⁴⁾	3 625	3 761
Adjusted net interest-bearing debt ⁵⁾	(13 587)	(10 128)

Key Operational information ⁶⁾

	Year 2014	Year 2013	% change prior year
Bauxite production (kmt)	9 481	7 567	25 %
Alumina production (kmt)	5 933	5 377	10 %
Primary aluminium production (kmt)	1 958	1 944	1 %
Realized aluminium price LME (USD/mt)	1 850	1 902	(3) %
Realized aluminium price LME (NOK/mt) ⁷⁾	11 624	11 160	4 %
Realized NOK/USD exchange rate ⁷⁾	6.28	5.87	7 %
Metal products sales, total Hydro (kmt) ⁸⁾	3 305	3 164	4 %
Rolled Products sales volumes to external market (kmt)	946	941	-
Power production (GWh)	10 206	10 243	-

1) See description of Items excluded from underlying EBIT and net income below for more information on these items.

2) Other and eliminations includes Hydro's 50 percent share of underlying net income from Sapa beginning September 2013. Underlying income (loss) from discontinued operations includes results from Hydro's Extruded Products business for all prior periods.

3) Earnings per share and Underlying earnings per share are calculated using Net income and Underlying net income attributable to Hydro shareholders, and using the weighted average number of ordinary shares outstanding. There were no significant diluting elements.

4) Investments exclude amounts relating to Extruded Products for all periods presented. Investments for the full year 2013 include non-cash elements relating to capitalized lease obligations and the Vigeland acquisition. In 2014 investments included about NOK 200 million in non-cash elements.

5) See note 39 Capital Management in Hydro's Financial statements - 2014 for a discussion of the definition of adjusted interest bearing debt.

6) Amounts include Hydro's proportionate share of production in equity accounted investments.

7) Including the effect of strategic hedges (hedge accounting applied).

8) Sales from casthouses (incl. Neuss), remelters, third party sources and liquid metal.

To provide a better understanding of Hydro's underlying performance, the following discussion of operating performance excludes certain items from EBIT (earnings before financial items and tax) and net income, such as unrealized gains and losses on derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis.

Bauxite & Alumina underlying EBIT increased significantly in 2014 compared to the previous year influenced by higher realized alumina prices, higher sales volumes and lower operating costs at Alunorte. Positive currency developments on non-hedged exposures in Brazil also contributed to the improved results for the year. Higher fuel oil costs, mainly due to the introduction of ICMS taxes in the first quarter of 2014, resulted in roughly NOK 600 million of additional costs for the year. Bauxite production at Paragominas reached 10.2 million mt (annualized) in the fourth quarter of 2014. Lower maintenance and service costs had a positive effect on cost per mt for Paragominas. Alumina production also improved.

Underlying EBIT for Primary Metal increased significantly for the year 2014 compared to the previous year influenced by higher realized all-in aluminium prices and the strengthening USD against the NOK and BRL. The positive developments were partly offset by higher costs for alumina. Improved results from Qatalum also made a positive contribution to underlying results for the year.

Metal Markets underlying EBIT improved somewhat compared to 2013 due to higher premiums for casthouse product sales and higher results from sourcing and trading activities partly offset by lower net positive currency and ingot inventory valuation effects.

Underlying EBIT for Rolled Products for the full year improved somewhat influenced by higher currency gains on export sales⁹⁾, positive contributions from the Rheinwerk smelter, improved product mix and somewhat lower operating costs. However, positive developments were largely offset by lower margin contributions due to margin pressure and fixed premium sales contracts.

Underlying EBIT for Energy decreased in 2014 due to lower prices and higher area price differences, as well as increased transmission costs.

Underlying EBIT for Sapa increased in 2014 due to stronger North-American demand, improved margins, and positive

effects of improvement programs and restructuring activities in Europe. Underlying results in China remained weak.

Reported results

Reported Earnings before financial items and tax amounted to NOK 5,674 million in 2014 including net unrealized derivative gains and positive metal effects of NOK 729 million in total. Reported earnings also included impairment charges of NOK 207 million, net charges of NOK 512 million in Sapa mainly relating to restructuring activities and impairments of fixed assets in China (Hydro's share NOK 250 million) and other items amounting to a net charge of NOK 28 million.

In the previous year, reported Earnings before financial items and tax amounted to NOK 1,663 million including net unrealized derivative losses and negative metal effects of NOK 598 million in total. Reported earnings also included charges of NOK 471 million relating to rationalization activities within Hydro's head office and Rolled Products, penalties of NOK 109 million relating to the settlement of ICMS tax claims in Brazil and charges of NOK 217 million in Sapa primarily related to rationalization activities. In addition, reported earnings included pension curtailment gains of NOK 390 million relating to the transition to defined contribution plans in Norway and other items amounting to a net charge of NOK 57 million.

Net financial expense amounted to NOK 3,554 million in 2014 compared to NOK 2,576 million in the previous year.

In 2014 income from continuing operations before tax amounted to NOK 2,121 million including net foreign exchange loss of NOK 3,161 million. In the previous year Hydro incurred a loss from continuing operations of NOK 913 million including net foreign exchange loss of NOK 2,246 million. The net currency loss in 2014 and 2013 related mainly to debt denominated in US dollars and intercompany balances denominated in Euro. In 2014, the foreign exchange loss also included unrealized losses on embedded derivatives in power contracts denominated in Euro. Income from discontinued operations, amounted to NOK 189 million in 2013.

Income taxes amounted to a charge of NOK 892 million in 2014, compared with a charge of NOK 115 million in 2013. Income taxes amounted to about 42 percent of income before tax in 2014 reflecting the relatively high share of reported income before tax subject to power sur tax.

Net income amounted to NOK 1,228 million in 2014, compared with a net loss of NOK 839 million in 2013.

9) Rolled Products incurs currency gains and losses on export sales from its Euro based operations mainly denominated in US dollars. These gains and losses impact the value of the margin contribution to underlying EBIT and can be significant. Offsetting gains and losses on internal hedges are reported as financial items

Liquidity, financial position, investments

Hydro manages its liquidity at the corporate level, ensuring sufficient funds to cover group operational requirements.

In 2014, cash provided from continuing operating activities of NOK 5.9 billion was sufficient to cover investments net of sales proceeds of NOK 3.0 billion and dividend payments to majority shareholders of NOK 1.5 billion. Net loan repayments amounted to NOK 1.2 billion.

Net interest bearing debt increased by NOK 0.8 billion compared to the previous year, amounting to net debt of NOK 0.1 billion at the end of 2014. Adjusted net interest bearing debt excluding equity accounted investments increased by NOK 3.5 billion to NOK 13.6 billion at the end of 2014.¹⁾ The increase in adjusted net interest bearing debt excluding equity accounted investments reflected a further increase in net pension liabilities mainly due to reduced discount rates in Norway and Germany. Hydro's adjusted net interest bearing debt to equity ratio was 0.26, well below its targeted maximum ratio of 0.55. Our adjusted funds from operations/adjusted net interest bearing debt ratio was 0.42, slightly above the targeted minimum of 0.40 over the business cycle.

Hydro expects that cash from continuing operations, together with its liquidity holdings and available credit facilities, will be sufficient to cover planned capital expenditures, operational requirements, and financing activities in 2015.

Market developments and outlook

The global alumina market was fairly balanced at the end of 2014. Average spot prices increased slightly from 2013. Average prices as a percentage of LME increased to around 17.5 percent for the year compared with 17.3 percent in 2013. Spot prices at the end 2014 represented 19.1 percent of LME.

Chinese alumina imports amounted to 5.3 million mt, an increase of 38 percent compared with 2013. Bauxite imports into China declined to around 36 million mt, or 49 percent lower compared to 2013 following a significant build up of inventories in anticipation of the announced ban on Indonesian exports.

Three-month LME aluminium prices improved in the first half of 2014 but softened towards the end of the year impacted by falling oil prices that triggered a sell-off of most commodities. At the end of the year, prices were around USD 1,860 per mt compared with USD 1,810 per mt at the

beginning of the year. Global demand for primary aluminium in the world outside China increased around 3 percent compared to 2013. Corresponding production increased only slightly, resulted in demand exceeding production by close to one million mt in 2014. Global demand for primary aluminium is expected to grow 3-4 percent 2015 with a similar corresponding deficit in the world outside China in 2015.

Demand for primary metal in China increased around 13 percent to 27.3 million mt in 2014. Corresponding production increased by around 14 percent, resulting in a surplus of around 1 million mt for the year.

Average North American standard ingot premiums increased to around USD 450 per mt or around 84 percent higher compared to average premiums in 2013. Corresponding standard ingot premiums in Europe increased to about USD 427 per mt or around 57 percent higher. Standard ingot premiums have declined somewhat since the end of the year. This is expected to impact value added premiums going forward. LME stocks were falling throughout the year from 5.6 million mt in the beginning of the year to 4.4 million mt at the end of 2014.

Demand for extrusion ingot, primary foundry alloys and wire rod in Europe has been solid during 2014 and at a higher level compared to 2013. European consumption of sheet ingot ended the year on a higher level than in 2013 but with signs of weakening in the beginning of 2015. Consumption of extrusion ingot has been strong in the US in 2014 while the demand for primary foundry alloys increased moderately. In Asia (excluding China), demand for extrusion ingot and primary foundry alloys increased somewhat, but flattened towards the end of the year.

European market demand for flat rolled products increased by around 3 percent in 2014. Demand was stronger in the first half of the year while customer destocking activities, due to lower than expected end-use demand, had a negative impact on developments towards the end of the year.

Demand for general extruded products was strong in North America compared to 2013 and improved somewhat in Europe. Market conditions for building systems in Europe continued to weaken in general, and the key market of France in particular. Demand for precision tubing strengthened.

Nordic electricity prices were significantly lower in 2014 due to an improved hydrological balance compared to the previous year. In 2014, total power consumption in the

¹⁾ The adjustments are mainly comprised of net unfunded pension obligations after tax and the present value of operating lease obligations.

Nordic market declined by another 5 TWh to 375 TWh. Total power production increased by 7 TWh to 387 TWh. Power production in Norway reached 142 TWh. This was 9 TWh higher than 2013.

A severe drought in Brazil has resulted in a deteriorating hydrological balance. Although the impact in the northern part of the country has been lower, the power supply could be affected due to the integrated transmission system in Brazil.

Risk

Risk management in Hydro is based on the principle that risk evaluation is an integral part of all business activities. Consequently, the business areas have the main responsibility for risk management, utilizing established policies and procedures. Their work is coordinated by staff units at the corporate level. The board of directors regularly reviews and evaluates the overall risk management system and environment within Hydro.

Following several years of weak economic developments and low LME prices, global aluminum markets have improved, with higher all-in metal prices due to a better supply and demand balance. Although these conditions are expected to continue during 2015, economic developments and changes in market demand are uncertain. Hydro's core strategy to reduce the risks related to weak economic and unfavorable market developments is the continual improvement of its business in terms of operational efficiency, cost reductions and enhanced commercial strategies. These efforts help the company partly offset the effects of lower market prices and raw material cost increases. However, Hydro may not succeed in making the cost reductions and improvements necessary on a timely basis, or they may be insufficient to achieve a sustainable level of profitability for Hydro's business operations in the event of an extended period of low aluminium prices, relatively high costs for key raw materials or weak market demand.

Hydro cannot be certain that it will realize the expected benefits from its investments in Brazil. Following real declines in GDP in the first half of 2014, significant challenges continue due to tighter monetary and fiscal policies, weak external demand, low levels of investment and persistent infrastructure bottlenecks. Brazil is currently experiencing one of the worst droughts in its history with a deteriorating hydrological balance and weak hydroelectricity generation. Although the impact in the northern part of the country has been lower, the power supply to our operations could be affected which would have a negative influence on production and deliveries to customers. The tax system in

Brazil is complex and volatile, with a broad range of direct and indirect taxes levied at the federal, state and municipal levels. As a result, there are normally a large number of tax disputes which can take substantial time for resolution. Hydro's main operations in Brazil are located in the state of Pará which grants a deferral of ICMS taxes on certain goods and services. The ICMS deferral law in Pará has a duration until July 2015. A dialogue is ongoing with the Pará authorities to renew the deferral. A discontinuation of the ICMS deferral law would further adversely affect Hydro's operating results from its Brazilian operations.

Hydro's improvement program, from B to A, is a key strategy to reduce the risk the company faces in realizing the benefits expected from its investments in Brazil, together with enhancing a culture of operational excellence through best practice sharing. This includes the implementation of the Bauxite & Alumina Business System (BABS) supported by knowledge and experience gained from the AMPS process in Primary Metal. Hydro will also continue its systematic and constructive dialogue with key stakeholders focusing on the need for competitive, predictable framework conditions in the regions where the company operates in Brazil.

Hydro could be negatively affected by criminal or civil investigations or proceedings related to a variety of issues including product liability, environment, health and safety, alleged anti-competitive or corrupt practices or commercial disputes. Violation of applicable laws and regulations could result in substantial fines or penalties and substantial damage to the company's reputation. Hydro has a comprehensive compliance system, including a Code of Conduct that applies to all employees, and regular and systematic compliance training. The compliance system requires adherence with external laws and regulations as well as internal steering documents and is based on prevention, detection, reporting and responding. Hydro is proactive in its interactions with counterparties and its supplier requirements regarding integrity and compliance form an integral part of our procurement process.

Hydro's business is exposed to competition from China and other emerging or transitioning markets. China imposes duties designed to reduce the export of primary aluminium while also encouraging domestic production of more labor intensive semi-fabricated and finished aluminium products. Chinese production capacity for rolled products has increased despite widespread overcapacity in the Chinese market. These developments expose the company's downstream business to lower-priced exports from China. Exports of semi-fabricated products from China have risen recently, driven by an increasing difference between SHFE (Shanghai Futures Exchange) prices and all-in LME metal prices. This has increased the price advantage of Chinese metal despite

import duties and higher freight costs. An increase in the oversupply of primary metal in China could exacerbate this development and increase the export of fabricated and semi-finished products and result in further export of primary metal.

The majority of Hydro's upstream capacity is located in countries that have experienced strong currencies and/or inflationary pressures such as Norway, Australia, Brazil, Qatar and Canada. Although the company's major cost currencies have weakened substantially recently, unfavorable developments can increase operating costs significantly, and weaken Hydro's competitive position globally. The company's operations, in particular aluminium smelters, are dependent upon large volumes of energy. Hydro's operations could be materially affected by the inability to replace, on competitive terms, long-term energy supply contracts when they expire, or own electricity production, to the extent that concessions revert to the Norwegian state. The company's improvement initiatives are key strategies aimed at maintaining and improving its relative position on the industry cost curve. Hydro is also engaged in a number of initiatives to identify and secure competitive energy supplies for its operations and is actively involved in promoting a sustainable energy policy in the regions where the company operates.

Hydro's operating results are primarily affected by price developments of its main products, aluminium, alumina and power, and of raw materials, in addition to fluctuations in the value of U.S. dollar, Norwegian krone, Euro, and Brazilian Real which are the most significant currencies for Hydro. The company's main risk management strategy for upstream operations is to accept exposure to price movements, while at the same time focusing on reducing the average cost position of its production assets. In certain circumstances, derivatives may be used to hedge certain revenue and cost exposures. To mitigate the U.S. dollar exposure, Hydro's policy is to raise funding in U.S. dollars. To reduce the effects of fluctuations in the U.S. dollar and other exchange rates, Hydro has used foreign currency swaps and forward currency contracts.

Hydro's business is subject to a number of risks and hazards which could result in damage to properties and production facilities, personal injury or death, environmental damages, monetary losses and possible legal liability. Major accidents could result in substantial claims, fines or significant damage to Hydro's reputation. Although Hydro maintains insurance to protect against certain risks in such amounts as it considers reasonable and in accordance with market practice, its insurance may not cover all the potential risks associated with Hydro's operations.

It is important for Hydro to maintain its investment grade credit rating for competitive access to capital and to support

its business relationship with customers, suppliers and other counterparties. The company's credit rating is also an important factor in making Hydro attractive as a joint venture partner for new growth initiatives. Any deterioration of Hydro's financial position or downgrade of its credit rating could increase borrowing costs and have an adverse effect on business relationships and attractiveness for major projects, contracts and other agreements. Hydro has a strong focus on securing its investment grade credit rating by maintaining a strong balance sheet, capital discipline and a continued focus on working capital.

In order to safeguard operations and achieve future growth, Hydro must recruit and retain qualified professionals. Demand for personnel with the range of capabilities and experience required in Hydro's businesses is high. Failure to attract and retaining such employees could result in a decline in the company's competitive position. Hydro strives to create a safe and appealing work environment to attract and retain competent, motivated people. The company aims to develop competence and engagement through its employee development process "My Way" and "Hydro Monitor". Strategic workforce planning to secure future requirements for managers and technical specialists and to meet diversity aspirations is also a priority.

Compliance, controls and procedures

Hydro's Code of Conduct requires adherence with external laws and regulations as well as internal steering documents and is systematically implemented and followed up through our compliance system. The compliance system is based on the four pillars prevention, detection, reporting and responding. In addition to financial compliance, priority areas are HSE, anti-corruption and competition law which are described in the section Society.

Hydro follows the Norwegian Code of Practice on Corporate Governance of October 2014. A detailed description of Hydro's compliance with the code can be found later in this report in the section "Norwegian Code of Practice on Corporate Governance." Information regarding the company's shareholder policy can be found in the section "Shareholder information."

The board's audit committee carries out a control function and arranges for the board to deal with the company's financial reporting.

Research and development

In 2014, research and development costs recognized as an expense amounted to NOK 277 million compared to NOK 216 million in 2013. The increase is mainly due to increased R&D related to preparation for the Karmøy Technology Pilot as well as developing aluminium solutions with improved properties and environmental benefits. The greater part of our R&D expenses goes to our in-house research organization, while the remainder supports work carried out at external institutions. Our main R&D centers are located in Årdal (smelter technology) and Sunndal (alloys and casting) in Norway and Bonn in Germany (Rolled Products). The 50/50 joint venture Sapa has their own research centers. A new research department for Bauxite & Alumina is under establishment at Alunorte in Barcarena, Brazil.

Our technology efforts are concentrated on these three areas:

- Making products that promote the use of aluminium and sustainable development
- Developing the world's best electrolysis technology - the core of the aluminium company
- Using R&D and technology to ensure optimal operations in existing assets

All business areas are responsible for their own technology development and execution of their respective technology strategies. A corporate technology office, reporting directly to Hydro's President and CEO, shall ensure a holistic and long-term approach to Hydro's technology strategy and agenda. The technology office leads an internal R&D network with representatives from the business areas, and supports the corporate management board in developing overall research and technology priorities and strategies.

A major advantage for Hydro from an innovation perspective is the knowledge and control of the complete value chain from bauxite mining, alumina refining, electrolysis of primary aluminium and alloy technology to finished products. Upstream R&D and other innovation efforts are mainly emphasizing technology development and operational efficiency, while in downstream the development of new products and applications - to a large extent in cooperation with our customers - is of utmost importance.

Our aluminium plants in Sunndal, Norway and Qatalum, Qatar utilize our enhanced HAL 300 technology with an energy consumption of 13.5 kWh/kg aluminium. Our next generation technology, HAL4e, has been tested in a limited number of full-scale production cells delivering an energy consumption of 12.5 kWh/kg. A 75,000 metric tons pilot plant with the aim of full-scale industrial testing of this

proprietary technology is planned at Karmøy, Norway supported by a contribution of NOK 1.5 billion from Enova, a Norwegian public enterprise which supports new energy and climate-related technology. Out of the 60 cells in the pilot, 48 cells will be based on a semi-verified technology platform named HAL4e being installed and tested with promising results at the Hydro Reference Center in Årdal, Norway. These cells will be operated with an energy consumption of 12.3 kWh/kg aluminium. In addition 12 test cells under development (HAL4e Ultra cells) will be aimed for the purpose of implementing new technology elements with a lower technology readiness level. These cells are expected to be operated with an energy consumption of 11.5 – 11.8 kWh/kg aluminium.

An important part of Hydro's overall technology strategy is to utilize our researchers and experts in optimizing operations in existing plants. The competence base in Hydro's technology environments is on a very high level and in core areas world-class. In later years we have emphasized utilizing this competence in operational improvements. Examples of such improvements are reduced energy consumption in casting furnaces, new cathode solutions for relining of electrolysis cells, improved blending tools for utilization of recycled materials, reduced emissions from foil annealing furnaces and many improvement projects for quality and productivity.

Society

As a global aluminium company with mining interests and more than 13,000 suppliers, Hydro is at risk of being exposed to corruption and human rights violations. Hydro's approach is zero tolerance, and in the event of violations, our policy is first to correct, then act in a transparent manner, learn and implement corrective actions.

Our compliance system is based on prevention, detection, reporting and responding. Combating corruption and respecting human rights are integral to our supplier requirements. Some of the measures we pursue to ensure integrity and responsible behavior include:

- Ensuring robust compliance environment
- Combating corruption
- Respecting human rights
- Promoting CSR in our supply chain

Hydro maintains a board sanctioned code of conduct that is regularly updated. The code of conduct requires adherence with external laws and regulations as well as internal steering documents and is systematically implemented and followed

up through our compliance system. All employees are required to confirm that they have received, read and understood Hydro's Code of Conduct.

Compliance is a line responsibility in Hydro supported by corporate staffs including Legal, HSE and CSR. A compliance officer coordinates processes and activities throughout the organization. In 2014 it was decided to strengthen the compliance function by adding new compliance managers in Oslo, Brazil and Germany reporting to the Head of Corporate Compliance at Hydro's main office in Norway. The Head of Corporate Compliance reports to the Executive Vice President CSR, Legal and Compliance and meets with the board of directors twice per year.

Compliance is integrated with our business planning and follow-up process including relevant key performance indicators. Corporate responsibility issues are systematically addressed in activities relating to business development, investment programs and project execution. Compliance is addressed in the quarterly performance review meetings each business area has with the CEO, and an annual compliance report is submitted to the board of directors.

Employees are encouraged to discuss concerns and complaints with their superior. If the employee deems this not to be appropriate, he or she may address any of his or her superiors, the local human resources or HSE staffs, a safety representative, the compliance officers or the Corporate Legal Department. If the employee is uncomfortable using any of the above channels for any reason, Hydro's whistle-blower channel, AlertLine, can be used. All employees and contractors have anonymous access in their own language at all times via toll-free phone numbers, Hydro's intranet or the Internet. In certain countries, e.g. Spain and France, there are, however, legal restrictions on such reporting lines. AlertLine is publicized throughout the organization. In 2014, 60 reports were filed through the AlertLine. All were investigated and one case led to formal disciplinary actions.

Every quarter the head of Hydro's internal audit informs the board audit committee and the corporate management about matters reported through the AlertLine. The head of internal audit reports to the company's board of directors through the board audit committee. Hydro's internal audit has resources both in Norway and Brazil.

We recognize that our activities impact the societies in which we operate, and we have a long tradition of conducting a dialog with the relevant parties affected by our activities. These include unions, works councils, customers, suppliers, business partners, local authorities and non-governmental organizations. We have established contact with local authorities and representatives for our neighbors. This

includes dialog with traditional Quilombola groups in Brazil. We have developed a new system for third party grievances for all operations in Brazil, which will work as a pilot for a systematic approach for all of Hydro. The system was implemented in Brazil in 2014, and we will continue to make it better known in 2015.

Since 2012 Hydro has cooperated with the Danish Institute of Human Rights (DIHR). In 2014, the work included further development of our human rights due diligence systems as well as CSR assessment of all of Hydro's Brazilian operations, and evaluation of the third party grievance mechanism in Brazil.

In 2014, Hydro spent NOK 24 million on community investments, charitable donations and sponsorships, of which 45 percent was related to community investments. In 2015, we plan to implement a new system for planning, monitoring and evaluating social projects in Brazil.

Hydro supports the principle of freedom of association and collective bargaining and has a long tradition in maintaining a good dialog with employee organizations. As an employer, owner and purchaser, our most important role related to human rights is to secure decent working conditions in our own organization, in part-owned companies and with our suppliers. This is based on our commitment to ILO's eight core conventions. Hydro's position on freedom of association, child and forced labor is also anchored in its global directives. In addition, we have a corporate agreement with the main unions regarding the European Works Council. Almost all our production sites in Europe and Brazil are unionized. These sites represent 98 percent of Hydro's employees.

Hydro's Integrity Program is based on our code of conduct, and is an important tool to prevent corruption and human rights violations. It was last updated in 2009, and is planned updated again in 2015. Training of relevant employees is systematically performed.

We are committed to the protection of people, environment and physical assets, anticipating and preparing for possibly adverse incidents with crisis potential in order to maintain business and operational continuity.

Hydro's supplier requirements related to corporate responsibility are an integral part of all stages of the procurement process. The requirements cover issues related to environment, human rights, anti-corruption and working conditions, including work environment. Implementation is risk-based and takes into consideration contractual value,

country risk, etc. The principles include auditing rights and the contractors' responsibility toward subcontractors and their suppliers.

During 2014, more than 2,800 potential and existing counter-parties were screened for records relating to corruption, financing terrorists, money-laundering, politically exposed persons and violations relating to sanctions and export. This led to a number of issues which were further investigated. Regular transaction based screening of vendors and suppliers is also carried out.

It is essential for us to avoid the use of child labor and forced labor, both in Hydro's activities and in those of our suppliers and partners. While child and forced labor has very low risk within our own operations, the risk is higher in the supply chain.

Hydro has been included in the Dow Jones Sustainability Indices each year since the index series started in 1999. We are also listed on the corresponding UK index, FTSE4Good, and the UN Global Compact 100 stock index.

We support the principles underlying the Universal Declaration of Human Rights, the UN Global Compact and ILO's eight core conventions. We are a member of the International Council on Mining and Metals (ICMM) and are committed to following their principles and position statements. We use the Global Reporting Initiative's G4 guidelines for voluntary reporting of sustainable development.

Hydro also supports the Extractive Industries Transparency Initiative (EITI) and have reported payments to host governments related to exploration and extraction activities for bauxite since 2005. Starting in 2014, we have extended this reporting to comply with the new Norwegian legal requirements on country by country reporting, see the Viability performance section in Hydro's Annual Report.

Environment

Our climate strategy is an integral part of the overall business strategy, including reducing the environmental impact of our production activities as well as taking advantage of business opportunities by enabling our customers to do the same. Some of the measures we pursue include:

- Using viable energy sources
- Reducing energy consumption and emissions in production

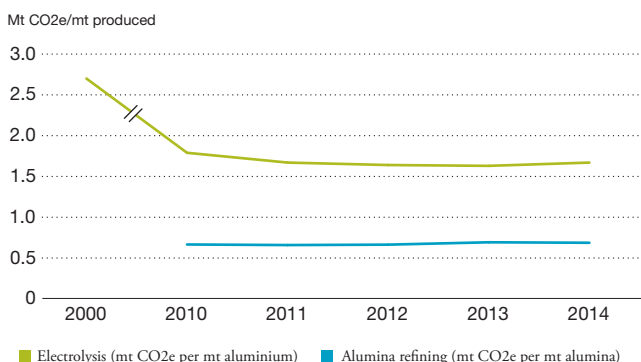
- Reducing CO₂ emissions through the use of our products
- Increasing the recycling of aluminium

The greenhouse gas emissions from Hydro's current consolidated activities increased by 6 percent in 2014. The total emissions from our ownership equity - including indirect emissions from electricity generation - increased by 4 percent. The rise was mainly due to increased production in our Bauxite & Alumina business area.

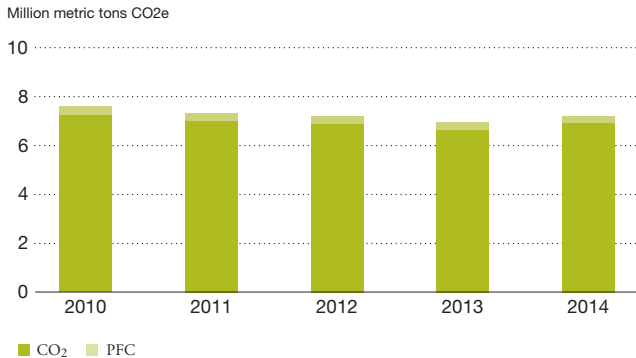
Hydro's long term ambition is to be climate neutral by 2020 through reducing direct and indirect emissions, increasing the share of recycled metal in our production and delivering more aluminium to markets and products which contribute to CO₂ savings. Specific direct emissions from our alumina refinery Alunorte in Brazil was 0.687 metric tons (mt) CO₂ per mt alumina in 2014, slightly down from 0.693 in 2013. The specific emissions from electrolysis increased from 1.59 mt CO₂ equivalents (CO₂e) per mt primary aluminium in 2013 to 1.63. About one third of the increase was caused by changes in the greenhouse gas potential factors of certain gases, while the remaining increase was mostly due to operational issues at the Årdal and Karmøy plants Norway and Albras in Brazil. Our target is to stabilize on 1.61 mt CO₂e per mt primary aluminium in 2015 including Husnes and restarted capacity in Sunndal, both in Norway.

Our ambition is to take a strong position in aluminium recycling. In 2014, we recycled 1.1 million metric tons (mt) of aluminium on a combined basis compared to 1.2 million mt in 2013. Of this amount, 111,000 mt was post-consumer scrap, compared with 151,000 mt in 2013. Total volumes in 2013 included volumes recycled in Extruded Products up until end of August. From September 1 Extruded Products became part of the new SAPA joint-venture with Orkla. To further increase our recycling capacity, we have started construction of a used beverage can line in Rheinwerk in Neuss, Germany and increased recycling capacity in Clervaux, Luxembourg.

Specific CO₂ emissions – alumina and aluminium production



Direct greenhouse gas emissions from Hydro's consolidated activities



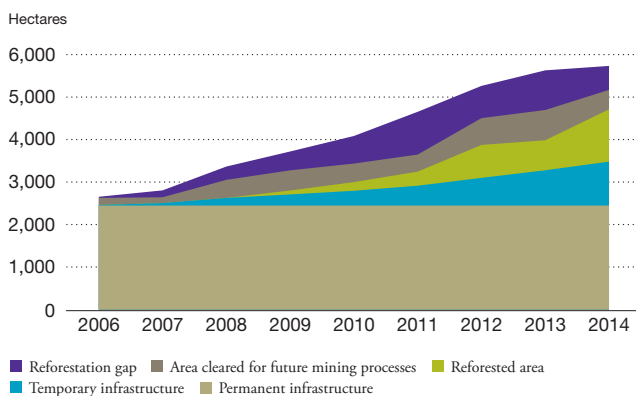
In addition to our existing climate and recycling strategies, our environmental strategy emphasizes:

- Ecosystems and biodiversity
- Water use
- Waste and efficient resource use
- Product stewardship

Hydro's bauxite mining and alumina refining activities in Pará in Brazil include open pit mining and the handling of significant amounts of tailings and bauxite residue, also known as red mud. Biodiversity is an important issue related to Hydro's activities in Pará and also to the water reservoirs for our hydropower production in Norway. When developing new projects, we examine environmental issues in advance. The long-term aspiration is no net loss of biodiversity.

We have identified improvement potential related to reforestation and wildlife management at the bauxite mine in

Land use and reforestation – Paragominas



Permanent infrastructure includes areas related to administrative buildings, industrial facilities, the pipeline to Alunorte and permanent roads. Temporary infrastructure includes areas dedicated for tailing ponds.

Paragominas, and in 2013 a biodiversity strategy for Paragominas was established. Our most important reforestation ambition is that new mining areas, excluding permanent infrastructure, shall equal reforested areas by 2020. In 2014, we disturbed 308 hectares of land and rehabilitated 524 hectares. We are cooperating with other mining companies and academic institutions to increase our knowledge and to secure a science based approach. This includes the formation of the Biodiversity Research Consortium Brazil-Norway that was established in 2013.

An annual review of our water use in 2014 revealed that 3.4 million m³ of Hydro's overall fresh water input came from water-stressed areas, with regard to annual renewable water supply (according to the definition used by WBCSD). These areas include Germany and southern Europe, where water supply is well-regulated. Our ambition is to increase water efficiency by 15 percent in water scarce areas within 2020, compared with a 2010 baseline. Qatalum in Qatar relies on public water supply produced by desalination. Sea water is used for wet cooling towers at the power plant.

In addition to biodiversity and land use, the main environmental issues relating to bauxite extraction and alumina refining include waste disposal and greenhouse gas emissions. Waste production includes significant amounts of mineral rejects (tailings) from the bauxite extraction process and bauxite residue, also known as red-mud, from the alumina refining process. Tailings are stored in ponds where the particles settle. Separated water is clarified and reused in the process. When full, the areas affected will be reforested.

We use state of the art dry stacking technology for disposing of bauxite residue. Disposal of bauxite residue is challenging due to relatively large volumes and the alkaline nature of the liquid component of the residue. The residue is washed with water to lower the alkalinity and recover caustic soda for reuse. In total, 6.1 million mt (35 percent humidity) was disposed in 2014, up 12 percent from 2013 while the alumina production was increased by 10 percent. In 2014 Hydro began the conversion to a more advanced pressure filtration technology that will reduce moisture content resulting in lower deposited volumes and reducing our environmental impact in the long term. We also participate in international collaboration projects investigating possibilities to use bauxite residue as a resource. Additions to cement and other construction materials are promising areas that will be pursued further.

Spent potlining (SPL) from the electrolytic cells used in primary aluminium production is defined as hazardous waste. We are working to find alternative use of SPL from our

operations. Since 2012 we have delivered SPL and carbon waste from our Norwegian smelters to e.g. the cement industry.

Engagement with customers and other stakeholders regarding the environmental impact of our processes and products is an important element of our product stewardship. We perform life-cycle assessments (LCAs) for all major product groups to identify improvement potential. We also assess other aspects such as energy and material consumption, toxicity and recyclability. Hydro is a member of the Aluminium Stewardship Initiative (ASI), a multi-stakeholder process aiming at setting standards to improve environmental, social and governance performance across the aluminium value chain.

People

We achieved our most important target in 2014 - no fatal accidents. Our TRI rate (total recordable injuries per million hours worked) for own employees was 3.19 and improved by 6 percent compared to 2013, but we did not reach the target of 16 percent reduction. Even though our safety results are among the best in industry, Hydro's clear ambition is to improve further, and we are targeting a reduction in TRI rate in 2015 of 12 percent to 2.8.

Our ambition is to avoid all serious accidents. Accidents cause human suffering and inefficient organizations. Internal independent investigations are routinely initiated after fatal accidents and other serious incidents to identify the causes and reduce risk for recurrences. We work continuously to avoid damage to people, property and loss of production. This applies to all our activities. It is important that our employees enjoy good health, and feel safe and appreciated.

Healthy and motivated employees perform better and are more creative, and in that way contribute to increased profitability and better results.

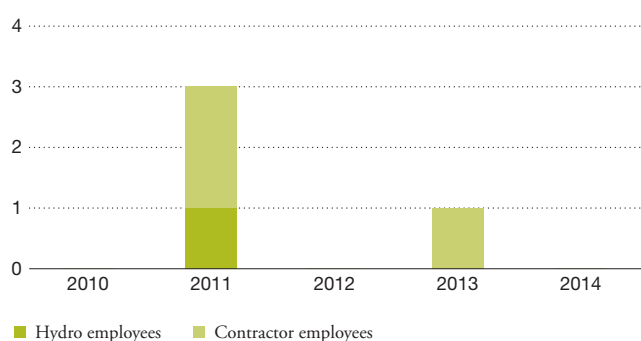
Our approach to improving safety performance is based on risk management, leadership qualities and shop floor engagement. An example is a company-wide, harmonized high-risk incident investigation and communication tool that was implemented in 2013.

A handbook for assessing physical and chemical work environment risks is used by the business areas to help map and evaluate Hydro's work environment. Most sites have performed such assessments while the tool is under implementation in our Bauxite & Alumina business area. We use our proactive tool for risk assessment of work environment to identify employees at risk of developing occupational illnesses and implement risk reducing measures e.g. personal protective equipment to avoid development of new occupational illness cases. Through this we have among other reduced the frequency of occupational illness cases related to noise and pot room asthma. To encourage further improvement of the physical and chemical work environment, we have established a performance indicator based on the risk assessment. It is a proactive indicator, describing the potential for possible future ill-health if no risk reducing measures are implemented. The indicator has been implemented at the majority of our sites, including the establishment of local targets based on identified risk-reducing measures. These targets are tracked through a corporate reporting tool. The occupational illness rate in 2014 was 1.5 cases per million hours worked, down from 1.7 in 2013. Most of the reported cases are related to noise.

Sick leave in Hydro's global organization increased slightly from 3.7 percent in 2013 to 3.8 percent in 2014. In the Norwegian organization sick leave went down from 5.1

Fatal accidents

Number



Total recordable injuries

Per million hours worked



Share of non-Norwegian leaders



Share of women leaders



The total share of women at all levels in Hydro was 13 percent in 2014

percent to 4.4 percent. Women had the largest reduction in sick leave in Norway, but were still at a higher level than men, 5.2 percent compared to 4.2 percent.

Hydro's organization across the world represents a great diversity in education, experience, gender, age and cultural background. We see this diversity as a significant resource, not least to encourage innovation. Good leadership, a proper organizational structure and the right tools are essential. This includes attracting and retaining the right people.

Hydro had 12,922 permanent employees at the end of 2014, an increase from 12,564 in 2013. In addition, we had 966 temporary employees compared to 765 the year before. Contractor employees represented about 6,600 full-time equivalents during 2014, down from 7,000 in 2013. The large majority of employees are concentrated in Brazil, Germany and Norway.

The global competition for talent, and in particular in Hydro's key geographies makes it increasingly challenging to attract employees with the right competence. This means that Hydro is highly dedicated to attracting, developing and retaining competence to ensure our future success. We aim to be highly competitive when recruiting and keeping the best-qualified personnel. We emphasize developing a healthy and safe work environment, providing each employee with proper conditions for continuous development of her or his expertise.

Hydro's people strategy is built on five pillars: performance culture, competence management, leadership pipeline, diversity and mobility.

In 2013, we revitalized our common process for people performance and development, My Way. It includes appraisal dialog, individual development and follow-up, as well as

talent planning and succession management. By the end of 2014, 32 percent of the employees had participated in My Way, almost reaching our target of 35 percent. Our ambition is that all employees should be included by the end of 2016.

Hydro Academy is a new platform for learning and development available to all employees. From an employee perspective it is primarily a course catalog of available training in Hydro, including local and global classroom training as well as e-learning and other resources. The main intention is to make it easier for leaders and employees to get an overview of available training and keep track of what training they have completed or should complete. Our philosophy is that 70 percent of competence building is direct on-the-job training, 20 percent of competence is acquired via networking and mentoring and 10 percent via traditional training.

Hydro Monitor is our global employee engagement process and is carried out for all employees every second year. In 2014 we scored 73 percent on the employee engagement index (EEI), which was a significant improvement from 65 percent in the previous survey conducted in 2012. EEI measures the extent to which employees are motivated to contribute to organizational success and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals. The long-term ambition is to be among the top 25 percent companies worldwide on EEI (Kenexa global norm) which is currently equivalent to 76 percent. On the performance excellence index (PEI) we scored 75 percent in 2014, up from 72 percent in 2012. High performing organizations tend to have high scores on both EEI and PEI. The most important part of Hydro Monitor is follow-up. All units had action plans by 1 October 2014, based on their survey results. 92 percent of all employees responded to the survey in 2014. The next survey will be run in 2016.

We see diversity as a source of competitive advantage for Hydro and emphasize diversity with regard to nationality, culture, gender, age and competence when recruiting and when forming management teams and other working groups. In 2014, 13 percent of Hydro's employees globally were women, the same as in 2013. The share of women was 29 percent in Hydro's Corporate Management Board (CMB) in 2014. Effective 1 January 2015, several changes were made effective to CMB and increasing the share of women to 44 percent. With three women among the seven share-holder elected members in the board of directors, Hydro complies with the Norwegian legal requirements on women representation. All business areas and corporate staffs have diversity targets and road maps towards 2020 to further increase awareness and results.

We are working to increase diversity at all levels in the organization, including through recruitment. Half of the participants in Primary Metal's graduate program are women. Our largest German plant, the rolling mill Grevenbroich, had 16 percent women among its apprentices in 2014 and 24 percent women among the confirmed apprentices starting in 2015. On average women constituted 10 percent in the German organization in 2014. Similar initiatives also take place in other parts of Hydro, for instance in the Corporate Staffs in Norway where 75 percent of the new employees in 2014 were women and 40 percent non-Norwegians. The Grevenbroich plant was one of the first industry companies to receive a "Job and Family" certificate from the German government. The first German Hydro kindergarten for employee children was opened by the plant in 2013. While Hydro has had kindergartens for employee children for more than 30 years in Norway, this is still not common in Germany. All business areas and the corporate staffs have diversity targets towards 2020 and corresponding roadmaps to achieve the targets.

We are continually adjusting working conditions so that all employees, regardless of their operability, have the same opportunities in their work place. In Brazil, we are required to employ minimum 5 percent disabled people. The number of disabled people working in Paragominas increased from 19 to 31, reaching a share of 2.3 percent in 2014, but we are still far from the target. A course aiming to train disabled people has been developed in partnership with Senai, a public institution with large experience on training people for industrial activities, in order to assure qualifications for those interested. In Alunorte, 3.6 percent of the employees are disabled people and further efforts are in progress in order to reach the target.

Restructuring and continuous improvement are essential elements of our business operations. Our aim is to involve

employees in such processes at an early stage in order to achieve the best results for the individual and for the company.

All employees shall receive a total salary that is fair, competitive and in accordance with the local industry standard. There are no significant gender-pay differentials for employees earning collectively negotiated wages in Norway and Germany. Salary conditions in the Norwegian organization are reviewed on a regular basis. If significant differences are found at any level, we have a tradition for closing the gaps within short time. We have also checked if gender-related salary differences exist in our operations in Brazil in 2014. In general, women tend to receive some higher pay than men at lower levels and vice versa at higher levels.

The annual bonus of Hydro executives shall reflect achievements in relation to pre-defined financial targets, and operational and organizational key performance indicators (KPIs). Targets relating to safety, environment and other issues within corporate responsibility, as well as compliance with and the promotion of Hydro's core values (The Hydro Way) constitute a substantial part of the KPIs. Please see Note 9 and 10 to the consolidated financial statements for more information.

The board of directors would like to emphasize the importance of the continuous improvement efforts implemented with stamina and determination by Hydro's employees over many years, and making visible impact also on the financial results. With the ability of transforming individual knowledge and experience into a systematic and lasting improvement culture, the Hydro workforce demonstrates its significance as Hydro's most valuable asset.

Board developments

The board of directors has an annual plan for its work. It includes recurring topics such as strategy review, business planning, risk and compliance oversight, financial reporting, people strategy, succession planning as well as HSE and CSR. The board of directors is closely following the market and macro-economic developments relevant for the aluminium industry. To learn more about Hydro's energy business, the board of directors visited in 2014 Hydro's power production facilities in the Rjukan area in Norway.

In 2014, the board conducted a dilemma training regarding gifts and hospitality.

The board of directors conducts an annual self-assessment of its work, competence and cooperation with management and

a separate assessment of the chairperson. Also the board audit committee performs a self-assessment. The reviews are facilitated by the corporate advisory firm Lintstock. The main conclusions of all assessments were submitted to the nomination committee in 2014, which in turn assessed the board's composition and competence.

The board of directors held 14 meetings in 2014 including extraordinary meetings related to the President & CEO succession, which was concluded with continuation of Svein Richard Brandtzæg in the position. The attendance of the board members was 94 percent. The compensation committee held eight meetings and the audit committee six meetings. Terje Vareberg and Victoire de Margerie stepped down from the board of directors on 27 May 2014. From the same date, Dag Mejdell was elected new chairperson of the board and Irene Rummelhoff new board member. The number of board members was reduced from 11 to 10.

Net income and dividend - Norsk Hydro ASA

Norsk Hydro ASA (the parent company) had net income of NOK 630 million in 2014 compared with NOK 2,000 million in 2013.

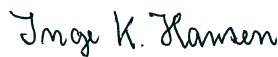
Hydro's Board of Directors proposes to pay a dividend of NOK 1 per share for 2014 reflecting the company's commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2014, strong financial position, and improved earnings outlook for 2015.

According to section 3-3 of the Norwegian Accounting Act, the board of directors confirms that the financial statements have been prepared on the assumption of a going concern.

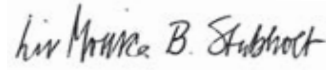
Oslo, March 10, 2015



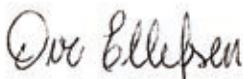
DAG MEJDELL
Chair



INGE K. HANSEN
Deputy chair



LIV MONICA BARGEM STUBHOLT
Board member



OVE ELLEFSEN
Board member



BILLY FREDAGSVIK
Board member



FINN JEBSEN
Board member



STEN ROAR MARTINSEN
Board member



EVA PERSSON
Board member



PEDRO JOSÉ RODRIGUES
Board member



IRENE RUMMELHOFF
Board member



SVEIN RICHARD BRANDTZÆG
President and CEO

01: *Business description*

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QUICK OVERVIEW

Hydro is a fully integrated, leading worldwide supplier of bauxite, alumina, primary aluminium, aluminium casthouse products and fabricated aluminium products.

We have substantial interests in bauxite and alumina including one of the world's largest bauxite mines and the world's largest alumina refiner, both located in Brazil. We operate or are partners in modern, cost-efficient primary metal production facilities in several countries in Europe, Canada, Australia, Brazil and Qatar, and in flexible smelting plants in a range of countries in Europe and the U.S.

We are an industry leader for a range of downstream products and markets, in particular the building, packaging, lithographic and automotive sectors. We supply high-quality, value-added aluminium products and solutions, and have strong positions in markets that provide opportunities for good financial returns.

With more than 100 years of experience in hydropower, Hydro is the second-largest power producer in Norway, and the largest publicly owned producer.

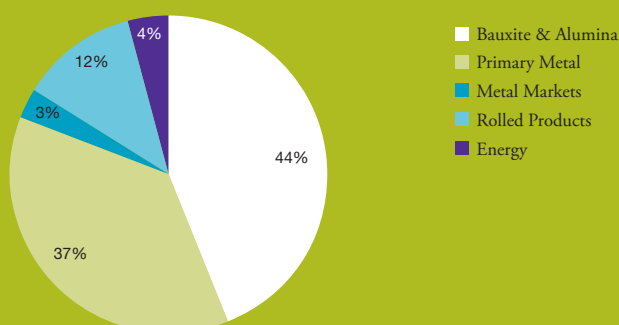
Underlying EBIT 2014

NOK MILLION

5,692

Capital employed – upstream focus

December 31, 2014: 80 069 MNOK



History and development

Norsk Hydro ASA was organized under Norwegian law as a public company in 1905 to utilize Norway's large hydroelectric energy resources for the industrial production of nitrogen fertilizers. Our history, spanning many industries and several continents, has been underpinned by three distinctive strengths: the spirit of entrepreneurship, a dedication to innovation and the careful nurturing of our talents and values.

An emphasis on industrial research and new business alliances enabled us to expand our fertilizer operations following the First World War. In 1928-29, improved fertilizer technology was introduced at Hydro's first industrial sites in Telemark in Southern Norway. Advancements in electricity transmission technology paved the way for the construction of a new fertilizer plant at Herøya, close to Porsgrunn. This provided us with easier access to important raw materials and ideal harbor conditions.

An era of diversification

In the three decades following the Second World War, Hydro rebuilt itself into an industrial conglomerate, expanding into a number of new businesses in Norway. In 1951, we began producing magnesium metal and polyvinyl chloride at Porsgrunn. We constructed the Røldal-Suldal hydroelectric power plant to provide energy for our operations at Karmøy, and opened an aluminium reduction and semi-fabricating plant there in 1967.

In order to secure stable access to raw materials and energy for our fertilizer operations, we investigated opportunities to participate in oil and gas production in the middle of the 1960s. After several years, Hydro and its partners discovered oil and gas in the Ekofisk and Frigg fields on the Norwegian Continental Shelf. Our experience in the chemical process industry and abundant natural gas liquids resources provided the foundation for investments in the petrochemicals industry in Norway. In 1978, we commenced production of ethylene and vinyl chloride monomer.

During this time, we also pioneered new labor relations practices aimed at democratizing the workplace and increasing the cooperation between management and employees, leading to a spirit of collaboration which continues to define the company today.

Decades of global expansion

Hydro expanded globally in the 1980s. We developed our fertilizer operations into one of the leading suppliers in Europe. We also entered a new era as an oil company, becoming operator of the Oseberg offshore oil field. Research continued to drive our development as we introduced new

technologies for deep-water oil and gas production and horizontal drilling. In 1986-87, we acquired the Norwegian state-owned aluminium company, Årdal og Sunndal Verk, and several European aluminium extrusion plants from Alcan and Alcoa, establishing Hydro Aluminium as a major business within Hydro and an important player in the European aluminium industry.

Later, we developed our businesses further through substantial acquisitions, including Saga Petroleum in 1999, VAW Aluminium in 2002 and Spinnaker Exploration Company in 2005. We also invested significant capital towards the expansion of existing alumina and aluminium production facilities, including our fully owned Sunndal primary metal plant in Norway the part-owned Alouette smelter in Canada and three substantial expansions of the Alunorte alumina refinery in Brazil. This was followed by the decision to participate in the construction of the Qatalum smelter in Qatar. In 2007, Hydro completed the first phase of the giant Ormen Lange gas field, considered one of the largest industrial projects ever undertaken in Norway. A significant portion of the expansion of these businesses was financed through the sale of non-core operations.

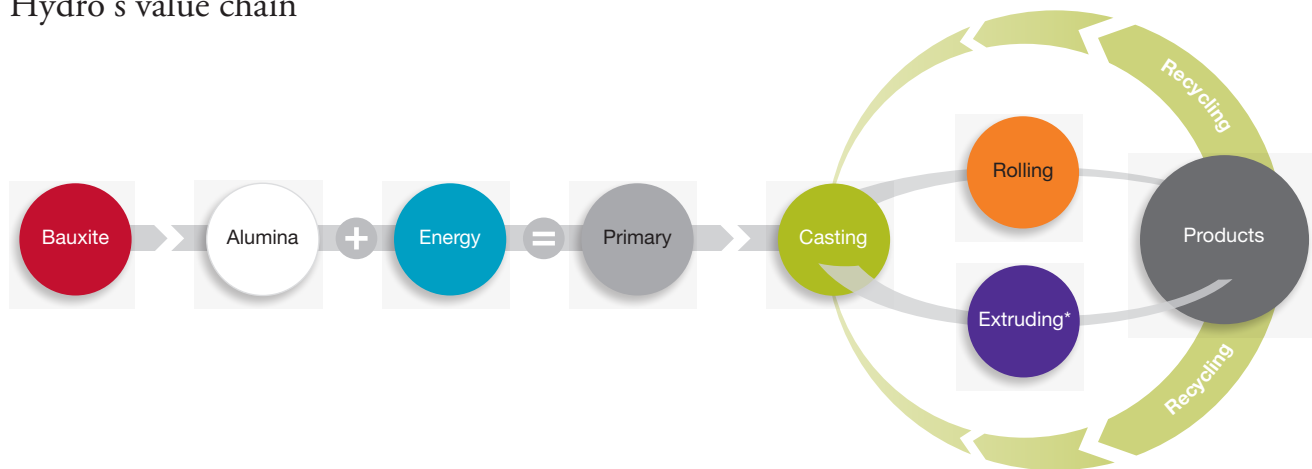
Throughout this period, we have focused on continuously improving the way we conduct our business. We have improved working conditions and reduced the number of accidents for own employees and contractors. We have also developed governance framework and practices for mapping and mitigating negative impact of our activities on external stakeholders to further our global commitment to create viable societies.

Restructuring and concentration

The first decade of the new millennium also encompassed a major restructuring of our downstream operations, the closure of higher cost smelters, and ultimately, the transformation of Hydro into a focused aluminium and energy company. In 2004, we demerged our fertilizer business through the creation of Yara, and we merged Hydro's petroleum activities with Statoil to form StatoilHydro in 2007, now called Statoil.

During this period, Hydro also invested roughly NOK 18 billion in its aluminium and energy businesses in Norway, including NOK 11 billion in its Norwegian smelter system, NOK 2.2 billion upgrading and expanding its hydropower production operations and NOK 3 billion in research, development and production support relating to both its upstream and downstream aluminium operations. As a result, annual electrolysis production in Norway increased from 760,000 mt to about 900,000 mt, including the shutdown of roughly 250,000 mt of older, higher cost and higher emission capacity.

Hydro's value chain



* Hydro produces extrusion profiles through the 50/50 joint venture Sapa.

Transforming transactions

In 2011, Hydro transformed its business through the acquisition of the aluminium assets of Vale SA, securing its position in bauxite and alumina and lifting the company to the top tier in the aluminium industry. Combining Vale Aluminium with Hydro has resulted in a stronger company, fully integrated into bauxite, with a long alumina position which is a preferred position in a more consolidated market place.

In 2013, Hydro completed the agreement with Orkla ASA to combine their respective extrusion profile, building systems and tubing businesses within a new joint venture company owned 50 percent by each party. The new company, Sapa, includes all of Hydro's Extruded Products business activities and has significant operations in Europe, North America, South America and Asia. The agreement allows either party to initiate an initial public offering about three years from closing where each partner has the option to retain a 34 percent interest in the company. See note 7 to the consolidated financial statements later in this report for more information on this transaction.

For further information, see www.hydro.com/about-hydro/our-history

Operating segments

Hydro is a fully integrated aluminium company with attractive equity positions in bauxite, alumina and power, the most important raw materials in the production of primary metal. We are one of the world's largest producers and suppliers of alumina and primary aluminium. Substantial production of alumina in excess of own requirements gives us a favorable market position. Substantial self-generated

hydroelectric capacity in Norway and a dedicated gas-fired plant in Qatalum, provides secure access to energy at competitive prices.

Downstream, Hydro is an industry leader for a range of rolled aluminium products and markets, in particular the building, packaging, lithographic and automotive sectors. Our ambition is to be recognized as the world's foremost aluminium solutions supplier, working in partnership with our customers and driving our business forward.

Hydro's business is divided into six operating segments including Bauxite & Alumina, Primary Metal, Metal Markets, Rolled Products, Energy and Other and eliminations:

Bauxite and Alumina includes our bauxite mining activities comprised of the Paragominas mine and a 5 percent interest in Mineracao Rio de Norte (MRN) ¹⁾, both located in Brazil, as well as our 92 percent interest in the Brazilian alumina refinery, Alunorte. These activities also include Hydro's long-term sourcing arrangements and alumina commercial operations, and its 81 percent interest in the joint venture partnership Companhia de Alumina do Para (CAP), for a new alumina refinery close to Alunorte.

Primary Metal consists of our primary aluminium production, remelting and casting activities at our wholly-owned smelters located in Norway, and Hydro's share of the primary production in partly-owned companies located in Slovakia, Qatar, Australia, Canada and Brazil.

Metal Markets includes all sales and distribution activities relating to products from our primary metal plants and operational responsibility for our stand-alone remelters.

Aluminium upstream production facilities



Metal Markets also includes metal sourcing and trading activities, which provides operational risk management through LME hedging activities.

Rolled Products consists of five European rolling mills including our 50 percent interest in the AluNorf rolling mill in Germany. Rolled Products also includes the Rheinwerk primary aluminium smelter in Neuss, Germany.

Energy is responsible for managing Hydro's captive hydropower production, external power sourcing arrangements to the aluminium business and identifying and developing competitive energy solutions for Hydro worldwide.

Other and eliminations includes Hydro's 50 percent share in Sapa, a global leader in extruded aluminium solutions with significant operations in Europe, North America, South America and Asia.

Business and operating information

The following section includes a description of the industry developments impacting our business, our strategies and key performance targets and a description of operations for each

of our business areas including key revenue and cost drivers. See section - Financial and operating review - later in this report for comparative production and sales volume information for our different business areas.

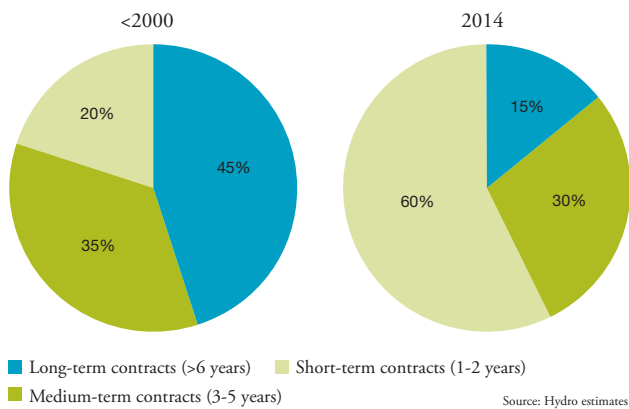
Hydro has zero tolerance for corruption or human rights violations and an ambition to avoid all serious accidents in all our operations worldwide. Our compliance system requires adherence with external laws and regulations as well as internal steering documents and is based on prevention, detection, reporting and responding. We are proactive in securing that we interact with counterparties that are also committed to a high standard of compliance. TRI rate (total recordable injuries per million hours worked) is a key metric we use for setting targets and monitoring our overall safety performance. See Viability performance section later in this report for more information on our approach, key performance targets and description of programs and activities relating to these issues.

Bauxite & Alumina

Industry overview

Bauxite rock is composed mainly of aluminium oxide and aluminium hydroxide containing minerals. There are three main qualities: Gibbsite, Boehmite and Diaspore. The

Alumina contract durations



qualities determine the processing requirements, with corresponding influence on operating costs and the eventual quality of the resulting alumina. Gibbsite, the highest quality bauxite, is found mainly in Brazil. Bauxite is typically mined in open pits and either processed into alumina in close proximity to the mining operations or shipped to alumina refineries around the world for processing. Around 80 percent of global alumina refining, excluding China, is based on integrated bauxite sources. In China, about 55 percent of alumina refining is based on integrated sources.

In 2014, global bauxite production amounting to 270 million mt. Australia, China, Brazil and Guinea accounted for 29, 28, 12 and 8 percent respectively. Excluding China, the five largest mines represented around 50 percent of bauxite production.

Alumina is a significant cost element in the production of aluminium. The alumina market is competitive, but relatively few players hold a long position.

Bauxite and alumina price developments

Alumina prices, as a percentage of LME have been increasing. Since 1990, average annual contract prices have risen from a level of around 12 percent of LME reference prices to above 17 percent in 2014. The Platts alumina price index was introduced in 2010 and reflects the fundamental supply and demand balance of the alumina market. The index has gained support in the industry and currently represents the main reference for short and medium term contracts. Contract volume based on index prices is increasing and this trend is expected to continue.

Bauxite and alumina prices have been strongly influenced by developments in China, which is heavily dependent on imported bauxite. China's bauxite imports declined 49 percent in 2014 following an increase of 79 percent in the

Alumina price

% of LME per tonne alumina for long-term contracts



previous year, influenced by an announced ban on imports from Indonesia which came into effect in January 2014. Following the ban, Australia has become the largest supplier of bauxite to China while Malaysia has emerged as a more significant source with monthly imports reaching an annualized rate of eight million mt by the end of the year. See Financial and operating performance section, Market developments, Bauxite and alumina later in this report for more information on alumina and bauxite imports into China.

During 2014, the price of bauxite imported to China fluctuated based on the country of origin but trended upwards. Average CIF China prices increased around 14 percent to USD 58 per mt in December from USD 51 in January. On a value-in-use basis (CBIX index)²⁾, bauxite prices increased from USD 54 per mt to USD 67 per mt at the end of the year, indicating a higher cost of bauxite in the alumina production process.

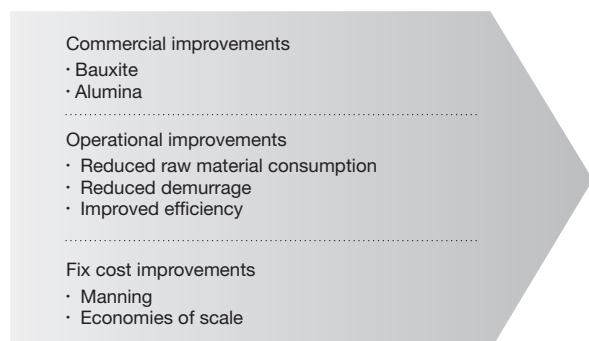
While China is facing supply challenges from Indonesia in the Pacific region, freight costs for bauxite sourced from the Atlantic region declined by 25 - 30 percent compared to 2013. This could lead to more bauxite sourced from the Atlantic region going forward.

Strategy and targets

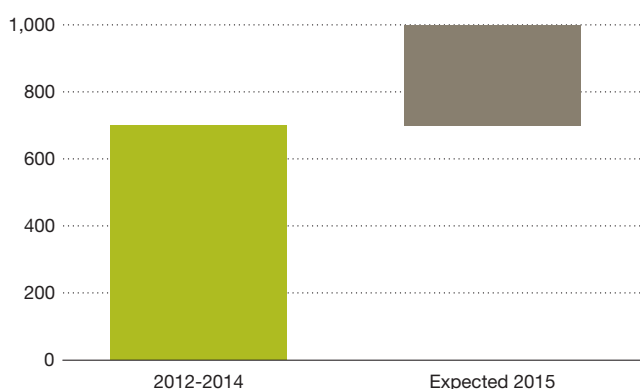
Delivering on its ambitious improvement program, "from B to A", continues to be a key priority for Bauxite & Alumina in the coming year together with lifting production towards name-plate capacity. Focus on safe, cost-effective and stable operations will continue. Optimizing and enhancing the commercial value of our attractive sales portfolio will be an important item on our agenda. We will also continue our proactive approach to regulatory challenges including ICMS taxation by systematic dialogue with key stakeholders in Brazil.

Bauxite & Alumina improvement program

Improvement categories



Improvements in NOK billion



Deliver significant savings and improvements on operating costs

We are well along towards reaching targeted improvements for our Bauxite & Alumina operations of NOK 1 billion and 20 percent manning reduction including contractor employees by the end of 2015. During the coming year we will continue to focus on increased production, higher productivity, lower operating costs, and lower manning as well as procurement activities and commercial operations. Implementation of our Bauxite & Alumina Business System (BABS) ensures best practices and operating efficiencies across our portfolio.

Reinforce safe and sustainable business practices

Important HSE initiatives for the coming year include best practice sharing, improved training, increased risk awareness and focus on process safety, and safeguarding the environment. Key actions for CSR include strengthening the dialog with all major stakeholders.

Improve the commercial value of our attractive product portfolio

We will continue to optimize our global bauxite and alumina positions including sourcing arrangements aimed at reducing logistical costs and improving margins. We also intend to continue increasing our share of alumina sales volumes at index pricing as old legacy LME indexed contracts gradually expire.

Expand our bauxite and alumina capacity

Hydro has attractive positions enabling the potential expansion of low-cost alumina refining. These include the CAP joint venture for a potential new alumina refinery and possible expansion of the Paragominas mine. Further development of this project is mainly dependent on ongoing developments in the balance between industry production capacity and market demand.

2014 targets

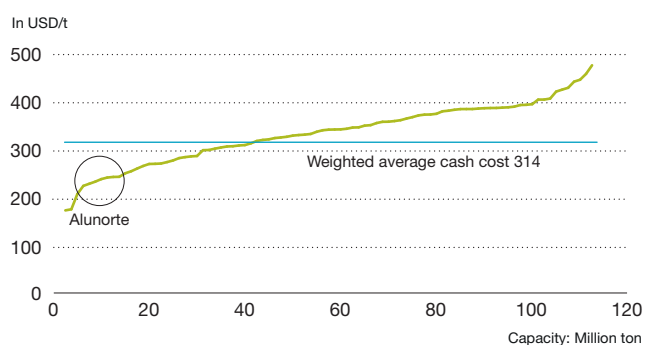
- Reduction in total recordable injuries per million hours worked by 20 percent to 2.8 for own employees and by 30 percent to 3.5 for contractors
- Accelerate operational improvements
- Deliver "from B to A" contribution of 600 MNOK
- No reportable environmental incidents
- Full implementation of grievance mechanisms for Hydro's activities in Pará, Brazil
- Complete the implementation of the CSR stakeholder engagement and action plan as well as further development of social projects

2014 results

- Reduction in total recordable injuries per million hours for own employees down 23 percent to 2.3 for own employees and 42 percent to 2.8 for contractor employees.
- Improved annual production levels in Alunorte by 0.6 million mt and in Paragominas by 1.9 million mt

World cash cost curve

Site cost curve 2014



Source: CRU

compared to 2013

- Delivered "from B to A" contribution of 700 MNOK on an annual basis
- Achieved no reportable environmental incident
- Grievance mechanism for Hydro's activities in Pará, Brazil implemented. Efforts ongoing to increase awareness of new mechanism among key stakeholders
- CSR stakeholder engagement plan implemented and further developed as part of continuous improvement strategy
- Enhancement to major social projects to increase positive impacts and results from the programs

2015 targets

- Reduction in total recordable injuries per million hours from 2.3 in 2014 to 2.0 in 2015
- Increase annual production levels in Alunorte to 6.2 million mt and in Paragominas 9.9 million mt
- Deliver "from B to A" contribution of at least 300 MNOK
- No reportable environmental incidents
- Enhance system for monitoring and evaluation of social project portfolio
- Develop social indicators for Brazilian operations

Ambitions going forward

We are strongly committed to safety and to eliminating high-risk incidents in our operations. Going forward, we intend to capitalize on our strong position in bauxite and alumina in a resource constrained world. This will increase our attractiveness as a partner in new ventures and our ability to exploit other opportunities which may arise. Reducing our impact on the local environment is also an important objective going forward, including closing the gap between clearing for mining operations and reforestation.

Operations

Bauxite from Paragominas is mined in open pits and sorted and crushed into sizes suitable for transportation as slurry through the world's longest pipeline approximately 240 kilometers to Alunorte for refining into alumina. Bauxite from MRN is transported by vessel. Alumina processing begins by removing the water from the bauxite slurry, then mixing the bauxite with caustic soda at high temperature and pressure. The resulting mixture is pumped into a digester, where a chemical reaction dissolves the alumina. This process produces a sodium aluminate solution, which is transferred into tanks to separate impurities through settling and filtration. The cooled sodium aluminate solution is then pumped into precipitators to grow alumina crystals, which are transferred to thickening tanks and further to fluid bed calciners to remove water, producing pure alumina.

Cost and revenue drivers

The main cost drivers for bauxite are labor, maintenance/consumables and energy, representing around 71 percent of the cash cost of mining activities. Labor, the largest cost factor, accounting for about 25 percent, is influenced by Brazilian wage levels and productivity developments. Maintenance/consumables are influenced by inflation and efficiency in operations.

For alumina refining, bauxite, energy and caustic soda represent nearly 85 percent of cash costs. Bauxite purchases from Paragominas, and under long-term contracts from MRN, are based on prices partly linked to the LME and to alumina market prices.

Alumina is primarily sold under medium and long-term contracts at prices referenced to the LME. Realized alumina prices, the key revenue driver, currently represent around 15 percent of LME reference prices for Hydro's combined internal and external sales portfolio. Hydro has limited volumes available for sale on the spot market before 2016. However, we intend to increase our share of alumina sales volumes at index pricing as old, legacy contracts expire.

Competitive strengths

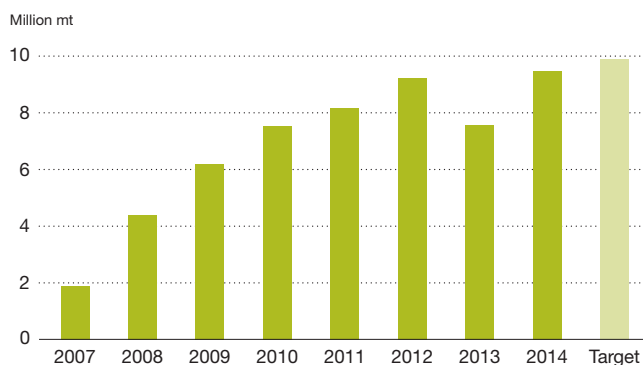
- Paragominas, one of the world's largest bauxite mines with a current resource life of several decades
- Significant bauxite resources beyond current reserves
- High quality Gibbsite bauxite delivering refining benefits in the form of lower investment and operating costs
- Unique integrated pipeline generating increasing economies with higher production and potential expansions. Low environmental impact
- Alunorte, the world's largest alumina refinery, and one of the most cost effective on an integrated cash cost basis
- High quality, low variability alumina
- Favorable long alumina position with shorter contract durations resulting in increasing volumes available for the spot market
- Substantial expansion opportunities for bauxite mining and alumina refining

Bauxite mining

Paragominas is located in the Brazilian state of Pará. The mine has a nominal production capacity amounting to 9.9 million metric tons, 12-percent moisture bauxite on an annual basis, which represents about 4 percent of global capacity. Operations include a mining fleet of about 170 vehicles and 1355 employees. We have effective ownership of 100 percent of Paragominas.³⁾

Operations at Paragominas commenced in the first quarter of 2007, and began supplying raw material to the Alunorte

Bauxite production



alumina refinery at the same time. An expansion - Paragominas II - was completed in the second quarter of 2008. The potential for further expansion is estimated to be 5 million mt per year and up to 15 million mt in total.

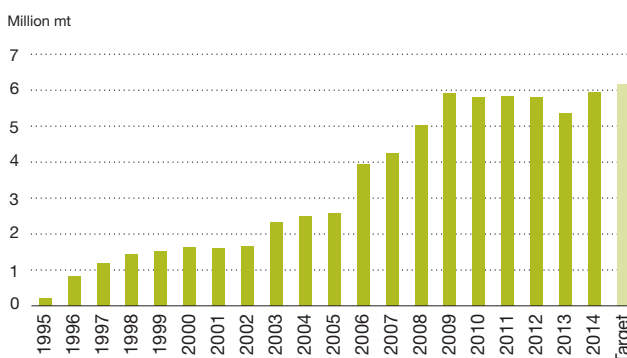
The site is connected to a 244-kilometer slurry pipeline with an annual capacity of 15 million mt. It is the only bauxite slurry pipeline in the world, and has significant integration advantages combined with a very low environmental impact.

Paragominas supplies all of its production to Alunorte. In 2014, Paragominas provided about 65 percent of Alunorte's bauxite requirements. The remainder was sourced from MRN, in which Hydro has a 5 percent ownership interest and off-take agreements with Vale for a further 40 percent of the volume produced by MRN.⁴⁾

Alumina refining

Hydro's major alumina asset is its 92 percent interest in Alunorte. Following the completion of a third expansion in 2008, the Alunorte refinery has an annual capacity of approximately 6.3 million mt of alumina. Alunorte is competitive due to the high quality of its alumina, advantages

Alumina production



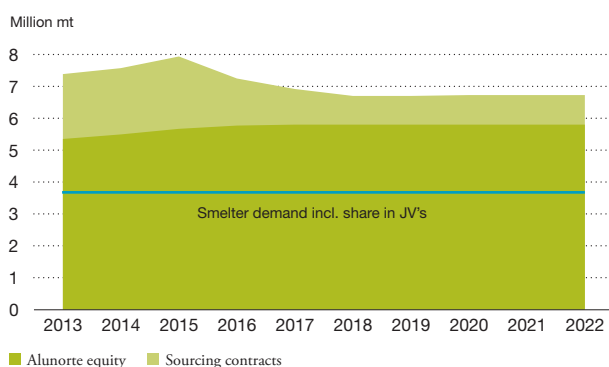
in scale and technology, relatively low energy consumption and labor costs. The plant has several cost advantages, including an efficient energy mix of heavy fuel oil and coal, competitive caustic soda consumption due to high quality bauxite and a potential for lower transport costs through higher pipeline throughput.

CAP, a potential new alumina refinery to be located in Barcarena, close to Alunorte, has been under evaluation for development in a joint venture between Hydro and Dubai Aluminium Company Limited (Hydro's share, 81 percent). The refinery is expected to have an initial annual capacity of 1.9 mt, with the potential for expansions up to 7.4 million mt over four phases. Further investments in this project is mainly dependent on ongoing developments in the balance between industry production capacity and market demand.

Technology and innovation

Hydro is working to develop improved beneficiation and refinery processes to enhance efficiency in the use of raw materials including increased utilization of marginal bauxite ore. This is expected to reduce operating costs and enhance output of bauxite extraction operations thereby reducing the area affected per ton of bauxite extracted.

Alumina position



Mining at Paragominas is currently based on traditional technology and equipment. Going forward, productivity, and therefore operating cost improvements, can be achieved through the introduction of continuous mining technology, including long-distance conveyor systems.

We are continuously working to reduce our energy usage and costs through process improvements, heat recovery and alternative energy sources. Improved energy efficiency also reduces our CO₂ emissions.

We use state of the art dry stacking technology for disposing of bauxite residue, also known as red mud, a by-product of

alumina refining. In 2014 Hydro began the conversion to an even more advanced pressure filtration technology that will reduce moisture content resulting in lower deposited volumes and reducing our environmental impact in the long term. We also participate in international collaboration projects investigating possibilities to use bauxite residue as a resource. Additions to cement and other construction materials are promising areas that will be pursued further.

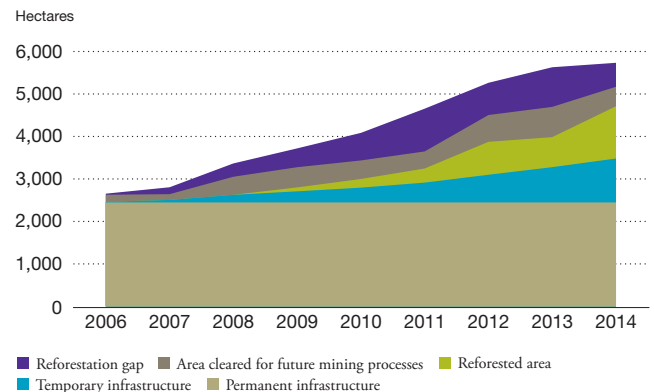
Alunorte is collaborating with our aluminium smelting operations to evaluate the effects of alumina quality on smelter performance and identify opportunities for process and cost improvements.

Environment

Hydro's bauxite mining at Paragominas involves removing vegetation and a layer of topsoil and overburden to extract bauxite deposits eight to ten meters below the surface. As a result, mining operations disturb relatively large land areas. Hydro's Paragominas mine is located in an area that is normally recognized as the deforestation belt around the central Amazon region. The municipality of Paragominas has experienced a reduction of forest cover of more than 30 percent over a period of almost 20 years. Although much of this occurred before the establishment of the Paragominas mine and the area had been exposed to selective logging and clear cutting before commencement of operations in 2007, reforestation and wildlife management at Paragominas are core elements of our sustainability strategy. In 2013, we established a biodiversity strategy for Paragominas. Our most important reforestation ambition is to achieve a balance of 1:1 in terms of rehabilitation and clearing for mining operations and to close the existing reforestation gap by 2020. In 2014, we disturbed 308 hectares of land and rehabilitated 524 hectares.

The main environmental issues relating to alumina refining include waste disposal and greenhouse gas emissions. Waste production includes significant amounts of mineral rejects (tailings) from the bauxite extraction process and bauxite residue or red-mud from the alumina refining process. Tailings are stored in ponds where the particles settle. Separated water is clarified and reused in the process. When full, the areas affected will be reforested. Disposal of bauxite residue is challenging due to relatively large volumes and the alkaline nature of the liquid component of the residue. The residue is washed with water to lower the alkalinity and recover caustic soda for reuse. In total, 6.1 million mt (35 percent humidity) was disposed in 2014, up 12 percent from 2013 due to similar increase of hydrate production. Emissions for Hydro's Alunorte refinery relate mainly to steam generation which relies on coal and heavy fuel oil. The plant emits about 3.8 million mt of CO₂ per year.

Land use and reforestation – Paragominas



Permanent infrastructure includes areas related to administrative buildings, industrial facilities, the pipeline to Alunorte and permanent roads. Temporary infrastructure includes areas dedicated for tailing ponds.

People

Bauxite & Alumina had 3,471 permanent employees in its consolidated activities at the end of 2014, and 113 temporary employees. We prioritize a safe working environment as a fundamental right of all employees. We believe this, together with an engaged workforce, improves efficiency and results in lower operating costs. Employee development is also an important factor. Our internal performance and feedback processes, My Way and Hydro Monitor, are important tools to enhance our people and organization performance and development. In 2014, 95 percent of the employees in Bauxite & Alumina participated in Hydro Monitor in which 84 percent indicated that they participated in My Way or another performance appraisal dialogue tool.

Our Bauxite & Alumina Production System (BAPS) has been used as the basis for implementing a standardized production system in our operations. The system is based on Primary Metals AMPS system and promotes employee empowerment and development and facilitates the sharing of best practices throughout the organization. Implementation of BAPS is an important initiative underlying the From B to A program improvement program. See Primary Metal later in this section for more information about AMPS.

Society

Bauxite & Alumina's operations are located in the state of Pará, in northern Brazil, one of the least developed regions in the country. As one of the largest industrial companies in the state, Hydro is working to improve transparency and stakeholder dialogue with the local community. The bauxite pipeline from Paragominas to Alunorte crosses areas inhabited by traditional Quilombola groups in the Jambuacu Territory in Brazil. Hydro has established contact with representatives of the group and invested additional resources to improve and follow up dialog with the group.

In 2014 we implemented a new grievance mechanism for Hydro's activities in Brazil. The mechanism is serving as a pilot for a corporate-wide solution. In Barcarena, the location of the Alunorte alumina refinery and Hydro's Albras smelter, an inter-sectoral forum has been established to improve communications with the local community. Please see Viability Performance section later in this report for further information.

Within Bauxite & Alumina's supply chain, the most important risks include corruption, fraud and inappropriate working conditions. In 2014, we developed a new procurement strategy for our Bauxite & Alumina business based on four key metrics including cost, quality, sustainability and competence. Our sustainability metric is comprised of several elements including promoting local content, mitigating social risk in the supply chain and screening all suppliers as part of a qualification process. Our goal is to complete the qualification of all suppliers by 2020.

Commercial operations

In addition to our equity interests in Paragominas and MRN, we have volume off-take agreements for Vale's 40 percent interest in MRN, which amounted to 7.5 million tons in 2014. In addition to Alunorte, we buy alumina from a number of external sources. The main external source is Hydro's contract with Rio Tinto for the supply of 900,000 mt of alumina annually until 2030. We have other short and medium-term purchase contracts based on LME reference pricing formulas and, increasingly, based on index pricing.

We also enter into contracts to buy and sell alumina in order to optimize our physical alumina portfolio on a short and medium-term basis.

See section later in this report Financial review, Bauxite & Alumina for external volumes of bauxite and alumina purchased and external volumes of alumina sold.

Primary Metal

Industry overview

Primary aluminium is derived from bauxite, which is refined into alumina. Aluminium smelting is a capital-intensive, technology-driven industry. Geographically, China is the largest consumer and producer of aluminium and has a significant impact on market fundamentals. In 2014, China represented 49 percent of world-wide aluminium consumption and 52 percent of corresponding production. India and the Middle East are also growing in importance in the production of aluminium.

Aluminium is also derived from remelting and recycling aluminium scrap. Scrap is generated both in the production

(pre-consumed) and use (post-consumed) of aluminium products. Recycling of scrap requires about 5 percent of the amount of energy that is needed for electrolysis. Globally around 15 percent of aluminium products are made from post-consumer scrap. Roughly 75 percent of all aluminium produced since the Hall-Heroult process was discovered in 1886 is still in use.

Aluminium is used in a variety of applications in several industries. The major consumer segments are transportation, building and construction, packaging and foil and electrical applications. The major consuming areas are China, North America, Western Europe, Japan and the rest of Asia.

Demand for aluminium products in mature markets like North America and Europe is normally in line with economic developments, although with greater volatility. Total demand has exceeded the growth in GDP and is expected to continue to do so medium term. Demand is expected to grow in the world outside China by 3 to 4 percent in 2015, with North America leading the way. Increased consumer demand and continued infrastructure investments in China is expected to drive global growth in demand of 4 to 5 percent over the coming 10 years despite the lower pace of economic development compared to the last decade. Economic growth in other large developing economies, in particular in Asia, is expected to continue.

Structural developments

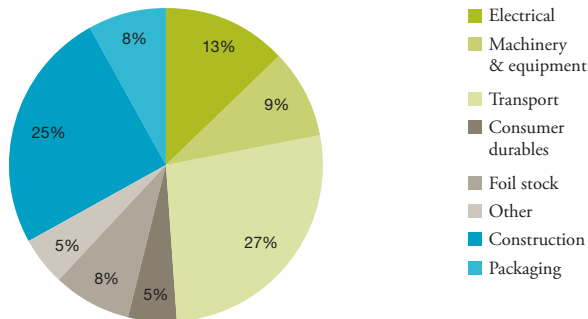
As a result of industry consolidation, relatively few companies are producing a substantial portion of primary metal on a global basis. Hydro increased its capacity by nearly 50 percent in 2011, with the full ramp up of Qatalum in Qatar and the integration of the Albras smelter in Brazil. Following the merger of Dubai Aluminium and Emirates Aluminium in 2014, Hydro became the fifth largest western producer. There are now four large operators in China, which are presently focusing on supplying the Chinese market and several smaller producers that exhibit strong growth ambitions. Due to significant imports of bauxite in advance of the ban imposed by Indonesia, and new sources including Malaysia, China has sufficient supplies of bauxite for the 12-18 months. However, access to sufficient bauxite resources appears to be a constraint in the longer term.

Aluminium price developments

Primary aluminium is traded on various metal exchanges, primarily the London Metal Exchange (LME). The Shanghai Futures Exchange (SHFE) has grown in importance for international trade of standard ingots with China. However, China has followed a policy of promoting a balanced internal market for primary aluminium including incentives to

Global aluminium consumption* by end use 2014

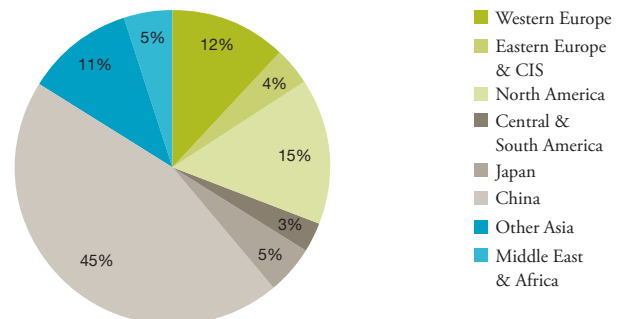
Total market 74.9 million mt



* Consists of semi fabricated products (included recycled aluminium)
Source: CRU LT 2014/Hydro

Global aluminium consumption* by region 2014

Total market 74.9 million mt



* Consists of semi fabricated products (included recycled aluminium)
Source: CRU LT 2014/Hydro

discourage the export of primary metal. At the same time, China has encouraged the export of higher value added fabricated and semi-fabricated products.

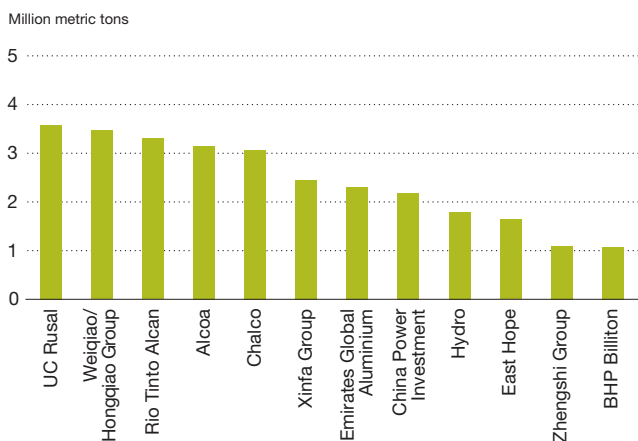
LME aluminium prices are heavily influenced by macro economic and market developments. During the financial crisis of 2008/2009, prices exhibited a historic decline as turmoil in the financial markets spread into the general economy. Prices were volatile but improved continuously until the first half of 2011, before falling to around USD 2,000 at the end of the year. Since then, LME prices have continued to be relatively low averaging around USD 2,050 per mt for 2012 and around USD 1,900 per mt for 2013 and 2014 respectively.

LME prices have also been considerably influenced by developments in production capacity and inventories over the last several years. Reported inventories⁵⁾ increased

significantly in the previous downturn, more than doubling from under 3 million mt to over 7 million mt, representing about 2 months of global consumption. Inventories have remained at around this level with a large portion of the metal owned by financial investors, taking advantage of low interest rates, warehouse incentives and contango in the forward aluminium markets.

Premiums have become an increasingly important component of all-in metal prices⁶⁾ and have risen significantly since the second half of 2013. Driven by tight physical markets and increasing demand, standard ingot premiums reached historically high levels in 2014. Product premiums have also increased due to stronger demand. Standard ingot premiums have declined somewhat since the end of 2014 and this is expected to impact value added premiums going forward.

Top world primary aluminium producers in 2014



Source: CRU/Hydro

Aluminium price in USD/mt



■ LME 3-month (quarterly average) ■ LME forward (January 7th)

Key factors underlying the tight physical markets are improved demand and the continued investments in metal in warehouses underpinned by the expectation of continued low interest rates and positive contango in the forward aluminium markets. A shortage of aluminium scrap in North America and Europe has also contributed to the premium developments together with higher logistical costs as more metal needs to travel into the main consuming regions.

Market conditions in China have not resulted in similar local premium developments. As a result, China has become increasingly competitive in terms of semi-finished products with increasing exports to major markets including Europe. See section Risk Factors later in this report for a discussion on our exposure to competition from China.

See section Financial and operating review - Market developments - Primary metal later in this report for more information on developments in ingot premiums.

Cost developments

World average production costs (business operating costs) for 2014 have declined compared to cost levels in 2007, just before the financial crisis. Energy and carbon cost have increased compared with cost levels in 2007 driven by strong demand for raw materials in emerging economies. However, these cost increases have been offset mainly by lower alumina prices and in particular, higher value added through the casting process. Compared to the previous year, world average production costs excluding China declined, while Chinese production costs increased. Lower production costs in the world excluding China together with higher all-in metal prices has led to an improved financial performance industry-wide for the past year.

Strategy and targets

A key ongoing strategic focus for Primary Metal is the continuous improvement of the efficiency of our smelter system, while constantly addressing the cost challenges facing our business. We have a strong commitment to ensuring a safe work environment and a highly motivated and engaged work force. In order to secure the viability of our operations over time, we intend to focus on business opportunities that enhance our cost position. We will also maintain our technological leadership, which contributes to lower operating costs, reduced emissions, and ensures our attractiveness as a partner for world-class projects within an industry with sound long-term fundamentals.

Further improve our average smelter-cost position

Our core strategy has been the continual upgrading of our smelter portfolio, replacing higher cost, less-competitive production with new capacity in more efficient smelters. To further improve Hydro's competitiveness, we have targeted

significant improvements in efficiency and reduced costs for our smelter portfolio. Substantial savings were achieved for our fully-owned smelters with the completion of the USD 300 per mt improvement program in 2013. Additional savings were achieved in 2014 and we will pursue on-going improvements going forward. We have also targeted savings and improvements for our global joint venture smelters of USD 180 per mt by the end of 2016.

Optimize our position in alumina, power, carbon and other key raw material costs

We have a secure alumina equity position and an industry-leading captive power position with roughly two-thirds of our electricity usage based on hydro-power. We are continually working to secure competitive power arrangements as long-term contracts expire. We will also continue to focus on the procurement and supplier portfolio for carbon and other key raw material requirements.

Maintain our focus on safe, sustainable business operations

We focus on key activities to ensure safe and efficient operations including systematic HSE training of operators and managers, and regular risk assessment of operator tasks and the work environment. We monitor and continually strive to reduce greenhouse gas emissions and waste to landfill. As part of our strategic workforce planning, we aim to recruit competent resources to secure future requirements for managers and technical specialists.

Advance our operational excellence and technological leadership

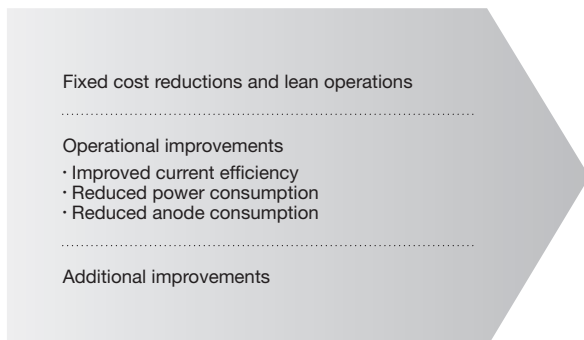
We focus on extracting measurable benefits from the application of our Aluminium Metal Production System (AMPS), a methodology designed to ensure best practices and operating efficiencies across our portfolio. We are developing new proprietary smelting technology with the aim to improve our cost competitiveness, strengthen our environmental standards and support our long-term growth ambitions. This includes a planned 75,000 mt pilot plant utilizing our next generation technology, HAL4e, targeting an energy consumption of 12.3 kWh/kg.

Focus on selective growth projects

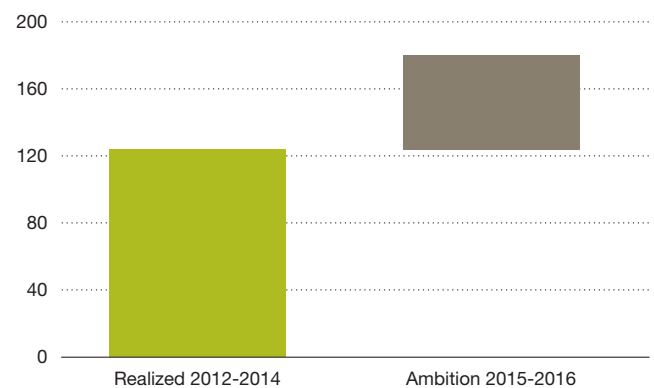
Our growth ambitions are directed toward projects with the potential to improve Hydro's cost position and smelter portfolio, and at the same time, maintain a strong focus on sustainable development. A second phase of the Qatalum smelter has the potential to increase the plant's annual capacity to 1.2-1.5 million mt (100 percent basis. Hydro share, 50 percent). There is also potential to expand the low-cost Alouette smelter in Canada from 600,000 mt to 950,000 mt (100 percent basis. Hydro share, 20 percent).

Primary Metal joint ventures improvement program

Improvement categories



Improvements in USD per mt



Investments in these projects are dependent on ongoing developments in the balance between industry production capacity and market demand.

2014 targets

- Reduction of total recordable injuries per million hours worked (TRI) by 8 percent to 2.2⁷⁾
- Strong cost discipline in all smelters with further improvements to offset cost inflation
- Continue focus on operating capital
- Further progress on joint venture USD 180 per mt improvement program
- Maximize Qatalum cash generation and secure first-decile business operating cash cost position
- Emissions of 1.58 mt CO₂e/mt aluminium from electrolysis, down from 1.59 in 2013
- Employee participation rate of 90 percent in My Way, Hydro's enhanced people performance and development system
- Continued reduction of employee exposure to work place hazards

2014 results

- TRI improved 21 percent compared to 2013 with a reduction to 1.9
- Further improvements achieved in fully owned smelters beyond USD 300 cost reduction program
- Improved operating capital position reflected in a decline of net operating capital as a percentage of sales revenues
- Global joint venture improvement program progressed further with USD 120 achieved by the end of 2014
- Qatalum first decile business operating cash cost position secured. Dividend of NOK 0.9 billion paid in 2014 (Hydro share)
- Emissions of 1.62 mt CO₂e/mt aluminium from electrolysis, up from 1.59 in 2013

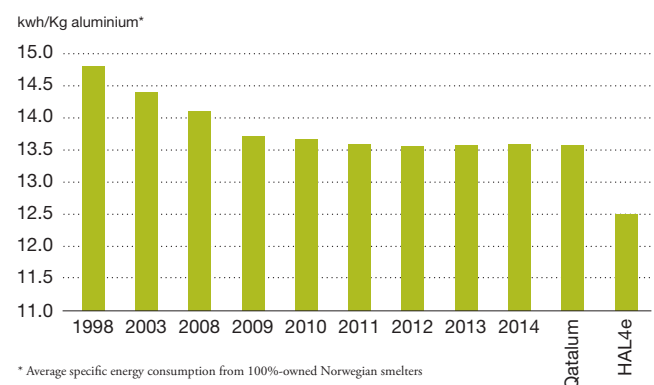
- 90 percent of all employees participated in My Way or another appraisal dialog tool
- Reduction of employee exposure to work place hazards by 5 percent or more at all production sites in 2014

2015 targets

- Maintain total recordable injuries per million hours worked of < 2.0
- Strong cost discipline with further targeted improvements for fully owned smelters
- Continue focus on operating capital
- Further progress on joint venture USD 180 per mt improvement program
- Emissions of 1.61 mt CO₂e/mt aluminium from electrolysis⁸⁾, down from 1.62 in 2014
- Continued employee participation rate of more than 96 percent in My Way, Hydro's enhanced people performance and development system
- Continued reduction of employee exposure to work place hazards

Strong performance culture

Reduced specific energy consumption



* Average specific energy consumption from 100%-owned Norwegian smelters

Ambitions going forward

Hydro has an ambition to expand its upstream activities while maintaining a strong emphasis on sustainable cost development. We will continue to focus on lean smelter operations, operational excellence and safety. The ongoing development of next-generation technology, HAL4e, will provide a strong technological basis for continued organic growth, increased efficiency and lower emissions.

Operations

Hydro's primary aluminium plants have reduction facilities with pot lines and casthouses, where liquid and remelted aluminium is cast to form value-added products such as extrusion ingot, primary foundry alloys, sheet ingot and wire rod, in addition to standard ingot.

Cost and revenue drivers

The main cost drivers for the production of primary aluminium include alumina, power and carbon, which together comprise about 80 percent of the cash costs of electrolysis metal. Approximately two metric tons (mt) of alumina are required to produce one metric ton of aluminium, representing about 30 percent of the production cost of primary aluminium.⁹⁾ Energy represents on average about 25-30 percent of the operating costs. Carbon anodes consumed in the smelting process account for approximately 15-20 percent of the total production cost of primary aluminium.

Realized aluminium prices are the most important revenue driver. Prices are fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1 to 2 months. Premiums have become increasingly important and have reached historically high levels in 2014.

Competitive strengths

- Worldwide production network of modern, cost efficient primary aluminium facilities including the Norwegian plant in Sunndal, which is the largest and most modern primary metal plant in Europe, and Qatalum, our world-class smelter in Qatar
- Competitive position on the industry cash-cost curve
- Culture of continuous improvement and solid track record of continually upgrading efficiency of smelter portfolio
- Most primary aluminium output sold in the form of value-added casthouse products
- Captive alumina position with 100 percent coverage
- Robust power position, largely based on hydro power.

Substantial coverage of current production until 2030 and beyond

- Technological leadership and world-class smelter technology

Aluminium smelter system

Hydro is one of the world's largest producers of primary aluminium, with installed capacity in 10 wholly or partly owned plants in 2014. In 2014, we produced around 2 million mt of primary aluminium. Actual electrolysis production continued to be impacted by curtailments that were completed at several plants in the first half of 2009. See the section, Financial and operating performance, for actual electrolysis and casthouse production for the years 2014 and 2013.

In July, 2014 Hydro signed an agreement with Rio Tinto Alcan (RTA) to take over RTA's share of Sør-Norge Aluminium AS (Søral) located in Husnes, Norway. Following the closing of the agreement at the end of October, 2014, the plant has become our fifth fully owned aluminium smelter in Norway.

In May, 2014, Hydro decided to permanently close the Kurri Kurri plant in Australia. The plant has been curtailed since June, 2012.

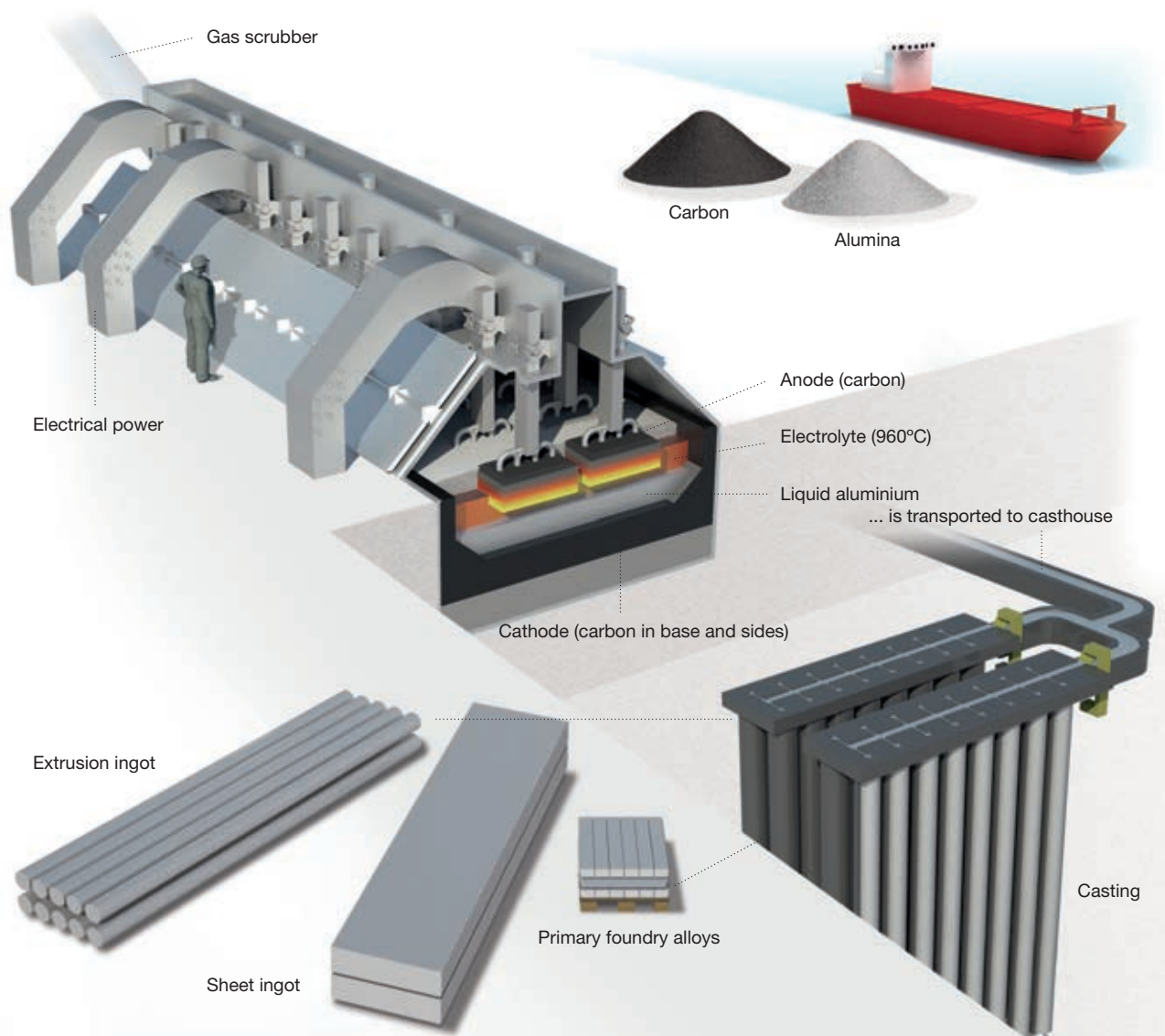
Internal supply contracts between our hydropower production operations and our aluminium metal business covered about half of the energy consumption of our wholly owned Norwegian smelters in 2014. The remainder was mainly covered by an external supply contract with Statkraft, a Norwegian electricity company. The contract will expire in 2020. In May and June of 2014, Hydro signed four long-term energy contracts with Adger Energi, Lyse and Axpo Trading for the supply of energy totaling 2.7 TWh for the Norwegian smelters for a ten year period ending 2030.

Electricity for Qatalum is provided by an integrated natural gas-fired power plant supplied with gas by Hydro's joint venture partner, Qatar Petroleum. The Intergovernmental Panel on Climate Change (IPCC) recognizes natural gas as an important transition fuel that can help reduce global temperature increases. Albras purchases electricity from the Tucuruí hydroelectric power plant under a long-term agreement from Eletronorte. Electricity for the remainder of our smelter system is covered under medium to long-term contracts.

Technology and innovation

Hydro has significant ongoing R&D activities to strengthen our competitive position, reduce operating costs and improve our environmental performance. As a result, key technology focus areas include reducing energy consumption and

Aluminium smelting process



Primary aluminium is produced in reduction plants where pure aluminium is formed from alumina by an electrolytic process. This process is carried out in electrolytic cells, in which the carbon cathode placed in the bottom of the cells forms the negative electrode. Anodes, which are made of carbon, are consumed during the electrolytic process when the anode reacts with the oxygen in the alumina to form CO_2 . The process requires electric energy, about 14 kWh per kilo aluminium produced in modern production lines.

improving electrolysis cell efficiency. Hydro's vision is to develop electrolysis cell technology approaching an energy consumption level of 10 kWh per kg aluminium at world-class capital and operating cost levels. Today's industry average is about 14 kWh/kg.

Our aluminium plants in Sunndal, Norway and Qatalum, Qatar utilize our enhanced HAL 300 technology with an energy consumption of 13.5 kWh/kg. Our next generation technology, HAL4e, has been tested in a limited number of full-scale production cells delivering an energy consumption of 12.5 kWh/kg. A 75,000 mt pilot plant with the aim of full-scale industrial testing of this proprietary technology is planned at Karmøy, Norway, supported by a contribution of

NOK 1.5 billion from Enova, a Norwegian public enterprise which supports new energy and climate-related technology. Execution of the project is subject to obtaining a sustainable power solution for the plant. Ongoing technology development is targeting a maximum consumption of 12 kWh/kg in addition to improved cell productivity.

Most of our smelters produce anodes on-site, and several of these facilities have been upgraded and expanded over the years. In August 2014 Hydro established a pilot plant for enhanced anode production technology in Årdal, Norway aimed at lower production cost and improved quality.

Plant	Country	Employees (per Dec. 31)	Electrolysis capacity (000 mt) ¹⁾	Casthouse capacity (000 mt)	Main products	Key characteristics ²⁾
Karmøy	Norway	416	191	240	extrusion ingot, wire rod	<ul style="list-style-type: none"> Two prebake lines R&D center and rolling mill
Årdal	Norway	531	192	330	sheet ingot, foundry alloys ³⁾	<ul style="list-style-type: none"> Two prebake lines Substantial anode production Technology and competence center
Sunndal	Norway	694	390 ⁴⁾	515	extrusion ingot, foundry alloys	<ul style="list-style-type: none"> Two prebake lines Largest and most modern plant in Western Europe R&D center metallurgy and casting
Høyanger	Norway	154	64	120	sheet ingot	<ul style="list-style-type: none"> One prebake line
Husnes	Norway	240	183 ⁵⁾	200	extrusion ingot	<ul style="list-style-type: none"> 100% Hydro owned from Nov 2014 Long term power contract expiring end of 2020
Slovalco (55.3%)	Slovakia	487 (100% basis)	168 (100% basis)	187 (100% basis)	extrusion ingot, foundry alloys	<ul style="list-style-type: none"> Joint venture with Penta (Slovakia) One prebake line Long-term power contract expiring end of 2021
Tomago (12.4%)	Australia	975 (100% basis)	70	67	standard ingot, extrusion ingot, sheet ingot	<ul style="list-style-type: none"> Joint venture with RTA and GAF Three prebake lines Largest producer in Australia Among world's lowest cost smelters
Qatalum (50%)	Qatar	1 247 (100% basis)	306	317	extrusion ingot, foundry alloys	<ul style="list-style-type: none"> Joint venture with Qatar Petroleum Two prebake lines Among the world's lowest cost smelters 40 year gas supply contract expiring in 2049
Alouette (20%)	Canada	889 (100% basis)	119	150	standard ingot,	<ul style="list-style-type: none"> Joint venture with RTA, AMAG and IQ/Marubeni Two prebake lines Largest producer in North America Among the world's lowest cost smelters Long term power contract expiring end of 2030
Albras (51%)	Brazil	1 203 (100% basis)	460 (100% basis)	425 (100% basis)	standard ingot	<ul style="list-style-type: none"> Joint venture with NAAC 4 prebake lines Largest producer in South America Long term power contract expiring end of 2024

1) Production and casthouse capacity for part-owned companies represents our proportional share. For financial reporting Qatalum is accounted for as an equity investment while Tomago and Alouette are consolidated on a proportional basis. Following the closing of the agreement with Rio Tinto Alcan, Husnes is fully consolidated subsidiary for financial reporting purposes. Slovalco and Albras are fully consolidated in terms of volumes and financial results. In addition to the production capacity indicated in the table above, Rolled Products' Reinwerk smelter located in Neuss, Germany has an annual electrolysis capacity of 235,000 mt.

2) See also discussion regarding power supply for our wholly owned Norwegian smelters and additional information relating to power supply for certain other plants.

3) Curtailment of foundry alloys from the middle of 2012

4) Actual production impacted by curtailment of about 100,000 mt of capacity in the second quarter of 2009. About half of the curtailed capacity has been restarted by the end of 2012. In September, 2014, Hydro decided to restart the remaining curtailed capacity and Sunndal is expected to be in full operations by the middle of 2015.

5) Actual production impacted by curtailment of about 92,000 mt of capacity in the first quarter of 2009.

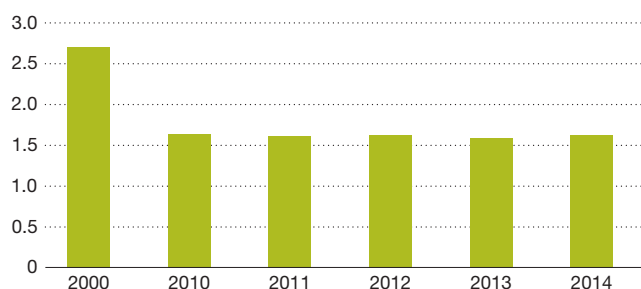
Environment

Aluminium smelting is an energy intensive process. However, approximately 70 percent of the electricity used in Hydro's smelters is provided by hydropower. A substantial portion of

the remainder (around 20 percent) is provided by natural gas. On a world-wide basis electricity used for aluminium production based on hydroelectric power is about 36 percent and 8 percent is based on natural gas.

CO₂ emission intensity – aluminium production

Mt CO₂e/mt aluminium



Primary Metal is Hydro's largest consumer of energy and has the largest combined direct and indirect greenhouse gas emissions. In 2014, direct greenhouse gas emissions from the company's primary metal production, based on ownership equity, amounted to 3.2 million mt. Indirect emissions from electricity production was 3.7 million mt. Direct emissions of CO₂ equivalents per mt of aluminium from electrolysis was 1.62 up from 1.59 in 2013 mainly due to operational issues at Årdal, Albras and the Karmøy plant. The main source of direct CO₂ emissions from Hydro's smelters is the consumption of carbon anodes.

Hydro recognizes that we have a fundamental responsibility to develop solutions to reduce the total greenhouse gas

emissions associated with our business activities. See Viability Performance section later in this report for more information regarding our climate strategy and how aluminium products can contribute to reduced energy consumption and greenhouse gas emissions.

Spent potlining (SPL) from electrolysis cells and anode waste are hazardous waste generated from the production of primary aluminium. In 2014, Hydro generated 43,000 mt of SPL, which was up from 30,700 mt in 2013 due to a normal cyclical increase in the relining of smelter cells which is done every 4-7 years for established smelters. Hydro has reduced relining costs and the volume of SPL produced by extending the life-time of the pots. In addition, Hydro has identified that SPL materials can be used as an energy source in the cement and insulation industry where the production process and high temperatures ensure destruction of hazardous components. This represents an efficient use of resources while reducing landfill and related costs.

People

Primary Metal, including Metal Markets¹⁰⁾ had about 4,600 permanent employees in its consolidated activities at the end of 2014 and 550 temporary employees. We have a responsibility to provide a safe work environment and believe that this promotes efficiency and lower operating costs. We monitor and drive ongoing safety improvements by systematic measuring and reporting of injuries. Through deployment of our Work Environment Risk Assessment (WERA) process we have reduced employee exposure to hazards within our electrolysis operations by 5 to 15 percent annually in the last 10 years. This includes reduction of exposure to noise, dust, heat, fumes, chemicals and vibration.

Our AMPS system helps to ensure empowerment and development of our people through best-practice sharing across our organization. AMPS has provided a foundation for our USD 300 per mt improvement program and is expected to help us achieve additional target savings of USD 180 per mt within our joint venture operations. My Way and Hydro Monitor, our internal performance and feedback processes, are important tools to engage our people and enhance the performance and development of our organization. In 2014, 90 percent of Primary Metal's employees (including Metal Markets) responded to Hydro Monitor in which 82 percent indicated that they participated in My Way or another performance appraisal dialogue tool.

Diversity in the organization is important to us, in particular related to age and gender. In 2014 we established annual and long term targets at the plant level to secure our diversity ambitions.

Society

Hydro is one of the most important business enterprises at several of the communities where our smelters are located. A good dialogue with local residents is considered essential for the mutual benefit of our business and the societies in which we operate. See section on Society under Bauxite & Alumina for further information on new mechanisms for improved dialogue with local communities for our operations in Brazil.

In Qatalum, in Qatar, the large majority of employees are migrant workers. We strive to secure good working conditions for people employed directly as well as those supplied by contractors.

Our supplier requirements regarding corporate responsibility form an integral part of our procurement process. Several of the suppliers for our smelting operations are based in developing countries dealing with certain environmental and social issues. We have risk based mechanisms in place to assess compliance with local regulations and our own requirements including on-site audits and follow-up actions.

Metal Markets

Strategy and targets

Hydro's flexible and extensive multi-sourcing system enables us to rapidly adjust our remelt production to market demand. We intend to capitalize on this flexibility going forward to secure our market position and create additional value on top of LME for our production capacity. We will also exploit this competitive advantage to optimize our casthouse utilization and margin contribution. Global optimization of Qatalum sales volumes continues to be key priority.

Focus on strong margin management

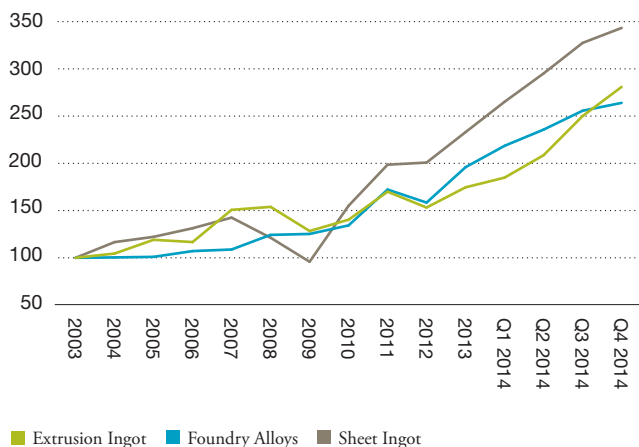
Product premiums have become an increasingly larger share of total aluminium metal prices and have reached record levels in 2014. Optimizing product premium margins in our primary casthouses and stand-alone remelters will continue to be at the top of our agenda. This includes shifting production toward higher premium alloys, optimizing remelting activities in response to market developments, shorter duration premium pricing and global optimization of product sales towards stronger markets. We will also focus on implementing key product strategies including strengthening our technical resources and enhancing our market team and key account approach.

Grow in recycling

We have built a strong position in the metal products markets to optimize the capacity of our integrated casthouses and stand-alone remelters offering value-added products to the marketplace. Our ambition is to take a strong position in

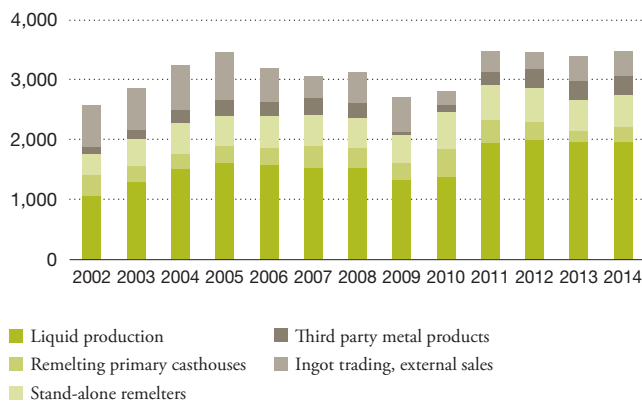
Solid premium development

Indexed, 2003=100



Sales of casthouse value added products and ingot trading

Million tonnes



aluminium recycling to reduce costs and emissions. We plan to increase our capability and capacity to use post-consumed and other types of contaminated scrap and identify new sources of raw materials. We also intend to increase sales of recycling friendly alloys.

Risk management

We will continue to enhance the value of our commercial portfolio by developing and executing strategies to hedge risk exposures within our upstream and downstream businesses, mainly resulting from time lags between our manufacturing process and the pricing of products to our customers.

2014 targets

- Safe operations with a return to reduction trend in TRI rate¹¹⁾
- Strengthen capability for use of post-consumed scrap
- Full-scale testing of Adjustable Flexible Mould technology (AFM) to target automotive sector in sheet ingot market
- Shifting product mix towards higher premium alloy mix
- Maintain strong focus on risk management and capital discipline

2014 results

- Increased use of shredded post-consumed scrap in own remelters through utilization of tolling agreements with external shredder facilities
- Full-scale testing of AFM technology completed successfully at Høyanger
- Increased sales volumes of higher premium alloy products
- Strong focus on risk management and capital discipline maintained

2015 targets

- Progress with implementation of key product strategies

- Progress on implementation of new AFM casting technology during 2015 with completion in 2016
- Further increase in usage of post-consumer scrap
- Further increased sales of recycling-friendly alloys
- Maintain strong focus on risk management and capital discipline

Ambitions going forward

Our vision is to be the preferred partner for casthouse products and services. We will strengthen our focus on product premium margins utilizing the flexibility of our multi-sourcing system to manage our global product portfolio in an optimal way. We will continue our strong focus on safety and risk management, and maintain firm discipline on operating costs and capital expenditures.

Operations

Metal Markets includes all sales and distribution activities relating to products from our primary metal plants, our stand-alone remelters and our high purity aluminium business. We operate seven remelters, which recycle mainly scrap, but also standard ingot¹²⁾ into new products. We also market metal products from our part-owned smelters and third parties, and engage in other sourcing and trading activities, including hedging activities on behalf of all business areas in Hydro.

Cost and revenue drivers

Our results are mainly impacted by the operating results of our stand-alone remelters and high purity aluminium business, margins on sales of third party products and results from ingot and LME trading activities.

Revenues for our stand-alone remelters are influenced by volumes and product premiums over LME. Costs are driven

by the cost of scrap and standard ingot premiums over LME, freight costs to customers and operational costs, including energy consumption and prices.

Our results can be heavily influenced by currency effects¹³⁾ and ingot inventory valuation effects¹⁴⁾

Competitive strengths

- Leading worldwide supplier of extrusion ingot, sheet ingot, foundry alloys and wire rod
- Extensive multi-sourcing system including broad network of primary casthouses, stand-alone remelters and partly owned primary sources
- Flexible sourcing system enabling significant, rapid and cost effective volume adjustments
- Strong market position in US and Asia through Qatalum volumes
- Commercial expertise and strong risk management competence enabling us to secure manufacturing margins

Remelting

We have a network of seven stand-alone remelt plants that convert scrap metal and standard ingot into extrusion ingot. We have five plants in Europe and two in the U.S. with a total capacity of about 0.6 million mt including roughly 0.4 million mt in Europe. Our facilities in Europe are located in Luxembourg, the United Kingdom, Germany, Spain and France. Total remelt activity, including remelted metal from casthouses integrated with our primary metal plants and third-party sourcing, has historically represented about half of our total sales of metal each year, but has been reduced during the past years to adjust market balance and improve margins. In addition to remelting post-consumer scrap returned from customers, we purchase pre and post-consumer scrap from third parties. Standard ingot is procured globally under a combination of short and long-term contracts.

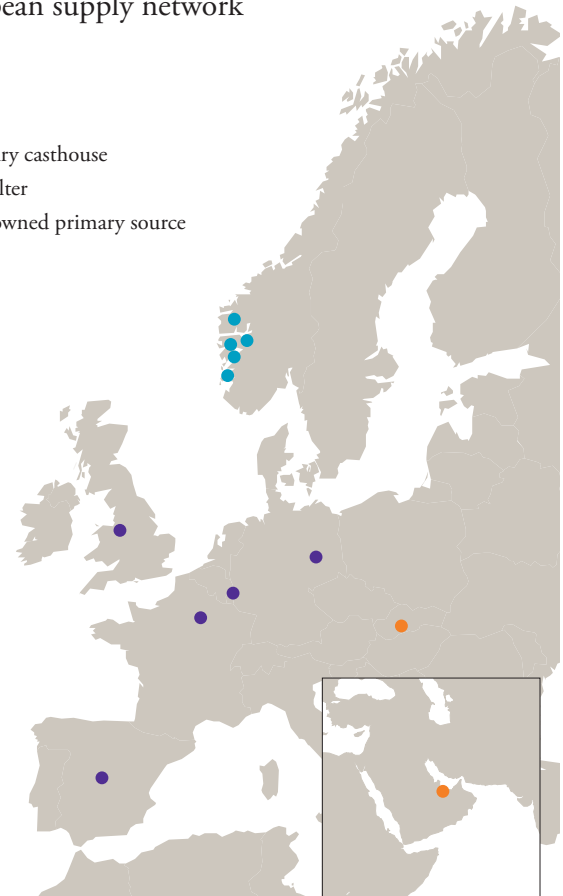
Sourcing and trading

To supplement our own equity standard ingot production, we source some standard ingot for remelting in Hydro's remelters and primary casthouses from third parties. Third-party contracts are also executed in order to optimize our total portfolio position and to reduce logistics costs. We also sell standard ingot to external customers.

Our main risk management objectives are to secure margins in our midstream and downstream businesses, and to obtain the prevailing average LME price for our smelting system. Our sourcing and trading operation acts as an internal broker for all LME-hedging transactions by our business units in order to consolidate Hydro's exposure and reduce transaction costs.¹⁵⁾

European supply network

- Primary casthouse
- Remelter
- Part-owned primary source



Markets, products and customers

Most of our aluminium is sold in the form of value-added casthouse products such as extrusion ingot, sheet ingot, foundry alloys and wire rod. Our product with the highest volume is extrusion ingot, which is sold to extruders producing aluminium profiles. The most important end-use segments include the building and construction industry, transport and general engineering. Our key market region for extrusion ingot is Europe. However, following the completion of Qatalum, the Asian and U.S. markets have become increasingly important to Hydro. Other important markets for Qatalum include Turkey, the Middle East and Australia/New Zealand.

Foundry alloys are sold to foundries producing cast parts primarily for the automotive industry. Our largest market for primary foundry alloys has been Europe. However, following the closure of casthouse capacity in Europe during 2012 and completion of Qatalum, Asia has become our most significant market for this product. Sheet ingot is sold to European rolling mills, with packaging and transportation as the most important end-use segments. Wire rod is sold to wire and cable mills in Europe for power transmission and other electrical applications.

We also produce and sell high purity aluminium products and other specialty products, mainly used in the electronics industry in products like electrolytic capacitors, semi-conductors and flat-panel displays, as well as in aviation and aerospace applications.

In addition to marketing our own products, we have commercial agreements to market products from part-owned smelters including a full marketing responsibility for all of the casthouse production at the smelters in Qatar and Slovakia.

Our regional market teams are key to our customer approach, delivering commercial, technical, logistical and scrap conversion services. Optimized solutions, such as our customer service programs and online customer portal, add further value and help build and reinforce customer relationships.

Technology and innovation

Innovation and development is carried out in close collaboration between our customers, production units and R&D. We emphasize three main areas including the quality of our products, the efficiency of our production system and the development of new alloys to enhance the functional characteristics of our products. Our casthouse production process is based on our advanced proprietary casting technology, developed by the fully-owned equipment producer Hycast and our R&D center. In June, 2014, Hydro announced plans to invest in new Adjustable Flexible Molds (AFM) casting technology in Årdal and Høyanger to better serve customers in the automotive industry and strengthen its position as a supplier of advanced sheet ingot. The investment complements the company's strategy to high-grade its product portfolio, in particular related to the investment in a new production line to lift the capacity of its Rolled Products operations for aluminium car body sheet.

Quality improvements are closely linked to our customer technical service, addressing customer needs while improving our own casthouse process. We develop new alloys with distinct properties to support the development of new or enhanced applications within the automotive, building, electronics and other industries. This work begins with developing an understanding of metallurgical processes that form the basis for sample compositions and production methodologies carried out in laboratory or test production facilities. Final, full scale testing is done often together with customers or end users.

Recycling of post-consumer scrap is an important activity to enable reduced costs and emissions and increased capacity utilization. Our casting and alloy expertise enables us to produce products that can be recycled and used as raw material for high quality semi-finished products. Developing products that optimize the use of recycled material is another area of focus.

Environment

Aluminium can be continuously recycled without degradation in quality and requires only 5 percent of the energy necessary for primary aluminium production. Depending on cost and quality differences between standard ingot and aluminum scrap, recycling can be commercially attractive and provides significant environmental benefits. These include conserving energy and other natural resources, reducing greenhouse gas emissions, reducing land encroachment related to bauxite mining and alumina refining and reducing landfill. However, most of the aluminium produced today is used in long-life products. As a result, access to aluminium scrap is limited and most of the raw material for our recycling comes from process scrap from our own production and from other companies.

In 2014, we recycled 1.1 million metric tons (mt) of aluminium on a combined basis compared to 1.2 million mt the previous year.¹⁶⁾ Of this amount, 111,000 mt was post-consumer scrap, compared with 151,000 mt in 2013 which included recycled volumes from Hydro's extrusion business that is now part of Sapa. Amounts for 2014 exclude recycled volumes from Sapa.

People

Please see Primary Metal for information about processes and performance relating to people for Metal Markets.

Society

Metal Markets' operations are either co-located with larger Hydro operations or are relatively small stand-alone operations with limited direct social impact on the communities they are part of. The main social impacts associated with our operations are generated by our suppliers, mainly for scrap and alloying metals. See Primary Metal for information relating to our supplier requirements regarding corporate responsibility.

Rolled Products

Industry overview

The aluminium rolled products industry is characterized by economies of scale, with significant capital investments required to achieve and maintain technological capabilities and to meet customer qualification standards.

Worldwide consumption amounted to approximately 22.7 million mt in 2014. Europe and North America represent 21 percent of world consumption each. The five largest producers in Western Europe supply about 85 percent of the European market. China is the largest single market, representing more than 30 percent of global consumption. Chinese production capacity continues to increase despite existing overcapacity in the Chinese market.

The export of semi fabricated and fabricated aluminium products from China to the rest of the world has steadily increased over the last years. This is partly due to export taxes that Chinese authorities have imposed on primary aluminium, giving the Chinese semi fabricated and fabricated producers competitive prices on primary aluminium compared to the rest of the world. Exports from China have increased further recently, driven by higher metal advantage as a result of the significant increase in premiums in other regions. In addition China is encouraging the exports of certain semi fabricated products by granting significant VAT rebates in the range of 11-15 percent for exported products.

The EU, as well as some other jurisdictions, have imposed import duties on selected semi fabricated and fabricated products from China. Changes in taxes and duties both in China and in the EU or other countries may impact the development in the semi fabricated and fabricated product markets in the world outside China. See Regulation and taxation section, Aluminium regulation later in this report for more information on duties and tariffs on aluminium. See Risk review section, Risk factors later in this report for a discussion on our exposure to competition from China.

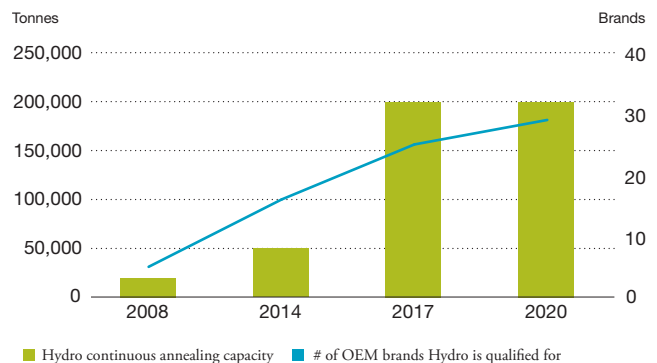
Strategy and targets

Securing a strong market position and increasing returns continue to be key priorities in our Rolled Products business operations. Differentiation through innovation in products, processes and services is an important means to grow our market share and margin contribution. Measures aimed at increasing efficiency and reducing costs will continue together with efforts to reinforce safe operations and sustainable business practices.

Build on our strong market position

We intend to develop and improve our market share by leveraging our preferred supplier position in the market.

Body-in-white capacity



With a focus on our strong position within lithography, foil, beverage can and automotive, we will continue to emphasize the quality of our products and services to our customers in order to drive the performance of our business and pursue further growth opportunities. Differentiation through innovation remains a key strategy, supported by our dedicated R&D facilities.

Based on expected strong demand in the automotive Body in White market segment, we are investing in a new production line to lift our capacity for aluminium car body sheet four-fold to 200,000 mt per year. The new line is expected to be completed in second half of 2016.

Achieve targeted improvements within "Climb" program

Our goal is to generate revenue and cost improvements of NOK 800 million by 2016 compared to revenue and cost levels at the end of 2011. Supported by our Rolled Products Business System we will continue with process, productivity and cost improvement programs across our operations. We will continue to focus on efficiency throughout our operating environment and exploiting the strengths in our asset base and core competencies.

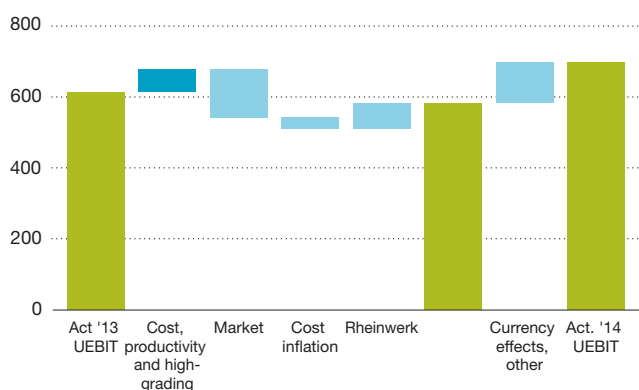
In addition, we will further develop our recycling activities to improve our metal cost position. The installation of a Used Beverage Can (UBC) recycling line, fulfilling both customer and environmental needs, will contribute to significant metal cost and CO₂ savings from recycling post-consumer scrap.

Strengthen our safety performance and emphasis on compliance

We will continue our efforts to improve safety performance through risk reduction and enhanced leadership supported by appropriate training. Emphasis on compliance with internal directives and external legal requirements will continue together with ongoing work on risk reduction, in particular related to CSR requirements for our business partners.

"Climb" improvement program contribution

NOK Million



2014 targets

- Reduction of total recordable injuries per million hours worked (TRI) by 20 percent
- Manage margin and shipment level in uncertain Euro-zone and macro environment
- Deliver targeted improvement in the Climb program through product portfolio development, efficiency improvements and cost reductions
- Further performance enhancements in delivery reliability and lead time
- Capitalize on innovation capabilities achieving one step change during 2014

2014 results

- Despite new initiatives and reinforcement of ongoing measures, we did not meet our targeted reduction in TRI rate which increased compared to 2013
- Some growth in shipments achieved despite a weakening market in the second half of 2014, however, average margins declined somewhat
- Achieved approximately NOK 600 million of annual improvements in the Climb program compared to cost and revenue levels in 2011, however, somewhat lower than target for the year
- Lead time performance improved due to the implementation of innovative supply chain solutions, however, delivery reliability declined somewhat
- Step changes realized with the introduction of 5 µm record-thin gauge foil and development of new high-formability automotive alloys

2015 targets

- Reverse negative trend in TRI and bring rate down by 30 percent
- Realize targeted Climb improvements through further process as well as cost improvements and cost initiatives

- Improve delivery reliability compared to the two previous years
- Start of production at our new UBC recycling line
- Realize minimum one step change related to alloy, product or process development supported by our innovation drive
- Further increase awareness of competition regulations through training across organization
- Progress on implementation of enhanced Rolled Products Business Partner Procedures

Ambitions going forward

We are committed to safety and to eliminating accidents in our operations. We aim to increase the returns of our business operations, concentrating on operational excellence and involving all employees in continuous improvement. We will pursue growth opportunities and keep our focus on innovation and technology to sharpen our competitive edge.

Operations

The rolling process consists of heating 600 millimeters (mm) sheet ingot to about 500 degrees Celsius and gradually rolling it into thicknesses of 3-13 mm for further processing. An alternative process, continuous casting, converts molten metal directly into coiled strip, typically 4-8 mm thick. Once cool, the thinner metal is further processed in cold rolling mills, producing various types of products including foil, lithographic sheet, sheet and strip.

Cost and revenue drivers

Rolled products is a margin driven business based on a conversion price where the LME cost element is passed on to the customer. Contracts are generally medium term. The cost structure includes a high proportion of fixed costs, so results are volume sensitive.

Competitive strengths

- World leading positions in high-end products including automotive, foil and lithographic sheet
- Largest producer in European rolling industry with estimated 16 percent market share in Europe
- Global reach with around 30 percent export for high-end markets, serving key customers in the Americas, Middle East and Asia-Pacific
- World class assets including AluNorf (Hydro share 50 percent), the world's largest rolling mill, and Grevenbroich, the world's largest multi-product finishing mill
- AluNorf, Grevenbroich and Rheinwerk smelter located in close proximity generating significant logistical advantages

Rolling mills

Our flat rolled products operations are located in Germany, Norway and Italy. We generated approximately 75 percent of our total sales in 2014 in Europe. More than half of our

Plant	Country	Capacity (000 mt)	Main products	Other characteristics
Grevenbroich				<ul style="list-style-type: none"> Supplied by nearby Alunorf rolling mill The world's largest multi-product finishing mill
Alunorf 50%	Germany	650	Packaging, lithographic sheet, automotive	<ul style="list-style-type: none"> The world's largest rolling mill 50/50 joint venture with Novelis Integrated cast house, based on remelting and recycling
Hamburg	Germany	180	General engineering, automotive, heat exchanger	<ul style="list-style-type: none"> Integrated casthouse
Slim	Italy	90	General engineering, packaging	<ul style="list-style-type: none"> Integrated casthouse
Karmøy	Norway	85	General engineering	<ul style="list-style-type: none"> Continuous casting
Holmestrand	Norway	90	Building, general engineering	<ul style="list-style-type: none"> Integrated casthouse, recycling center
Rheinwerk	Germany	235	Liquid metal	<ul style="list-style-type: none"> Integrated casthouse

production was produced in the Grevenbroich/AluNorf rolling system in Germany, one of the most modern and efficient rolling operations in the world. Grevenbroich is the center of our packaging, lithographic and automotive sheet operations. Our production network mainly comprises the so-called "wall-to-wall" processing, including an integrated casthouse combined with both hot and cold rolling mills.

Around one third of the metal used was sourced internally, based on arm's-length conditions related to LME and applicable premium prices. External supplies of liquid metal, sheet ingots and standard ingots, account for more than half of our total requirements in 2014. In addition, we recycled post-consumer scrap and pre-consumed scrap from our customers.

Rheinwerk smelter

Rheinwerk, located in Neuss, is the largest aluminium smelter in Germany, with a maximum liquid metal capacity of 235,000 tonnes per year including one curtailed pot line. The plant supplies the near-by Alunorf rolling mill for subsequent fabrication of rolled products in Grevenbroich. The smelter is an important element of this integrated system and provides significant operating synergies.

Markets, products and customers

Our ambition is to leverage our position as a preferred supplier by focusing on quality, product development and innovative solutions, together with excellent customer service and overall cost efficiency. To ensure a strong market orientation, our sales function is organized centrally along business lines. This is supported by sales offices in Europe, Brazil, the US, and Singapore where we optimize market contact and sales potential.

Our rolled products business is organized into three business units serving the different market segments in which we operate.

Lithography, Automotive and Heat Exchanger

Lithography: Hydro is the leading global supplier of lithographic sheet for printing plates, a market characterized by demanding requirements for surface quality, metal characteristics and mechanical properties. We differentiate our products through innovation, consistent high quality and extensive service to our customers. Key customers in this segment include Kodak, FujiFilm and AGFA. Our litho production is concentrated at the Grevenbroich plant.

Automotive: We are the second-largest supplier of aluminium sheet and coil to the European automotive market for interior and exterior vehicle body parts, chassis and component applications. Key customers include Audi, BMW, Daimler and PSA. Production is concentrated within our Grevenbroich and Hamburg plants.

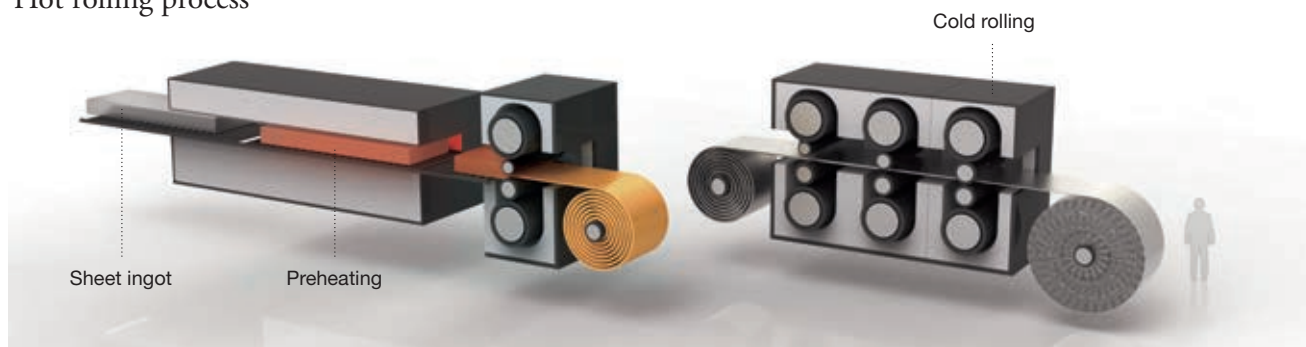
Heat Exchanger: We produce a wide variety of mainly clad strip and sheet used in the manufacture of heat exchangers for passenger and commercial vehicles as well as other product applications. We are among the top producers in Europe, working with key tier one suppliers such as Mahle, Denso, Modine and Linde to develop specially adapted alloys and optimized production techniques to fit their manufacturing processes.

Packaging & Building

Packaging: ISO certified, we serve customer needs in the rigid and semi-rigid packaging industry, offering plain and converted strip and foil in thicknesses ranging from 0.005 - 0.500 mm. We provide packaging solutions combining high-

Business unit	Shipments in %	Key characteristics
Lithography, automotive and heat exchanger	33	<ul style="list-style-type: none"> Largest producer in the lithographic products market Serving OEMs and their suppliers with strip and sheet for body, component and chassis applications Automotive and non-automotive heat-transfer applications
Packaging and Building	39	<ul style="list-style-type: none"> Main markets include beverage can, foil packaging and lacquered building products Global player with lead leadership position in the high value-added liquid packaging market segment
General engineering	28	<ul style="list-style-type: none"> General engineering products mainly used in industrial applications

Hot rolling process



The slabs are preheated before entering the hot reversing mill. The sheets are rolled to the desired thickness in the finishing mill.

quality manufacturing with innovation, cost effectiveness and sound ecological characteristics. We also offer a wide range of services relating to our packaging products in terms of consulting and technical support. In addition, we are specialists in thin-gauge foil for flexible packaging, offering foil as thin as 5.0 µm for the packaging of food as well as for technical applications, including converted qualities with a variety of lacquered, laminated and coated finishing. Tetra Pak, Amcor Flexibles and Constantia Flexibles are key customers. Production of packaging is mainly concentrated in our Grevenbroich rolling mill.

Hydro is a worldwide supplier of body, end and tab stock in the form of rolled coil for the production of aluminium beverage cans. Our modern and efficient production facilities, technical know-how and experienced development support facilitate the delivery of high-quality materials to meet the specific requirements of can manufacturers. Our Grevenbroich plant is dedicated to the production of Hydro's quality proprietary can-end stock efficiEND®, which promotes productivity and cost-effective manufacturing to all major beverage can manufacturers worldwide.

Building (coated): Hydro is one of the leading manufacturers of coated aluminium strip, with experience in the building market for many decades. We offer to our customers a portfolio of cost-effective solutions from the dedicated production lines in our Holmestrand rolling mill, including product applications for roofing & cladding, roller shutters, ceilings, composites and other specific applications.

General Engineering

Hydro is a leading supplier of hot and cold rolled aluminium strip and sheet, offering a comprehensive range of products tailored to meet the individual requirements of a variety of applications in the industrial and consumer products sectors. Products include coil and sheet for wholesalers; aluminium coil for transformers and electrical-technical applications; and coil, sheet and circles for household applications such as

cookware, baking trays and ladders. We operate modern and efficient manufacturing processes, offering quality products and extensive technical support.

Technology and innovation

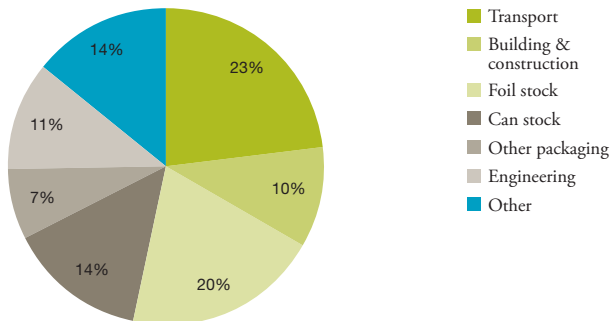
Based on continuous research and development at our dedicated R&D center in Bonn, Germany, we differentiate our business through innovative products, processes and services that save resources, reduce emissions and increase performance. Customers benefit from this added value, which increases our market share and margin contribution. We cooperate with customers to develop innovation solutions, through R&D and our sophisticated technical customer service. Supported by our advanced scrap processing and melting concepts, we plan to increase the volume of recycled material used in our production processes. We also focus on optimizing our alloys to make aluminium the material of choice in all our markets. In automotive in particular, our solutions make cars lighter, safer and more dynamic. Examples include our HA6016-X clad alloy with clearly higher formability, and our optimized AA5182 variant which delivers higher formability while maintaining high corrosion resistance. Most of our innovation is supported by our world-leading, in-house simulation tools which enable computer aided process design and alloy development. Our sophisticated modeling not only delivers optimum results, but also provides all the necessary information for efficient application by our customers.

Environment

Compared to Hydro's upstream operations, Rolled Products' environmental footprint is relatively small and mainly localized within the vicinity of our production sites. The main environmental impacts include noise, odor and traffic volume. In addition, Hydro's emissions of NMVOC (non-methane volatile organic carbons) mainly originate from Rolled Products.

Flat rolled products consumption Europe 2014

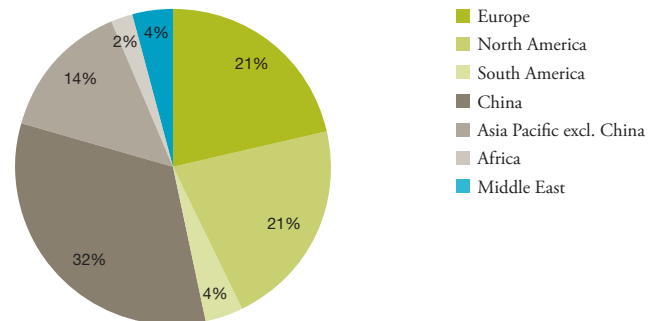
Total market 3,937 Kmt



Source: CRU quarterly November 2014

Global flat rolled products consumption 2014

Total market 22,678 Kmt



Source: CRU quarterly November 2014

Aluminium has numerous advantages in terms of energy savings and reduced greenhouse gas emissions in the use phase. We work closely with customers to develop innovative and cost efficient solutions to take advantage of these qualities. Examples include light-weight products related to transportation which reduces energy consumption and emissions as well as packaging solutions with superior food preservation properties that reduce energy demands relating to cooling requirements and waste due to food degradation. Our new planned production line for aluminium car-body sheet is an example of how we contribute to reducing CO2 emissions while growing our business.

Recycling is an important part of our environmental and business strategy (see also discussion under Environment for Metal Markets). In 2014 we started the construction of a new, integrated recycling line for used aluminium beverage cans (UBC) in our Neuss plant in Germany that will increase our annual recycling capacity of UBC by 50,000 mt.

Most of our rolled products operations in Germany and Italy are in water-stressed areas with regard to annual renewable water supply (according to the definition used by WBCSD). Although water supply in these areas is well-regulated we are evaluating measures to reduce water consumption, in Italy in particular.

People

Rolled Products had 4,243 permanent and 281 temporary employees in its consolidated activities at the end of 2014. We have a responsibility to provide a safe work environment and believe that this promotes efficiency and lower operating costs. We monitor and drive ongoing safety improvements by systematic measuring and reporting of injuries.

Our internal performance and feedback processes, My Way and Hydro Monitor, are important tools to enhance our

people and organization performance and development. In 2014, 90 percent of Rolled Product's employees responded to Hydro Monitor and about 70 percent participated in My Way or another performance appraisal dialogue tool.

Rolled Products aims to increase its diversity and strengthen the competence of its employees with a special focus on attracting and developing highly talented individuals.

Society

Apart from being a significant employer in the local communities where we have production sites, the main social impacts associated with our operations are generated by suppliers. Our supplier requirements regarding corporate responsibility form an integral part of our procurement process. We have risk based mechanisms in place to assess compliance with local regulations and our own requirements including on-site audits and follow-up actions.

Energy

Industry overview

Electricity generation in the Nordic market is mainly based on hydropower (54 percent) and nuclear power (22 percent). Generation in Norway is almost entirely based on hydropower. Total annual Nordic consumption is approximately 400 TWh.

There has been a common Nordic electricity market since the late 1990s. The Nordic electricity market includes the Baltic countries. Nordic system prices are set in day-ahead auctions at the Nord Pool Spot market. The system price is normally the main reference price for financial contracts traded bilaterally and at the Nasdaq OMX. Area prices are calculated for physical delivery to constrain flows when available

transmission capacity would otherwise be exceeded. There are five price areas in Norway, four in Sweden, two in Denmark, and one in Finland.

Prices are influenced by fuel cost (including emission allowance cost), meteorological parameters (precipitation, temperature, and wind) and exchange transmission possibilities with adjoining markets. An increase in intermittent generation from solar and wind power capacity has had a significant effect on price volatility in Continental markets and influenced price developments in the Nordic market.

Implementation of EU energy and climate regulations has and will continue to have a significant influence on energy prices and energy and climate policy in all EU/EEA countries. Emission trading has increased electricity prices by up to 50 percent in periods with high emission allowance cost in Europe, including the Nordic market where electricity is predominantly generated by non-emitting sources. Under current allowances, the effect on electricity prices is about 15 percent. There is, however, an ongoing EU legislative process aimed at reducing emissions and consequently increasing allowance prices. In order to prevent carbon leakage, the EU established guidelines in 2012 allowing national governments to support industries exposed to global competition. Actual compensation, which is dependent on national implementation, is well under way in Norway and Germany with conditions corresponding closely to the EU guidelines. Please see section Regulation and taxation - Aluminum regulation - climate gases later in this report for more information on this matter.

A common electricity certificate market for Norway and Sweden was established in the beginning of 2012 with the objective to support the development of new renewable generation capacity. The certificate system is designed to support an increase in annual renewable generation in the Norwegian/Swedish market of 26.4 TWh by 2020.

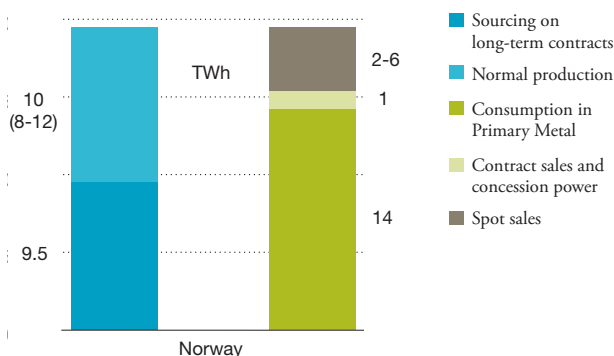
Strategy and targets

Hydro is the second-largest power plant operator in Norway, with more than 100 years of experience in hydropower production. We intend to develop the value of our Norwegian assets and to use our extensive energy competence to secure competitive energy sources for our global activities. Operational excellence and on-going improvement continue to be a key priority to secure cost effective, safe and reliable production.

Develop our captive power capacity

Our ambition is to continually increase Hydro's share of captive power from renewable sources, and further explore opportunities within our existing concession areas in Norway.

Generation and power sourcing in Norway



Securing and increasing the value of our energy assets is a key priority based on our new normal equity power production of 10 TWh achieved in 2013.

Optimize power asset management and operational excellence

We are continuously developing our expertise in optimizing power production and market operations. Our objective is to minimize the cost of industrial sourcing and maximize the value of our production assets, including active participation in power markets. We have made significant cost and safety improvements in our hydro power plant operations during the last decade, and we will continue to pursue further performance improvements. Safe, reliable, environmentally conscious operations remain among our top priorities going forward.

Sourcing competitive energy for our global operations

Access to competitive energy is a major success factor in our value chain. We have large energy exposures on nearly every continent. We are engaged in a number of initiatives to identify and secure competitive energy supplies for Hydro's operations. In 2014, we successfully sourced 2.7 TWh for Hydro's Norwegian smelters for a ten year period beginning 2021 enabling competitive aluminium production in Norway. We are actively involved in promoting a responsible energy policy in the regions where we operate.

2014 targets

- Continued strong focus on safe operations with target of zero recordable injuries for 2014
- Cost and improvement focus in operations and projects, including capturing value potential in physical markets
- Enhancing value potential from the Vigeland acquisition
- Continue maturing new equity growth options supported by electricity certificates
- Continued work on securing competitive energy sourcing for aluminium operations

- Contribute to improved energy solutions and strategic options in Brazil

2014 results

- Maintained a strong focus on safe operations, however one recordable contractor injury (TRI) occurred in 2014
- Increased activity in physical power markets. Maintained focus on cost related to upgrade projects, Rjukan upgrade nearing completion
- Vigeland fully integrated into Hydro Energy
- New equity growth options further matured. Build decision taken for small power plant Midtlæger in the Røldal-Suldal power system
- Secured power contracts at competitive prices for our Norwegian smelters securing 2.7 TWh annually for the period 2021 – 2030.
- High activity in Brazil, focusing on ensuring competitive power cost for the Brazilian operations and maturing long term energy options

2015 targets

- Operational excellence, continued strong emphasis on HSE and security in projects as well as in operations with no recordable injuries
- Further efforts on securing competitive long term power sourcing for the aluminium operations including the potential pilot plant at Karmøy
- Progress construction of small hydropower plants and continue efficiency improvements in existing plants
- Strengthen local presence in Brazil to secure competitive energy supplies for our alumina refining and aluminium smelting operations and exploit commercial opportunities in the Brazilian power market

Ambitions going forward

Our goal is to develop our equity power position and capitalize on our energy competence, supporting the sourcing of power to our operations on a global basis.

Operations

Hydro is a global energy player, purchasing and consuming substantial quantities of energy for its smelters, rolling mills and alumina refinery operations. We are the largest publicly owned power producer in Norway with operating and ownership interests in 24 hydroelectric power plants. Installed capacity was approximately 2,000 MW in total at the end of 2014 representing normal annual production of 10 TWh.¹⁷⁾ This corresponds to about 40 percent of Hydro's total electricity consumption worldwide. We also purchase around 8 TWh annually under long-term contracts, mainly with the Norwegian state-owned company Statkraft.

Cost and revenue drivers

Production volumes and market prices are strongly influenced by hydrological conditions. Seasonal factors affect both supply and demand.

Our cost base is relatively stable, however, volatile spot volumes and prices may cause significant quarterly revenue variations. There is potential for optimization of our total power portfolio in the market and in cooperation with our smelters.

Competitive strengths

- Power coverage until 2020 with new contracts covering part of our sourcing requirements until 2030
- Substantial captive power through equity hydropower in Norway and natural gas fired power in Qatar
- High share of renewable energy
- Strong earnings with stable and solid cash generation

Norwegian power assets

Our power plants are located in three main areas - Telemark, Sogn and Røldal-Suldal - and managed from a common operations center at Rjukan in Telemark. We also own the Vigeland power plant in Vennesla, and a 33 percent interest in Skafså Kraftverk ANS in Telemark.

In addition to sourcing power for our aluminium operations, Hydro sells about 1 TWh of the electricity related to concession power obligations to the local communities where the power plants are located. Power is also sold on existing contracts to our former petrochemicals business.

We optimize power production daily based on the market outlook and the hydrological situation within Hydro's water reservoirs. By utilizing the flexibility of the hydropower plants and the volatility in the spot market price, Hydro aims to realize a premium above the average spot price. Our total Norwegian power portfolio, including our own production, is balanced in the market on the Nord Pool Spot Power Exchange. Spot market sales vary significantly between dry and wet years, with an average of 4.0 TWh, excluding the effects of curtailed smelter capacity.

In order to secure continued robust production in the Rjukan power plants in Telemark, a significant upgrade project is ongoing, which is expected to be completed in 2015. In addition, new power stations at Holsbru (Sogn) and Vastøl (Røldal-Suldal) started operation in 2012, with a combined installed capacity of 53 MW and a normal annual production just above 100 GWh. In July 2013 Hydro acquired Vigeland's Brug (Vest- Agder) with installed capacity of 27 MW and a normal annual production of 180 GWh.

(Ownership percent)	Rated capacity (MW) (100%)	Normal annual production (TWh) (Hydro share)	Key characteristics / concession period
Sogn (100 %)			<ul style="list-style-type: none"> • Total catchment area 803 km² • Concession expiration Tyin 2051 and Fortun 2057
Tyin	374		
Holsbru	48		
Skagen	252		
Fivlemyr	2		
Herva	35		
Total Sogn		3.2	
Røldal-Suldal Kraft (95.2%)			<ul style="list-style-type: none"> • Total catchment area 793 km² • Concession expiration 2022
Middyr	2		
Svandalsflona	20		
Novle	48		
Røldal	172		
Suldal I	169		
Suldal II	155		
Vasstøl	5		
Kvanndal	45		
Total Røldal-Suldal Kraft		3.0	
Telemark (100%) ¹⁾			<ul style="list-style-type: none"> • Total catchment area 4 094 km² • No reversion except for Frøystul 50% 2044, Moflåt and Mæl 2049
Frøystul	45		
Vemork	204		
Såheim	188		
Moflåt	32		
Mæl	38		
Svelgfoss	96		
Total Telemark		3.5	
Skafså (33%)			<ul style="list-style-type: none"> • No reversion
Åmdal	21		
Osen	15		
Skree	7		
Gausbu	7		
Total Skafså		0.1	
Vigeland (100%)			<ul style="list-style-type: none"> • Exempted from reversion
Vigelandsfoss	26	0.2	
Total		10.0	

1) All plants in Telemark are wholly owned except for Svelgfoss, in which Hydro owns 70.22 percent

Environment

Hydroelectric power is a renewable energy source. However, there are several potential environmental impacts associated with Hydro's operations including changes in aquatic and terrestrial habitats along the waterways and impact on recreation and tourism. All of our reservoirs are located within or in close proximity to national parks and other protected areas in mountainous regions in Southern Norway including Hardangervidda and Jotunheimen. We limit vehicle traffic related to operations and maintenance of reservoirs that are within protected areas, and snowplowing to protect reindeer habitat. We monitor the impact of our operations on aquatic life in rivers connected to catchment areas. In order to mitigate the effects of water regulation on fish populations, around 86,000 fish spawn are launched annually in almost 40 lakes and rivers as part of concession requirements. Rehabilitation projects are also carried out to

improve fish habitats and esthetic qualities. Stone refuse tips from tunnel construction are registered and rehabilitation performed or planned except for those that are protected as cultural heritage.

People

Energy had 187 permanent employees in its consolidated activities at the end of 2014 and 9 temporary employees. We emphasize a safe work environment and believe that we can promote this while also delivering on efficiency and low operating costs. We monitor and drive safety improvements through systematic, preventive activities focused on controlling risks. In 2014, we received internal recognition in the form of the President's HSE award for excellence in safety performance in the execution of high-risk rehabilitation and extension projects.

Our workforce is our most important asset. My Way and Hydro Monitor, our internal performance and feedback processes, are important tools to enhance our people and organization performance and development. In 2014, 99 percent of our employees participated in an appraisal dialogue through My Way, and 99 percent responded to the Hydro Monitor questionnaire. Diversity in the organization is important to us, in particular related to competence, age, gender and cultural background. We emphasize diversity in our recruitment process.

Society

Energy's operations are all located in Norway and have limited impact on the communities in which we operate. For safety purposes, Hydro restricts public access to certain areas due to varying water levels.

Our supplier requirements regarding corporate responsibility form an integral part of our procurement process, including selecting contractors for project execution.

Sapa

Sapa is a world leader in downstream aluminium solutions, with a global reach and local presence within extrusions, building systems and precision tubing. The company is a 50/50 joint venture combining the extrusion business of Hydro ASA and Orkla ASA. Sapa employs around 23,000 people in more than 40 countries. The company's headquarters are located in Oslo, Norway.

Joint venture transaction

On October 15, 2012 Hydro announced an agreement with Orkla ASA to combine their respective extrusion profile, building systems and tubing businesses. The transaction transformed Hydro's extrusion operations, improving the global reach of the combined operations and created a stronger foothold for Hydro in North America and several

important emerging markets. The restructuring program initiated by the company in 2013, targeting annual synergies of around NOK one billion by the end of 2016, is ahead of plan, with about half of the target reflected in underlying results for 2014. See note 7 to the consolidated financial statements later in this report for further information on the Sapa transaction.

Industry Overview

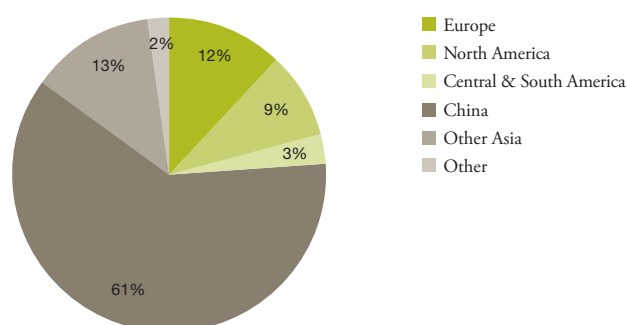
Over the past several years there has been significant overcapacity in the extrusion industry in Europe and in southern Europe in particular. Combined with weak economic developments, this has led to increased market competition and restructuring activities within the industry including the Sapa transaction. Weak markets and margin pressure are expected to continue in 2015 and further restructuring is expected. Despite these developments, companies with high quality products and services and competitive costs, are able to defend margins that lead to sustainable returns.

The North American extrusion industry is somewhat more consolidated than Europe. However, margins remain under pressure despite market improvements and further consolidation within the industry. The market consumption of extruded products in South America is relatively low. Brazil represents over half of the South American extrusion market, followed by Argentina. Asia represents the largest consumer region for extruded products reflecting the ongoing investment in infrastructure and high level of construction activity.

Due to the sharp decline in the building market following the financial crisis in 2008, overcapacity in southern Europe and the U.K. has resulted in increasing competition within the European building systems industry.

Extrusion aluminium consumption* by region 2014

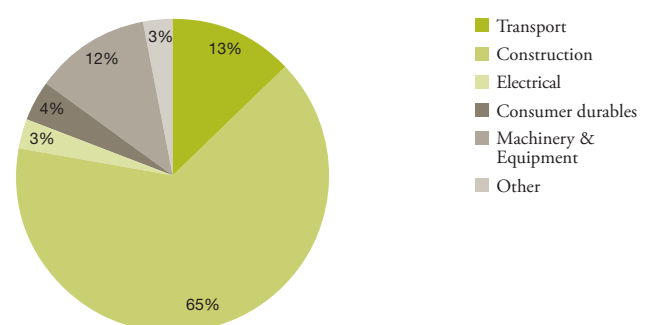
Total market 24.7 million mt



* Consists of semi fabricated products (included recycled aluminium)
Source: CRU IT 2014/Hydro

Extrusion aluminium consumption* by end use 2014

Total market 24.7 million mt



* Consists of semi fabricated products (included recycled aluminium)
Source: CRU 2014/Hydro

Precision tubing is a global business mainly focused on automotive heat transfer applications. The market is relatively fragmented.

Operations

Sapa is the world's leading supplier of extrusion-based aluminum solutions. Market share at the end of 2014 was 25 percent in Europe and 30 percent in North America. Sapa also has a solid foothold in emerging markets with extrusion capacity in South America and in Asia. Sapa's extrusion operations serve a diverse customer base within the automotive, transportation, building & construction, electrical and engineering market sectors. Sapa operates in value added aluminium solutions, within the areas extruded profiles, building systems and precision tubing. The majority of the Building systems operations are located throughout Europe while Precision Tubing is a global business.

Sapa has an extensive production system that ensures a global reach combined with a local presence. Facilities include around 155 extrusion presses within around 100 production sites. Operations are based in 25 countries in Europe, 12 countries in the Middle East, Africa and Asia and in Brazil, Argentina, the United States, Canada and Mexico. The majority of operations are located throughout Europe and in North America. Sapa also has a solid foothold in emerging markets with extrusion capacity in South America and in Asia.

Markets, products and commercial activities

Approximately half of Sapa's products go to the building and construction markets, with the remainder split evenly between transportation and consumer/other market segments. Sapa's general extrusion business delivers custom made aluminium extrusions to customers in most industries. Local plants work closely with customers tailoring aluminium profiles and providing supporting services according to customers' needs. In North America, the extrusion business is organized to optimize capabilities across the continent while providing high-quality local service.

Sapa Building Systems (SBS) offers extensive geographic coverage and superior products in a European market that favors solutions linked to regional building habits and local preferences. Each of our brands represents a distinct system that enable our customers to target products to individual markets. Efficient distribution and logistics operations ensure quick and accurate deliveries. SBS is at the forefront in the development of products and solutions for energy-efficient buildings.

Sapa Precision Tubing (PT) produce and sell specialized products used in heat transfer applications, mainly for the automotive market, which represents about 70 percent of the

total sales. PT is also active in the general heat transfer applications, a growing market segment, and applications for transporting liquids and gases. PT operates globally and has leading market positions in Europe, North America and South America, and a smaller, developing market position in Asia.

Regulation and taxation

Hydro is subject to a broad range of laws and regulations in the jurisdictions in which we operate. These laws and regulations impose stringent standards and requirements and potential liabilities regarding accidents and injuries, the construction and operation of our plants and facilities, air and water pollutant emissions, the storage, treatment and discharge of waste waters, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination, among other things. We believe we are in material compliance with currently applicable laws and regulations.

Aluminium - regulation

Environmental matters

Hydro's aluminium operations are subject to a broad range of environmental laws and regulations in each of the jurisdictions in which they operate. These laws and regulations, as interpreted by relevant agencies and courts, impose increasingly stringent environmental protection standards regarding, among other things, air emissions, the storage, treatment and discharge of waste water, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination. The costs of complying with these laws and regulations, including participation in assessments and remediation of sites, could be significant.

Aluminium production is an energy-intensive process that has the potential to produce significant environmental emissions, especially air emissions. Carbon dioxide and perfluorocarbons (PFCs), all greenhouse gases, are emitted during primary aluminium production.

In the European Union and other jurisdictions, various protocols address transboundary pollution controls, including the reduction in emissions from industrial sources of various toxic substances such as polyaromatic hydrocarbons, and the control of pollutants that lead to acidification.

The European Union has adopted a number of pieces of legislation to address discharges of dangerous substances to

water: The Water Framework Directive (2000/60/EC), as well as specific legislation on bathing waters, drinking water, nitrates in ground and surface waters, and urban wastewater treatment. Based upon the information currently available regarding implementation in the EU Member States and Norway, Hydro's management does not believe it will have a material negative impact on its business. The European Union has also adopted Directive 2008/105/EC on environmental quality standards in the field of water policy, which sets specific emission limit values for pollutants identified as priority substances and priority hazardous substances (PHS). These standards must be observed from 2015. Among the substances found on the PHS list are polycyclic aromatic hydrocarbons, which are sometimes emitted by the aluminium industry. Any emissions, discharges and losses of such substances (i.e. PHS) must cease in the EU by 2025. Both the Water Framework Directive and the Directive on environmental quality standards were revised in 2013 (Directive 2013/39/EU), notably to expand the list of priority substances and to revise the emission limit values for the period after 2015. Hydro has initiated a process in order to address the relevant requirements of the Water Framework Directive in cooperation with external consultants and the Norwegian Environment Agency.

Hydro has a number of facilities that have been operated for a number of years or have been acquired after operation by other entities. Subsurface contamination of soil and groundwater has been identified at a number of such sites and may require remediation under the laws of the various jurisdictions in which the plants are located. Hydro has made provisions in its accounts for expected remediation costs relating to sites where contamination has been identified that, based on presently known facts, it believes will be sufficient to cover the cost of remediation under existing laws. Because of uncertainties inherent in making such estimates or possible changes to existing legislation, it is possible that such estimates may prove to be insufficient and will need to be revised and increased in the future. In addition, contamination may be determined to exist at additional sites that could require future expenditures. Therefore, actual costs could be greater than the amounts reserved.

We believe that Hydro is currently in material compliance with the various environmental regulatory and permitting systems that affect our facilities. However, the effect of new or changed laws or regulations or permit requirements, or changes in the ways that such laws, regulations or permit requirements are administered, interpreted or enforced, cannot always be accurately predicted.

Integrated pollution prevention and control

Under the EU Directive on Integrated Pollution Prevention and Control 1996/61/EC (the "IPPC Directive"), industrial

installations require national operating permits based on best available techniques (BAT) for pollution prevention and control. The European Commission has issued a guidance document relevant for the aluminium industry: BAT Reference Document (BREF) for the Non-Ferrous Metals Industries (2001). In 2000, the Norwegian authorities established stricter emission limits for the aluminium industry in Norway from January 1, 2007, in line with the IPPC Directive. Hydro's aluminium production facilities comply with those requirements. The IPPC Directive was amended by Directive 2010/75/EU on Industrial Emissions (IED), and the new requirements have been applicable since 2013. The related BREF note is in the process of being revised at the European level. We expect Hydro to be in a position to comply with the new rules.

Greenhouse gas emissions

The EU Emissions Trading Directive 2003/87/EC (the ETS Directive) established an internal emission trading system (ETS) in CO₂ emission allowances for the period 2005-2012. During this period, the aluminium industry was not included in the scope of the scheme, but was indirectly affected by the scheme, through the pass-through of CO₂ allowance costs by power producers into the power prices ("indirect effects"). The significant increases in the cost of electricity in the various member states, have necessitated restructuring throughout, among others, Germany's aluminium industry. This EU Directive is also relevant for the EEA, and Norway joined the EU ETS in 2008.

In April 2009, the European Union adopted a new law amending these rules (Directive 2009/29/EC) to include primary and secondary aluminium production where combustion units have a total rated thermal input exceeding 20 MW in the ETS for the period from 2013-2020 for the direct emissions of CO₂ and PFC gases from aluminium plants. Aluminium production is qualified as an industrial sector exposed to a significant risk of "carbon leakage" (i.e. risk of European operations losing market share to less carbon-efficient installations outside the EU).

This means aluminium producers would, in principle, receive a high percentage of the emission allowances they need free of charge. The free allocation of emission allowances is agreed until 2020. Hydro is currently close to the benchmark values, thus the financial impact of these regulations are currently minor. However, due to increased production volumes and an annual reduction of free allowances, the need to procure allowances is likely to increase in the coming years. Such increased purchase of allowances could, depending on the development of the price for CO₂ allowances, have a material financial impact.

Rolling operations are also covered by the rules and are allocated allowances free of charge based on an energy efficiency benchmark. Hydro is close to, or within, the benchmark values for its remelting activities.

Even more important for the aluminium industry are provisions allowing Member States to grant financial compensation for the increase in electricity prices due to ETS implementation, while observing EU state aid rules. The European Commission issued guidelines allowing for such state aid under certain conditions, in May 2012. Similar guidelines were adopted by the EFTA Surveillance Authority (ESA) in December 2012. Aluminium production qualifies as an eligible sector. The German and Norwegian governments have adopted legislation granting such compensation as from 1 January 2013 and 1 July 2013 respectively. In general, Hydro's fully owned Norwegian smelters were not qualified for compensation at the relevant cut-off date, as, according to the Norwegian regulations, Hydro's power sourcing (self-generated power and old sourcing contracts entered into prior to implementation of the ETS scheme) did not expose those smelters to increased electricity price due to the introduction of ETS.

EU aluminium tariffs

From 2007, the import duty on non-EU imports of primary unalloyed aluminium has been 3 percent, while the duty on alloyed aluminium has been 6 percent. As from January 1, 2014, import duty for alloyed rolling slabs and alloyed extrusion ingot has been reduced from 6 percent to 4 percent, while the import duty on primary foundry alloys has been kept at 6 percent. Aluminium metal produced in the EEA is exempt from any such duty.

The World Trade Organization (WTO) round of negotiations on tariff and non-tariff barriers on industrial products may ultimately lead to further reduction, and perhaps elimination, of aluminium tariffs. Nevertheless, the WTO negotiations are not expected to have a substantial impact on Hydro in the near future.

In the absence of a WTO multilateral trade agreement, the EU has been negotiating bilateral free-trade agreements with various third countries of interest to Hydro, which will, in time, lead to the suspension of aluminium tariffs with such third countries.

Chemicals legislation - REACH and CLP

The European Union Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (known as "REACH") was adopted in late 2006 and entered into force in the EU on June 1,

2007. Hydro's operations are covered by this regulation, and the regulation has also been applicable in Norway since June 2008 through the EEA agreement.

The main aim of REACH is to protect European citizens and the environment from exposure to hazardous chemicals. This will be achieved by requiring producers and importers of chemicals to register them formally and to evaluate their health and safety impacts. In some cases, REACH may require producers and importers to replace hazardous chemicals with those of less concern. The registration of chemicals is a lengthy process over a number of years, and is being prioritized by volumes produced.

Hydro is on track to implement REACH, having successfully completed the two first stages in the legal process, i.e. the full registration of substances produced and/or imported above 1,000 metric tons/year and substances in volumes between 100 and 1,000 metric tons/year. Both registrations were completed by the legal deadlines of, respectively, November 30, 2010 and June 1, 2013. The final step in the implementation of REACH is the registration of substances produced and/or imported in volumes between 10 and 100 metric tons/year by June 1, 2018, which Hydro is in a position to do.

The European Union Regulation (EC) No. 1272/2008 concerning the classification, packaging and labeling of chemicals and their mixtures (CLP) transposes in European law the Globally Harmonized System (GHS) for classification and labeling adopted by the United Nations. It covers chemical substances and mixtures, and replaces the previous EU Dangerous Substances Directive and Dangerous Preparations Directive.

CLP is about the hazards of chemical substances and mixtures and how to inform others about them. It is the task of industry to identify the hazards of substances and mixtures before they are placed on the market, and to classify them in accordance with the identified hazards. Importers and manufacturers must provide notification to the European Chemicals Agency (ECHA) about substances subject to registration under the REACH Regulation and hazardous substances, irrespective of volumes, prior to placing them on the market. The first notification deadline was January 3, 2011, which was successfully met by Hydro. The next deadline is June 1, 2015.

Energy - regulation and taxation

The Norwegian regulatory system for hydropower production

The ownership and utilization of Norwegian waterfalls for i.e. hydropower production, other than small-scale power production, requires a concession from the Ministry of Petroleum and Energy. According to legislation passed in 2008, new concessions may no longer be granted to private entities such as Hydro. Moreover, private entities may not acquire nor own more than one-third of the shares or interests in companies that own hydropower plants.

Our waterfall rights and hydropower plants in Norway were acquired and developed under previous legislation that allowed for private ownership. Approximately one-third of our normal annual production in Norway - about 3 TWh per year - was acquired before concession laws were enacted and does not contain any compulsory reversion to the Norwegian state. About two-thirds of our normal annual production, or 6 TWh per year, is subject to concessions granted at the time the waterfall rights were acquired. Such power plants operate under concession terms of Norwegian state reversion, with individual concessions expiring in two main parts around 2022 and 2050. Hydro's power plants at Røldal-Suldal, with a normal annual production of 2.8 TWh, will be the first significant production facilities to revert to the Norwegian state towards the end of 2022. Reversion to the Norwegian state can be avoided if the power plants, or two-thirds or more of the shares of the entity that owns the power plants, are sold to a public entity prior to reversion.

Under the current legislation, private entities like Hydro may lease a waterfall for up to 15 years.

The Water Framework Directive (2000/60/EC) adopted by the EU and implemented in Norway includes requirements that also affects our hydropower production. Depending on the application of such requirements in practice, there is a risk that they may cause some reductions in production volumes. However, as Hydro's hydropower concessions are subject to time limitations and must be renewed, the requirements in the Water Framework Directive are not expected to imply any major change in Hydro's position.

Taxation of hydropower production in Norway

Profits from Hydro's hydropower production in Norway are subject to ordinary income tax, at 27 percent from the income year 2014. Revenue for ordinary income tax purposes is based on realized prices. Dams, tunnels and power stations are, for tax purposes, depreciated on a linear basis over 67 years, and machinery and generators over 40 years. However,

such fixed assets are depreciated over the concession period if that is shorter. Transmission and other electrical equipment are depreciated at a 5 percent declining balance.

A natural resource tax of NOK 13 per MWh is currently levied on water-generated electricity. The tax is fully deductible from the ordinary income tax.

In addition, a special resource rent tax, at 31 percent for the income year 2014, is imposed on hydropower production in Norway. Unlike the ordinary income tax, financial costs are not deductible against the basis for the resource rent tax. Uplift is a special deduction in the net income, computed as a percentage of the average tax basis of fixed assets (including intangible assets and goodwill) for the income year. The percentage, which is determined annually by the Ministry of Finance, essentially provides for a certain return on fixed assets above which income becomes subject to the resource rent tax. The percentage used to calculate the uplift for 2014 was 1,3 percent.

Revenue for resource rent tax is, with certain exceptions, calculated based on the plant's hourly production, multiplied by the area spot price in the corresponding hour. However, revenues from sales under certain long-term contracts are valued at contract price, and power supplied to Hydro's own industrial production facilities is for tax purposes valued according to a price formula in historical Statkraft contracts, the so-called "St. Prp. 104 price", which for 2014, was 274,74 NOK/MWh. As a substantial part of Hydro's hydropower production is used for our own industrial production or sold under qualifying contracts, only part of our production has been subject to spot-price taxation.

Bauxite and Alumina - regulation and taxation

Environmental regulation

Our operations in Brazil are subject to strict environmental regulations and license requirements. Particular regulations apply to our operations in the Mineração Paragominas S.A. (Paragominas) mine, due to its location in a native forest area in the Amazônia region.

One such regulation, known as the "Environmental Legal Reserve" requires that 80 percent of a property in the Amazônia region must be preserved, which means that a mine in the region cannot be developed without a sustainable forest management plan in accordance with the regulation. The practical implication is that for each rural property where Paragominas has current or planned mining operations, the Environmental Legal Reserve must be registered in, and approved by, the Para state environmental agency SEMA.

Under Brazilian environmental legislation, any activity that has the potential to pollute the environment must obtain an environmental license before the activity can start. Such licenses are generally granted by the state environmental agency, SEMA. It is common that licenses granted are subject to a number of conditions to ensure regulatory compliance or to mitigate effects of the operations on the environment or local communities.

Each of our Brazilian operations currently hold several environmental licenses, including environmental installation licenses for respective construction and expansion phases, and environmental operational licenses for their ongoing operations.

Greenhouse gas emissions

In 2009, Brazil addressed its national policy on climate change through a federal law which sets out an ambition of greenhouse gas reductions of between 36.1 percent and 38.9 percent by 2020 compared to a "business as usual" scenario of projected emissions. Authorities began setting greenhouse gas reduction targets in 2010 and developing sectoral plans to cut emissions. Discussions continue regarding a sectoral plan for the aluminium industry, which currently follows a general plan developed in a cooperation agreement between the Ministry of Environment, the Ministry of Development, Industry and Foreign Trade and the National Confederation of Industry and signed in 2012. The current plan has an ambition of reducing greenhouse gas emissions by 5 percent by 2020.

Mining regulation

Current framework

Exploration of minerals requires an exploration license from the federal mining agency DNPM. The license grants an exclusive right to explore an area, subject to several requirements including compensation to the land owner and payment of an annual exploration fee to the DNPM. Currently, the annual exploration fee is BRL 2.61 per hectare for the initial term of the license, and BRL 3.95 per hectare for any renewal periods.

If the exploration identifies viable resources, a mining concession is granted by the Ministry of Mining and Energy. The concession includes an obligation to pay royalties to the government and land owners. For bauxite mining, royalties are currently calculated based on net revenue after certain deductions. Government royalties amount to 3 percent and are allocated between local (65 percent), state (23 percent) and federal (12 percent) governments. Royalties due to land owners are 50 percent of the royalty due to the government.

Proposed new framework

In June 2013, a new regulatory framework for mining activities in Brazil was proposed. The new framework proposed to raise the ceiling for royalties up to 4 percent leaving it to the government's discretion to later regulate royalty rates for specific minerals. The framework also proposed to calculate the royalties based on after-tax gross revenues, rather than on net revenues. Under the proposal, existing concessions would continue based on original terms and conditions. However, any transfer of mineral rights would be subject to the conditions of the proposed framework.

The framework also proposed a new mechanism for granting of combined exploration and mining concessions through bidding processes. For a limited number of minerals the current mechanism of "first come, first served" would continue. The new proposal would be similar to the mechanism used to award concessions for the oil and gas industry.

The framework also proposes a reorganization of the mining authorities, indirectly increasing the government's influence on mining regulations, and the possibility of restricting the participation of foreign entities in mining projects.

Following substantial debate, a revised framework was proposed in November 2013, changing the most controversial elements of the original proposal. The revised proposal also aims at reorganizing the mining regulators by creating a new body linked to the President called the National Council on Mineral Policy (CNPMP) and by replacing DNPM with a new regulatory agency called the National Mining Agency (ANM).

The revised framework maintains priority rights for the exploration stages of the mining process and introduces new concepts which are intended to boost mining activities. These include new securities for financing exploration and development projects and tax incentives for projects which are intended to improve and add value to tailings and degraded areas. Tender proceedings would not be required for exploration licenses in general or for mining concessions regarding areas already belonging to private parties. In addition, the revised proposal stipulates that the royalty rates for each mineral shall be regulated by law, removing the government discretionary authority in the original proposal.

The newly appointed Minister of Mining and Energy has recently announced that due to the long time it has taken to get the new framework approved in Congress, and the development of the iron ore prices in the international market, the Government may propose new adjustments to

the framework. It is thus highly uncertain when a possible new law based on the proposed framework could become effective.

Taxation in Brazil

The general income tax rate in Brazil is up to 34 percent of net income. Our operations in Brazil have been granted income tax incentives encouraging investments in the northern states, reducing the tax rate on our operating income to a level of around 20 to 30 percent.

Federal value added tax (PIS/COFINS) is charged on sales at a rate of 9.25 percent. Buyers are entitled to PIS/COFINS tax credits on purchases, which may be used to offset PIS/COFINS or federal income tax liabilities. Exports are exempt from PIS/COFINS. Because most of Hydro's production in Brazil is exported, we accumulate tax credits. Obtaining cash refunds of tax credits is complex and can take substantial time.

ICMS is a tax collected by Brazilian states on circulation of goods and on services such as transportation and communications. ICMS vary from 7 to 25 percent of the gross value of such goods and services, including ICMS.

Hydro's main operations in Brazil are located in the state of Pará. Pará has enacted state laws in 1993 and in 2000 granting deferral of ICMS on such goods and services used in the industrial process for its integrated aluminium industry as well as for other major export industries. Furthermore, Brazil has a general ICMS exemption on export. With this regulation, the deferred ICMS tax will not be due on the goods that are destined for export.

A technical redefinition of the collection point for ICMS tax on fuel oil in Pará took effect from 1 February 2014 and has increased the fuel oil cost to Hydro's operations. Such ICMS taxes amounted to BRL 219 million for 2014.

Other information

As a public limited company organized under Norwegian law, Hydro is subject to the provisions of the Norwegian Public Limited Companies Act. Our principal executive offices are located at Drammensveien 260, Vækerø, N-0240 Oslo, Norway; telephone number: +47 2253 8100. Hydro's internet site is www.hydro.com

Notes and references

- 1) In addition to our equity interest, Hydro has bauxite offtake agreements for 40 percent of the volume produced by MRN.
- 2) CBIX value in use index is a reference price for standard Gibbsite bauxite. The index provides an indicative price of bauxite taking into consideration the quality of the material that impact the volume required to produce one mt of alumina.
- 3) Hydro owns 86.4 percent of the shares of Paragominas and has certain put and call arrangements that give Hydro the right and the obligation to acquire the remaining shares. These arrangements give Hydro effective ownership of 100 percent of Paragominas which has been reflected in the purchase accounting at the date of acquisition.
- 4) Earnings from our investment in MRN are included in "Financial income."
- 5) Reported inventories include inventories at LME, IAI, SHFE and SRB registered warehouses, Japanese ports inventory plus inventories in unregistered warehouses in Wuxi, Nanhai, Shanghai, Hangzhou and Tianjin in China.
- 6) The all-in metal price refers to the LME aluminium price plus premiums.
- 7) Includes combined performance for Primary Metal and Metal Markets.
- 8) Emissions targeted for 2015 include Husnes and about 50,000 mt of curtailed capacity in Sundal that is expected to be in operations by the middle of 2015.
- 9) We purchase alumina from Bauxite & Alumina based on prices linked to the 3 month LME with a one-month lag. Prices are also partly linked to the Platts PAX FOB Australia alumina price index.
- 10) While Primary Metal and Metal Markets are reported as separate business areas, they are organized as one unit for operational purposes.
- 11) See Strategy and targets for Primary Metal for combined TRI results for 2014 and target for 2015.
- 12) Aluminium standard ingot is a global aluminium product traded on the London Metal Exchange (LME).
- 13) Currency effects are comprised of the effects of changes in currency rates on sales and purchase contracts denominated in foreign currencies (mainly U.S. dollars and Euro for our Norwegian operations) and the effects of changes in currency rates on the fair market valuation of dollar denominated derivative contracts (including LME futures) and inventories, mainly translated to Norwegian kroner. These amounts can be very substantial. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.
- 14) Ingot inventory valuation effects are comprised of hedging gains and losses relating to standard ingot inventories in our metal sourcing and trading operations. Increasing LME prices result in unrealized hedging losses, while the offsetting gains on physical inventories are not recognized until realized. In periods of declining prices, unrealized hedging gains are offset by write-downs of physical inventories.
- 15) These hedging activities, which are designed to mitigate cash exposures, can generate significant underlying accounting effects, partly due to asymmetrical accounting treatment.
- 16) Recycling activities take place in both our Metal Markets and Rolled Products operating areas. Amounts presented reflect the combined activity of both business areas.
- 17) Annual hydropower production can vary by as much as 20 percent in either direction, depending on variations in hydrological conditions.

02: *Viability performance*

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QUICK OVERVIEW

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

In our terms, pursuing viability comprises a specific way of bridging viability and business, and a set of performance areas where we measure our progress.

Our viability performance reporting consists of page 63-118 in Hydro's Annual Report 2014 and the related documents found on www.hydro.com/reporting2014 under the heading Viability performance. We have an integrated approach to our reporting, and our Viability performance should also be seen in context with the other parts of Hydro's Annual Report 2014.

Here we first describe The Hydro Way, a set of guiding principles that govern our activities and underpin our approach to viability. Next, we report on our viability performance in 2014 based on a thorough materiality analysis and according to a set of areas that capture our most important viability issues while corresponding to generally acknowledged domains of reporting.



Direct greenhouse gas emissions from Hydro's consolidated activities

Million metric tons CO₂e



Figures include historical emissions from current operations.

Viability - The Hydro Way

The Hydro Way is our approach to business. It's an approach that has lived within Hydro since 1905 and guided our development over the years. The Hydro Way originates from our company's identity - our unique set of characteristics - and constitutes a way of doing things that differentiates us from other companies.

The Hydro Way explains how we run our business through:

- Our mission
- Our values
- Our talents
- Our operating model
- Our strategic direction

These principles help us set priorities and serve as a reference point when questions arise. Our mission describes our higher purpose and is supported by our values and our talents, which define how we conduct our business:

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

In order to ensure a uniform high standard, Hydro's global directives lay down requirements for our operations, see page 154.

All elements of Hydro's viability performance are integrated in Hydro's overall group strategy. In addition, we have specific support strategies e.g. on climate change, environment and people - as described in this section.

Hydro has been listed on the Dow Jones Sustainability Indices (DJSI) each year since the index series started in 1999. We are also listed on the corresponding UK index, FTSE4Good and the UN Global Compact 100 stock index.

Our reporting approach

We have based our viability reporting on The Hydro Way since 2004. This, together with risk analyses and an extensive stakeholder dialog, has, over many years, guided us in defining the main elements of our reporting:

- Energy and climate change
- Resource management
- Integrity and human rights

- Community impact
- Organization and work environment
- Innovation

In connection with transition to the Global Reporting Initiative's (GRI) G4 protocol in 2013, we reviewed our reporting strategy. The main elements are unchanged, but through a thorough review of our materiality analysis we have identified which GRI aspects that are most material to report on as well as other material indicators. The analysis as shown on the next page was updated in 2014 and approved by Hydro's Corporate Management Board. The most material aspects related to our viability performance are all included in the board of directors' report, which thus gives a high-level overview of Hydro's strategic direction, strengths and challenges. This information is further elaborated in other parts of this annual report and in the GRI index at www.hydro.com/gri

The information has been reviewed by Hydro's Corporate Management Board who has also approved the Viability performance section of this report. The board of directors has approved the country by country report on page 112. Read more about our reporting principles and materiality process on page 86.

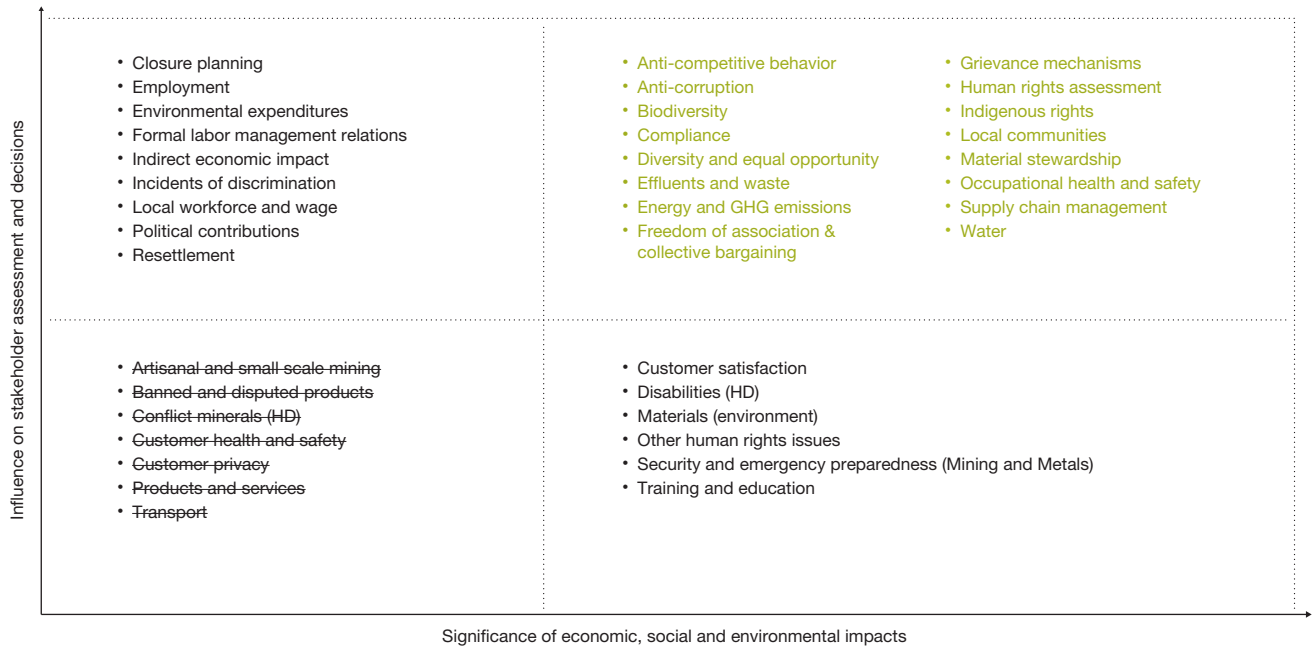
The Viability performance section should be read in context with the other parts of the annual report, and in particular with

- Letter to shareholders on page 6
- Board of directors' report on page 10
- Business description on page 27, including business area specific issues related to technology and innovation, environment and society
- Risk factors on page 139
- Corporate governance on page 153

The underlying details in the reporting are based on different reporting frameworks that are important to us, including the UN Global Compact, the Global Reporting Initiative (GRI), the International Council on Mining and Metals' (ICMM) 10 principles and Position Statements and the Aluminium Stewardship Initiative's (ASI) 11 principles and underlying criteria. The GRI index at www.hydro.com/gri also shows Hydro's adherence with the UN Global Compact, ICMM and how we relate to ASI - and shows how the different frameworks connect with each other.

Materiality analysis

Aspects are prioritized in four quadrants, but not prioritized internally in each quadrant



The matrix is based on the GRI G4 framework and has been approved by Hydro's Corporate Management Board. The green aspects represent those that are most material to Hydro, while aspects that are struck through, are considered not material. Aspects marked HD are defined by Hydro.

The main changes compared to 2013 are:

- Child labor and Forced or compulsory labor are merged with Supply chain management
- Equal remuneration for men and women and Diversity and equal opportunities are merged
- The Hydro defined aspect Sick leave has been merged with Occupational health and safety
- Customer health and safety and the Hydro defined aspect Conflict minerals are considered to be not material

We have chosen to merge and rename certain aspects in the matrix to make the titles more intuitive to our stakeholders. An overview of these changes can be found on www.hydro.com/gri

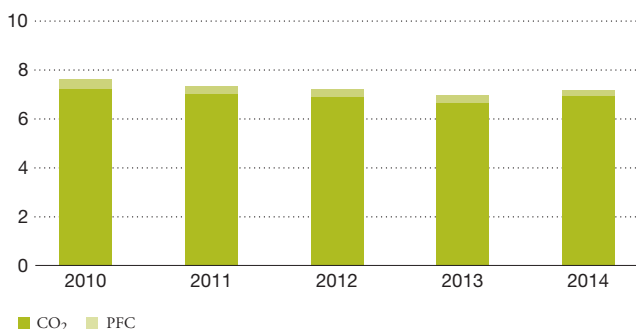
Energy and climate change

Alumina refining and electrolysis of primary aluminium are energy and greenhouse gas (GHG) emissions intensive. On the other hand, aluminium can save significant amounts of

energy and GHG emissions in the use phase. Lighter cars result in fuel savings and lower emissions on the road. Aluminium façades can lead to lower operating costs and enable buildings to produce as much energy as they consume during operation. Products and packaging in aluminium reduce transport costs and emissions. Aluminium packaging also provides excellent barrier properties which helps to conserve food more effectively reducing the need for cooling and reducing food spoilage. Aluminium can also be indefinitely recycled without degradation in quality, and requires 95 percent less energy than primary aluminium production.

Direct greenhouse gas emissions from Hydro's consolidated activities

Million metric tons CO₂e

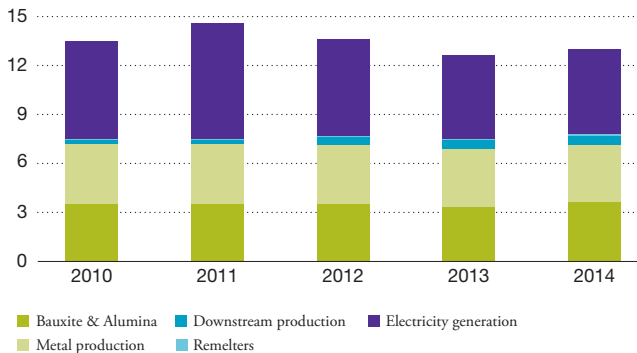


Hydro's long term ambition is to be climate neutral by 2020 through reducing direct and indirect emissions, increasing the share of recycled metal in our production and delivering more aluminium to markets and products which contribute to CO₂ savings.

Our climate strategy is an integral part of our overall business strategy, including reducing the environmental impact of our

Greenhouse gas emissions from Hydro's ownership equity

Million metric tons CO₂e



Greenhouse gas emissions based on Hydro's ownership equity as per December 31, 2014. For ownership equity, direct emissions from production in Bauxite & Alumina, Primary Metal, and downstream operations as well as from the remelters are comparable to Scope 1 emissions as defined by WBCSD/WRI GHG Protocol. Emissions from electricity generation are based on electricity consumption and IEA "CO₂ emissions from Fuel Consumption 2010 factors", and are comparable to Scope 2 emissions from purchased electricity. In addition, the reported emissions from electricity include emissions from Hydro's ownership equity in the Qatalum gas-fired power plant. All figures include historical emissions from current operations.

operations as well as taking advantage of business opportunities by enabling our customers to do the same. Some of the measures we pursue include:

- Using viable energy sources
- Reducing energy consumption and emissions in production
- Reducing CO₂ emissions and energy consumption through the use of our products
- Increasing recycling of aluminium

We support the development of international frameworks on climate change and greenhouse gas emissions and participate actively in organizations such as the World Business Council for Sustainable Development (WBCSD) and the International Emissions Trading Association, to provide business solutions to the climate change challenge. In addition, we work through aluminium associations to establish a level playing field for global aluminium production. Hydro also engages actively in initiatives fostering increased recycling and material stewardship, and is a member of the Aluminium Stewardship Initiative.

2014 targets

- Emission of 1.58 mt CO₂e/mt aluminium from production ¹⁾
- The two main recycling projects in Germany and Luxembourg shall both be within schedule and total cost estimates

2014 results

- Emission of 1.63 mt CO₂e/mt aluminium from production. *Target not reached*
- The two main recycling projects in Germany and Luxembourg on track and within cost towards start-up end 2015 / beginning 2016

2015 targets

- Emission of 1.61 mt CO₂e/mt aluminium from production
- The two main recycling projects in Germany and Luxembourg shall both be within schedule and total cost estimates

Strategic goals 2018-2020

- Recycling of 250,000 mt post-consumed scrap and increasing the share of recycled metal in our production
- Become carbon neutral by 2020

Using viable energy sources

About two-thirds of the electricity used in our primary aluminium production comes from hydropower, and we are the second-largest hydropower operator in Norway with a normal production of 10 TWh per year. In 2014 we produced 10.2 TWh.

Our strategy is to secure and expand our hydropower capacity and we are currently upgrading several of our hydropower plants in Norway to secure future production. We are also working to increase production from existing plants through refurbishments and expansions. Through the acquisition of the remaining 50 percent of Sørå and the planned 75,000 metric tons pilot plant at Karmøy, we are increasing our Norwegian production which is based on hydropower.

Energy for the Qatalum aluminium plant (Hydro share 50 percent), is based on natural gas. The International Energy Agency recognizes natural gas as an important energy source that in a transition period can help reduce global temperature increases. Qatalum represents about 15 percent of our primary metal production capacity.

Reducing energy consumption and emissions in production

Energy efficiency is an important part of Hydro's ongoing efforts to reduce costs and CO₂ emissions. Our Alunorte refinery in Brazil is among the most energy efficient refineries in the world. On average, our consolidated smelters consumed 13,84 kWh of electricity per kilogram (kg) primary aluminium produced in 2014, slightly down from 13.89 in 2013. Our new HAL4e technology has achieved an energy consumption level of 12.5 kWh per kg aluminium

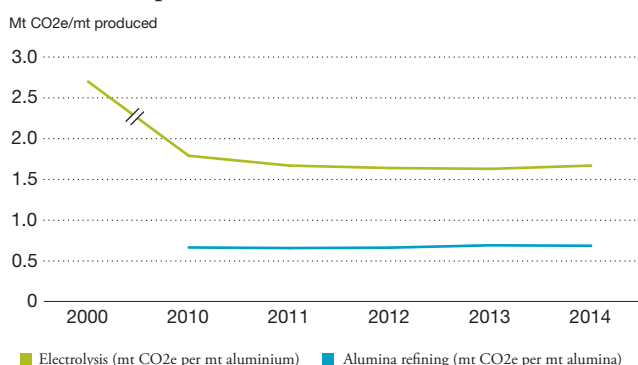
produced under full scale testing and we are targeting levels under 12 kWh per kg at new test cells at our Årdal smelter. This represents potential reductions of about 10-14 percent. The planned pilot plant at Karmøy will test this technology in industrial scale, see page 83. We did not reach our 2014 target on specific greenhouse gas emissions of 1.58 metric tons (mt) CO₂e/mt aluminium in the electrolysis process, and increased the emissions from 1.59 mt CO₂e/mt aluminium in 2013 to 1.63. The increase in specific emissions was mainly due to operational issues at the Årdal and Karmøy plants in Norway and Albras in Brazil. Our target for 2015 is to stabilize at 1.61 mt CO₂e/mt aluminium.

Greenhouse gas emissions from Hydro's consolidated activities increased by 6 percent in 2014, compared with 2013. Total emissions from our ownership equity, including indirect emissions from electricity generation, increased by 4 percent in 2014. The rise was mainly due to increased production in our Bauxite & Alumina business area.

Reducing CO₂ emissions and energy consumption through the use of our products

We work closely with customers to develop products that save energy and reduce emissions. Examples include lighter transportation through the use of aluminium, better packaging to reduce food spoilage and cooling needs, and aluminium façades that lead to lower operating costs and enable buildings to produce as much energy as they consume during operation. In 2014, we made a technological step change when introducing a 5µm thin gauge foil which maintains absolute barrier protection against food spoilage with the potential of reducing the aluminium used in certain packaging by up to 16 percent. Construction of a new production line in Grevenbroich, Germany, was started in January 2015, increasing Hydro' capacity of aluminium car body sheet from 50,000 metric tons (mt) to 200,000 mt.

Specific CO₂ emissions – alumina and aluminium production



Increasing recycling of aluminium

The inherent properties of aluminium makes recycling attractive. It can be recycled over and over again without degradation in quality, and recycling requires 95 percent less energy than primary aluminium production. Hydro is a large remelter and recycler of aluminium. We remelt process scrap from our own production and from other companies as well as post-consumer scrap from the market.

Our ambition is to take a strong position in aluminium recycling. In 2014, we recycled 1.1 million metric tons (mt) of aluminium on a combined basis compared to 1.2 million mt in 2013. Of this amount, 111,000 mt was post-consumer scrap, compared with 151,000 mt in 2013. Total volumes in 2013 included volumes recycled in Extruded Products up until end of August. From September 1 Extruded Products became part of the new SAPA joint-venture with Orkla.

We are targeting specific projects to increase our capacity to process post-consumer scrap. Two major investment projects - in Germany and Luxembourg - are under construction and will add post-consumer scrap recycling capacity of 80,000 mt early in 2016.

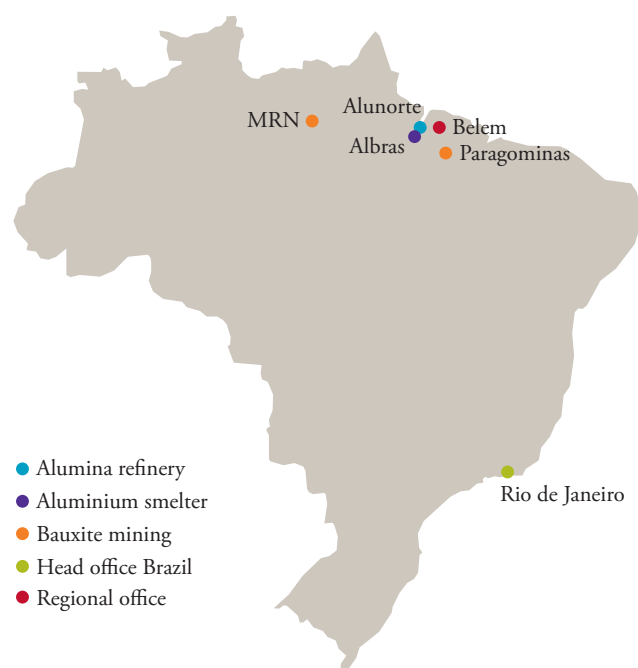
We have developed processes to combine clean scrap with post-consumer scrap and we plan to invest in existing remelters with a potential of up to 20 percent capacity increase. We expect around 70 percent of the required new raw material to come from post-consumer scrap. In February 2015 Hydro signed a binding agreement to acquire all shares in Wuppermetall Recycling GmbH (WMR). WMR is a scrap processing company that has developed superior patented technology in scrap shredding and sorting that enables Hydro to produce high quality extrusion and sheet ingot from post-consumer building and automotive scrap.

About 95 percent of the aluminium from automotive applications and commercial buildings in Europe is being recycled at end of life, while there is still some way to go on packaging. Hydro and our partners in the market are supporting aluminium packaging recycling initiatives throughout Europe. We team up with producers of beverage cans, drinks and food, and other interest groups and industries, to develop specific activities aimed at raising public awareness about the importance of recycling. Through an agreement with Infinitum, Hydro recycles all used aluminium beverage cans collected in Norway at our Holmestrand recycling plant.

Resource management

Hydro's bauxite mining and alumina refining activities in Pará in Brazil include open pit mining and the handling of significant amounts of tailings and bauxite residue, also known as red mud. Biodiversity is an important issue related to Hydro's activities in Pará and also to the water reservoirs for our hydropower production in Norway (see page 54). Hydro also has aluminium production plants in Brazil, Canada, Europe, Qatar and Australia.

Operations in Brazil



In addition to the existing climate and recycling strategies, we prioritize the areas:

- Ecosystems and biodiversity
- Water use
- Waste and efficient resource use
- Product stewardship

In addition to the corporate environmental ambitions, we have performance indicators for our production plants. The indicators vary between plants due to the inherent differences between, for example, large primary aluminium production plants and small remelters. They help us measure status and improvements, and enable us to concentrate on the most important issues.

2014 targets

- Perform ecosystem services assessment for Hydro

2014 results

- A concept study was performed while the full ecosystem services assessment has been postponed till 2015. *Target not reached.*

2015 targets

- Complete an ecosystem services assessment for Hydro

Strategic goals 2018-2020

- New mining areas equal reforested areas by 2020. The long-term aspiration is No Net Loss
- Best Available Technology for treating, storage and use of bauxite residue
- 60 percent reduction in land-filled waste (excluding tailings, boiler ash and bauxite residue) compared to a 2010 baseline
- Increase water efficiency by 15 percent in water scarce areas, compared with a 2010 baseline

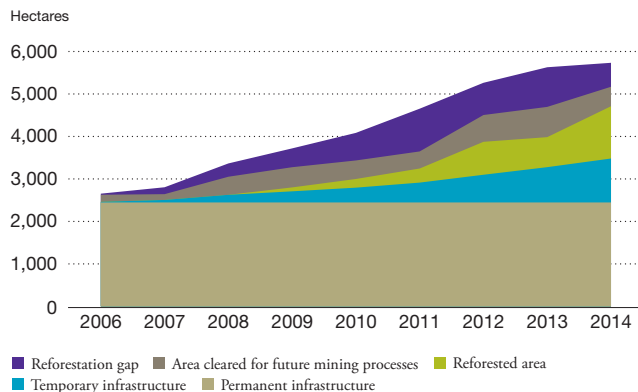
Ecosystems and biodiversity

The ongoing loss of biodiversity and degradation of ecosystems represent long-term risks for the industry and society at large. We see a need for more sustainable frameworks and participate in several initiatives, including the World Business Council for Sustainable Development (WBCSD) Ecosystem Program. Hydro is a member of the International Council of Mining and Metals (ICMM), which gives us the possibility to participate in the further development of industry practices on the environment as well as an arena for sharing best practices.

When developing new projects, we examine environmental issues ahead of time. We strive for achieving no net loss of biodiversity. This is an area under development internationally, and we participate in the Cross Sector Biodiversity Initiative (CSBI), which is a joint effort between IPIECA (the petroleum industry), ICMM (the mining industry) and the Equator Principles Association.

Hydro's only operated mine is located in the municipality of Paragominas, in an area that is normally recognized as the deforestation belt around the central Amazon region. In terms of land use, the municipality of Paragominas has seen, over a period of almost 20 years, more than 30 percent reduction in its forest cover. Still, there are enclaves of rain forest that are quite intact, and in recent years the municipality has been in the forefront in Brazil in halting illegal and uncontrolled logging. The mining area had been exposed to selective logging and clear cutting of forest for development of subsequent pasture land, before Hydro's mine was established.

Land use and reforestation – Paragominas



Permanent infrastructure includes areas related to administrative buildings, industrial facilities, the pipeline to Alunorte and permanent roads. Temporary infrastructure includes areas dedicated for tailing ponds.

We have identified improvement potential related to reforestation and wildlife management at Paragominas, and in 2013 a biodiversity strategy for Paragominas was established. Our most important reforestation ambition is to achieve a balance of 1:1 in terms of rehabilitation and clearing for mining operations (excluding permanent infrastructure) and to close the existing reforestation gap by 2020. In 2014, we disturbed 308 hectares of land, of which 104 hectares were deforested during 2014 and 204 accounts for the increase in temporary infrastructure, and rehabilitated 524 hectares.

To increase our knowledge and to secure a science-based approach, the Biodiversity Research Consortium Brazil-Norway (BRC) was established in 2013. BRC consists of the University of Oslo, Norway, and its Brazilian partners Museu Paraense Emílio Goeldi, Federal University of Pará and Federal Rural University of the Amazon in addition to Hydro. The scope of the consortium is to create a research program connected to our mining operations. The aim is to strengthen Hydro's ability to preserve the natural biodiversity of the areas where we mine bauxite. Three projects have been initiated so far related to biodiversity restoration techniques, mycorrhizal fungi and entomology. A fourth project related to CO₂ and methane emissions from soils in mining and restoration areas is under development.

A concept study for the planned ecosystem assessment for Hydro was performed in 2014. We have entered into an agreement with Norwegian University of Science and Technology (NTNU) to complete the assessment.

Together with MRN²⁾ and Alcoa's Juruti mine, Hydro has established a forum for exchange of best practice for reforestation. Since January 2013 Hydro in Paragominas has used the nucleation method that has been tested out by Alcoa

in Juruti for several years and which MRN also has tested. Top soil is unevenly distributed to simulate natural landscape and trap rainwater. Piles of cut wood are distributed to increase biodiversity - creating shelters for animals and improving growing conditions for some plant species. The ambition is to establish a forest system of the same structure that is typical in the pristine forest in the areas. The method has been approved for testing by the federal environmental authorities IBAMA as well as by SEMA, the environmental authority of Pará.

Hydro cooperates with the Green Municipalities and the environmental organization Imazon in the state of Pará in Brazil on the training of 90 technicians who are surveying illegal deforestation.

All of our hydropower reservoirs are located within or in close proximity to national parks and other protected areas in mountainous regions in Southern Norway including Hardangervidda and Jotunheimen. See page 54 for more information.

Water use

An annual review of our water use in 2014 revealed that 3.4 million m³ of Hydro's overall fresh water input came from water-stressed areas, with regard to annual renewable water supply (according to the definition used by WBCSD). These areas include Germany and southern Europe, where water supply is well-regulated. Qatalum in Qatar relies on public water supply produced by desalination. Sea water is used for wet cooling towers at the power plant as well as for wet scrubbers at the potline fume treatment plants.

Our operations in Alunorte obtain an important part of its water supply through the bauxite slurry that is transported from Paragominas by pipeline. A multidisciplinary team is working to improve the existing water balance studies for both the Alunorte and Paragominas sites.

Hydro initiated a comprehensive program in 2012 with the support of the Norwegian Institute of Water Research (NIVA) and the Norwegian Geotechnical Institute (NGI) which will provide a basis for assessing remediation of the Gunnekleiv fjord. The investigations have so far confirmed the earlier investigations that it is not representing a source of contamination to the outer fjords.

For more information about the impact of our water reservoirs related to hydropower production, please see page 54.

Waste and efficient resource use

Our goal is to minimize the amount of waste produced when technically and economically feasible and then reuse or

recycle it. When this is not possible, we shall deposit it in a secure way to minimize adverse effects to people and the environment.

Tailings and bauxite residue

Tailings from bauxite extraction consist of mineral rejects from the extraction process mixed with water. The tailings at Paragominas are stored in dedicated tailing ponds, where the particles settle. Separated water is lead to a clarification dam before it is reused in the process. There is also a dam to secure overflow during heavy precipitation. From the clarification dam there is a minor run-off to the river downstream of the tailings to maintain an ecological flow. The run-off is monitored, and the water quality meets the requirements set by the authorities.

The current tailing ponds at Paragominas are expected to be full by 2017 and the area will then be reforested. We will establish new tailing ponds at the exhausted opened pit areas, optimizing land use, and then start rehabilitation process of the current tailing ponds.

Bauxite residue, also known as red mud, is a by-product of the alumina refining process.

We use state of the art dry stacking technology for disposing of bauxite residue, a by-product of alumina refining. Disposal of bauxite residue is challenging due to relatively large volumes and the alkaline nature of the liquid component of the residue. The residue is washed with water to lower the alkalinity and recover caustic soda for reuse. In total, 6.1 million mt (35 percent humidity) was disposed in 2014, up 12 percent from 2013 while the alumina production was increased by 10 percent. In 2014 Hydro began the conversion to a more advanced pressure filtration technology that will reduce moisture content resulting in lower deposited volumes and reducing our environmental impact in the long term. We also participate in international collaboration projects investigating possibilities to use bauxite residue as a resource. Additions to cement and other construction materials are promising areas that will be pursued further.

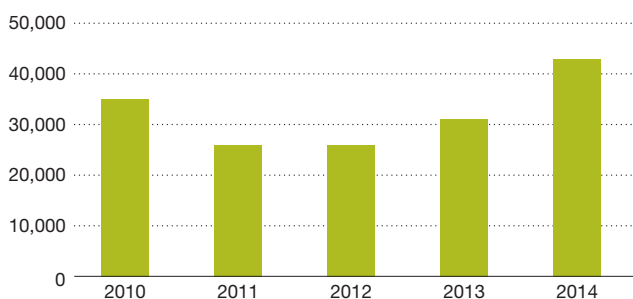
Following an overflow of storm water from the bauxite residue deposits at Alunorte in 2009, there are still legal issues pending. In 2012, more than 5,300 claims were filed in a local small claims court related to the overflow. By the end of 2014, a total of 3,043 cases have been decided by the first level civil court in Barcarena, Pará, all in Alunorte's favor. So far, 1,766 of these decisions have been appealed to the second level civil court, located in Belem, Pará.

Other waste

Hydro's ambition is to reduce landfilling of other waste by 60 percent within 2020 from a 2010 baseline.

Spent potlining

Metric tons



The production of SPL varies with the relining of smelter cells which is normally done every 4-7 years for established smelters. Figures include historic SPL production from current operations.

Spent potlining (SPL) from the electrolysis cells used in primary aluminium production is defined as hazardous waste. The production of SPL varies with the relining of smelter cells which is normally done every 4-7 years for established smelters. New plants will get a relining peak at the same interval after start-up.

SPL and carbon waste from anode production is a substantial part of the hazardous waste generated in Hydro. Since 2012 anode waste is used by Norcem cement plant in Brevik, Norway (part of Heidelberg Cement) and from 2013 the carbon fraction of SPL has been exported to Rockwool in Germany. In both cases the carbon material from Hydro is being used as a fuel in the production process and high temperature incineration ensures destruction of hazardous components. Heidelberg and Hydro are working to further develop alternatives to increase the use of aluminium process waste in the cement production. Supplies to Rockwool in 2014 have been substantially less than expected, mainly due to operational problems. SPL processing improvements have been identified and if successful, both parties have the intention to enter into a long term contract. In addition, we have an agreement with a refractory supplier to recycle part of the bricks coming from relining the anode baking furnace. These agreements are examples of efficient resource use that is sound for the environment by substituting fuel or raw materials while reducing landfill and saving landfill costs.

Qatalum delivers all first cut SPL, which is the most energy rich and contaminated part of the SPL, to its neighbor Qatar Steel which uses it in their production. Second cut SPL, which has a low fluoride content, is currently sent to landfill. Albras delivers all SPL to the cement industry.

Dross is a mixture of metallic aluminium, alloy components and metal oxides that is formed on the surface of liquid aluminium. Hydro's casthouses have treatment facilities to

recover as much aluminium as possible from hot dross. In addition, external channels to recover aluminium and reduce dross waste are used.

Product stewardship

Hydro engages in dialog with customers and other stakeholders regarding the environmental impact of our processes and products. We perform life-cycle assessments (LCAs) for all major product groups to identify improvement potential. We also assess other aspects such as energy and material consumption, toxicity and recyclability.

Since 2009 Hydro has cooperated with the Norwegian University of Science and Technology (NTNU) to develop and enhance material flow analysis models (MFA) for global and regional aluminium flows. This work is mainly concerned with the long-term potential of aluminium in-use as raw material for new aluminium products.

Over the past two decades, Hydro and other aluminium companies have developed a pan-European network of national initiatives to promote and recycle aluminium packaging. Many of these national activities are emphasizing education and have developed projects with primary and secondary schools and universities to stimulate the next generation to make their contribution to a better environment. In Norway, together with among others World Wildlife Fund for Nature (WWF) and Ikea, we participated in a campaign where children and their families learnt about the importance of aluminium recycling through collecting empty tea lights. In total, the children collected about 30 million empty tealights during the campaign.

Human rights, working conditions, integrity and community impact throughout our value chain are also a part of our product stewardship approach.

Hydro is a member of the Aluminium Stewardship Initiative (ASI), a multi-stakeholder process aiming at setting standards to improve environmental, social and governance performance across the aluminium value chain. For an overview of how Hydro relates to ASI's 11 principles and underlying criteria, please see page 116.

Integrity and human rights

As a global aluminium company with mining interests and more than 13,000 suppliers, Hydro is at risk of being exposed to corruption and human rights violations. Hydro's approach is zero tolerance, and in the event of violations, our policy is first to correct, then act in a transparent manner, learn and implement corrective actions.

We require adherence with external laws and regulations as well as internal directives relating to corruption and human rights violations. Our compliance system is based on prevention, detection, reporting and responding. Combating corruption and respecting human rights are integral to our supplier requirements, see page 74. Some of the measures we pursue to ensure integrity and responsible behavior include:

- Ensuring robust compliance environment
- Combating corruption
- Respecting human rights
- Promoting CSR in our supply chain

We support the principles underlying the Universal Declaration of Human Rights, the UN Global Compact and ILO's eight core conventions. We also support the OECD's Guidelines for Multinational Enterprises, Transparency International's Business Principles for Countering Bribery and the World Economic Forum's Partnering Against Corruption Initiative. In addition, we cooperate with Transparency International and Amnesty International, and we are committed to the Voluntary Principles on Security and Human Rights. We are a member of the International Council on Mining and Metals (ICMM) and are committed to following their principles and position statements. See www.hydro.com/gri, general disclosure G4-15a and 16a for full overview.

Hydro also supports the Extractive Industries Transparency Initiative (EITI) and have reported payments to host governments related to exploration and extraction activities for bauxite since 2005. Starting in 2014, we have extended this reporting to comply with the new Norwegian legal requirements on country by country reporting, see page 112. The report has been approved by Hydro's board of directors.

According to our global directives, Hydro may not make financial contributions to political parties.

2014 targets

- No instances of corruption
- No instances of human rights violations
- Revision of Hydro's Integrity Program
- Grievance mechanisms for Hydro's activities in Pará, Brazil fully implemented
- Preventing bribery and corruption e-learning completed by more than 3000 relevant employees

2014 results

- No known instances of corruption
- No known instances of human rights violation
- Revision of Hydro's Integrity Program postponed till 2015.
Target not reached.

- Grievance mechanisms for Hydro's activities in Pará, Brazil implemented. Work needed to make it better known
- Preventing bribery and corruption e-learning completed by more than 3000 relevant employees

2015 targets

- No instances of corruption
- No instances of human rights violations
- Revision of Hydro's Integrity Program
- Revision of Hydro's CSR strategy
- Module 2 of preventing bribery and corruption e-learning training complete by more than 3000 relevant employees
- Implementation of Hydro's new system for planning, monitoring & evaluating social projects in Brazil

Strategic goals 2018-2020

- Maintain zero tolerance on corruption
- Positive contribution to local social-economic development
- All suppliers are committed to complying with Hydro's CSR principles

Ensuring a robust compliance environment

Hydro maintains a board sanctioned code of conduct that is regularly updated. The code of conduct requires adherence with external laws and regulations as well as internal steering documents and is systematically implemented and followed up through our compliance system. All employees have to confirm that they have received, read and understood Hydro's code of conduct.

In addition to financial compliance, priority areas are anti-corruption, competition and HSE. Internal audits are used as a tool for improvements. Compliance is a line responsibility in Hydro supported by corporate staffs including Legal, HSE and CSR. A compliance officer coordinates processes and activities throughout the organization. In 2014 it was decided to strengthen the compliance function by adding new compliance officers in Oslo, Brazil and Germany reporting to the Head of Corporate Compliance at Hydro's main office in Norway. The Head of Corporate Compliance reports to the Executive Vice President CSR, Legal and Compliance and meets with the board of directors twice per year.

Compliance is integrated with our business planning and follow-up process including relevant key performance indicators. Corporate responsibility issues are systematically addressed in activities relating to business development, investment programs and project execution. Compliance is addressed in the quarterly performance review meetings each business area has with the CEO, and an annual compliance report is submitted to the board of directors.

Employees are encouraged to discuss concerns and complaints with their superior. If the employee deems this not to be appropriate, he or she may address any of his or her superiors, the local human resources or HSE staffs, a safety representative, the compliance officer or the Corporate Legal Department. If the employee is uncomfortable using any of the above channels for any reason, Hydro's whistleblower channel, AlertLine, can be used. All employees and contractors have anonymous access in their own language at all times via toll-free phone numbers, Hydro's intranet or the Internet. In certain countries, e.g. Spain and France, there are, however, legal restrictions on such reporting lines. AlertLine is publicized throughout the organization.

Every quarter the head of Hydro's internal audit informs the board audit committee and the corporate management about matters reported through the AlertLine. The head of internal audit reports to the company's board of directors through the board audit committee. Hydro's internal audit has resources both in Norway and Brazil.

The 50/50 joint venture Sapa's code of conduct reflects the company's values and guides the behavior. During 2014 this message has been spread within the organization through a variety of channels, such as the intranet, wall posters and workshops, all in the local languages. Sapa also conducted extensive anti-corruption training in all markets, based on the UN Fight Against Corruption e-learning modules.

Combating corruption

Hydro's Integrity Program is based on the Code of Conduct, and is an important tool to prevent corruption and human rights violations. It was last updated in 2009, and is planned updated again in 2015. Training is systematically performed for relevant employees.

Other procedures are in place or planned relating to assessing the integrity risk of counterparties and detecting fraud. During 2014, almost 3,000 potential and existing counterparties were screened for records relating to corruption, financing terrorists, money-laundering, politically exposed persons and violations relating to sanctions and export. This led to a number of issues which were further investigated. Regular transaction based screening of customers and suppliers is also carried out, see page 74.

Respecting human rights

As an employer, owner and purchaser, our most important contribution toward respecting human rights is to secure decent working conditions in our organization, in minority-owned companies and with our suppliers. Information pertaining to Hydro's human rights, policies and compliance is regularly communicated to the board of directors, the

corporate management board, business area management teams, and other relevant parties including union representatives. See also page 76 for our approach in new projects and dialog with affected parties. We do not tolerate discrimination on the basis of gender, race, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion. See page 79.

Child and forced labor

It is essential for us to avoid the use of child labor and forced labor, both in Hydro's activities and in those of our suppliers and partners. While child and forced labor has very low risk within our own operations, the risk is higher in the supply chain, see page 74.

Freedom of association and collective bargaining

We are concerned about fundamental labor rights, such as freedom of association, minimum wage requirements and the regulation of working hours. We support the principle of freedom of association and collective bargaining, and have a long tradition of maintaining a good dialog with employee organizations. Almost all our production sites in Europe and Brazil are unionized. These sites represent 98 percent of our employees. No strikes occurred in Hydro's consolidated operations in 2014. See also page 76.

Through joint ventures we have activities in countries where trade unions are restricted. These include Qatar, Vietnam and China, where we look for alternative forums to empower employees. This is based on our commitment to ILO's eight core conventions. Hydro's position on freedom of association, child and forced labor is also anchored in its global directives. In addition, we have a corporate agreement with the main unions regarding the European Works Council. The new joint venture Sapa has a similar agreement.

Risk analysis

Since 2012 Hydro has cooperated with the Danish Institute of Human Rights (DIHR). In 2014, the work included further development of our human rights due diligence systems as well as CSR assessment of all of Hydro's Brazilian operations, and evaluation of the third party grievance mechanism in Brazil.

Where necessary, Hydro employs security staff for the protection of personnel, property and business activities. There were no reported incidents in connection with our use of security staff in 2014, see page 82.

Vulnerable individuals and groups

We are committed to the principles of non-discrimination and to respecting the rights of vulnerable individuals and groups.

Since 2011 Hydro has been operator of the Paragominas bauxite pipeline that crosses areas inhabited by a traditional Quilombola group in Jambuacu Territory in Brazil. Hydro has established contact with Quilombola representatives and enhanced dedicated resources to improve and follow up the dialog. This includes projects that aim to increase income generation by enhancing education, training on agricultural techniques etc. The budget set for the partnership with Tomé-Açu Joint Agricultural Cooperative (CAMTA) has only partially been spent in the Quilombola territory due to the hesitation of the leaders to replicate the project in other areas. Currently, in the Quilombola territory, the project has only been implemented in the collective experimental area that surrounds the Rural Family House. We continue our efforts to obtain a good dialog with the Quilombolas.

Unresolved issues remain related to identifying individuals directly impacted by the construction of the pipeline - particularly referring to 15 km crossing Quilombola territory - and compensatory or mitigating measures which could have consequences for Hydro's mining operation in Paragominas going forward. These issues relate back to the time before Hydro took over operatorship, and the former operator of the pipeline is the legal party in these unresolved issues.

In MRN²⁾ in Para in Brazil there are currently land disputes with Quilombola communities regarding mine expansion.

In Canada, Hydro's part-owned Alouette smelter is in regular dialog with representatives of indigenous Innu communities in its vicinity. Alouette is also promoting and hiring Innu employees.

Relocation of people can be necessary in connection with our operations. No relocations took place in 2014 from sites owned by Hydro. However, the government of Pará state in Brazil is in the process of resettling about 800 families who live in close proximity to two of the industrial ports of Barcarena, one which is state-owned but operated by Alunorte and used by Alunorte and Albras. Due to influx of new businesses to Barcarena, the port area is currently going through expansions that necessitate the resettling process. Hydro monitors the process which has not yet been completed.

Grievance mechanisms

Grievance mechanisms are important to protect the rights of individuals and groups affected by our operations. At many sites, such mechanisms are available to all local stakeholders. An example is Årdal in Norway, where the neighbors are well informed about how to contact Hydro with complaints, and where all such complaints are registered and followed up.

A new mechanism for third-party grievances was implemented in Hydro's Brazilian operations in 2014, replacing existing systems. The system will work as a pilot for a systematic approach in all of Hydro. Channels for submitting grievances may vary depending on local needs. In Brazil, the system includes several channels including a phone number, e-mail and dedicated and specially trained field workers. Third party grievances may be of any kind, including social and environmental issues. We are working to make the mechanism better known to our neighbors through newsletters, a web site and open meetings.

Promoting CSR in our supply chain

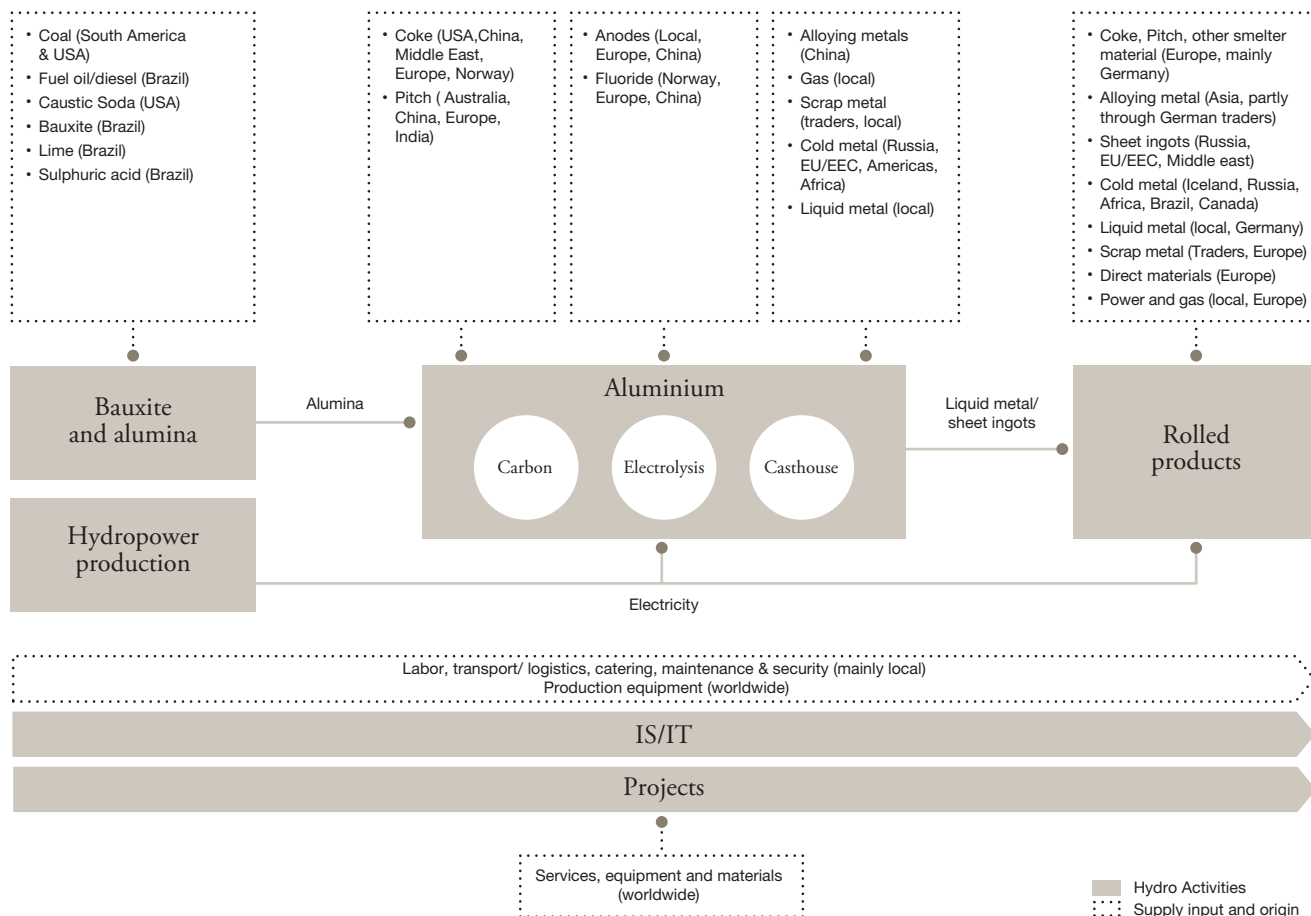
Hydro has more than 13,000 suppliers globally, of which the majority are situated close to our production facilities. The number of suppliers for which Hydro accounts for a major part of turnover is low and our estimate is that it includes less than 10 percent of our critical tier-one suppliers.

Our supplier and contractor requirements regarding corporate responsibility form an integral part of all stages of the procurement process. They cover environmental matters, human rights, anti-corruption, working conditions and the

work environment. The requirements are valid also to contractors working on Hydro's existing sites and in new projects.

Implementation of our CSR requirements is risk based and takes contractual value and country risk into consideration. With the Hydro's revised global supply chain procedure, valid from 2015, all suppliers will be subject to our CSR requirements. The requirements also apply when existing suppliers are re-qualified.

Hydro's procedure for integrity risk management of its business partners includes suppliers, agents and consultants and sets requirements for integrity due diligence of suppliers in addition to contractual requirements. The CSR requirements are either included in the contract itself or in a separate declaration that must be signed by the supplier. The contractual clauses and declaration require the supplier to comply with local legislation on environment, anti-corruption and labor rights, to minimize environmental impacts and to prohibit child, forced or compulsory labor. The contract furthermore includes auditing rights and the contractors' responsibility for implementing CSR



The figure shows Hydro's supply chain related to its value chain, and does not necessarily reflect the current organizational structure.

requirements with its subcontractors. Contractual requirements were last revised in February 2015, reflecting the updated global procedure.

The business areas have different systems in place - based on their different business needs - to comply with the corporate requirements. A supplier management system provides a formal risk assessment in accordance with Hydro's corporate directives and ISO 9001 requirements. This also includes a formal process for identifying critical suppliers, based on matters such as corruption and human rights risks. A critical supplier delivers products with high consequence or risk for our production, projects and/or company. Also in 2014 all new critical suppliers were screened using environmental, labor practices and human rights criteria.

All suppliers in consolidated activities are checked routinely against the UN sanction list for matters related to anti-terror and money laundering. Furthermore, audits and site visits are performed by Hydro personnel based on risk analysis. Audit findings and corrective action plans are reported and handed over to the visited site. Proposed corrective actions are then checked in connection with the next audit performed at the site in question. Suppliers who fail to implement corrective actions in relation to identified child, forced or compulsory labor will be excluded. In 2014, we entered into dialog with certain suppliers and customers about possible inconsistencies with certain Hydro standards.

Sapa developed a supplier declaration in 2014 to ensure that the 27,000 firms in its worldwide supply chain are working in line with the values and culture of sustainable development as outlined in our code of conduct.

Hydro is an active member of REDES, a supplier development network developed by the Industry Federation of Pará, Brazil with support of the state government. Learn more about compliance in the supply chain and local procurement in note S10.5 and S11 to the Social statements.

The risk of incidents of child, compulsory or forced labor in our supply chain is considered to be low in the majority of Hydro's business areas. We do however recognize a risk of forced or compulsory labor among suppliers in South America and the Far East, which is followed up through supplier audits etc.

Community impact

Ensuring responsible conduct in relation to society at large is an important element throughout all phases of our activities. The construction of new plants, acquisitions and divestments

as well as closing down capacity, are particularly important in this respect. Hydro has a long tradition for responsible restructuring.

2014 targets

- Grievance mechanisms for Hydro's activities in Pará, Brazil implemented as a pilot for a corporate-wide solution
- Carry out restructuring processes in cooperation with employees and their communities

2014 results

- Grievance mechanisms for Hydro's activities in Pará, Brazil implemented. Work needed to make it better known
- Restructuring processes were carried out in cooperation with employees and affected local communities

2015 targets

- Implementation of Hydro's new system for planning, monitoring and evaluating social projects in Brazil
- Carry out restructuring processes in cooperation with employees and affected local communities

Strategic goals 2018-2020

- Positive contribution to local social-economic development

Continued restructuring

In November 2014 Hydro took over Rio Tinto Alcan's shares in the aluminium smelter Sørå in Norway. As a wholly-owned Hydro plant it is now named Hydro Husnes and has 230 employees. Husnes has been producing at half capacity since 2009 of its total capacity of 180,000 metric tons (mt). In addition to Husnes, Hydro's aluminium smelters in Neuss, Germany (operated by Rolled Products) and Sunndal, Norway have had reduced capacity since 2009. Neuss has restarted capacity from 50,000 mt in 2009 till 150,000 mt at the end of 2014. Sunndal has restarted capacity from 290,000 mt in 2009 to 360,000 mt at the end of 2014. The plan is to complete restart by mid-year 2015 to full capacity of 390,000 mt. Hydro decided in May 2014 to permanently close its Kurri Kurri aluminium plant in Australia. Production at the plant ceased in 2012.

Improvement and cost reduction programs are running in all business areas and corporate staffs with total savings of NOK 3.7 billion annually compared to 2009, see also page 10. All manning reductions have been communicated in advance to union or employee representatives and have followed the layoff requirements specified in relevant collective bargaining agreements and legislation. Our ambition in all layoffs has been to handle all affected employees fairly, objectively and in a manner that reduces the risk of discrimination as it pertains to age, gender, race and veteran status, while preserving the competence needed. Different means have been used to reduce the impact on employees and the local communities

concerned. In Bauxite & Alumina, the total number of contractor employees has been significantly reduced, while the number of permanent employees has increased to some extent. As part of its improvement program From B to A, Bauxite & Alumina plans a 20 percent manning reduction including contractor employees by the end of 2015.

The joint venture Sapa's restructuring program, initiated in 2013 and targeting annual synergies of around NOK 1 billion by end of 2016, is ahead of plan. More than 20 projects have been implemented in 2014 (two divestments, nine plant closures, eleven part-closures or major de-manning). Most of the projects are in Europe, but some restructuring has also taken place in the US. In total 1550 people were affected by December 2014.

Stable electricity contracts are important for our primary aluminium plants. In 2014, Hydro secured 2.7 TWh of electricity from 2021-2030 for its Norwegian aluminium smelters.

New projects

When planning new projects, we map the environmental and social impact when relevant. Our analyses follow the Equator Principles, and thus reflect the requirements of the World Bank and the International Finance Corporation regarding information, consultation and investigation of the project's environmental and social impact, including human rights, as well as an action plan and proposed initiatives. Dialog with affected groups gives input to plans, detailing our environmental and social responsibilities. We strive to act in an open and credible manner, and gather views from interested parties, aiming for a common understanding of the decisions that are made.

A 75,000 mt pilot plant with the aim of full-scale industrial testing of this proprietary technology is planned at Karmøy, Norway. See also page 38.

At its rolling mill Grevenbroich in Germany, Hydro approved in February 2014 the construction of a new line for aluminium car body sheet with a capacity of 150,000 mt. Two other major investment projects - in Neuss, Germany and Clervaux, Luxembourg - are under construction and will add post-consumer scrap recycling capacity of 80,000 mt early in 2016.

We are refurbishing and upgrading several power plants in Norway, see page 52.

The first phase of the CAP project covers the CAP alumina refinery project of 1.86 million mt per year as well as the expansion of the Paragominas mine to 14.85 million mt per year. Through the Vale transaction, Hydro's ownership in the

project increased from 20 percent to 81 percent. The refinery was originally approved and project execution commenced in 2008. Construction has been postponed several times, most recently in 2012.

Alunorte, Brazil has started construction of a new bauxite residue deposit using pressure filtration to reduce even further the moisture content of the residue, see page 34.

Dialog with affected parties

We have a long tradition of conducting a dialog with the relevant parties affected by our activities, such as unions, works councils, customers, suppliers, business partners, local authorities and non-governmental organizations. Stakeholder dialog is based on our experience and principles developed by an international working group headed by the Institute of Social and Ethical Accountability. We identify and initiate dialog to ensure that all relevant views are aired and our decisions communicated. In major projects, stakeholder dialog is a requirement of Hydro directives, local law, World Bank guidelines, the Equator Principles, et al. This includes the principle of free, prior and informed consent when indigenous peoples are involved.

Dialog with the employees' representatives includes involvement at an early stage in restructuring processes, and we have a tradition for open and successful collaboration between management and unions. The part-owned aluminium plants Albras and Slovalco are part of the global meeting structure between management and union representatives in our Primary Aluminium business area.

In Barcarena in Brazil, we have participated in establishing an intersectorial forum which is a communication platform between the local stakeholders, the municipality and Hydro's operations Albras and Alunorte as well as the CAP project. In 2014, the forum has worked to establish agreement on the issues that will be addressed, as well as establishing a progress plan for 2015.

When needed, employees are given the opportunity to put questions over the intranet to top management. It is possible to ask questions in person or anonymously, and answers are posted simultaneously through net meetings. President & CEO Svein Richard Brandtæg has his own blog on our intranet where employees can add their comments, either in person or anonymously.

Public affairs and lobbying

Given the nature of our industry, Hydro is particularly involved in policies dealing with climate change, viable production and consumption, trade, energy efficiency, energy markets, health and safety in the workplace, competition and other framework conditions pertaining to our industry.

Hydro recognizes the value of engaging with public authorities and other stakeholders in relation to the development of various policy initiatives that impact our industry. Hydro interacts primarily with decision-makers in countries in which we have significant operations, such as Norway, Germany and Brazil, as well as with regional structures like the European Union institutions.

Hydro promotes its views on issues of importance either through direct interaction with public authorities and other stakeholders, or through various industry associations. These include: the International Aluminium Institute, Eurometaux, the European Aluminium Association, the Brazilian Aluminium Association, the International Council on Mining and Metals, the Brazilian Mining Association, the World Business Council for Sustainable Development, the Federation of Norwegian Industry, and many more, see www.hydro.com/GRI standard disclosure G4-15a and 16a.

Hydro is a member of a series of think-tanks, especially in Brussels, and engages regularly in discussions with various NGOs.

Most resources are dedicated to lobbying activities within the EU, Norway and Brazil. Such activities within the EU are publicly reported through the Transparency. In 2014 we spent about NOK 1 million on such activities in the EU excluding indirect costs like salaries, office rent etc. Two full-time equivalents are dedicated to lobbying activities in the EU while in Norway, Germany and Brazil, about one full-time equivalent is dedicated to such activities in each country.

Community investments and sponsorships

In 2014, Hydro spent NOK 24 million on community investments, charitable donations and sponsorships, down from 27 million in 2013. About 45 percent was related to community investments. Main outcome of the investments is a strengthening of local communities in addition to increased goodwill for Hydro and pride in the organization, in addition to creating dialog and interaction with stakeholders.

Hydro's sponsorship and partnership strategy builds on:

- People (education, humanitarian aid, culture)
- Planet (energy and climate change, recycling, resource management)
- Possibilities (science, technology and innovation, design)

Hydro's social investments and sponsorships should be included in at least one of these categories.

As a mine operator in Paragominas in Pará, Brazil, some of our most important community investments have been performed there. These can be divided into three main categories:

- Legal conditions, to which the social programs for the Quilombola communities are examples
- Voluntary value added projects for the local community, where Hydro's activities related to Caseca, a recreation center run by the municipality of Paragominas for about 1,000 school children and youngsters from vulnerable families is an example
- Sponsorships for company profiling

Our activities in Pará also include building schools, training for income generation, support for community organizations, community infrastructure, cultural and sports facilities as well as health care.

Hydro's cooperation with the University of Oslo and three academic institutions in Pará in Brazil on biodiversity was further developed in 2014, see page 69. In Barcarena, also in Pará, Alunorte has since 2001 cooperated with the municipality of Barcarena in an extensive program to improve educational performance, including higher enrollments and lower school truancy. The program aims at improving the children's and youngsters' environmental and citizenship knowledge using sport as an important incentive. About 2,450 students aged 12 to 20 participated in one or several parts of the program in 2014. The program is currently under revision, in order to improve the impacts of the programs. The revision is expected to be complete in 2015.

Local activities at Hydro sites around the world typically include children's education and sports activities, culture and assistance to needy children. Our sponsorship activities also include support of the Nobel Peace Center in Oslo and an agreement with Save the Children Norway. We also sponsored the Norwegian Museum of Science and Technology in its centennial in 2014 to promote the interest of science and technology among children and youngsters.

Another important contribution is the transfer of competence that takes place through our cooperation with universities and research institutions. This includes scholarships to selected PhD aspirants working in our business areas. Hydro is sponsoring professorships in Norway and Qatar and has several adjunct professors among its own employees.

Organization and work environment

We achieved our most important target in 2014 - no fatal accidents. Our TRI rate (total recordable injuries per million hours worked) for own employees improved by 6 percent, but we did not reach the target of 16 percent reduction. Even though our safety results are among the best in industry, our clear ambition is to improve further. It is important that our employees enjoy good health, and feel safe and appreciated. Healthy and motivated employees perform better and are more creative, and in that way contribute to increased profitability and better results.

Hydro's organization across the world represents a great diversity in education, experience, gender, age and cultural background. We see this diversity as a significant resource, not least to encourage innovation. Good leadership, a proper organizational structure and the right tools are essential to achieving this. This includes attracting and retaining the right people. We aim to be highly competitive when it comes to recruiting and keeping the best-qualified personnel. Our ambition is to provide each employee with proper conditions for continuous development of her or his expertise.

2014 targets

- No fatal accidents
- Total recordable injuries per million hours down by 16 percent to 2.85
- Roll-out of "My Way", the revised people performance and development process to 35 percent of all employees
- Diversity roadmaps well anchored in the organization and implementation started
- Hydro Academy - concept, operating model and initial program portfolio established

2014 results

- No fatal accidents
- Total recordable injuries per million hours down by 6 percent to 3.19. *Target not reached*
- Roll-out of "My Way", the revised people performance and development process to 32 percent of all employees. *Target not reached*
- Diversity roadmaps well anchored in the organization and implementation started
- Hydro Academy - concept, operating model and initial program portfolio established

2015 targets

- No fatal accidents
- Total recordable injuries per million hours down by 12 percent to 2.8
- Roll-out of My Way to further 40 percent of all employees

- Diversity roadmaps further anchored and implemented in the organization
- Hydro Academy further implemented in the organization

Strategic goals 2018-2020

- No fatal accidents
- Total recordable injuries per million hours below 2
- All employees participate in the people performance and development process "My Way"
- Hydro scores in the top 25 percent on the employee engagement index in Hydro Monitor

Effective organization

The global competition for talent, and in particular in Hydro's key geographies (Brazil, Germany & Norway), makes it increasingly challenging to attract employees with the right competence. This means that Hydro is highly dedicated to attracting, developing and retaining competence to ensure our future success. Hydro has developed a People Strategy to ensure that the most critical areas are addressed, in addition there is a strategic ambition to be among the global top 25 percent companies worldwide on the Employee Engagement Index (Kenexa global norm). Hydro's people strategy is built on five pillars: performance culture, competence management, leadership pipeline, diversity and mobility.

Hydro had 12,922 permanent employees at the end of 2014, an increase from 12,564 in 2013. In addition, we had 966 temporary employees compared to 765 the year before. Contractor employees represented about 6,600 full-time equivalents during 2014, down from 7,000 in 2013. The large majority of employees are concentrated in Brazil, Germany and Norway.

Hydro Monitor is our global employee engagement process and is carried out for all employees every second year. In 2014 we scored 73 percent on the employee engagement index (EEI), which was a significant improvement from 65 percent in the previous survey conducted in 2012. EEI measures the extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals. The long-term ambition is to be among the top 25 percent companies worldwide on EEI (Kenexa global norm) which is currently equivalent to 76 percent. On the performance engagement index (PEI) we scored 75 percent in 2014, up from 72 percent in 2012. High performing organizations tend to having high scores on both EEI and PEI. The most important part of Hydro Monitor is follow-up. All units had action plans by 1 October 2014, based on their survey results. 92 percent of all employees responded to the survey in 2014. The next survey will be run in 2016.

Restructuring and continuous improvement are essential elements of our business operations. Our aim is to involve employees in such processes at an early stage in order to achieve the best results for the individual and for the company.

Developing and retaining the right competence

In 2013, we revitalized our common process for people performance and development, My Way. It includes appraisal dialog, individual development and follow-up, as well as talent planning and succession management. Implementation of the new process has started and should be completed by the end of 2016 when all employees should be included.

Hydro Academy is a new platform for learning and development available to all employees. One important goal of the Hydro Academy is to make training more visible and easily accessible. From an employee perspective it is primarily a course catalogue of available training in Hydro, including local and global classroom training as well as e-learning and other resources. The main intention is to make it easier for leaders and employees to get an overview of available training and keep track of what training they have completed or should complete. Our philosophy is that 70 percent of competence building is direct on-the-job training, 20 percent of competence is acquired via networking and mentoring and 10 percent via traditional training.

We offer new employees training related to the organization and their individual work tasks. This includes required competence within health, security, safety and environment. The most important development takes place locally, primarily with on-the-job training, but also through locally organized training. A special training course, Hydro Fundamentals, is targeting leaders and specialists, giving them insight into Hydro's history, values, diversity, competitive landscape and businesses.

In order to have a healthy pipeline of senior leaders with the required breadth of experience, we emphasize rotating employees early in their careers so that they gain skills from different parts of the organization. This is also reflected in our diversity ambitions. In addition to running the Hydro Executive Program and a program for new leaders, we have the Hydro Leadership Program for middle managers, and the Hydro Mentor Program to ensure competence transfer between experienced leaders and young high potentials.

The employee turnover rate in 2014 was 6.4 percent for the global organization, up from 5.6 percent in 2013 when Brazil was not included in the figures. The general employee turnover rate in Brazil is higher than in most other countries where Hydro has significant operations.

Diversity

We see diversity as a source of competitive advantage for Hydro and emphasize diversity with regard to nationality, culture, gender and competence when recruiting and when forming management teams and other working groups. In 2014, 13 percent of Hydro's employees globally were women, the same level as in 2013. The share of women was 29 percent in Hydro's Corporate Management Board (CMB) in 2014. Effective 1 January 2015, several changes were made effective to CMB and increasing the share of women to 44 percent. All business areas and corporate staffs have diversity targets and roadmaps towards 2020 to further increase awareness and results.

We are continually adjusting working conditions so that all employees, regardless of their operability, have the same opportunities in their work place. In Brazil, we are required to employ minimum 5 percent disabled people. The number of disabled employees in Paragominas increased from 19 in 2013 to 31 in 2014, but we are still far from the target. A course aiming to train disabled people has been developed in partnership with Senai, a public institution with large experience on training people for industrial activities, in order to assure qualifications for those interested. In Alunorte, 3.6 percent of the employees are disabled people and further efforts are in progress in order to reach the target.

We are working to increase diversity at all levels in the organization, including through recruitment. Half of the participants in Primary Metal's graduate program are women. Our largest German plant, the rolling mill Grevenbroich, had 16 percent women among its apprentices in 2014 and 24 percent women among the confirmed apprentices starting in 2015. On average women constituted 10 percent in the German organization in 2014. Similar initiatives also take place in other parts of Hydro, for instance in the Corporate

Share of women leaders



The total share of women at all levels in Hydro was 13 percent in 2014

Share of non-Norwegian leaders



Staffs in Norway where 75 percent of the new employees in 2014 were women and 40 percent non-Norwegians. The Grevenbroich plant was one of the first industry companies to receive a “Job and Family” certificate from the German government. The first German Hydro kindergarten for employee children was opened by the plant in 2013. While Hydro has had kindergartens for employee children for more than 30 years in Norway, this is still not common in Germany. All business areas and the corporate staffs have diversity targets towards 2020 and corresponding roadmaps to achieve the targets.

Compensation

All employees shall receive a total salary that is fair, competitive and in accordance with the local industry standard. Only relevant qualifications such as performance, education, experience and other professional criteria shall be taken into account when making appointments, or when providing training, settling remuneration and awarding promotion.

There are no significant gender-pay differentials for employees earning collectively negotiated wages in Norway and Germany. Salary conditions in the Norwegian organization are reviewed on a regular basis. If significant differences are found at any level, we have a tradition for closing the gaps within short time. We have also checked if gender-related salary differences exist in our operations in Brazil in 2014. In general, women tend to receive some higher pay than men at lower levels and vice versa at higher levels.

The annual bonus of Hydro executives shall reflect achievements in relation to pre-defined financial targets, achievements of operational and organizational key performance indicators (KPIs). Targets relating to safety and environment and corporate social responsibility, and

compliance with and the promotion of Hydro's core values (The Hydro Way) constitute a substantial part of the KPIs. Please see Note 9 and 10 to the consolidated financial statements for more information.

Health and safety

Hydro shall be a leading company in our industry in the area of health and work environment. Our business-planning process is used to ensure continuous improvement throughout the organization, and progress is reported on a quarterly basis.

Our ambition is to avoid all serious accidents. Accidents and ill-health cause human suffering and inefficient organizations. We work continuously to avoid damage to health, property and loss of production. This applies to all our activities. Internal independent investigations are routinely initiated after fatal accidents and other serious incidents to identify the causes and reduce risk for recurrences.

We achieved our most important target in 2014 - no fatal accidents. Three out of Hydro's four business areas reached their TRI rate (total recordable injuries per million hours worked) targets for own employees in 2014, while Hydro in total improved by 6 percent, but we did not reach the target of 16 percent reduction. Despite several new initiatives and reinforcement of ongoing measures, our Rolled Products business area did not meet its targeted TRI rate and the result slipped below 2013 performance. Building a safety culture is on top of the agenda in Rolled Products.

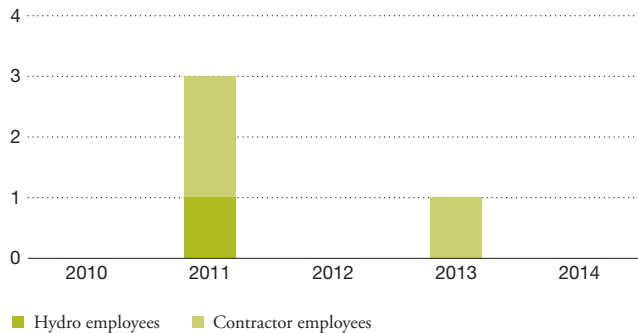
The CEO's HSE Committee is a strategic decision-making committee for all main HSE-related matters in Hydro. The committee is led by the President & CEO Svein Richard Brandtzæg and consists of the Corporate Management Board.

A new performance indicator, the Risk KPI, was developed in the area of HSE in 2014 and is currently under implementation. By this leading indicator management will be able to measure and steer how safely processes and tasks with an inherently high risks are managed.

A handbook for assessing physical and chemical work environment risks is used by the business areas to help map and evaluate Hydro's work environment. Most sites have performed such assessments while the tool is under implementation in our Bauxite & Alumina business area. We use our proactive tool for risk assessment of work environment to identify employees potentially at risk of developing occupational illnesses and implement risk reducing measures. To encourage further improvement of the

Fatal accidents

Number



physical and chemical work environment, we have established a performance indicator based on the risk assessment. This is a proactive indicator, describing the potential for possible future ill-health if no risk reducing measures are implemented. The indicator has been implemented at the majority of our sites, including the establishment of local targets based on identified risk-reducing measures. These targets are tracked through a corporate reporting tool.

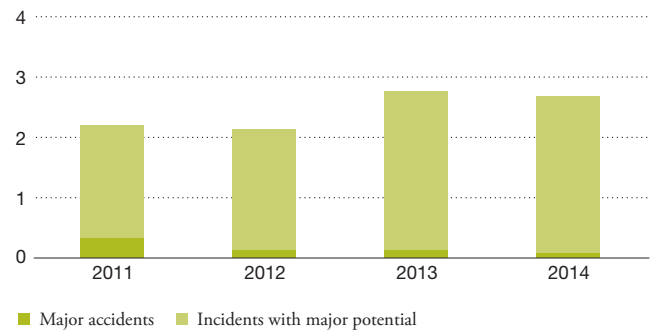
Hydro Monitor (see page 78) is another tool we use to track the organizational work environment, and the results are followed up through local action plans.

In minority-owned operations, we are working through their board of directors to follow up HSE in general and serious incidents in particular.

Our approach to improving safety performance is based on risk management, leadership qualities and shop floor engagement. An example is a company-wide, harmonized high-risk incident investigation and communication tool that was implemented in 2013. We have defined the priority areas

High risk incidents

Per million hours worked (employees and contractors combined)



man/machine interface, traffic and contractors as well as leadership behavior. Properly designing the interface between employees and technical equipment is important to avoid dangerous situations and accidents and is an important area in the Primary Metal and Rolled Products business areas. That a systematic approach with identification of risks is paying off can be illustrated by an example from Hydro's alumina refinery Alunorte in Brazil. In 2014 the number of spillages with risk for employee injury was reduced by 30 percent compared to the year before while the severity was significantly reduced. The number of injuries related to such spillages, requiring as a minimum medical treatment, went down from 42 in 2013 to two in 2014.

For the 50/50 joint venture Qatalum in Qatar with 39 different nationalities among the workforce, building a strong company culture is an important part of its good safety results. During the three last years, the TRI rate has been at an average of approximately 1 for employees and supervised contractor employees combined, while it for other contractor employees has been between 1 and 2.

Lost-time injuries

Per million hours worked



Total recordable injuries

Per million hours worked



Security

An increased exposure in areas of risk, and the global volatile risk picture in general, has made us intensify our preventive efforts. We are committed to the protection of people, environment and physical assets, anticipating and preparing for potentially adverse incidents with crisis potential in order to maintain business and operational continuity.

To prepare for and respond to intentional, unintentional and/or naturally caused disasters, and to protect people and critical assets, security measures are adapted and commenced pending on the evolving risk picture. Security guards are employed on a regular basis to protect our personnel and assets. No armed guards were engaged in our mining activities in 2014, and there were no significant incidents reported in connection with the use of security guards. Hydro is committed to the Voluntary Principles on Security and Human Rights.

Hydro is responsible for infrastructure and functions on local and regional level that might be critical to society's operability, and we operate large-scale production sites where a crisis could influence community interests and safety in general. Hence, we are subject to control and follow-up by respective national authorities. We maintain a high state of preparedness, being trained and monitored through regular exercises. A central emergency team is in place to support line management and ensure crisis handling in accordance with Hydro's requirements and expectations.

A threat and vulnerability assessment forms the basis for preventive measures on all sites, within our business areas.

Secure information handling is important to ensure Hydro's business continuity and reputation. Crucial computer systems are subject to surveillance and regulations. All personnel with access to sensitive information are bound to secrecy, and required to handle information according to corporate guidelines and requirements.

Hydro has learning tools for risk management, travel safety and security. Employees are safeguarded through systems for travel planning, risk assessment and emergency preparedness. Our ability to respond quickly to incidents worldwide has increased through risk monitoring, incident-monitoring tools and a continuous development of competence.

Innovation

We believe that the key to Hydro's 109-year-long stretch of industrial progress is the combination of production and innovation, where research and development have gone hand-in-hand with full-scale production.

Our technology efforts are concentrated on these three areas:

- Making products that promote the use of aluminium and sustainable development
- Developing the world's best electrolysis technology - the core of the aluminium company
- Using R&D and technology to ensure optimal operations in existing assets

In our industry, we must start developing today the technology we will be using 10 or 20 years down the road. That's why we are working to maintain progress, unaffected by the fluctuations of the business cycle. Smelter technology, alloys with special properties, lighter transportation through the use of aluminium and better packaging to reduce food spoilage and cooling needs, are among the areas we are developing together with optimized operations throughout our value chain.

In 2014, research and development costs recognized as an expense amounted to NOK 277 million compared to NOK 216 million in 2013. The increase is partly due to changed reporting of public funding, and partly to increased R&D related to preparation for the Karmøy Technology Pilot as well as developing aluminium solutions with improved properties and environmental benefits. The greater part of our R&D expenses goes to our in-house research organization, while the remainder supports work carried out at external institutions. Our main R&D centers are located in Årdal (smelter technology) and Sunndal (alloys and casting) in Norway and Bonn in Germany (Rolled Products). The 50/50 joint venture Sapa has their own research centers. A new research department for Bauxite & Alumina is under establishment at Alunorte in Barcarena, Brazil.

All business areas are responsible for their own technology development and execution of their respective technology strategies. A corporate technology office, reporting directly to Hydro's President and CEO, shall ensure a holistic and long-term approach to Hydro's technology strategy and agenda. The technology office leads an internal R&D network with representatives from the business areas, and supports the corporate management board in developing overall research and technology priorities and strategies.

A major advantage for Hydro from an innovation perspective is the knowledge and control of the complete value chain from bauxite mining, alumina refining, electrolysis of primary aluminium and alloy technology to finished products.

Our aluminium plants in Sunndal, Norway and Qatalum, Qatar utilize our enhanced HAL 300 technology with an energy consumption of 13.5 kWh/kg. Our next generation

technology, HAL4e, has been tested in a limited number of full-scale production cells delivering an energy consumption of 12.5 kWh/kg. A 75,000 metric tons pilot plant with the aim of full-scale industrial testing of this proprietary technology is planned at Karmøy, Norway supported by a contribution of NOK 1.5 billion from Enova, a Norwegian public enterprise which supports new energy and climate-related technology. Out of the 60 cells, 48 cells will be based on a semi-verified technology platform named HAL4e being installed and tested with promising results at the Hydro Reference Centre in Årdal, Norway. These cells will be operated with an amperage of 450 kA, an energy consumption of 12.3 kWh/kg aluminium and with an emission of 1.4 kg CO₂ equivalents / kg aluminium only. In addition 12 test cells under development (HAL4e Ultra cells) will be installed based on the identical technology platform as the HAL4e cells but aimed for the purpose of implementing new technology elements with a lower technology readiness level. The HAL4e Ultra cells are expected to be operated with an energy consumption of 11.5 – 11.8 kWh/kg Al.

An important part of Hydro's overall technology strategy is to utilize our researchers and experts in optimizing operations in existing plants, i.e. turning competence into cash. The competence base in Hydro's technology environments is on a very high level and in core areas world-class. In later years we have emphasized utilizing this competence in operational improvements. Examples of such improvements are reduced energy consumption in casting furnaces, new cathode solutions for relining of electrolysis cells, improved blending tools for utilization of recycled materials, reduced emissions from foil annealing furnaces and many improvement projects for quality and productivity.

Upstream R&D and other innovation efforts are mainly emphasizing technology development and operational efficiency, while in downstream the development of new products and applications - to a large extent in cooperation with our customers - is of utmost importance.

For more information about R&D in the individual business areas, please see the section Business description in this report.

Cooperation with other institutions

In Norway, we receive support from several public institutions to further develop our smelter and casthouse technology as well as downstream activities. These include The Research Council of Norway, Enova, Innovation Norway and Prosessindustriens Miljøfond. In 2014, we received in total NOK 66 million in contributions, while we have been granted NOK 228 million to be paid out in the years to come if certain projects are implemented. In addition comes the granted contribution of NOK 1.5 billion from

Enova related to the planned Karmøy Technology Pilot in Norway. The majority of the support from The Research Council of Norway is paid directly to projects administered or partnered by Hydro at NTNU, SINTEF or Institute for Energy Technology.

We also participate in other national and EU-funded R&D projects on post-consumer scrap-recycling technology, following market demand for products with a low carbon footprint. Our R&D program includes joint projects with external research institutes such as SINTEF, the Norwegian University of Science and Technology (NTNU), Institute for Energy Technology (IFE) and the University of Oslo in Norway, RWTH Aachen in Germany, MIT in Boston, USA and WPI in Worcester, USA. As an example we work together with NTNU in the field of material flow analysis and with MIT on the development of new algorithms for charge optimization. A major co-operation to mention is the participation in the AMAP (Advanced Metals and Processes) Research Cluster at RWTH Aachen, where amongst others two recycling related projects deal with furnace development and melt quality measurement. Furthermore there are two BMBF (German Federal Ministry of Research and Education) funded projects, one with CUTECH in Clausthal-Zellerfeld on SPL inertization for alternative fuel usage, and one with RWTH Aachen on aluminium recovery from incinerator ashes. The BMBF funding amounts to about 100,000 Euro per year.

Within Energy, we mostly base technical R&D on our suppliers as well as industry cooperation.

Best practice sharing

We strive toward business excellence through continuous improvement, utilizing people, technology and systems to generate maximum value for our customers. Through decentralized accountability and responsibility, decisions are made by those best able to make them. Our business systems define the principles needed to create a performance culture in a unit. One example is the Aluminium Metal Production System (AMPS), which is our operational philosophy, our best practice system and standard for world-class production and improvement in our primary metal business. At the heart of AMPS is the principle of empowerment of each employee.

All employees in the organizations are included in the processes, which include establishing standardized practices, training through e-learning, classroom training, on-the-job training and job observation. AMPS training is organized as an ongoing training academy and connected leadership programs, which also include a leadership development program for all employees in management or supervisory positions. All employees in the relevant units have participated in different academy training sessions.

Implementation of AMPS was an important enabler for our USD 300 per metric tons (mt) primary aluminium cost-reduction program for our fully owned smelters, concluded by the end of 2013 and the ongoing USD 180 per tonne improvement program in Hydro's part-owned smelters.

The production system has been implemented at all our metal plants, including the joint-venture plants Qatalum, Svalco and Albras.

Our Bauxite and Alumina business area has achieved successful improvements in a short time, by copying the AMPS philosophy and system. Based on this best practice, Bauxite and Alumina has created a prioritization model to drive the organizational and behavior change needed to achieve the targets set in their improvement program from B to A.

Our Rolled Products and Energy business areas have similar systems adapted to their business needs.

President's Award

The objective of the President's Award is to energize all employees by recognizing excellent work and best-practice sharing. The winners are an organization or a team that has demonstrated outstanding effort within the areas of HSE, innovation or performance. Winners should clearly demonstrate the spirit of The Hydro Way, emphasizing the values of Hydro in the way they work. In 2014, the President's Award 2013 was awarded in four categories:

- *Process and Product Innovation Award:* Rolled Products in Grevenbroich, Germany for catalytic exhaust air treatment technology. The innovation has resulted in reduced odor in process exhaust, reduced energy costs and CO₂ emissions through a technology that is applicable for all foil final annealing furnaces.

- *Technology Innovation Award:* Primary Metal for the HALsee electrolysis pilot cell. The challenge was to develop aluminium reduction technology for specific energy consumption below 12 kWh/kg aluminium. Test of the technology shows reduction of energy consumption by more than 1 kWh/kg aluminium and improved CO₂ footprint. HALsee has demonstrated an average energy consumption of 11.9 kWh/kg Al and a very low level of CO₂ emissions. The project has been characterized by bold targets, good teamwork and clear determination. The learnings from the HALsee cell will be an important input to the Karmøy Technology Pilot.
- *HSE Award:* Energy and Projects for excellence in safety performance in the execution of high-risk rehabilitation and extension projects within Hydro's hydropower activities. The HSE Award is awarded to an initiative, approach or project which resulted in an excellent achievement within the area of safety, security, health or environment. The evaluation is based on proven effect, relevance for the company and necessary effort in comparison to the outcome.
- *Performance Award:* Bauxite & Alumina's Commercial unit for outstanding achievements in commercial, operational and financial performance. The achieved results include meeting the Alumina business plan EBIT despite Alunorte challenges, drive towards changing alumina pricing to index, renegotiating contracts for improved profitability, increased margins for Bauxite, and higher profit on commercial optimization.

Notes and references

- 1) The reported target for 2014 in Hydro's Annual Report 2013 was 1.56 mt CO₂e/mt aluminium from production. Due to changes in the greenhouse gas potential factors for C₂F₆ and CF₄, the targets have been recalculated accordingly.
- 2) Hydro has a 5 percent ownership interest and off-take agreements with Vale for a further 40 percent of the volume produced by MRN.

Viability performance statements

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QUICK OVERVIEW

The Viability statements has been divided into two sections:

- Environmental statements including key information about Hydro's environmental performance
- Social statements that include key information related to Hydro's workforce and interaction with the societies we are part of

About the reporting

Hydro's main reporting for 2014 on Viability performance is included in the Annual Report. In the web version of the Annual Report found on www.hydro.com/reporting2014 we have included an index referring to the Global Reporting Initiative's Sustainability Reporting Guidelines and the requirements of the International Council on Mining and Metals as well as the Aluminium Stewardship Initiative. In addition, a link to our Communication on Progress report based on the United Nations Global Compact is found there.

7.18

MILLION TONS

*CO2 equivalents emitted
from consolidated operations*

12,922

permanent employees

About the reporting

Principles for reporting on viability performance

The purpose of Hydro's reporting is to provide stakeholders with a fair and balanced picture of relevant aspects, engagements, practices and results for 2014 at a corporate level. We believe that the reporting in total satisfies this purpose. Our reporting on viability performance is aligned with the main reporting principles of the Sustainability Reporting Guidelines (G4) from the Global Reporting Initiative and the requirements of the International Council on Mining and Metals. The selection of elements reported is based on extensive dialog with stakeholders and proposals from them. In addition, the reporting builds on processes that are part of our daily operations. Important stakeholders include authorities, investors and financial analysts, employees and their representatives, potential employees, customers, non-governmental organizations and local communities affected by major development projects or restructuring processes. Reporting is not necessarily the target of the dialog process, but when relevant, we use the outcome to improve our reporting, see page 76. An example of dialog with the main purpose of reporting, was with Transparency International Norway related to development of Hydro's new country by country report.

We have endeavored to provide information that is in accordance with the principles of sound reporting practice. The absence of generally accepted reporting standards and practices in certain areas may nevertheless make it difficult to compare results with reports compiled by other companies, without the availability of further data, analyzes and interpretations.

Reporting scope and limitations

The scope of Viability performance as included on page 63-116 in Hydro's Annual Report 2014, is Hydro's global organization for the period January 1 to December 31, 2014. Operations sold or demerged during the year have in general not been included. Health and safety data for all previously consolidated operations are, however, included in the historic data for the period the unit was owned by Hydro. Regarding environmental data (emissions, energy consumption etc.), operations acquired during the reporting year are included for the complete year. Data from operations that have been closed down, are included for the part of the reporting period it was under operation. Minority-owned operations are not included in the reported data except from in the data related to greenhouse gas emissions for Hydro's ownership equity. In addition, we include some examples and other qualitative information that demonstrate how we promote our policies toward these operations.

It is not the intention to include detailed information that is primarily of significance for individual sites, processes, activities and products.

Environmental and financial data relating to acquired operations are included in our statistics, and historical data have been recalculated to reflect current operations. Correspondingly, historical data of divested activities are taken out of our reported data. Employee, safety and work environment data are included from/to the closing date of acquisitions/divestments unless otherwise stated.

Data has been prepared from individual reports in accordance with corporate procedures. Data compiled at each operational unit according to local management systems applicable at the respective operational units are typically based on process data systems, measurements, calculations and/or purchasing data. The data is then aggregated at corporate level, and is not intended to include detailed information that is primarily of significance for individual sites, processes, activities and products.

The reporting is based on input from many units and sources of data. Emphasis has been placed on ensuring that the information is neither incomplete nor misleading. However the scope of the reporting, and varying certainty of data may result in some unintended uncertainties regarding some of the figures reported.

The notes following the statements will clarify the accounting policies for the specific information as well as comment on the development of Hydro's performance in the various areas.

Main reporting changes from the 2013 report

The main changes to the Viability performance reporting in Hydro's Annual Report 2014 compared to the annual report 2013, are structural:

- A new section "Viability performance statements" has replaced the former section "Facts and figures" and the document "Reporting principles and practices" which has formerly been available on web only.
- Much of the quantitative and more detailed qualitative information in the main narrative part of the viability performance section (page 64-84 in the Annual Report 2014) has been moved to the Viability performance statements.
- Some information related to each business area on technology and innovation, environment and people has been moved to the Business description chapter of this report to further explain the business case of Hydro's viability performance.

- Some information formerly reported in the GRI index only is now included in the Viability reporting statements.
- Hydro Husnes, formerly Sørø, in Norway is included as a consolidated operation from 2014 in the social statements. Sørø has about 230 employees. For 2014, Sørø is still included as a part-owned operation (49.9 percent) in the environmental statements.
- The Hannover Casthouse in Germany, with about 30 employees, was divested in 2014.

Changes in reporting elements

Following changes in the Norwegian accounting act, Hydro's voluntary reporting in accordance with the Extractive Industries Transparency Initiative has been extended and included in a new "Country by country report" to comply with the new legal requirements, see page 112.

Some additional environmental and social information is from 2014 - on a voluntary basis - also reported at a country by country level.

Following improved reporting on diversity indicators at a corporate level, we have this year chosen not to include some diversity indicators that were valid for the Norwegian part of the organization only.

Changes in data basis

There has been a few changes to the data basis of some quantitative indicators. Where relevant, this has been described for each note to the Viability performance statements. In particular that relates to note Note 1, 4.2 and 6.3 to the Environmental statements and Note 2.2 to the Social statements. We believe that neither of these changes are material to the overall evaluation of Hydro's viability performance.

Assurance principles and scope

We have requested our company auditor to review the Viability performance 2014 in accordance with the international audit standard ISAE 3000 – Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB). For the underlying systems, the reader is referred to Hydro's steering documents as described under Corporate Governance, see page 143 in Hydro's Annual Report 2014. The auditor's limited assurance report is found on page 117.

Environmental statements

The table below shows Hydro's main quantitative indicators related to its environmental performance. More detailed information is, when indicated, available in the notes to the environmental statements.

None of the figures in the table below can be further consolidated in their current format.

Environmental performance

	Notes	% change 2013-2014	2014	2013	2012	2011	2010	GRI G4 reference
GHG-emissions								
Direct GHG emissions from consolidated operations (Million tons CO2-e) (equal to scope 1)	E1.1	6%	7.18	6.79	7.03	7.24	7.43	EN15
Indirect GHG emissions from consolidated operations (Million tons CO2-e) (equal to scope 2)	E1.1	5%	2.42	2.31	2.85	4.35	4.28	EN16
Direct GHG emissions from Hydro's ownership equity (Million tons CO2-e) ¹⁾ (equal to scope 1)	E1.4	5%	7.78	7.41	7.53	7.48	7.61	EN15
Indirect GHG emissions from Hydro's ownership equity (Million tons CO2-e) ¹⁾ (equal to scope 2)	E1.4	2%	5.25	5.16	5.92	7.33	6.12	EN16
GHG intensity								
Alumina refining (mt CO2-e per mt. alumina)	E1.6	(0.1%)	0.687	0.693	0.664	0.659	0.666	EN18
Electrolysis (mt CO2-e per mt. aluminium)	E1.7	-	1.63	1.63	1.64	1.67	1.79	EN18
Energy production and consumption								
Energy production (TWh)	E3.1	(3%)	10.2	10.2	10.3	9.6	8.4	EN3/EN6
Energy consumption (TWh)	E3.1	3%	47.0	45.8	46.1	48.2	48.0	
Energy intensity								
Alumina refining (GJ per mt alumina)	E3.2	(2%)	8.51	8.68	8.33	8.25	8.19	EN5
Electrolysis process (kWh per kg aluminium)	E3.2	-	13.9	13.9	13.9	13.8	14.0	EN5
Other resource use								
Alumina (1000 mt)	E4.1	1.3%	2 978	2 941	2 910	3 079	3 032	EN1
Total water withdrawal from water stressed areas (mill m3)	E4.2	-	3.4	3.4	3.0	3.0	3.4	EN8
Recycling								
Recycled post- consumer scrap (1000 mt)	E4.3	(26%)	111	151	N/A	N/A	N/A	EN2
Total recycled metal (1000 mt)	E4.3	(8%)	1 092	1 189	N/A	N/A	N/A	EN2
Waste (1 000 mt)								
Bauxite tailings	E5.1	31%	4 333	3 313	4 215	4 407	4 933	MM3
Bauxite residue (red mud)	E5.1	12%	6 069	5 415	6 071	6 389	6 222	MM3
Hazardous waste	E5.2	11%	166	149	133	138	153	EN25
Other waste	E5.2	12%	194	173	170	271	215	EN23
Hazardous waste to landfill (%)	E5.3	(2) ⁴⁾	49%	51%	52%	53%	49%	EN23
Biodiversity in mining								
Accumulated area disturbed (hectares) ²⁾	E6.2	6%	5 734	5 629	5 263	4 654	4 084	MM1
Accumulated area reforested (hectares)	E6.2	74%	1 231	707	776	332	204	MM1
Accumulated endangered species observed ³⁾	E6.3		47					EN14

Figures in brackets indicate a decrease.

1) Combined numbers: based on ownership equity.

2) Accumulated area disturbed since construction of the mining area started. The mine started its production in 2006.

3) Accumulated number of endangered species observed since registration started in 2003. Number for 2014 is not comparable to previous years.

4) Values are given as percentage points

Notes to the environmental statements

General reporting standards and principles

Environment, energy and resource data are reported through the corporate data reporting tool HERE on an annual basis covering all consolidated operational units. Data reported to HERE should be based on specific environmental, energy and resource data reporting processes that have been established for management purposes at site, sector, business area and corporate level within our organization. Data is reported on a 100 percent basis for all consolidated operational units if not otherwise stated. All environmental emissions include historical emissions from current operations and are recalculated annually to reflect Hydro's current portfolio.

Data reported to HERE is in accordance with Hydro's corporate procedure "Registration of environment, resource and energy data". The procedure provides definitions and factors for estimating emission values. Data is compiled at each operational unit according to local environmental management systems and typically based on process data, measurements, calculations and/or purchasing data.

Where applicable, we have indicated to which GRI G4 disclosure the different notes or parts of the notes are applicable. Please also see the Environmental statement on the previous page for more such information.

Note E1 - Greenhouse gas emissions

Reporting principles

All greenhouse gases (GHG) are measured as CO₂ equivalents (CO₂e) based on conversion factors for their 100-year Global Warming Potentials from the Intergovernmental Panel on Climate Change (IPCC). In 2013, IPCC changed the Global Warming Potentials (GWP) for PFC-gases (CF₄ and C₂F₆), resulting in higher GWP for our PFC emissions. We use the updated factors in our 2014 reporting and have updated historical emissions accordingly.

E1.1 Total greenhouse gas emissions in consolidated activities

Reporting principles

Greenhouse gas emissions are reported per process step. For information purposes we have indicated in which business area (financial segment) the emissions mainly take place.

Greenhouse gas emissions - consolidated activities

Million tons CO ₂ e	2014	2013	2012	2011	2010
Direct GHG emissions	7.18	6.79	7.03	7.24	7.43
Bauxite & Alumina	3.98	3.64	3.86	3.84	3.89
Primary Metal production (mainly Primary Metal)	2.90	2.84	2.86	3.09	3.22
Downstream production (Rolled Products)	0.19	0.20	0.19	0.20	0.21
Remelters (in Metal Markets and Rolled Products)	0.11	0.11	0.11	0.11	0.12
Indirect GHG emissions	2.42	2.31	2.85	4.35	4.28
Electricity consumed (mainly Primary Metal)	2.42	2.31	2.85	4.35	4.28
Total GHG emissions	9.60	9.09	9.88	11.59	11.72

GRI-reference: G4-EN15 and G4-EN16

E1.2 Total greenhouse gas emissions per country in consolidated activities

Reporting principles

Total greenhouse gas emissions per country in Hydro's consolidated activities (based on 100 percent).

Greenhouse gas emissions per country - consolidated activities

Million tons CO ₂ e	2014	2013	2012	2011	2010
Brazil	5.42	5.11	5.34	5.30	5.43
Direct	4.77	4.44	4.67	4.63	4.77
Indirect	0.65	0.66	0.67	0.67	0.66
Germany	1.60	1.45	0.87	0.84	0.82
Direct	0.45	0.43	0.31	0.31	0.31
Indirect	1.15	1.01	0.57	0.53	0.51
Norway	1.58	1.55	1.49	1.52	1.59
Direct	1.52	1.49	1.43	1.46	1.53
Indirect	0.07	0.06	0.06	0.06	0.06
Slovakia	0.84	0.82	0.84	0.84	0.81
Direct	0.32	0.30	0.33	0.33	0.32
Indirect	0.53	0.52	0.51	0.52	0.49
Other	0.16	0.16	1.33	3.08	3.06
Direct	0.12	0.12	0.29	0.51	0.50
Indirect	0.04	0.05	1.04	2.57	2.56
Total GHG emissions	9.60	9.09	9.88	11.59	11.72

GRI-reference: G4-EN15 and G4-EN16

E1.3 Direct GHG emissions per GHG type in consolidated activities

Reporting principles

CO₂ emissions are calculated based on anode consumption during the electrolysis process and use of other fossil fuels. PFC (perfluorocarbon) emissions consist of the two greenhouse gases CF₄ and C₂F₆ which are formed during anode effect situations in the aluminium electrolytic cells. Emissions are calculated based on online process measurements.

Direct GHG emissions per GHG type - consolidated activities

Million tons CO ₂ e	2014	2013	2012	2011	2010
CO ₂	6.93	6.56	6.78	6.94	7.04
PFC	0.25	0.23	0.24	0.30	0.40
Total GHG emissions	7.18	6.79	7.03	7.24	7.43

The increase in GHG emissions from 2013 to 2014 is mainly due to increased alumina production. The reduction from 2010 to 2013 is a result of process improvements and reduced production in our consolidated activities.

Direct GHG emissions per GHG type differ slightly from values reported in Hydro's Annual Report 2013 (maximum by 1.5 percent). The grand total has decreased slightly due to certain cases at site level of double reporting of PFC emissions.

Methane (CH₄) and N₂O emissions from Hydro's operations are negligible compared to the other GHG emissions.

E1.4 Total greenhouse gas emissions based on ownership equity

Reporting principles

In addition to the GHG emissions referred to above, we also report GHG emissions based on our ownership equity as per year end. This data includes Hydro's share of emissions from all operations including non-consolidated operations where Hydro has a minority interest. Electricity generation covers indirect GHG emissions from purchased electricity and emissions from Hydro's ownership share in the gas-fired power plant at Qatalum.

GHG emissions based on ownership equity have been calculated based on the principles of the WRI/WBCSD GHG Protocol. Direct emissions from production in Bauxite & Alumina, metal production and downstream operations as well as from the

remelters are comparable to Scope 1 emissions as defined by WBCSD/WRI GHG Protocol. Emissions from electricity generation are based on electricity consumption and IEA "CO₂ emissions from Fuel Consumption 2010 factors" and are comparable to scope 2 emissions from purchased electricity.

Greenhouse gas emissions - ownership equity

Million tons CO ₂ e	2014	2013	2012	2011	2010
Direct GHG emissions	7.78	7.41	7.53	7.48	7.61
Bauxite & Alumina	3.61	3.31	3.50	3.48	3.53
Metal production (mostly Primary Metal)	3.47	3.41	3.34	3.35	3.48
Downstream production (Rolled Products and 50% of SAPA)	0.58	0.59	0.57	0.54	0.49
Remelters (mostly Metal Markets)	0.11	0.11	0.11	0.11	0.12
Indirect GHG emissions	5.25	5.16	5.92	7.33	6.12
Electricity generation (mostly Primary Metal)	5.25	5.16	5.92	7.33	6.12
Total GHG emissions	13.03	12.58	13.44	14.81	13.74

GRI-reference: G4-EN15 and G4-EN16

There was a 4 percent increase in the direct greenhouse gas emissions from Hydro's ownership equity from 2013 to 2014. The increase was mainly due to increased production in Bauxite & Alumina.

E1.5 Total greenhouse gas emissions per country based on ownership equity

Reporting principles

Total greenhouse gases per country based on Hydro's ownership equity (see Note 1.4 for more information on reporting principles).

Greenhouse gas emissions per country - ownership equity

Million tons CO ₂ e	2014	2013	2012	2011	2010
Australia	1.01	1.02	2.16	3.94	3.89
Direct	0.15	0.14	0.29	0.52	0.50
From electricity generation	0.86	0.87	1.87	3.42	3.39
Brazil	4.37	4.08	4.28	4.26	4.33
Direct	4.01	3.72	3.91	3.88	3.98
From electricity generation	0.35	0.36	0.37	0.37	0.35
Canada	0.53	0.53	0.47	0.49	0.48
Direct	0.25	0.24	0.19	0.21	0.20
From electricity generation	0.28	0.29	0.28	0.28	0.28
Germany	1.87	1.71	1.14	1.09	1.08
Direct	0.59	0.57	0.44	0.44	0.44
From electricity generation	1.28	1.15	0.70	0.66	0.64
Norway	1.67	1.64	1.57	1.61	1.68
Direct	1.60	1.58	1.51	1.55	1.62
From electricity generation	0.07	0.07	0.06	0.06	0.06
Qatar	2.31	2.33	2.47	2.18	1.24
Direct	0.55	0.55	1.91	1.89	0.34
From electricity generation ¹⁾	1.83	1.84	2.07	2.00	0.93
Slovakia	0.46	0.45	0.47	0.47	0.45
Direct	0.17	0.17	0.18	0.18	0.18
From electricity generation	0.29	0.29	0.28	0.29	0.27
Other	0.74	0.74	0.72	0.66	0.55
Direct	0.45	0.45	0.44	0.41	0.36
From electricity generation	0.29	0.29	0.28	0.25	0.19-
Total GHG emissions	13.03	12.58	13.44	14.81	13.74

1) Most electricity at Qatalum is generated by Qatalum's fully-owned gas powerplant. 0.07 million tons CO₂e came from purchased electricity.

GRI-reference: G4-EN15 and G4-EN16

E1.6 GHG intensity - Alunorte alumina refinery

Reporting principles

The GHG intensity is calculated based on total greenhouse gas emissions from Alunorte divided by total alumina production and includes all alumina refining in Hydro.

E1.7 GHG intensity - Electrolysis

Reporting principles

The GHG intensity is calculated based on total greenhouse gas emissions from the electrolysis process of Hydro's consolidated smelters.

Note E2 - Other emission related indicators

E2.1 Other emissions

Reporting principles

Dust and particles include measured and calculated/estimated diffuse emissions.

Fluorides cover emissions to air of gaseous and particulate fluorides from production of primary aluminium.

NM VOC (non-methane volatile organic compounds) emissions to air stems primarily from Rolled Products.

PAH (polyaromatic hydrocarbons) to air is primarily from Primary Metal. Emissions are measured according to NS 16 PAH.

PAH to water is from Primary Metal and is measured according to Borneff 6 PAH.

Sulphur dioxide to air is primarily from the use of coal as an energy source in Alunorte, Brazil, and from the aluminium electrolysis process where the majority of the total emissions come from Albras in Brazil, Neuss in Germany and Slovalco in Slovakia. SO₂ emissions from the Norwegian smelters are considerably lower due to different waste gas treatment techniques used at these plants.

Other Emissions

Metric tons	2014	2013	2012	2011	2010
Dust and particles	5 201	3 282	3 116	2 904	3 344
Fluorides to air	675	622	548	584	630
NM VOC	247	197	197	219	247
Nitrogen oxide	9 037	7 993	8 526	8 886	8 975
PAH to air	11.3	10.5	9.3	8.8	6.2
PAH to water (Borneff 6 PAH)	0.5	0.4	0.3	0.4	0.7
Sulphur dioxide (SO ₂)	33 391	33 307	30 849	29 345	30 429

GRI-reference: G4-EN21

The change in dust and particles from 2013 to 2014 is mainly due to increased production at Alunorte. Increase in other emissions to air is largely due to increased production across all business areas.

Hydro uses ozone depleting substances in certain applications in its Brazilian operations. These emitted in total 1.9 metric tons in 2014. All such substances are registered and reported according to Brazilian legal requirements (GRI G4-EN20).

E2.2 Spillages

Reporting principles

Spillages and permit breaches are registered in Synergi, which is the electronic reporting tool for incidents regarding health, safety, security and environment. According to Hydro's definition, all significant spillages shall be reported, including significant spillages with short-term reversible damage.

Spillages

	2014	2013	2012	2011	2010
Spillages	1	9	3	3	4

GRI-reference: G4-EN24

One spillage of about 100 m³ caustic material from the dewatering pond management system at Alunorte, Brazil, reached ground and surface water nearby the dewatering pond. Hydro has engaged an external firm to investigate possible extent and damage to ground water.

E2.3 Permit breaches

Reporting principles

Permit breaches are based on monthly monitoring of emissions. Hydro's definition of permit breaches is in certain cases more strict than the legal definition.

Permit breaches

	2014	2013	2012	2011	2010
Permit breaches	3	1	7	3	8

All three incidents in 2014 involved breaches of air permits, two in Sunndalsøra and one in Årdal, both Norway. The two cases at Sunndalsøra are defined breaches according to Hydro's reporting policy, but not according to Norwegian authorities.

E2.4 Provisions for environmental clean-up and future asset retirement obligations

Reporting principles

Provisions for environmental liabilities are recognized when Hydro has a present obligation (legal or constructive) as a result of a past event, it is probable 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. Hydro recognizes liabilities for the estimated asset retirement obligations relating to assets where such obligations exist. The amount 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.

Financial provision for environmental clean-up

	2014	2013	2012	2011	2010
Financial provision for environmental clean-up (MNOK)	380	272	227	284	272
Provisions for future asset retirement obligations (MNOK)	1 719	1 440	1 509	1 549	

GRI-reference: G4-EN31

Provisions for future asset retirement obligations includes anticipated costs related 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 also note 34 in the Consolidated financial statements (Hydro's Annual Report 2014).

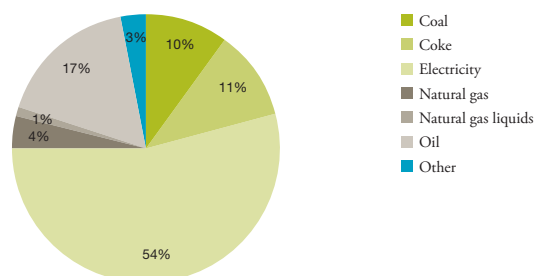
Note E3 - Energy

E3.1 Energy consumption and energy production

Reporting principles

Energy consumption per energy carrier

Total energy consumption in Hydro was 47 TWh in 2014



Energy consumption includes all consumption of Hydro produced and purchased energy in Hydro's consolidated activities.

Hydro does not purchase heating, cooling or steam, which is produced internally in Hydro and is reported as "other" energy consumptions. Energy consumption includes energy losses in hydroelectric plants.

Energy consumption per energy carrier (PJ, Ownership >50%)

PJ	2014	2013	2012	2011	2010
Coal	17.5	15.6	16.8	19.0	18.9
Coke	18.0	18.6	18.5	19.7	19.6
Electricity	91.9	90.8	88.9	94.5	92.5
Natural gas	6.5	6.6	6.8	7.9	8.5
Natural gas liquids	1.6	1.8	1.9	1.4	1.4
Oil	29.5	27.6	28.9	26.1	26.9
Other	4.2	4.3	4.5	5.0	5.1
Total energy consumption in PJ	169.3	165.3	166.3	173.5	172.9
Total energy consumption in TWh	47.0	45.9	46.2	48.2	48.0

GRI-reference: G4-EN3

Energy consumption per sector

PJ	2014	2013	2012	2011	2010
Bauxite and Alumina	49.4	45.7	48.6	47.6	47.4
Electrolysis/Carbon/Casting	108.7	108.2	107.6	114.5	114.3
Remelters	2.4	2.4	2.3	2.3	2.5
Rolled Products	4.9	5.3	5.3	5.3	5.4
Other	3.9	3.6	2.4	3.7	3.3
Total energy consumption	169.3	165.3	166.3	173.5	172.9

GRI-reference: G4-EN3

Energy consumption per country - consolidated activities

PJ	2014	2013	2012	2011	2010
Brazil	81.1	78.0	80.9	80.4	80.3
Germany	15.4	15.2	11.0	10.5	10.3
Norway	58.2	57.4	54.8	54.2	54.3
Slovakia	11.8	11.6	11.3	11.6	11.2
Other	2.8	2.8	8.0	16.7	16.8
Total energy consumption	169.3	165.3	166.3	173.5	172.9

GRI-reference: G4-EN3

E3.2 Energy intensity

Reporting principles

Energy intensity in Alunorte is calculated based on total energy consumption in Alunorte divided by total alumina production.

Energy intensity in Hydro's consolidated smelters is the average number of kWh direct current consumption in the electrolysis process per kg aluminium.

Note E4 - Other resource use

E4.1 Materials

Reporting principles

Covers major raw materials used in the alumina refining process and electrolysis process beyond what is included in the energy consumption data.

Alumina and aluminium fluoride are primarily used in the electrolysis process, whilst lime, sodium hydroxide and sulphuric acid are primarily used in the alumina refining process.

Materials

1 000 metric tons	2014	2013	2012	2011	2010
Alumina	2 978	2 941	2 910	3 079	3 032
Aluminium fluoride	29	27	28	28	27
Lime	60	52	53	61	65
Sodium hydroxide	611	526	626	665	630
Sulphuric acid	20	16	20	17	14

GRI-reference: G4-EN1

The increase in the use of lime, sodium hydroxide and sulphuric acid between 2013 and 2014 is due to an increase in the production of alumina.

E4.2 Water

Reporting principles

Total water withdrawal includes fresh water, sea water, ground water, municipal water and rainwater.

Water consumption includes process water and cooling water. Except for some water losses through steam emissions, water is generally treated according to site specific discharge permits before discharged to local water systems.

Water discharge by destination was disclosed for the first time in 2013. In 2014, we evaluated the water data from each site to improve the accuracy and completeness of the data. Key changes involved:

- ensuring that water into a site balanced the water out of a site
- assigning a source to each water withdrawal and a target to each water discharge

As a result, some of the historical water data has been updated. Thus, the historic water data reported in this report is not directly comparable to that reported in 2013, and the values reported in the 2014 report are higher than those reported in the 2013 report. The information may still contain some uncertainties.

Total water withdrawal by country

Mill m ³	2014	2013	2012	2011	2010
Brazil	32.61	32.39	38.72	35.08	37.81
Germany	2.08	2.01	1.54	1.42	1.65
Italy	0.98	1.02	1.12	1.19	1.25
Norway	159.81	173.16	170.22	163.87	152.11
Others	0.73	0.69	0.68	0.80	0.80
Total	196.21	209.27	212.28	202.37	193.62

Total water withdrawal by source

Mill m ³	Total 2014	Brazil	Germany	Italy	Norway	Other	Total 2013
Surface water (fresh water)	59.84	16.86	-	-	42.92	0.06	54.83
Surface water (sea water)	116.02	-	-	-	116.02	-	134.17
Ground water	13.32	10.29	2.01	0.98	-	0.04	13.80
Municipal water	1.56	-	0.06	-	0.87	0.63	1.56
Waste-water from another organization ¹⁾	21.23	11.55	-	-	9.68	-	17.03
Rain water	5.47	5.46	0.01	-	-	-	4.37

The water volumes in the table above cannot be summarized as "Waste-water from another organization" is used by both Paragominas and Alunorte (and therefore counted twice in the overview). GRI-reference: G4-EN8 and G4-EN10

Around 80 percent of Hydro's total water withdrawal occurs in Norway from fjords (sea water) and/or from the rivers (fresh water) that supply these fjords. These water sources are vast and are not significantly affected by Hydro's operations. Almost 9 percent of Hydro's total water withdrawal comes from the Parariquara river in Brazil and is used to supply the mine in Paragominas. The maximum withdrawal from this river is subject to restrictions to protect the ecological flow downstream.

Withdrawal from water-stressed areas

	2014	2013	2012	2011	2010
Total water withdrawal from water-stressed areas (mill m ³)	3.4	3.4	3.0	3.0	3.4

The systematic mapping of Hydro's water situation in 2014 showed 3.4 mill. m³ water of our overall freshwater input came from water-stressed areas, with regard to annual renewable water supply (according to the definition used by WBCSD).

Total water discharge by destination

Mill m ³	Total 2014	Brazil	Germany	Italy	Norway	Other	Total 2013
River	36.45	19.87	0.03	0.98	15.57	-	39.24
Sea	143.93	-	-	-	143.93	-	157.31
Sewage	0.74	-	0.07	-	0.27	0.40	0.68
Cooling water to river	1.42	-	1.42	-	-	-	1.44
Rain water rins	0.24	-	0.24	-	-	-	0.15
Reused	15.07	11.63	-	-	3.44	-	17.03
Other (not specified)	19.58	12.66	0.33	-	6.28	0.32	10.45

The water volumes in this table cannot be summarized as "reused" is used by both Paragominas and Alunorte (and therefore counted twice in the overview). GRI-reference: G4-EN22

E4.3 Recycling

Reporting principles

Hydro uses a definition for recycling agreed on by the European Aluminium Association. The definition was implemented in Hydro in 2013. The definition divides recycled scrap in two: process scrap, which includes pre-consumer scrap downstream casthouses, and post-consumer scrap. The change in definition makes the 2014 and 2013 recycling volumes incomparable with previous years.

The numbers include Hydro's share of scrap recycled by Alunorf, Germany (owned 50 percent by Hydro).

Pre- and post-consumer scrap volumes in 2013 included volumes recycled in Extruded Products up until end of August (74,000 mt pre-consumer and 25,000 post-consumer scrap). From 1 September Extruded Products became part of the new SAPA joint-venture with Orkla, which explains some of the reduction.

Recycling

1 000 metric tons	2014	2013	2012	2011	2010
Recycled post-consumer scrap	111	151			
Recycled pre-consumer scrap	981	1 038			
Total recycled metal	1 092	1 189			

Due to positive market development for Flat Rolled Products recycling furnaces were better utilized with customer scrap as well as own rolling scrap. Therefore recycling of post-consumed scrap had to be reduced by almost 20,000 t or 40 percent over 2013. In Primary Metal the Hannover casthouse was divested. In addition re-classification of scrap in North-America from post-consumer to pre-consumer scrap lead to a significant reduction of 28,000 mt. Recycling reporting will from 2015 automatically be drawn from the company's scrap portal improving data quality and traceability to the source.

Note E5 - Waste

E5.1 Tailings and bauxite residue

Tailings from bauxite extraction consist of mineral rejects from the extraction process mixed with water. The tailings at Paragominas are stored in dedicated tailing ponds, where the particles settle.

Bauxite residue, also known as red mud, is a by-product of the alumina refining process. The residue is washed with water to lower the alkalinity, and recovered caustic soda is recycled for use in the digestion process. Residue is dry-stacked as a clay-like substance with a low moisture content (for more information see page 34).

Tailings and bauxite residue

1 000 metric tons	2014	2013	2012	2011	2010
Tailings	4 333	3 313	4 215	4 407	4 933
Bauxite residue (red mud)	6 069	5 415	6 071	6 389	6 222
Total tailings and bauxite residue	10 402	8 728	10 286	10 796	11 155

The increase in tailings and bauxite residue in 2014 was mainly due to increase in bauxite and alumina production. The amounts of tailings in 2014 and 2013 were 46 percent and 44 percent of production volumes respectively.

Tailings are stored in four ponds. There are additionally two other ponds, one for spring protection and another for effluents clarification. The tailings generated in the bauxite's beneficiation process have no hazardous properties, thus it is not necessary to line the tailing ponds.

As control measures, the water of the Rio Parariquara (water receiving body from the tailing ponds) are monitored with piezometers upstream and downstream of the dam. The risks related to all regular activities are evaluated by a survey of environmental aspects and impacts. These evaluations are related to real and potential impacts.

E5.2 Hazardous waste and other waste

Reporting principles

Waste is reported as specified according to the EU waste directive/waste catalogue.

Spent potlining (SPL) from the electrolysis cells used in primary aluminium production is defined as hazardous waste.

Hazardous and other waste

1 000 metric tons	2014	2013	2012	2011	2010
Spent potlining	43	31	26	26	35
Other hazardous waste	123	118	107	112	118
Total hazardous waste	166	149	133	138	153
Other waste	194	177	172	271	216
Total waste	360	326	305	409	369

The production of spent potlining varies with the relining of smelter cells which is normally done every 4-7 years for established smelters. New plants will get a relining peak at the same interval after start-up.

E5.3 Waste treatment
Reporting principles

Waste sorted by treatment includes external and internal treatment. Tailings and bauxite residue are deposited in landfills and are not included in the table below. Combustion without energy recovery is included under "other treatment".

Treatment of hazardous waste

	2014	2013	2012	2011	2010
Energy recovery	9%	7%	3%	2%	2%
Landfill	49%	51%	52%	53%	49%
Other treatment	16%	17%	17%	11%	17%
Reuse/recycling	26%	25%	27%	34%	33%

Treatment of other waste

	2014	2013	2012	2011	2010
Energy recovery	4%	2%	2%	4%	5%
Landfill	52%	52%	56%	38%	47%
Other treatment	11%	10%	12%	28%	15%
Reuse/recycling	33%	36%	29%	31%	33%

GRI-reference: G4-EN23

Note E6 - Biodiversity
E6.1 Overburden removed
Reporting principles

Total volume (in million metric tons) of overburden removed in Hydro's Paragominas mine in Brazil. This is the only mine within Hydro's consolidated operations.

Overburden removed

Million metric tons	2014	2013	2012	2011	2010
Overburden removed	78	71	103	91	92

GRI-reference: G4-MM3

Hydro uses strip mining in Paragominas, a technique that avoids the formation of an overburden stockpile. Thus, all overburden moved for mining purpose is used to reconstruct the topography of the strip previously mined, prior to rehabilitation of the mined areas. Part of the overburden (laterite) is also used to paving roads and in the tailing ponds raising.

The sterile soil is untreated and has no dangerous properties. Leaching potential to overburden removal is negligible. There is a water resource management program in place to mitigate silting from the plateau areas.

E6.2 Land use and reforestation

Reporting principles

Areas are measured using the ArcGIS Platform. The reforestation data is reported to DNPM (the Brazilian Federal Mining Agency) and SEMA (the Brazilian Environment Agency), as part of the suppression (deforestation) permit renewal process.

All areas stated in the table below gives a snapshot of Paragominas' land use at an exact point in time. If a given area of land is to be developed, it will go through a number of steps. The first step is suppression, after which the area of land is classified either as *infrastructure* (if the area is to support the mining process) or as *area cleared for future mining* (if the area is to be mined that same year or in the future). The mined, but not yet reforested, area is then characterized as *reforestation gap* and will be reforested as soon as possible and subsequently classified as *reforested area*.

The figures thus represent the net change in each category.

Land use and reforestation - Paragominas

Hectares per given point in time	2014	2013	2012	2011	2010
Permanent infrastructure	2 447	2 447	2 447	2 447	2 447
Temporary infrastructure	1 034	830	652	467	348
Area cleared for future mining	458	712	631	402	436
Reforested area	1 231	707	776	332	204
Reforestation gap	564	933	758	1006	649
Total mining area	5 734	5 629	5 264	4 654	4 084

GRI-reference: G4-MM1

We employ three different reforestation methods at Paragominas; traditional plantation, nucleation and natural regeneration. Nucleation is a new method for reforestation used since January 2013. After setbacks in 2013, it is now showing promising results. The Paragominas site in the Brazilian state of Pará measures 18,763 hectares. As of the end of 2014, a total of 5,734 hectares have been affected by Hydro's operations. During 2014, Hydro mined 358 hectares (104 of these hectares were deforested in 2014, whilst the other 254 hectares were part of the excess deforestation in prior years) and reforested 524 hectares. Hydro's reforestation efforts are hence progressing well with a decrease in the reforestation gap from 933 hectares in 2013 to 564 hectares in 2014.

E6.3 Endangered species

Reporting principles

In 2014 Hydro changed to a more robust reference database (federal database updated by ICMBio researchers) to classify the species. The species list was revised and updated and species added, reduced and/or moved from one status to another. Thus, the figures are not comparable to those reported in 2013. Reported species are cumulative and represent all species observed within the premises of Hydro's mining activities in Paragominas, Brazil, since monitoring and registration started in 2003. Some species included in the overview are covered by more than one list, and the numbers can therefore not be summarized across the three columns. In total 47 different species, including 37 fauna and 10 flora, are covered by the overview.

Endangered species registered within the influence area of Hydro's mining activities (Paragominas)

Conservation status	MMA ¹⁾		SEMA ²⁾		IUCN	
	Fauna	Flora	Fauna	Flora	Fauna	Flora
Critically endangered	1	0	1	0	1	0
Endangered	1	0	7	0	3	
Vulnerable	16	0	8	6	13	3
Threatened	0	0	0	0	0	0
Near threatene	0	0	0	0	9	0
Data deficient	0	2	0	0	4	1

1) Federal Brazilian Red list

2) State Brazilian Red list⁴

GRI-reference: G4-EN14

Social statements

For geographical distribution of total assets, investments and revenues, see note 7 in the consolidated financial statements.

Workforce

	Notes	% change 2013-14	2014	2013	2012	2011	2010	GRI G4 reference
Employee demographics								
Number of permanent employees	S1.1	2.8%	12 922	12 564	21 566	22 813	19 353	9a
Share of women	S1.1	0.4 ¹⁾	13.0 %	12.6%				
Number of temporary employees	S1.2	26.3%	966	765				10
Full-time equivalents for contractor employees	S1	(6%)	6 600	7 000	8 200	8 900		10
New employees	S1.3		976	382				LA1
Turnover	S1.3	2.5 ¹⁾	6.4%	5.6%	10.0%	7.7%		LA1
Women in top 50 management	S3.1	3 ²⁾	22%	25%	17%	19%	21%	LA12
Non-Norwegians in top 50 management	S3.1	0 ²⁾	35%	35%	28%	27%	25%	LA12
Hydro Monitor Employee Engagement Index	S4	8.0 ²⁾	73%	N/A	65%	N/A		
Payroll (NOK million)	S1.1	14.4%	6 498	5 681	8 971	8 907	8 141	
Health and safety								
Sick leave	S5.1	0.1 ¹⁾	3.8%	3.7%	3.2%	3.1%	3.3%	LA6
Total recordable injuries (TRI) rate ³⁾	S5.1		3.4					LA6
Employees			3.2	3.4	3.4	3.8	3.7	
Contractors ⁴⁾			3.8	4.9	4.4			
Number of fatalities	S5.1		0	1	0	3		LA6
Employees			0	0	0	1		
Contractors			0	1	0	2		
High risk incidents	S5.2		96	132	121	1		LA6
Current income tax	S7	13%	1 605	1 425	1 272	1 892	1 652	
Research and Development (NOK million)								
R&D funds received	S8	20%	66	55	47	42		EC4
R&D expenses	S8	28.2%	277	216	247	508	543	
Social investments								
Community investments, charitable donations and sponsorships (NOK million)	S9	(11%)	24	27	39	61	20	
Compliance								
Cases reported through AlertLine ²⁾	S10.1		60	60	45			HR12
Confirmed instances of corruption	S10.1		0	0	0	0	0	SO5
Confirmed human rights breaches	S10.1		0	0	0	0	0	HR3-6
Relocation of people	S10.3		0	0	0	0	0	MM9
Training in business ethics	S10.4		3 570	1 050	3 200	1 800	300	HR2/SO4
Training in competition law ⁴⁾	S10.4		44	150	300			
Supplier audits	S10.5		61					
Potential and existing counterparties screened	S10.5		2 800	300				HR10/SO9

1) Values are given as percentage points

2) Value is given as percentage points compared to 2013

3) Per million working hours. The numbers include discontinued operations.

4) We do not have reliable data before 2012.

Notes to the social statements

General reporting standards and principles

Data relating to health, safety and work environment has been prepared by individual reporting units in accordance with corporate procedures. This applies to all Hydro's operations, including consolidated subsidiaries, if not otherwise stated. Such data is based on the corporate reporting system for incident reporting, Synergi. All organizational units report incidents to the Synergi system on a regular basis in accordance with a corporate procedure on HSE incidents and sick leave data. Other employee data, including sick leave in Norway, is primarily based on the company's human resources SAP system.

Where applicable, we have indicated to which GRI G4 disclosure the different notes or parts of the notes are applicable. Please also see the Social statements on the previous page for more such information.

Note S1 - Employees

Reporting policies

Data for Hydro's permanent and temporary employees is based on Hydro's employee data system in SAP. Data presented represent status at year end, 31 December and include permanent employees only unless otherwise stated. Payroll is based on Hydro's consolidated financial statements.

Number of full-time equivalents of contractor employees as included in the Social statements, is estimated based on the total hours worked by contractor employees (reported in Hydro's incident reporting system Synergi as basis for calculation of injury frequency) divided by 1850 working hours per year.

S1.1 Total employees by region, gender and age as well as payroll

Total employees by region and gender, and payroll

	Number of employees					Payroll (NOK million)				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Norway	3 613	3 355	3 859	4 045	4 146	2 579	2 508	2 596	2 692	2 915
Women	18%	18%								
Men	82%	82%								
Germany	3 378	3 462	4 304	4 352	4 373	1 834	1 682	1 855	1 908	1 950
Women	10%	9%								
Men	90%	91%								
Italy	380	402	1 084	1 129	1 159	135	129	352	393	365
Women	5%	5%								
Men	95%	95%								
Slovakia	492	481	487	480		82	77	71	78	
Women	8%	8%								
Men	92%	92%								
Other Europe	234	231	4 463	4 951	5 573	103	113	1 685	1 830	1 865
Women	17%	18%								
Men	83%	82%								
Total Europe	8 097	7 931	14 197	14 957	15 251	4 733	4 509	6 559	6 901	7 095
Brazil	4 631	4 443	4 922	4 722	459	1 133	1 076	1 182	999	
Women	12%	11%								
Men	88%	89%								
Rest of the world	194	190	2 447	3 134	3 643	90	96	1 230	1 007	1 046
Women	26%	24%								
Men	74%	76%								
Total	12 922	12 564	21 566	22 813	19 353	5 956	5 681	8 971	8 907	8 141
Women	13%	13%								
Men	87%	87%								

Number of employees is based on where the employee is actually stationed, and will in some cases differ from the Country-by-country report, which shows in which legal company she or he is employed. GRI-reference: G4-10

The increase in employees in 2014 is mainly due to the acquisition of Rio Tinto Alcan's share of Sørål in Norway (now Hydro Husnes) and transfer of contractor employees to permanent employees in Bauxite & Alumina. The main reason for the decrease in the number of employees in 2013 was the merger between Hydro's former extrusion business and Sapa in 2012. The increase in number of employees from 2010 to 2011 was mainly due to the acquisition of Vale's former aluminium business in Brazil.

Age distribution total employees (permanent employees)

Age distribution	2014 ¹⁾	2013
Under 30	13%	13%
30-50	55%	58%
50 +	30%	29%

1) The totality does not add to 100 % since we are missing age data for our employees at Hydro Husnes (acquired 2014).
GRI-reference: G4-EU15

S1.2 Employees by employment type and part-time employees

Total employees by employment type

Temporary employees	2014	2013
Permanent employees ¹⁾	12 922	12 564
Temporary employees	966	765
Women	23%	21%
Men	77%	79%

1) For percentage split of permanent employees, please see Note 1.1 in Social statement.
GRI-reference: G4-10

Part-time employees include all persons being employed in positions that are not full-time (less than 100 percent).

Part-time employees

Part-time employees ¹⁾	2014	2013	2012	2011	2010
Norway	3.2%	2%			
Women	10.4%	6%	10%	11%	5%
Men	1.6%	1%	2%	2%	-
Total employees	1.6%	1%			
Women	8.6%	6%			
Men	0.5%	-			

1) Data currently includes about 90 percent of Hydro's permanent employees globally. We are working to further improve the reporting.
GRI-reference: G4-10

Hydro employees normally work full-time. The opportunity to work part-time is considered a benefit for which a special application must be made.

S1.3 New employees and turnover

New employee hires by age group, gender and country

Region and gender	Age							
	2014				2013			
	Total	Under 30	30-50	50+	Total	Under 30	30-50	50+
Brazil	736	292	407	37	288	141	137	10
Women	13%	13%	14%	5%	13%	18%	9%	-
Men	87%	87%	86%	95%	87%	82%	91%	100%
Germany	39	10	26	3	21	9	10	2
Women	10%	-	15%	-	14%	11%	20%	-
Men	90%	100%	85%	100%	86%	89%	80%	100%
Norway	125	44	64	17	59	20	28	11
Women	23%	32%	22%	6%	14%	10%	18%	9%
Men	77%	68%	78%	94%	86%	90%	82%	91%
Other	76	33	36	7	14	6	7	1
Women	11%	6%	14%	14%	7%	-	14%	-
Men	89%	94%	86%	86%	93%	100%	86%	100%
Grand total	976	379	533	64	382	176	182	24
Women	14%	14%	15%	6%	13%	16%	11%	4%
Men	86%	86%	85%	94%	87%	84%	89%	96%

GRI-reference: G4-LA1, EU15

The employee turnover rate includes resignations, retirements and manning reductions, but excludes closures and divestments.

Employee turnover by age group, gender and country

Region and gender	Age							
	2014				2013			
	Total	Under 30	30-50	50+	Total	Under 30	30-50	50+
Brazil ¹⁾	10.9%	8.6%	10.6%	15.8%	N/A	N/A	N/A	N/A
Women	11.6%	10.3%	11.7%	20.0%	N/A	N/A	N/A	N/A
Men	10.8%	8.2%	10.5%	15.6%	N/A	N/A	N/A	N/A
Germany	3.0%	0.9%	1.0%	6.3%	3.3%	1.8%	1.4%	6.7%
Women	2.5%	-	3.1%	2.0%	2.1%	-	1.0%	5.4%
Men	3.0%	1.0%	0.7%	6.6%	3.4%	2.0%	1.5%	6.8%
Norway	4.3%	4.1%	2.1%	6.7%	7.5%	2.4%	5.2%	11.4%
Women	2.5%	2.0%	1.5%	3.9%	8.0%	2.0%	5.4%	14.0%
Men	4.7%	4.8%	2.3%	7.3%	7.4%	2.5%	5.1%	11.0%
Other	5.8%	6.8%	3.1%	11.1%	6.6%	5.9%	3.8%	13.6%
Women	4.9%	-	1.1%	12.8%	10.2%	-	5.6%	20.4%
Men	5.9%	7.5%	3.3%	10.8%	6.1%	6.5%	3.6%	12.5%
Grand total ²⁾	6.4%	6.9%	5.1%	8.5%	5.6%	2.6%	3.3%	9.7%
Women	5.7%	7.6%	5.1%	5.6%				
Men	6.5%	6.7%	5.1%	8.9%				

1) We do not have reliable employee turnover data for Brazil for 2013

2) Grand totals for 2014 and 2013 are not comparable since Brazil is included only in 2014-data.

GRI-reference: G4-LA1

Employee turnover has decreased in 2014 from 2013 in all our main locations. We do not have reliable turnover data for Brazil before 2014.

Note S2 - Remuneration

Reporting policies

Data on gender related salary differences is based on local salary systems. Data on "highest paid employee" is based on reporting in note 10 in Hydro's consolidated financial statements.

S2.1 Gender related salary differences

There are no significant gender-pay differentials for employees earning collectively negotiated wages in Norway and Germany. Salary conditions in the Norwegian organization are reviewed on a regular basis. If significant differences are found at any level, we have a tradition for closing the gaps within short time. We have also controlled if gender-related salary differences exist in our operations in Brazil in 2014. The review indicates that female employees' average salary represented 83 percent of men's salary at manager level and higher. At the operator and technician level, women's average salary represented 120 percent of men's salary. The reported differences are not directly comparable as age and detailed position category are not included in the evaluation.

S2.2 Highest paid employee

Highest paid employee include fixed salary, pension, health insurance (Brazil only) and other benefits, but excludes bonuses.

Highest paid and average paid employee per country

NOK thousand	Highest paid employee ¹⁾		
	% change 2013-14	2014	2013
Brazil	78%	3 881	2 179
Germany	66%	16 681	10 032
Norway	13%	11 339	10 072

1) Any severance pay is excluded from the "highest paid employee"- calculations to ensure consistency through reporting. See note 10 in the financial statement for further information.
GRI-reference: G4-54a and G4-55a

The increase of the highest paid employee in Brazil is due to Alberto Fabrini, a Brazilian citizen employed in Brazil, joining the Corporate Management Board in 2014. The significant increase in 2014 for the highest paid employee in Germany is mostly due to increased pension costs in connection with the severance of Oliver Bell. Please see note 10 to the Consolidated financial statements for more information. Some of the increase is further explained by changes in the exchange rate.

S2.3 Standard entry level wage

Entry level wages are controlled by the labor agreement in Brazil. The ratios compared to national minimum wage was 1,08 (both women and men) in Barcarena and 1,85 (women) and 1,74 (men) in Paragominas, respectively. In Germany and Norway the entry level wages are defined by tariff agreements. In the Norwegian operations, minimum entry wage are about 11,5 percent higher than the tariff minimum. There are no significant gender related differences on entry wage in Norway and Germany (GRI-reference G4-EC5).

Note S3 - Diversity in management

S3.1 Women and non-Norwegians in management

Reporting policies

Data for the Board of Directors and Corporate Management Board for Norsk Hydro ASA are counted per year end. Diversity data for Top 50 managers is based on the list of people included in or reporting to the Corporate Management Board at year end, in total 63 persons in 2014. For Top 200 managers, the data is based on the list of persons invited to the Hydro Summit in September 2014, in total 206 persons. The Hydro Summit is an annual meeting for top management in Hydro. The participants are nominated by the line organization.

Diversity in management

	Women					Non-Norwegians				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Board of directors (10 members) ¹⁾	30%	27%	27%	30%	33%	20%	27%	27%	20%	11%
Corporate assembly	35%	35%	35%	33%	33%	-	-	-	-	-
Corporate Management Board	29%	29%	25%	20%	20%	29%	14%	25%	20%	20%
Top 50 managers	22%	25%	17%	19%	21%	35%	35%	28%	27%	25%
Top 200 managers	22%	23%	19%	18%	16%	43%	44%	53%	50%	43%

1) With three women among the seven share-holder elected members in the board of directors, Hydro complies with Norwegian legal requirements. All three employee representatives in the board of directors are men.

GRI-reference: G4-LA12

S3.2 Local representation in senior management

Reporting policies

Senior management is defined as the management group at each site (site managers and those reporting to them) in addition to business area management team. Local is defined at country level for Norway and Germany, and at state level for Brazil. Apart from three expatriates in the Bauxite & Alumina management team (all stationed in Rio de Janeiro) most members of senior management in Brazil are Brazilian citizens.

Local representation in senior management

Share of senior management hired from local community	2014	2013
Norway	100%	100%
Germany		
Grevenbroich plant	100%	100%
Rolled Products management team	80%	80%
Brazil		
Paragominas, Pará ¹⁾	23%	33%
Barcarena, Pará ¹⁾	29%	33%
Belem main office, Pará ²⁾	33%	N/A

1) In 2013, only combined figures were reported for Paragominas and Barcarena, equal to 33 percent.

2) Belem main office in Pará was established in 2014. All members of senior management are Brazilians.
GRI-reference: G4-EC6

Hydro employs locals when necessary competence and capacity is available and normally uses expatriates only to secure employee development and the transfer of values and competence. Open positions in Hydro are normally posted at hydro.com and in local media. To secure competence transfer, it is important that there are also senior employees with experience from other units. This may even be the case at the blue-collar level, especially during start-up of new plants or equipment. Where adequate competence and capacity are available, most employees come from the local community and adjacent areas, see table above for details.

Note S4 - Hydro Monitor

Reporting policies

Hydro Monitor is carried out for all employees every second year. The survey was redesigned in 2011. Earlier results are therefore not comparable to the results in 2012 and 2014. Hydro Monitor has been run since the early 2000s. The next survey will be in 2016.

The *Employee Engagement Index (EEI)* measures the extent to which employees are motivated to contribute to organizational success, and are willing to apply discretionary effort to accomplishing tasks important to the achievement of organizational goals. The *Performance Excellence Index (PEI)* measures among other things to which degree systems and processes are in place.

Hydro Monitor

	2014	2013	2012	2011
Employee Engagement Index (EEI)	73%	N/A	65%	N/A
Performance Excellence Index (PEI)	75%	N/A	72%	N/A
Response rate	92%	N/A	92%	N/A

The long-term ambition is to be among the top 25 percent companies worldwide on EEI (Kenexa global norm) which is currently equivalent to 76 percent. The most important part of Hydro Monitor is follow-up. All units had action plans by 1 October 2014, based on their survey results.

Note S5 - Health and safety

Reporting policies

Standardized statistics are prepared and reported to management on a monthly basis. Data covers all organizational units within Hydro, including sales offices and administrative functions.

S5.1 Total recordable injuries (TRI), Lost time injury (LTI) and sick leave

Total recordable injuries (TRI) index is calculated as the number of TRI per one million hours worked. TRI include LTI + RWC + MTC. *Lost time injury (LTI)* is a personal injury at work leading to unfitness for work and absence beyond the day of the accident. *Restricted work case (RWC)* is a personal injury at work that does not lead to absence beyond the day of the accident, because of alternative job assignment. *Medical treatment case (MTC)* is treatment, other than first aid, administered by a physician or registered professional personnel under the standing orders of a physician.

Contractors are persons who are under contract to execute work for Hydro, and who are under the supervision of the contractor, but at Hydro premises under Hydro supervision.

Fatal accidents are reported both in absolute figures and as a *fatal accident rate* measuring number of work related fatal accidents per 100 million working hours as a five-year rolling average.

Sick leave for Hydro globally includes all absence due to both injuries, work related and other illness, measured as number of hours lost due to sick leave as percent of number of hours worked plus number of hours lost due to sick leave.

Sick leave, Norway includes all absence due to illness, measured as number of days lost due to sick leave as percent of number of possible working days excluding holidays.

There are challenges in ensuring consistent reporting practice on sick leave due to legislative and cultural differences between countries.

Lost-time injuries, fatal accidents and sick leave

	2014	2013	2012	2011	2010
Lost-time injuries (LTI) ¹⁾	1.3				
Employees	1.5	2.0	1.9	2.0	1.9
Contractors	1.1	1.0	1.8	1.0	0.4
Total fatal accident rate ²⁾	1.5	2.7	2.8	3.2	2.4
Employees	0.6	0.5	1.6	1.4	2.1
Contractors	3.7	4.0	4.8	5.9	3.1
Total fatal accidents	0	1	0	3	0
Employees	0	0	0	1	0
Contractors	0	1	0	2	0
Sick leave	3.8%	3.7%	3.2%	3.1%	3.3%
Sick leave, Norway	4.4%	5.1%	4.6%		
Women	5.2%	6.6%	5.7%		
Men	4.2%	4.8%	4.0%		

1) Per million working hours. The numbers include discontinued operations.

2) Per 100 million working hours, five-year rolling average

GRI-reference: G4-LA6

Total recordable injuries (TRI)

	2014	2013	2012	2011	2010
Total recordable injuries (TRI) employees ¹⁾					
Employees	3.2	3.4	3.4	3.8	3.7
Contractors ²⁾	3.8	4.9	4.4		
TRI Norway					
Employees	1.5	2.4			
Contractors	15.8	18.2			
TRI Germany					
Employees	7.0	4.9			
Contractors	20.8	25.1			
TRI Brazil					
Employees	2.2	2.8			
Contractors	2.4	4.1			
TRI Other countries					
Employees	3.7	3.8			
Contractors	4.3	6.4			

1) Per million working hours. The numbers include discontinued operations.

2) We do not have reliable data for contractors earlier than 2012

GRI-reference: G4-LA6

S5.2 High risk incidents (HRI)

High risk incidents (HRI) rate is calculated as the number of major accidents and incidents with major potential per million hours worked, employees and contractors combined. Major accidents are reported in Synergi on a daily basis. Other incidents are reported minimum on a monthly basis. Corporate definitions are adopted globally.

High risk incidents (HRI)

	2014	2013	2012	2011
Major accidents	3	6	7	20
Other incidents with major potential	93	126	114	112
HRI rate ¹⁾	2.68	2.76	2.14	2.21

1) Cases per million working hours per million hours worked, employees and contractors combined. Cases include major accidents and incidents with major potential.

GRI-reference: G4-LA6

S5.3 Occupational illness rate

Occupational illness rate measures incidents of diseases related to occupation. Since 2013, we have had a common definition for reporting of occupational illnesses, and it is required as a minimum, that all potential cases are to be reported. The majority of the reports are from our Norwegian sites, showing that there is room for further improvement in our global reporting. The development is tracked through a corporate reporting tool. Actual occupational illnesses are defined by Hydro as illnesses which

- Have been confirmed by relevant authorities / insurance companies or doctors (depending on the national system)
- Have led to any kind of permanent disability, disablement pension, loss of function and/or are one of the listed occupational diseases

Occupational illness rate

	2014	2013	2012	2011	2010
Occupational illness rate ¹⁾	1.5	1.7	1.9	0.6	1.2

1) Cases per million working hours. The numbers include discontinued operations.
GRI-reference: G4-LA7

Most of the reported cases are related to noise. We work continuously to avoid new occupational illnesses. We use our proactive tool for risk assessment of work environment to identify employees at risk of developing occupational illnesses and implement risk reducing measures e.g. substitution of hazardous chemicals, noise reduction, personal protective equipment to avoid development of new occupational illness cases. Through this we have e.g. reduced the frequency of occupational illness cases related to noise and potroom asthma. The tool has also helped identifying occupational illnesses related to e.g. musculoskeletal and vibration disorders.

Note S6 - Community health

Through our activities in Brazil, we have significant activities in areas where some tropical diseases are present. Malaria is only present to a limited degree in our consolidated operations. Minority-owned MRN has a program to limit malaria both within its premises and in the neighboring communities. This includes information given to employees, their families and riverside dwellers. The number of malaria cases is recorded. No epidemics took place in 2014. Dengue fever occurs from time to time at several of our operations in Brazil, but no cases were reported in 2014. Employees are informed about the risk, and treatment is given through the operations' health service. HIV/AIDS is an increasing concern in Brazil. Hydro has paid for the construction of an HIV/AIDS center in the city of Paragominas, which is operated by the authorities. The center gives information about how to prevent the disease as well as treatment to the infected. Several of our Brazilian sites participate annually in campaigns to prevent sexually transmitted diseases.

Note S7 - Current income tax

Reporting policies

Current income tax is based on Hydro's financial statements.

Current income tax

NOK million	2014 ¹⁾	2013	2012	2011	2010
Norway	565	798	755	1 256	1 198
Germany	432	203	229	134	98
France	2	11	8	32	47
Italy	4	3	(4)	15	17
Great Britain	-	2	-	-	-
Spain	13	(1)	16	-	(1)
The Netherlands	1	-	-	3	-
Slovakia	67	103	75	129	-
Other	11	14	46	61	168
Total EU	530	336	371	374	329
Switzerland	14	7	43	24	-
Other Europe	-	-	-	1	3
Total Europe	1 109	1 141	1 169	1 655	1 529
USA	-	-	-	4	(1)
Canada	113	148	37	89	-
Brazil	343	111	42	102	-
Other Americas	-	-	15	7	93
Asia	15	17	1	7	5
Australia and New Zealand	25	13	8	28	27
Total outside Europe	496	288	103	237	123
Total	1 605	1 429	1 272	1 892	1 652

1) The 2014-figures are directly comparable to 2013, but not to previous years. Alunorf and Skafså are included in the 2014 reporting due to changes in the financial reporting. Please see note 3 to the consolidated financial statements for more information. GRI-reference G4-EC4

Hydro is subject to income taxes in the countries where we operate. The nominal tax rates typically vary between around 20 and 35 percent. The effective tax rates may differ from the nominal tax rates, among other things as a result of differences in depreciation rates and other tax deductions. The marginal tax rate for our power production in Norway is 58 percent. Qatalum, a 50/50 joint venture with Qatar Petroleum, has been granted a 10 year exemption from income taxes in Qatar, expiring in 2020. Thereafter, Qatalum will pay income tax at the generally applicable income tax rate in Qatar. Hydro's bauxite, alumina and aluminium operations in Brazil have been granted income tax incentives encouraging investments in the northern provinces of Brazil. Currently, there are significant tax loss carry-forwards, but when profitable, operating income will be taxed at rates between 20 and 34 percent. In addition, Hydro's operations in Brazil are subject to a number of significant indirect taxes adding to the total tax burden. Hydro has bauxite, alumina and aluminium sales activities in Switzerland, and aluminium sales activities in Singapore. These activities are taxed at rates of around 10 percent.

Hydro reports according to the Extractive Industries Transparency Initiative and Norwegian legal requirements in countries where we have exploration and extractive activities (currently only Brazil), see Hydro's Country by country report on page 112. We also report on financial assistance from public organization related to R&D activities, see note S8.

Note S8 - Research & Development

Reporting policies

R&D data is gathered from our main R&D centers, located in Årdal (smelter technology) and Sunndal (alloys and casting) in Norway, Bonn in Germany (Rolled Products) and Brazil (Bauxite & alumina). Fundings received are actual income through the year.

Research & Development

	2014	2013	2012	2011	2010
R&D expenses (MNOK) ¹⁾	277	216	247	508	543
Fundings received (MNOK) ²⁾	65.9	55.2	47.0	42.0	

1) For 2011 and 2010 R&D expenses include Hydros former Extruded Products business area, now part of Sapa.

2) Granted funding to be received in the years to come is not included in this figure

GRI-reference G4-EC4

Received funding in 2014 accumulated to 65.9. Received funding in 2014 accumulated to 65.9. We have been granted funding amounting to 227.6 - to be received in the years to come - provided that certain research projects are carried out. Some funds might already have been received. In addition comes the granted support from Enova to the Karmøy Technology Pilot amounting to 1.5 billion NOK, see page 83.

Note S9 - Social investments, charitable donations and sponsorships

Reporting policies

All sites must report annually on all social investments, charitable donations, sponsorship and other related initiatives. The reporting includes monetary amounts and time spent and benefits to the company as well as to the communities. Outcomes for Hydro and the society are also included in the reporting requirements.

Social investments

	2014	2013	2012	2011	2010
Community investments (MNOK)	11	16			
Total social investments (MNOK)	24	27	39	61	20

Note S10 Compliance

Reporting policies

Compliance data has mainly been collected through Hydro's AlertLine, quarterly compliance reporting by business areas and a self-assessment filled in by each business area at year-end. Some information have been collected through other sources including Hydro's Legal office and Procurement Network.

S10.1 Reported and confirmed cases of non-compliance

In 2014, 60 cases were reported through Hydro's AlertLine, the same as in 2013. All reported cases were investigated or are still being investigated, with periodic updates to Hydro's board audit committee and corporate management board. Most cases are related to management behavior and other matters related to human resources. Nine cases of alleged discrimination and/or harassment were received, of which one resulted in formal disciplinary actions.

In addition, twelve alleged cases of fraud and/or conflict of interest were reported through AlertLine. Neither fraud nor systematic compliance breaches could be proven. However, mitigating actions to remediate identified internal control weaknesses were implemented or are still under implementation.

Dismissals due to breaches of Hydro policy

	2014	2013
Dismissals due to breaches of Hydro policy	0	16

GRI-reference G4-HR3 and G4-SO5

Hydro Årdal, Norway received a fine of NOK 70,000 in 2014 for an accident that took place in 2011. All necessary actions have been taken by the plant.

Hydro also paid a fine of 4,500 EUR due to the lack of required frequent inspections of equipment with the potential of water-contamination at Neuss, Germany. No further legal action was taken.

An audit by the Norwegian Customs Authorities in 2014 at Hydro Høyanger, Norway revealed three cases of delayed custom declaration. Hydro received an administrative fine of NOK 668,000 plus interest for the incidents.

S10.2 Legal claims

There is still one legal dispute between five of the 120 relocated families and the alumina refinery project CAP in Barcarena in Brazil. These families claim to have the right to remain on the land that is occupied by CAP. However, after a preliminary analysis, the Trial Court denied their requests, which was confirmed by the Court of Appeals, through an interlocutory appeal. The case is still waiting for the final first instance decision, but there were no major developments in 2014. See also page 70 regarding legal claims related to overflow of storm water at Alunorte, also in Barcarena, in 2009.

S10.3 Relocation of people

No relocations of people took place from sites owned by Hydro in 2014. See also page 73.

S10.4 Compliance training

In 2014, in total 3,570 employees received training in extra-financial compliance. This includes 160 employees that received training on human rights policies or procedures and 3,410 white collar employees that completed the e-learning course "Preventing Bribery and Corruption". Among these, 677 received classroom training. In addition, most external sales agents have completed the course. In 2015, module 2 of "Preventing Bribery and Corruption" will be performed by more than 3,000 employees.

44 employees received training in competition law in 2014. In 2015, we plan for training in competition law for about 1,100 employees including executive management.

S10.5 Supplier screening and audits

The number of business partners screened in 2014 was about 2,800. This mostly relates to suppliers, but also some customers, agents and other business partners were included. In total 61 supplier audits, including HSE and CSR related topics, were performed.

Note S11 Spending on local suppliers

Reporting policies

Data on local purchasing is gathered by Hydro Procurement Network and covers all consolidated activities. Total procurement in Brazil has been selected as part of Hydro's country by country reporting, see page 112. Selection of local partners and suppliers/contractors shall be based on competitive bidding to the extent feasible, and in compliance with competition laws and regulations as well as Hydro's requirements. A local supplier is here defined as a supplier situated in the same country as the operational site. Germany, Norway and Brazil are considered Hydro's most significant locations of operation based on economic importance. Hydro's external reporting on supplier management is still under development.

Spending on local suppliers vary from site to site depending on what is available. The spending on local suppliers at our largest site in Germany, Grevenbroich, was related to General Procurement (excluding Metal and Energy) 86 percent in 2014 compared to 84 percent in 2013. The local spending in Pará, Brazil was approximately 60 percent on new projects in 2014. Total procurements within Brazil in Bauxite & Alumina exceeded NOK 10 billion. The portion of local spending related to hydropower projects in Norway was almost 100 percent in 2014 compared to 76 percent in 2013. Most of the raw materials used at the aluminium plants in Norway are imported, while electricity and services are supplied locally. In the Norwegian smelters a relative low share of procurements are made locally, mainly services related to maintenance etc.

Country by country report

Hydro's country by country report has been developed to comply with legal requirements as stated in the Norwegian Accounting Act §3-3d and the Norwegian Security Trading Act §5-5a, valid from 2014, and replaces our former reporting on payments to host governments according to the Extractive Industries Transparency Initiative (EITI). Our new reporting includes, and goes beyond, the EITI requirements. According to the Norwegian Accounting Act, the country by country reporting should be on a project level, and payments should be reported per public authority. Following a thorough evaluation, we have defined "project" as legal entity in the report, and "public authority" as the three levels federal; state(s); and municipality(-ies).

The reporting requirement applies to Hydro as a Norwegian listed company with exploration and extractive activities. Currently, this includes Hydro's consolidated operations in Brazil, through exploration and extractive activities in Mineracao Paragominas SA, in the state of Pará, and exploration activities of Norsk Hydro Brasil Ltda. in the state of Minas Gerais. On a voluntary basis, and in line with our EITI reporting since 2005, we also include the alumina refinery Alunorte. Alumina is refined from bauxite and is the commercial product from Hydro's Bauxite & Alumina business area.

In addition, to comply with the Norwegian country by country regulation, Hydro is required to report on certain information at corporate level related to legal entities; where they are registered; their number of employees; and interest paid to other legal entities in Hydro, within another jurisdiction.

Payments to authorities per project and authority (exploration and extractive activities, and alumina refining)

Extractive related activities (all in Brazil) 1)	Taxes and fees 2)	Royalties	License fees 3)	Infrastructure, contractual 4)	Infrastructure, voluntary 4)	Investments	Revenues 5)	Production volume 5)	Procurement in Brazil 5) 6)
	kNOK	kNOK	kNOK	kNOK	kNOK	kNOK	kNOK	1000 mt	kNOK
Mineracao Paragominas SA, total	51 193	44 751	1 813	4 684	12	190 663	1 923 415	9 481	1 809 098
Federal	12 143	5 370	1 813						
Pará State	34 569	10 293							
Paragominas municipality	4 481	29 088							
Norsk Hydro Brasil Ltda., total	17 007	-	3 130	-	450	1 532	120 171	-	305 137
Federal	13 067		3 130						
Rio de Janeiro State	3 741								
São Paulo Municipality	199								
Alunorte - Alumina do Norte do Brasil S.A., total	144 524	-	-	-	3 410	500 557	10 307 687	5 933	8 081 198
Federal	143 552								
Pará State	946								
Barcarena Municipality	27								
Total	212 725	44 751	4 943	4 684	3 871	692 775	12 351 237	15 414	10 195 433

1) In 2014, Hydro's extractive activities did not have the following types of payments to host authorities:

- production entitlements
- dividends
- signature, findings and production bonuses
- stocks, shares or other ownership rights

2) Taxes and fees (income, profit and production) except taxes and fees on consumption such as VAT, income tax for people or sales tax

3) License, lease or access fees or other payments for licenses or commissions

4) Payments on improved infrastructure, either contractual based on exploration or operational licenses, or voluntary is based on Hydro's reporting on social investments, please see note S9 to the Social statements.

5) Including power sales

6) Procurement of goods and services from countries where Hydro has extractive operations, currently Brazil only

The Norwegian country by country reporting requirement as stated in the Norwegian Accounting Act and the Country by Country Regulation, also requires reporting on certain information at corporate level related to legal entities, where they are registered, their number of employees and interest paid to other legal entities in Hydro, within another jurisdiction.

Further country by country information for all consolidated legal entities

Jurisdiction	Legal entity	Ownership 31.12	Number of permanent employees ³⁾	Number of temporary employees ³⁾	Interest paid to Hydro legal entities in another jurisdiction, in NOK
Australia	Hydro Aluminium Australia Pty. Limited	100 %	-	-	170
	Hydro Aluminium Kurri Kurri Pty. Limited	100 %	9	-	79
Total Australia			9	-	249
Belgium	Norsk Hydro SA	Liquidated	N/A	N/A	1 294 851
	Norsk Hydro EU Sprl	100 %	1	1	396
	Hydro Aluminium Belgium BVBA	100 %	-	-	-
Total Belgium			1	1	1 295 246
Brazil	Norsk Hydro Brasil Ltda.	100 %	128	3	-
	Mineração Paragominas SA	86.4 %	1 428	64	-
	Ananke Alumina SA	100 %	-	-	-
	ALUNORTE - Alumina do Norte do Brasil S. A. ¹⁾	92.1 %	1 905	44	22 035 772
	Atlas Alumínio SA	100 %	-	-	-
	ALBRAS - Alumínio Brasileiro SA	51 %	1 163	120	-
	Calypso Alumina SA	100 %	-	-	-
	CAP - Companhia de Alumina do Para SA	81 %	-	-	-
	Oncelote Participações Ltda.	100 %	-	-	-
Total Brazil			4 624	231	22 035 772
Canada	Hydro Aluminium Canada Inc.	100 %	-	-	-
	Hydro Aluminium Canada & Co. Ltd.	100 %	4	-	-
Total Canada			4	-	-
China	Hydro Aluminium Beijing Ltd.	100 %	-	-	-
Total China			-	-	-
Denmark	Hydro Aluminium Rolled Products Denmark A/S	100 %	2	-	-
Total Denmark			2	-	-
France	Extrusion Services S.a.r.l	100 %	39	-	249 661
	Hydro Aluminium Sales and Trading s.n.c.	100 %	3	-	-
	Hydro Aluminium France S.A.S.	100 %	7	2	-
Total France			49	2	249 661
Germany	Norsk Hydro Deutschland GmbH & Co. KG	100 %	-	-	-
	Norsk Hydro Deutschland Verwaltungs GmbH	100 %	-	-	-
	Hydro Aluminium Deutschland GmbH	100 %	67	3	129
	Hydro Aluminium Rolled Products GmbH	100 %	3 176	228	-
	Hydro Aluminium Dormagen GmbH	100 %	26	4	-
	Hydro Aluminium Gießerei Rackwitz GmbH	100 %	52	7	-
	Hydro Energy GmbH	100 %	-	-	-
	Hydro Aluminium Giesserei Hannover GmbH ²⁾	0 %	-	-	-
	Hydro Aluminium High Purity GmbH	100 %	59	-	-
	VAW-Innwerk Unterstützungs-Gesellschaft GmbH	77.5 %	-	-	-
	SGA Standort-Entwicklungs-Gesellschaft Nabwerk mbH	100 %	-	-	-
Total Germany			3 380	242	129
Italy	Hydro Aluminium Slim S.p.A. ¹⁾	100 %	377	7	5 033 507
	Hydro Aluminium Metal Products S.r.l.	100 %	3	-	-
Total Italy			380	7	5 033 507
Japan	Hydro Aluminium Japan KK	100 %	7	-	1 775
Total Japan			7	-	1 775
Luxembourg	Hydro Aluminium Clervaux S.A.	100 %	54	1	209 596
Total Luxembourg			54	1	209 596
Netherlands	Norsk Hydro Holland B.V.	100 %	4	-	-
	Hydro Alunorte B.V.	100 %	-	-	-
	Hydro Albras B.V.	100 %	-	-	-
	Hydro CAP B.V.	100 %	-	-	322
	Hydro Aluminum Para B.V.	100 %	-	-	272
	Hydro Paragominas B.V.	100 %	-	-	74
	Hydro Aluminium Qatalum Holding B.V.	100 %	-	-	-

Jurisdiction	Legal entity	Ownership 31.12	Number of permanent employees ³⁾	Number of temporary employees ³⁾	Interest paid to Hydro legal entities in another jurisdiction, in NOK
	Hydro Aluminium Investment B.V.	100 %	-	-	406
	Hydro Aluminium Netherlands B.V.	100 %	-	-	-
	Hydro Aluminium Brasil Investment B.V.	100 %	-	-	206
	Hydro Aluminium Rolled Products Benelux B.V.	100 %	3	-	-
Total Netherlands			7	-	1 279
Norway	Norsk Hydro ASA	-	231	8	1 517
	Hydro Aluminium AS	100 %	2 264	350	-
	Hydro Invest Porsgrunn AS	100 %	-	-	-
	Hydro Aluminium Rolled Products AS	100 %	621	40	-
	Kanebogen AS ²⁾	0%	N/A	N/A	-
	Qatar Norwegian School AS	Liquidated	N/A	N/A	-
	Hycast AS	100 %	36	5	-
	Sør-Norge Aluminium AS	100 %	240	54	-
	Vækerø Gård Barnehage ANS	100 %	-	-	-
	Industriforsikring AS	100 %	-	-	-
	Hydro Magnesium Porsgrunn AS	100 %	-	-	-
	Hydro Energi AS (previously Norsk Hydro Produksjon AS)	100 %	178	11	-
	Svælgfos AS	100 %	-	-	-
	Hydro Vigeland's Brug AS	100 %	34	1	-
	Røldal-Suldal Kraft AS	91.3 %	-	-	-
	Hydro Kapitalforvaltning AS	100 %	-	-	-
	Grenland Industriutvikling AS	100 %	-	-	-
	Norsk Hydro Plastic Pipe AS	100 %	-	-	-
	Herøya Nett AS	100 %	32	1	-
	Herøya Industripark AS	100 %	21	-	-
Total Norway			3 657	470	1 517
Poland	Hydro Aluminium Rolled Products Polska Sp. z o.o.	100 %	4	-	-
Total Poland			4	-	-
Singapore	Hydro Aluminium Asia Pte. Ltd	100 %	13	-	831 224
	Hydro Aluminium Asia Rolled Products Pte. Ltd.	100 %	3	-	-
Total Singapore			16	-	831 224
Slovakia	Slovalco a.s.	55.3 %	492	-	-
Total Slovakia			492	-	-
Spain	Hydro Aluminium Iberia S.A (former Norsk Hydro SA)	100 %	47	8	200 129
	Hydro Aluminium Rolled Products Iberia S.L.	100 %	5	-	-
Total Spain			52	8	200 129
Sweden	Hydro Aluminium Sverige AB	100 %	2	-	-
Total Sweden			2	-	-
Switzerland	Hydro Aluminium International SA ¹⁾	100 %	8	-	15 377 579
	Hydro Aluminium Walzprodukte AG	100 %	2	-	-
Total Switzerland			10	-	15 377 579
United Kingdom	Hydro Aluminium Deeside Ltd.	100 %	41	-	58 217
	Norsk Hydro Employee Trust Ltd.	100 %	-	-	-
	Hydro Motorcast Leeds (Property) Ltd.	100 %	-	-	264 085
	Hydro Aluminium Rolled Products Ltd.	100 %	6	-	22 971
Total UK			47	-	345 273
USA	Norsk Hydro North America, Inc.	100 %	-	-	430 791
	Hydro Aluminum Metals USA, LLC	100 %	119	4	-
	Hydro Aluminum Materials Management LLC	Liquidated	N/A	N/A	-
	Hydro Aluminum USA, Inc.	100 %	6	-	-
	Hydro Aluminum Tomago Inc.	100 %	-	-	-
Total USA			125	4	430 791
Grand total			12 922	966	46 013 727

1) Interest paid from Alumina do Norte do Brasil S.A., Hydro Aluminium Slim S.p.A and Hydro Aluminium International SA relates to interest on loans and credit facilities in Norsk Hydro ASA.

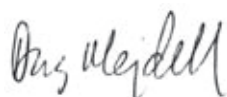
2) Entity sold during 2014

3) Number of employees is based on the legal entity each employee is employed by.

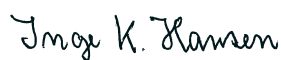
Responsibility statement

We confirm to the best of our knowledge that the country by country report for 2014 has been prepared in accordance with the Norwegian Accounting Act §3-3d and the Norwegian Security Trading Act §5-5a.

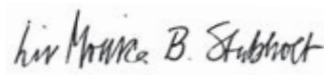
Oslo, March 10, 2015



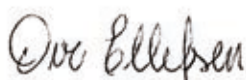
DAG MEJDELL
Chair



INGE K. HANSEN
Deputy chair



LIV MONICA BARGEM STUBHOLT
Board member



OVE ELLEFSEN
Board member



BILLY FREDAGSVIK
Board member



FINN JEBSEN
Board member



STEN ROAR MARTINSEN
Board member



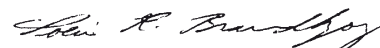
EVA PERSSON
Board member



PEDRO JOSÉ RODRIGUES
Board member



IRENE RUMMELHOFF
Board member



SVEIN RICHARD BRANDTZÆG
President and CEO

GRI index

We use the Global Reporting Initiative's (GRI) G4 guidelines for voluntary reporting of sustainable development. The guidelines comprise economic, environmental and social dimensions relating to an enterprise's activities, products and services. GRI collaborates with the United Nations Environment Programme and UN Global Compact.

We believe that our reporting practice is consistent with GRI's reporting principles in all material respects. We report in adherence "Core" as defined by the GRI G4 guidelines, and include the GRI Mining & Metals supplement in our reporting.

Hydro's external auditor KPMG has reviewed the consistency of our claimed core level of reporting with the indicators and the other information included in our viability reporting, see page 117.

The GRI Index, including the full definition of each indicator and references to specific sections in this report as well as additional information, can be found on www.hydro.com/gri

UN Global Compact Communication on progress

We support the principles of the UN Global Compact. Human rights, international labor standards, working against corruption and environmental considerations are fundamental to our approach to corporate responsibility.

The Global Compact was formed at the initiative of the former UN Secretary General, Kofi Annan, in 1999, because the UN wants business and industry to be more closely associated with the UN's work. Companies that sign the Global Compact agree to support 10 principles regarding human rights, labor standards, the environment, anti-corruption, and to communicate annually on progress.

Hydro has played an active role in the Global Compact since its formation. Our commitment is expressed by the President & CEO in his letter to shareholders on page 7 of this report. Our Communication on progress (COP) in relation to the Compact's 10 principles is at the Advanced level and thus also reflects the Global Compact's 21 advanced criteria. The consistency of the information in Hydro's Viability Performance reporting 2014 with the information in the Hydro Communication on Progress 2014 has been reconciled by our auditors, see page 117. A complete report can be found at www.hydro.com/globalcompact

ICMM

Hydro is a member of the International Council on Mining and Metals and reports according to the ICMM requirements. That includes Hydro's reporting in accordance with the Global Reporting Initiatives G4 protocol for voluntary reporting on sustainable development, see the section about GRI above. The Viability Performance 2014 reporting is prepared in line with the requirements found in the ICMM 10 principles and position statements. The complete Viability Performance 2014 reporting is – according to the ICMM requirements – assured by our external auditor, please see page 116.

ASI

Hydro is a member of Aluminium Stewardship Initiative (ASI) and reports in the GRI index on how we relate to ASI's 11 principles and underlying criteria. This is also included in external auditor's consistency check of Hydro's GRI index 2014.

Auditor's report



Auditor's Limited Assurance Report on Hydro Viability performance 2014

To the Board of directors of Norsk Hydro ASA

Introduction

We have been engaged by the Board of Directors of Norsk Hydro ASA ("Hydro") to undertake a limited assurance engagement of Hydro's Viability performance section in the Annual Report 2014 ("Viability performance 2014").

The Board of directors and the Corporate Management Board's responsibility for the Viability performance 2014

The Board of directors and the Corporate Management Board are responsible for the preparation of the Viability performance 2014 in accordance with the applicable criteria, as explained on page 64 in Hydro's Annual Report. These are the Sustainability Reporting Guidelines (G4) published by the Global Reporting Initiative (GRI), in addition to Hydro's own accounting and calculation principles. This responsibility also includes the internal controls relevant to the preparation of a report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on whether the Viability performance 2014 is presented, in all material respects, in accordance with the reporting criteria, based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB). Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Our procedures are based on the criteria defined by the Board of directors and the Corporate Management Board, and include among others the following main procedures:

- Assessment of the suitability and application of the criteria in respect of the information provided
- A risk analysis, including a media search, to identify relevant sustainability issues for Hydro during the reporting period.
- Interviews with responsible management, at different levels within the Group, with the aim of assessing whether the qualitative and quantitative information stated in the Viability performance 2014 is complete, correct and sufficient.
- Interviews with selected external stakeholders with the aim of assessing whether the qualitative and quantitative information stated in the Viability performance 2014 is complete, correct and sufficient in relation to their specific focus.
- Evaluation of processes used for the collection and reporting of information and data.
- Analytical review of reported information.
- Review of underlying documentation, on a sample basis, to assess whether the information and data in the Viability performance is based on that documentation.
- Pre-announced visits to Hydro facilities located in Norway and Italy.
- Assessment of Hydro's reporting in relation to Subject Matters 1 to 4 as set out in 'ICMM Sustainable Development Framework: Assurance Procedure'.
- Assessment of Hydro's self-declared commitment to the Aluminium Stewardship Initiative's 11 principles and underlying criteria.
- Determination of the consistency of the viability information in the Hydro Annual Report 2014.

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

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Viability performance 2014 is not prepared, in all material respects, in accordance with the reporting criteria.

Oslo, March 10, 2015

KPMG AS

KPMG Sustainability,
part of KPMG Advisory N.V.

Arne Frogner
State Authorized Accountant

Wim Bartels
Partner

03: *Financial and operating performance*

FINANCIAL AND OPERATING REVIEW	p.120
LIQUIDITY AND CAPITAL RESOURCES	p.134
ADDITIONAL INFORMATION	p.137

QUICK OVERVIEW

Hydro had underlying EBIT of NOK 5,692 million in 2014 compared with NOK 2,725 million in the previous year. A significant increase in all-in metal prices together with the strengthening US dollar compared to the NOK and BRL had a positive impact on underlying result for the year. Bauxite production reached 10.2 million mt (annualized) in the final quarter of 2014. Dedicated improvement programs made a substantial contribution to underlying EBIT in 2014.

We delivered 3.3 million metric tons of casthouse products to internal and external customers from casthouses that are integrated with our primary aluminium plants, and from remelt facilities close to our customers in Europe and the United States.

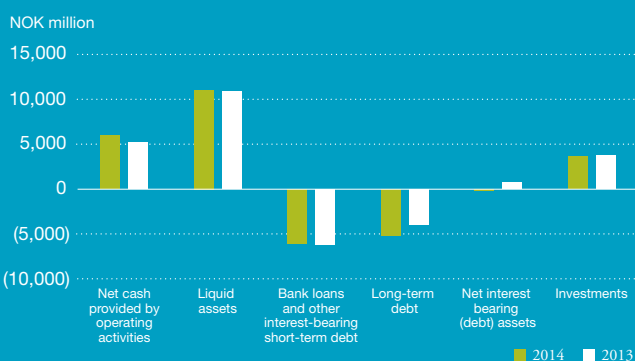
In 2014, we shipped approximately 950,000 mt of rolled products from our six European plants. Our energy business produced around 10.2 TWh of hydroelectric power during the year.

In 2014, cash provided by operating activities was NOK 5.9 billion compared with NOK 5.2 billion in the previous year.

Underlying EBIT

NOK million	2014	2013
Bauxite & Alumina	(55)	(1 057)
Primary Metal	3 937	1 422
Metal Markets	634	594
Rolled Products	698	615
Energy	1 197	1 653
Other and eliminations	(717)	(502)
Underlying EBIT	5 692	2 725

Liquidity and financial position



Financial and operating review

Summary of underlying financial and operating results and liquidity

Key financial information

NOK million, except per share data	Year 2014	Year 2013
Revenue	77 907	64 877
Earnings before financial items and tax (EBIT)	5 674	1 663
Items excluded from underlying EBIT ¹⁾	18	1 063
Underlying EBIT	5 692	2 725
<i>Underlying EBIT :</i>		
Bauxite & Alumina	(55)	(1 057)
Primary Metal	3 937	1 422
Metal Markets	634	594
Rolled Products	698	615
Energy	1 197	1 653
Other and eliminations ²⁾	(717)	(502)
Underlying EBIT	5 692	2 725
Underlying EBITDA	10 299	7 306
Underlying income (loss) from discontinued operations ²⁾	-	220
Net income (loss)	1 228	(839)
Underlying net income (loss)	3 728	1 610
Earnings per share ³⁾	0.39	(0.45)
Underlying earnings per share ³⁾	1.55	0.65
<i>Financial data:</i>		
Investments ⁴⁾	3 625	3 761
Adjusted net interest-bearing debt ⁵⁾	(13 587)	(10 128)

1) See section Items excluded from underlying EBIT and net income later in this section for more information on these items.

2) Other and eliminations includes Hydro's 50 percent share of underlying net income from Sapa beginning September 2013. Underlying income (loss) from discontinued operations includes results from Hydro's Extruded Products business for all prior periods.

3) Earnings per share and Underlying earnings per share are calculated using Net income and Underlying net income attributable to Hydro shareholders, and using the weighted average number of ordinary shares outstanding. There were no significant diluting elements.

4) Investments exclude amounts relating to Extruded Products for all periods presented. Investments for the full year 2013 include non-cash elements relating to capitalized lease obligations and the Vigeland acquisition. In 2014 investments included about NOK 200 million in non-cash elements.

5) See note 39 Capital Management in Hydro's Financial statements - 2014 for a discussion of the definition of adjusted interest bearing debt.

For the full year, underlying EBIT more than doubled to NOK 5,692 million compared with NOK 2,725 million in 2013 influenced by the significant increase in all-in metal prices ¹⁾ together with the strengthening US dollar compared to the NOK and BRL.

Bauxite & Alumina underlying EBIT increased significantly in 2014 compared to the previous year influenced by higher realized alumina prices, higher sales volumes and lower operating costs together with positive currency developments on non-hedged exposures in Brazil. Fuel oil costs increased, mainly due to the introduction of ICMS taxes in the first quarter of the year. Bauxite production at Paragominas reached 10.2 million mt (annualized) in the final quarter of 2014. Alumina production also improved.

Underlying EBIT for Primary Metal increased significantly for the year 2014 compared to the previous year influenced by higher realized all-in aluminium prices and the strengthening USD against the NOK and BRL. The positive developments were partly offset by higher alumina costs.

Underlying results for Metal Markets improved somewhat for the year due to higher premiums for casthouse product sales and higher results from sourcing and trading activities partly offset by lower net positive currency and ingot inventory valuation effects.

Rolled Products underlying EBIT improved somewhat influenced by higher currency gains on export sales²⁾, positive contributions from the Rheinwerk smelter, improved product mix and somewhat lower operating costs. However, positive developments were largely offset by lower margin contributions due to margin pressure and fixed premium sales contracts.

Underlying EBIT for Energy decreased in 2014 due to lower prices and higher area price differences, as well as increased transmission costs.

Underlying EBIT for Sapa increased in 2014 due to stronger North-American demand, improved margins, and positive effects of improvement programs and restructuring activities in Europe.

Operating cash flow amounted to NOK 5.9 billion for the year. Net cash used for investment activities amounted to NOK 3.0 billion net of sales proceeds. Hydro paid dividends of NOK 1.9 billion, including NOK 0.4 billion to minority shareholders. Hydro's net debt position amounted to NOK 0.1 billion at the end of the year also influenced by currency translation effects and a payment to Vale representing the first of two tranches for the remaining Paragominas shares.

For 2014, Hydro's Board of Directors proposes to pay a dividend of NOK 1 per share reflecting the company's commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2014, a strong financial position and improved earnings outlook for 2015. Hydro's Board of Directors has revised the company's dividend policy from an average of 30 percent to 40 percent of net income over the cycle to our shareholders.

Reported EBIT and Net income

Reported Earnings before financial items and tax amounted to NOK 5,674 million in 2014 including net unrealized derivative gains and positive metal effects of NOK 729 million in total. Reported earnings also included impairment charges of NOK 207 million, net charges of NOK 512 million in Sapa, mainly relating to restructuring activities and impairments and other items amounting to a net charge of NOK 28 million.

In the previous year, reported Earnings before financial items and tax amounted to NOK 1,663 million including net unrealized derivative losses and negative metal effects of NOK 598 million in total. Reported earnings also included charges of NOK 471 million relating to rationalization activities within Hydro's head office and Rolled Products, penalties of NOK 109 million relating to the settlement of ICMS tax claims in Brazil and charges of NOK 217 million in Sapa, primarily related to rationalization activities. In addition, reported earnings included pension curtailment gains of NOK 390 million relating to the transition to defined contribution plans in Norway and other items amounting to a net charge of NOK 57 million.

In 2014 income from continuing operations before tax amounted to NOK 2,121 million including net foreign exchange loss of NOK 3,161 million. In the previous year Hydro incurred a loss from continuing operations of NOK 913 million including net foreign exchange loss of NOK 2,246 million. The net currency loss in 2014 and 2013 related mainly to debt denominated in US dollars and intercompany balances denominated in Euro. In 2014, the foreign exchange loss also included unrealized losses on embedded derivatives in power contracts denominated in Euro. Income from discontinued operations, amounted to NOK 189 million in 2013.

Net income amounted to NOK 1,228 million in 2014, compared with a net loss of NOK 839 million in 2013.

Operational review

Key Operational information ⁶⁾

	Year 2014	Year 2013	% change prior year
Bauxite production (kmt)	9 481	7 567	25 %
Alumina production (kmt)	5 933	5 377	10 %
Primary aluminium production (kmt)	1 958	1 944	1 %
Realized aluminium price LME (USD/mt)	1 850	1 902	(3) %
Realized aluminium price LME (NOK/mt) ⁷⁾	11 624	11 160	4 %
Realized NOK/USD exchange rate ⁷⁾	6.28	5.87	7 %
Metal products sales, total Hydro (kmt) ⁸⁾	3 305	3 164	4 %
Rolled Products sales volumes to external market (kmt)	946	941	-
Power production (GWh)	10 206	10 243	-

6) Amounts include Hydro's proportionate share of production in equity accounted investments.

7) Including the effect of strategic hedges (hedge accounting applied).

8) Sales from casthouses (incl. Neuss), remelters, third party sources and liquid metal.

Bauxite & Alumina

Bauxite & Alumina generated total revenues of about NOK 16 billion in 2014. Bauxite production in Paragominas amounted to 9.5 million mt for the year. Alumina production from Alunorte was 5.9 million mt for the year. Production levels for both operations were higher than 2013 mainly due to production stability following operational setbacks at Alunorte in the previous year. Bauxite & Alumina sourced roughly 2.0 million mt of alumina in 2014. The business area employs around 3,300 people.

Primary Metal

Primary Metal generated about NOK 28 billion in total revenues in 2014. Production of electrolysis metal amounted to 2.0 million mt, from our plants in Australia, Brazil, Canada, Norway, Qatar and Slovakia. We delivered 2.2 million mt of casthouse products to internal and external customers, from casthouses which are integrated with our primary aluminium plants. Deliveries included about 0.8 million mt of extrusion ingot, 0.3 million mt of sheet ingot and 0.4 million mt of foundry alloys and wire rod. We also sold about 0.7 million mt of standard ingot. The Primary Metal segment employs around 3,900 people.

Metal Markets

Metal Markets generated total revenues of around NOK 43 billion in 2014. The business area employs around 700 people at plants and offices in Asia, Europe and North America. Our five remelters in Europe and two in the U.S. produced approximately 540,000 mt of metal products in 2014. We sold 2.7 million mt of metal products last year, including deliveries from the casthouses integrated with our primary smelters.³⁾ Of this figure, we sold approximately 2.6 million mt to external customers.

Rolled Products

Rolled Products generated total revenues of approximately NOK 21 billion in 2014, had locations in 14 countries and around 4,250 permanent and around 300 temporary employees. Approximately 946,000 mt of rolled products were shipped from our six European plants.

Energy

Energy generated about NOK 6.3 billion in total revenues in 2014. The business area employs around 187 people, mainly in Norway. We produced 10.2 TWh of renewable hydroelectric power, in line with our normal annual production and the level for 2013.

Sapa

Hydro's share of total revenues for Sapa amounted to about NOK 23.2 billion in 2014. The business employs around 23,000 people in more than 40 countries. Hydro's share of Sapa sales volumes amounted to about 700,000 mt of extruded products. Sapa has around 155 extrusion presses operating within around 100 production sites. The majority of operations are located throughout Europe and in North America as well as a strong foothold in emerging markets.

Market developments and outlook

Market statistics ¹⁾	Year 2014	Year 2013	% change prior year
NOK/USD Average exchange rate	6.30	5.88	7 %
NOK/USD Balance sheet date exchange rate	7.43	6.08	22 %
NOK/BRL Average exchange rate	2.68	2.73	(2) %
NOK/BRL Balance sheet date exchange rate	2.80	2.58	9 %
NOK/EUR Average exchange rate	8.35	7.81	7 %
NOK/EUR Balance sheet date exchange rate	9.04	8.38	8 %
<i>Bauxite & Alumina:</i>			
Average alumina price - Platts PAX FOB Australia (USD/t)	330	326	1 %
Global production of alumina (kmt)	104 562	101 555	3 %
Global production of alumina (ex. China) (kmt)	54 897	54 271	1 %
<i>Primary Metal and Metal Markets:</i>			
LME three month average (USD/mt)	1 894	1 887	-
LME three month average (NOK/mt)	11 962	11 070	8 %
Global production of primary aluminium (kmt)	54 087	50 592	7 %
Global consumption of primary aluminium (kmt)	54 098	50 266	8 %
Global production of primary aluminium (ex. China) (kmt)	25 806	25 697	-
Global consumption of primary aluminium (ex. China) (kmt)	26 791	26 006	3 %
Reported primary aluminium inventories (kmt)	7 438	8 189	(9) %
<i>Rolled products and extruded products:</i>			
Consumption rolled products - Europe (kmt)	4 402	4 293	3 %
Consumption rolled products - USA & Canada (kmt)	4 395	4 202	5 %
Consumption extruded products - Europe (kmt)	2 777	2 724	2 %
Consumption extruded products - USA & Canada (kmt)	2 028	1 879	8 %
<i>Energy:</i>			
Average southern Norway spot price (NO2) (NOK/MWh)	228	290	(21) %
Average nordic system spot price (NOK/MWh)	248	297	(16) %

1) Industry statistics have been derived from analyst reports, trade associations and other public sources unless otherwise indicated. Recent information is based partly on estimates and is subject to revision as new information becomes available. As a result, differences between general market developments and actual Hydro volumes are not necessarily indicative of significant changes in market share. Amounts presented in prior reports may have been restated based on updated information. Currency rates have been derived from Norges Bank.

Bauxite and alumina

The global alumina market was fairly balanced at the end of 2014. Platts alumina spot prices started the year at USD 334 per mt and ranged from USD 307 - 357 per mt, ending the year at USD 355 per mt. Prices averaged USD 330 per mt for the year, increasing slightly from 2013. Average prices as a percentage of LME increased and represented 17.5 percent for the year compared with 17.3 percent in 2013. Spot prices at the end 2014 represented 19.1 percent of LME.

Chinese alumina imports amounted to 5.3 million mt, an increase of 38 percent compared with 2013. Bauxite imports into China declined to around 36 million mt, or 49 percent lower compared to 2013 following a significant build up of inventories in anticipation of the announced ban on Indonesian exports. Of this amount, approximately 16 million mt was sourced from Australia and 9 million mt from Indonesia, down from 55 million mt in 2013. The ban on Indonesian exports took effect at the beginning of January 2014. According to Chinese import statistics, the average delivered China bauxite price increased around 14 percent from USD 51 in January 2014 to USD 58 per mt in December.

Primary aluminium

Three month LME prices averaged about USD 1,795 per mt in the first half of 2014 and increased to an average of roughly USD 1,990 per mt in the second half of the year. However, prices softened towards the end of the year impacted by falling oil prices that triggered a sell-off of most commodities. Prices started the year around USD 1,810 per mt, and reached a level of USD 2,114 per mt in the third quarter. At the end of the year, prices were around USD 1,860 per mt.

Average North American standard ingot premiums increased to around USD 450 per mt or around 84 percent higher compared to average premiums in 2013. Corresponding standard ingot premiums in Europe increased to about USD 427 per mt or around 57 percent higher. Premium developments were influenced by stronger demand in physical markets and the ongoing financing of metal in warehouses together with new smelter closures and curtailments in the world outside China.

Global demand for primary aluminium (excluding China) increased around 3 percent compared to 2013. Corresponding production increased slightly, mainly due to the ramp-up of new smelter capacity in Saudi Arabia and India. Closures and curtailments announced in the previous quarters, partly offset by start-ups, resulted in demand exceeding production by close to one million mt in 2014. Global demand for primary aluminium (excluding China) is expected to grow 3-4 percent 2015. Corresponding production is expected to grow at a somewhat lower rate resulting in a similar deficit in the world outside China in 2015.

Demand for primary metal in China increased around 13 percent to 27.3 million mt in 2014. Corresponding production increased by around 14 percent, resulting in a surplus of around 1 million mt for the year. A surplus is expected in 2015 due to continued strong expansion in production combined with softer expected demand growth of around 7 - 8 percent. Closures and curtailments are not expected to be sufficient to offset new capacity coming on stream in 2015.

LME stocks were falling throughout the year from 5.6 million mt in the beginning of the year to 4.4 million mt at the end of 2014. Most of the metal in warehouses continues to be owned by financial investors. Total inventories, including unreported inventories, were estimated to be stable throughout 2014 amounting to around 13.1 million mt at the end of 2014.

Demand for extrusion ingot and primary foundry alloys in Europe has been solid during 2014 and has remained at a higher level compared to 2013. Developments in the European wire rod market were positive in 2014 and also at a higher level than 2013. European consumption of sheet ingot ended the year on a higher level than in 2013. However, there have been signs of weakening demand in the beginning of 2015. Premiums were at record high levels at the end of 2014. Standard ingot premiums have declined somewhat since the end of the year. This is expected to impact value added premiums going forward.

Consumption of extrusion ingot has been strong in the US in 2014 while the demand for primary foundry alloys increased moderately compared to 2013.

In Asia (excluding China), the market for extrusion ingot and primary foundry alloys showed moderate growth, but flattened towards the end of the year.

Rolled products

The European market for flat rolled products increased by around 3 percent in 2014. Demand was stronger in the first half of the year while customer destocking activities due to lower than expected end-use demand had a negative impact on developments towards the end of the year. The automotive segment continued to be the dominant market driver due to the growing substitution of steel by aluminium together with an increase in European car production of around 5 percent in 2014. Demand in the building and construction segment continued to recover in the first half of 2014 but weakened in the second half of the year. Demand in the beverage can and foil markets also weakened in the second half of 2014 influenced by destocking activities and lower consumption in Russia. For the full year demand growth was robust in beverage can but slightly negative in foil. General engineering showed a good volume growth but with continued high margin pressure.

Extruded products

Demand for general extruded products was strong in North America compared to 2013 and improved somewhat in Europe. Market conditions for building systems in Europe continued to weaken in general, and in the key market of France in particular. Demand for precision tubing strengthened.

Energy

Nordic electricity prices were significantly lower in 2014 due to an improved hydrological balance compared to the previous year. Prices declined in the first half of 2014 influenced by mild, wet weather conditions and high power production. Prices improved in the third quarter due to low reservoir inflows, as a result of very dry summer weather conditions. In the final quarter of the year, prices were volatile, influenced by mild, wet weather conditions resulting in an improved hydrological balance at the end of the year.

Technical limitations on several transmission cables out of Southern Norway, combined with low nuclear production in Sweden and high reservoir inflows in the South, resulted in high area price differences in 2014, mainly in the second quarter of 2014.

In 2014, total power consumption in the Nordic market declined by another 5 TWh to 375 TWh. Total power production increased by 7 TWh to 387 TWh. Power production in Norway reached 142 TWh. This was 9 TWh higher than 2013.

The severe drought in Brazil has resulted in a deteriorating hydrological balance. Although the impact in the northern part of the country has been lower, the power supply could be affected due to the integrated transmission system in Brazil.

Additional factors impacting Hydro

Hydro's alumina refinery Alunorte in Brazil has been subject to ICMS taxation on fuel oil since February 1, 2014 resulting in additional costs of roughly NOK 150 million per quarter.

In May and June of 2014, Hydro signed four contracts for the supply of energy totaling 2.7 TWh per year for the company's Norwegian smelters for a ten year period ending 2030.

At the end of October 2014, Hydro completed an agreement to acquire Rio Tinto Alcan's 50 percent share of the Søräl aluminium smelter. Following the transaction, Søräl is fully consolidated in Hydro's accounts. As a result of the agreement, Hydro increased its interest in the anode producer Aluchemie which is now consolidated on a proportional basis (46.7percent).

The Alunorte alumina refinery and Albras aluminium smelter had entered into USD currency forward contracts in Brazil for second half 2013 and all of 2014. The program was completed at the end of 2014.

Primary Metal has sold forward around 50 percent of its expected primary aluminium production for the first quarter of 2015 at a price level of around USD 1,975 per mt.⁴⁾ This excludes volumes from Qatalum.

In February, 2015, Hydro decided to invest in a pilot plant for full-scale industrial testing of its proprietary HAL4e technology at Karmøy, Norway. The plant is expected to have an annual production capacity of 75,000 mt and a cost of approximately NOK 3.9 billion. The project cost will be partly covered by a contribution of NOK 1.5 billion from Enova, a Norwegian public enterprise which supports new energy and climate related technology. Execution of the project is subject to obtaining a sustainable power solution for the plant.

Underlying EBIT - Business areas

To provide a better understanding of Hydro's underlying performance, the following discussion of operating performance excludes certain items from EBIT (earnings before financial items and tax) and net income, such as unrealized gains and losses on derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis. See section later in this report, Items excluded from underlying EBIT and net income, for more information on these items.

Bauxite & Alumina

Operational and financial information	Year 2014	Year 2013	% change prior year
Underlying EBIT (NOK million)	(55)	(1 057)	95 %
Underlying EBITDA (NOK million)	1 747	662	>100 %
Alumina production (kmt) ¹⁾	5 933	5 377	10 %
Sourced alumina (kmt)	2 016	2 009	-
Total alumina sales (kmt) ²⁾	7 942	7 408	7 %
Realized alumina price (USD/mt) ³⁾	284	275	3 %
Bauxite production (kmt) ⁴⁾	9 481	7 567	25 %
Sourced bauxite (kmt) ⁵⁾	8 815	8 523	3 %

1) Including Alunorte on a 100 percent basis.

2) Including Hydro's own production and third party contracts.

3) Weighted average of own production and third party contracts, excluding hedge results.

4) Paragominas on wet basis (100 percent).

5) 40 percent MRN off take from Vale and 5 percent Hydro share on wet basis.

Bauxite & Alumina underlying EBIT increased significantly in 2014 compared to the previous year, which included roughly NOK 170 million of charges from the settlement of claims relating to ICMS taxes. Underlying results were influenced by higher realized alumina prices, higher sales volumes and lower operating costs at Alunorte. Positive currency developments on non-hedged exposures in Brazil also contributed to the improved results for the year as well as the reintroduction of the Reintegra tax refund program ⁵⁾ from the beginning of October. Higher fuel oil costs, mainly due to the introduction of ICMS taxes in the first quarter of 2014, resulted in roughly NOK 600 million of additional costs for the year.

Recovering from operational setbacks at Alunorte in the previous year, bauxite production at Paragominas reached 10.2 million mt (annualized) in the fourth quarter of 2014. Lower maintenance and service costs had a positive effect on cost per mt for Paragominas. Alumina production also improved while cost per mt declined due to further improvements in energy efficiency, fixed costs reductions and somewhat lower raw material costs.

Bauxite & Alumina's "From B to A" improvement program exceeded the targeted amount of NOK 600 million, reaching annual improvements of NOK 700 million compared with 2011.

Primary Metal

Operational and financial information ¹⁾	Year 2014	Year 2013	% change prior year
Underlying EBIT (NOK million)	3 937	1 422	>100 %
Underlying EBITDA (NOK million)	5 745	3 293	74 %
Realized aluminium price LME (USD/mt) ²⁾	1 850	1 902	(3) %
Realized aluminium price LME (NOK/mt) ²⁾	11 624	11 160	4 %
Realized premium above LME (USD/mt) ³⁾	500	362	38 %
Realized premium above LME (NOK/mt) ³⁾	3 140	2 124	48 %
Realized NOK/USD exchange rate	6.28	5.87	7 %
Primary aluminium production (kmt)	1 958	1 944	1 %
Casthouse production (kmt) ⁴⁾	2 088	2 046	2 %
Total sales (kmt) ⁵⁾	2 220	2 127	4 %

1) Operating and financial information includes Hydro's proportionate share of underlying income (loss), production and sales volumes in equity accounted investments. Realized prices, premiums and exchange rates exclude equity accounted investments, and includes effects of strategic currency hedges (hedge accounting applied).

2) Including effect of strategic LME hedges (hedge accounting applied). Realized aluminium prices lag the LME price developments by approximately 1.5 - 2 months.

3) Average realized premium above LME for casthouse sales from Primary Metal. Historical premiums for 2013 revised due to change of definition.

4) Production volumes for 2013 revised due to change of definition.

5) Total sales replaces previous casthouse sales due to change of definition.

Operational and financial information Qatalum (50%)	Year 2014	Year 2013	% change prior year
Revenue (NOK million)	4 918	4 351	13 %
Underlying EBIT (NOK million)	874	510	71 %
Underlying EBITDA (NOK million)	1 772	1 523	16 %
Underlying Net income (NOK million)	693	342	>100 %
Primary aluminium production (kmt)	306	303	1 %
Casthouse sales (kmt)	328	321	2 %

Primary aluminium and casthouse production (kmt) ⁶⁾	Location	Primary aluminium		Casthouse production	
		2014	2013	2014	2013
Albras	Brazil	441	451	386	413
Karmøy	Norway	191	189	181	164
Årdal	Norway	202	204	214	212
Sunnal	Norway	347	342	441	407
Høyanger	Norway	64	63	108	110
Husnes	Norway	53	44	69	60
Slovalco	Slovakia	168	163	187	179
Tomago (12.4%)	Australia	70	68	65	67
Qatalum (50%)	Qatar	306	303	320	317
Alouette (20%)	Canada	117	116	116	116
Total production Primary Aluminium		1 958	1 944	2 088	2 046

6) Production volumes for non-consolidated part owned companies represent our proportion of total production. For financial reporting purposes, Qatalum is accounted for as equity accounted investments, while Tomago and Alouette are consolidated on a proportional basis. Husnes, formerly Sørø, was accounted for as an equity accounted investment until the end of October and was 100 percent consolidated from the beginning of November. Slovalco and Albras are fully consolidated in terms of financial results and volumes.

Underlying EBIT for Primary Metal increased significantly for the year 2014 compared to the previous year influenced by higher realized all-in aluminium prices and the strengthening USD against the NOK and BRL. The positive developments were partly offset by higher costs for alumina. Improved results from Qatalum also made a positive contribution to underlying results for the year.

In 2013, Primary Metal launched new initiatives targeting savings of USD 180 per mt for its global portfolio of part-owned smelters and further savings for its fully-owned smelters on top of the USD 300 per mt achieved at the end of 2013. These programs have generated roughly NOK 2.3 billion in annual improvements by the end of 2014.⁶⁾

Metal Markets

Operational and financial information	Year 2014	Year 2013	% change prior year
Underlying EBIT (NOK million)	634	594	7 %
Currency effects ¹⁾	79	136	(42) %
Ingot inventory valuation effects ²⁾	31	21	44 %
Underlying EBIT excl. currency and ingot inventory effects	524	437	20 %
Underlying EBITDA (NOK million)	712	691	3 %
Remelt production (kmt) ³⁾	538	517	4 %
Metal products sales excluding ingot trading (kmt) ⁴⁾	2 743	2 691	2 %
Hereof external sales (kmt) ⁵⁾	2 648	2 364	12 %

1) Includes the effects of changes in currency rates on sales and purchase contracts denominated in foreign currencies (mainly U.S. dollar and Euro for our European operations) and the effects of changes in currency rates on the fair valuation of dollar denominated derivative contracts (including LME futures) and inventories, mainly translated into Norwegian kroner. Hydro manages its external currency exposure on a consolidated basis in order to take advantage of offsetting positions.

2) Comprised of hedging gains and losses relating to standard ingot inventories in our metal sourcing and trading operations. Increasing LME prices result in unrealized hedging losses, while the offsetting gains on physical inventories are not recognized until realized. In periods of declining prices, unrealized hedging gains are offset by write-downs of physical inventories.

3) Excludes Hannover casthouse production.

4) Includes internal and external sales from integrated casthouses, remelters, Hydro's 51 percent share of Albras, and third party sources. Sales volumes 2013 revised due to change of definition.

5) Sales volumes 2013 revised due to change of definition.

Remelt production (kmt)	Location	Year 2014	Year 2013	% change prior year
Europe				
Clervaux	Luxembourg	90	88	2 %
Deeside	United Kingdom	51	49	5 %
Rackwitz	Germany	87	79	11 %
Luce	France	52	50	5 %
Azuqueca	Spain	75	71	6 %
US				
Henderson	Kentucky	79	86	(7) %
Commerce	Texas	104	95	9 %
Total remelt production Metal Markets		538	517	4 %

Underlying results improved somewhat for the year 2014 due to higher premiums for casthouse product sales and higher results from sourcing and trading activities partly offset by lower net positive currency and ingot inventory valuation effects.

Metal product sales excluding ingot trading was slightly higher compared with 2013 mainly due to increased remelt production at our plants.

Rolled Products

Operational and financial information	Year 2014	Year 2013	% change prior year
Underlying EBIT (NOK million)	698	615	13 %
Underlying EBITDA (NOK million)	1 398	1 293	8 %
Sales volumes to external market (kmt)	946	941	-

Sales volumes to external markets (kmt) - Customer business units

Packaging and building	365	398	(8) %
Lithography, automotive & heat exchanger	317	292	9 %
General engineering	263	251	5 %
Rolled Products	946	941	-

Rolled Products production sites

Volumes to external market (kmt)	Location	Year 2014	Year 2013	% change prior year
Grevenbroich / 50% share in Alunorf	Germany	588	585	1 %
Hamburg	Germany	142	134	6 %
Slim	Italy	63	59	7 %
Malaysia (99.7% share)	Malaysia	-	9	>(100) %
Karmøy	Norway	68	67	1 %
Holmestrand	Norway	84	88	(4) %
Total, excluding internal sales		946	941	-

Underlying EBIT for the full year improved somewhat influenced by higher currency gains on export sales²⁾, positive contributions from the Rheinwerk smelter, improved product mix and somewhat lower operating costs. However, positive developments were largely offset by lower margin contributions due to margin pressure and fixed premium sales contracts. Rolled Products Climb program, including high-grading the product portfolio and cost reductions, contributed about NOK 600 million of annual improvements compared to cost and revenue levels in 2011.

Sales volumes were relatively stable with an improved product mix resulting in significantly higher volumes of automotive products due to the growing substitution of steel by aluminium together with an increase in European car production in 2014. Volumes for our general engineering business unit improved along with good market demand whereas sales for our packaging operations declined with some customers with lower off-take. Sales for our other product units were stable.

Operating margins excluding currency effects were significantly lower due to higher standard ingot premiums together with margin pressure in the general engineering market and certain fixed premium contracts for our can beverage business. Margins for our other product units also declined.

Energy

Operational and financial information	Year 2014	Year 2013	% change prior year
Underlying EBIT (NOK million)	1 197	1 653	(28) %
Underlying EBITDA (NOK million)	1 360	1 803	(25) %
Direct production costs (NOK million) ¹⁾	608	485	25 %
Power production (GWh)	10 206	10 243	-
External power sourcing (GWh) ²⁾	9 315	9 412	(1) %
Internal contract sales (GWh) ³⁾	13 514	13 304	2 %
External contract sales (GWh) ⁴⁾	1 187	1 241	(4) %
Net spot sales (GWh) ⁵⁾	4 820	5 110	(6) %

1) Includes maintenance and operational costs, transmission costs, property taxes and concession fees for Hydro as operator.

2) Includes long-term sourcing contracts and industrial sourcing in Germany.

3) Internal contract sales in Norway and Germany, including sales from own production and resale of externally sourced volumes.

4) External contract sales, mainly concession power deliveries and volumes to former Hydro businesses.

5) Spot sales volumes net of spot purchases.

Underlying EBIT for Energy decreased in 2014 compared to 2013 due to lower prices and higher area price differences, as well as increased transmission costs.

Other and eliminations

Financial information NOK million	Year 2014	Year 2013	% change prior year
Sapa (50%)	199	(130)	>100 %
Other	(549)	(459)	(20) %
Eliminations	(367)	88	>(100) %
Underlying EBIT Other and eliminations	(717)	(502)	(43) %

Eliminations is mainly comprised of unrealized gains and losses on inventories purchased from group companies, which fluctuates with product flows, volumes and margin developments throughout Hydro's value chain.

Operational and financial information Sapa (50%)	Year 2014	Year 2013	% change prior year ¹⁾
Revenue (NOK million)	23 192	6 999	>100 %
Underlying EBIT (NOK million)	326	(141)	>100 %
Underlying EBITDA (NOK million)	958	55	>100 %
Underlying Net income (loss) (NOK million)	199	(130)	>100 %
Sales volumes (kmt)	699	218	>100 %

1) 2013 includes amounts relating to the Sapa joint venture for the four months from September 1, 2013.

Underlying EBIT for Sapa increased in 2014 due to stronger North-American demand, improved margins, and positive effects of improvement programs and restructuring activities in Europe. Global automotive demand has supported the precision tubing results. The European extrusion markets improved somewhat, however, market conditions for building systems continued to weaken in 2014. Underlying results in China remained weak.

The restructuring program initiated by the company in 2013, targeting annual synergies of around NOK one billion by the end of 2016, is ahead of plan, with about half of the target reflected in the underlying results for the full year 2014. In addition to the factors mentioned above, reported EBIT for the year was impacted by items related to restructuring activities undertaken to deliver on the improvement and restructuring program.

In addition to items related to the improvement and restructuring program, reported EBIT included approximately NOK 0.5 billion (Hydro's share NOK 250 million) in impairments of fixed assets in China.

Items excluded from underlying EBIT and net income

Items excluded from underlying EBIT and net income

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

Items excluded from underlying EBIT are mainly comprised of unrealized gains and losses on certain derivatives, impairment and rationalization charges, effects of disposals of businesses and operating assets, as well as other items that are of a special nature or are not expected to be incurred on an ongoing basis.

Items excluded from underlying net income ¹⁾

NOK million	Year 2014	Year 2013
Unrealized derivative effects on LME related contracts ²⁾	(352)	202
Unrealized derivative effects on power and raw material contracts ³⁾	72	107
Metal effect, Rolled Products ⁴⁾	(449)	289
Significant rationalization charges and closure costs ⁵⁾	-	471
Impairment charges (PP&E and equity accounted investments) ⁶⁾	207	80
(Gains)/losses on divestments ⁷⁾	(8)	-
Other effects ⁸⁾	36	(303)
Items excluded in equity accounted investment (Sapa) ⁹⁾	512	217
Items excluded from underlying EBIT	18	1 063
Net foreign exchange (gain)/loss ¹⁰⁾	3 161	2 246
Calculated income tax effect ¹¹⁾	(680)	(889)
Items excluded from continuing operations	2 499	2 420
Items excluded from discontinued operations ¹²⁾	-	30
Items excluded from underlying net income	2 499	2 450

1) Negative figures indicate a gain and positive figures indicate a loss.

2) Unrealized derivative effects on LME contracts include unrealized gains and losses on contracts measured at market value, which are used for operational hedging purposes related to fixed-price customer and supplier contracts, but where hedge accounting is not applied. The amounts include net unrealized gains and losses on derivative contracts relating to operations in all our business areas except for Energy. Certain internal aluminium contracts between Metal Markets and other units are measured at market value by Metal Markets but considered for Hydro's own use by consuming units. The valuation effects are eliminated as part of Other and eliminations, and excluded from underlying results. Unrealized gains and losses on derivative contracts relating to trading activities are not excluded from underlying EBIT, as these are considered to be a normal part of the trading business performance.

3) Unrealized derivative effects on power and raw material contracts include unrealized gains and losses on embedded derivatives in power contracts for Hydro's own use, as well as financial power contracts used by Primary Metal, including Soral until end of October 2014, and Energy for hedging of power prices. Hydro's Energy operations supply electricity for Hydro's own consumption, and have entered into long-term purchase contracts with external power suppliers. Energy accounts for embedded derivatives in certain sourcing contracts and for the corresponding internal supply contracts with consuming units at fair value. These internal purchase contracts are considered for Hydro's own use by the consuming units, while the embedded derivative is recognized at market value in Other and eliminations, and excluded from underlying results. Embedded derivatives in power contracts include exposures to changes in forward prices on aluminium and coal, as well as currency and inflation adjustments. Reported periodic effects are also influenced by changes in the contract portfolio. The majority of physical power-purchase contracts have a long duration and can result in significant unrealized gains and losses on embedded derivatives, impacting the reported results. Embedded derivatives in raw material contracts include exposures to changes in forward prices on aluminium and petroleum coke.

4) Metal effect: Rolled Products' sales prices are based on a margin over the metal price. The pricing, production and logistics process of Rolled Products normally lasts four to five months. As a result, margins are impacted by timing differences resulting from the FIFO (first in, first out) inventory valuation method, due to changing aluminium prices during the process. The effect of inventory write-downs is included. Decreasing aluminium prices in Euro results in a negative metal effect on margins, while increasing prices have a positive effect.

5) Rationalization charges and closure costs include costs that are typically non-recurring for individual plants or operations. Such costs involve termination benefits, dismantling of installations and buildings, clean-up activities that exceed legal liabilities, etc.

6) Impairment charges occur in the period when an asset or a group of assets is identified to have lost part or all of its value, causing a write-down to the recoverable amount. In most of our impairment situations, there is no single event directly causing the write-down. The loss is therefore not necessarily closely linked to performance in a single period.

7) Gains and losses on divestments include a net gain or loss on divested businesses and/or individual major assets.

8) Other effects include recognition of pension plan amendments and related curtailments and settlements, insurance proceeds, legal settlements, etc.

9) Items excluded in equity accounted investments reflects Hydro's share of items excluded from underlying net income in Sapa as of September 2013.

10) Realized and unrealized gains and losses on foreign currency denominated accounts receivable and payable, funding and deposits, embedded currency derivatives in certain power contracts and forward currency contracts purchasing and selling currencies that hedge net future cash flows from operations, sales contracts and working capital.

11) In order to present underlying net income on a basis comparable with our underlying operating performance, we have calculated the income tax effect of items excluded from underlying income before tax.

12) Items excluded from discontinued operations are comprised of items excluded from Extruded Products' underlying net income until end of August 2013.

Items excluded from underlying EBIT - Business areas

The following includes a summary table of items excluded from underlying EBIT for each of the operating segments and for Other and eliminations.

Items excluded from underlying EBIT ¹⁾

NOK million	Year 2014	Year 2013
Unrealized derivative effects on LME related contracts	(16)	12
Legal settlements	-	109
Bauxite & Alumina	(16)	121
Unrealized derivative effects on LME related contracts	(86)	81
Unrealized derivative effects on power contracts	63	285
Unrealized derivative effects on power contracts (Sørål)	(16)	189
Unrealized derivative effects on raw material contracts	37	36
Impairment charges (Qatalum)	28	-
Insurance compensation (Qatalum)	(55)	(30)
Rationalization charges and closure costs (Sørål)	-	7
Transaction effects Sørål acquisition	38	-
Primary Metal	9	568
Unrealized derivative effects on LME related contracts	(117)	(12)
Pension	-	(7)
(Gains)/losses on divestments	-	(53)
Impairment charges	33	-
Metal Markets	(83)	(73)
Unrealized derivative effects on LME related contracts	(119)	134
Metal effect	(449)	289
Impairment charges	145	-
Rationalization charges and closure costs	-	85
(Gains)/losses on divestments	-	69
Pension	-	(45)
Rolled Products	(423)	532
Unrealized derivative effects on power contracts	4	(4)
Energy	4	(4)
Unrealized derivative effects on power contracts ²⁾	(16)	(399)
Unrealized derivative effects on LME related contracts ²⁾	(13)	(13)
Impairment charges	-	80
Pension	-	(338)
(Gains)/losses on divestments	(8)	(16)
Rationalization charges and closure costs	-	386
Items excluded in equity accounted investment (Sapa)	512	217
Other effects ³⁾	53	-
Other and eliminations	528	(81)
Items excluded from underlying EBIT	18	1 063

1) Negative figures indicate a gain and positive figures indicate a loss.

2) Unrealized derivative effects on power contracts and LME related contracts result from elimination of changes in the valuation of embedded derivatives within certain internal power contracts and in the valuation of certain internal aluminium contracts.

3) Other effects include the remeasurement of environmental liabilities, due to change in interest rate, related to closed business in Germany.

Financial income (expense), net

Financial income (expense)	Year	Year	% change
NOK million	2014	2013	prior year
Interest income	275	232	19 %
Dividends received and net gain (loss) on securities	71	170	(58)%
Financial income	347	402	(14)%
Interest expense	(438)	(421)	(4)%
Capitalized interest	3	2	50 %
Net foreign exchange gain (loss)	(3 161)	(2 246)	(41)%
Net interest on pension liability	(189)	(180)	(5)%
Other	(115)	(134)	14 %
Financial expense	(3 900)	(2 978)	(31)%
Financial income (expense), net	(3 554)	(2 576)	(38)%

The net currency loss in 2014 related mainly to debt denominated in US dollars and inter-company balances denominated in Euro. The foreign exchange loss also included unrealized losses on embedded derivatives in power contracts denominated in Euro.

Income tax expense

Income taxes amounted to NOK 892 million in 2014 or about 42 percent of income before tax. The tax rate reflects the relatively high share of reported income before tax subject to power sur tax.

Liquidity and capital resources

The table below includes information on Hydro's liquidity, debt, investments and financial position and performance for the years indicated. See note 39 to the consolidated financial statements for more information on Hydro's capital management practices. See the shareholder information section of this report for more information on Hydro's dividend policy, share buybacks and funding and credit rating.

Liquidity and financial position NOK million, except ratios and RoaCE	Year 2014	Year 2013
Net cash provided by continuing operating activities	5 965	5 202
Cash and cash equivalents	9 253	8 412
Short-term investments ¹⁾	1 786	2 480
Liquid assets	11 040	10 891
Bank loans and other interest-bearing short-term debt	(6 039)	(6 220)
Long-term debt	(5 128)	(3 986)
Net interest-bearing (debt) assets	(127)	685
Adjusted net interest-bearing debt excluding equity accounted investments (EAI) ²⁾	(13 587)	(10 084)
Adjusted net interest-bearing debt including EAI ²⁾	(20 882)	(16 709)
Adjusted net interest-bearing debt including EAI / Adjusted equity ³⁾	0.26	0.22
Investments ⁴⁾	3 625	3 761
Capital employed	80 069	74 579
Return on average capital employed (RoaCE)	4.9 %	1.1 %
Adjusted funds from operations / Adjusted net interest-bearing debt	0.42	0.33

1) Hydro's policy is that the maximum maturity for cash deposits is 12 months. Cash flows relating to bank time deposits with original maturities beyond three months are classified as investing activities and included in short-term investments on the balance sheet. See note 22 to the consolidated financial statements for more information on short-term investments.

2) Mainly comprised of net unfunded pension obligations after tax, the present value of operating lease obligations and asset retirement obligations. We are presenting adjusted interest bearing debt including interest bearing debt held by equity accounted investees and excluding such debt in this annual report. See note 39 to the consolidated financial statements for more information on adjusted net interest-bearing debt and adjusted equity.

3) Adjusted net interest bearing debt ratio and other financial metrics included in this report are calculated including interest bearing debt held by equity accounted investees.

4) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments. Excludes investments in discontinued operations.

Cash flow and Liquidity

Hydro manages its liquidity at the corporate level, ensuring sufficient funds to cover group operational requirements.

In 2014, cash provided from continuing operating activities of NOK 5.9 billion was sufficient to cover investments net of sales proceeds amounting to NOK 3.0 billion and dividend payments to majority shareholders of NOK 1.5 billion. Net loan repayments amounted to NOK 1.2 billion.

Net interest bearing debt was increased by NOK 0.8 billion compared to the previous year, amounting to net debt of NOK 0.1 billion at the end of 2014. The increase in adjusted net interest bearing debt excluding equity accounted investments reflected a further increase in net pension liabilities mainly due to reduced discount rates in Norway and Germany. Hydro's adjusted net interest bearing debt to equity ratio was 0.26, well below its targeted maximum ratio of 0.55. Our adjusted funds from operations/adjusted net interest bearing debt ratio was 0.42, slightly above the targeted minimum of 0.40 over the business cycle.

Norsk Hydro ASA has a USD 1.7 billion revolving multi-currency credit facility with a syndicate of international banks, maturing in November 2019 after being extended one year, with the possibility of a further one year extension. There was no borrowing under the facility as of December 31, 2014. The facility will continue to serve primarily as a back-up for unforeseen funding requirements. See note 33 to the consolidated financial statements for additional information.

Hydro expects that cash from continuing operations, together with its liquidity holdings and available credit facilities, will be sufficient to cover planned capital expenditures, operational requirements, and financing activities in 2015.

Contractual obligations, commitments and off-balance sheet arrangements

A summary of Hydro's total contractual obligations and commercial commitments to make future payments is presented below. For further information, see notes 19 Operating leases, 33 Long-term debt, 42 Contractual commitments and other commitments for future investments and 34 Provisions to Hydro's consolidated financial statements.

Hydro is contingently liable for certain guarantees amounting to about NOK 4 billion, mainly in connection with the sale of companies. This amount is excluded from the table below. See note 41 Guarantees to Hydro's consolidated financial statements for a description of such guarantees.

Amounts in NOK million	Total	Less than 1 year	1-3 years	3-5 years	Thereafter
Long-term debt including interest	6 801	783	2 554	2 394	1 070
Operating lease obligations	2 494	318	576	528	1 072
Unconditional purchase obligations ¹⁾	123 508	16 882	22 975	17 961	65 690
Contractual commitments for PP&E	3 125	2 226	854	34	11
Short-term and long-term provisions ²⁾	5 118	1 125	1 570	1 030	1 393
Total contractual and non-contractual obligations	141 045	21 334	28 530	21 946	69 236

1) Unconditional purchase obligations exclude long-term contracts with part owned entities.

2) Short-term and long-term provisions includes certain accruals and provisions which are non-contractual, but related to liabilities or obligations that are measurable and expected to occur in future periods.

Employee retirement plans

Hydro's employee retirement plans consist of defined benefit and defined contribution pension plans. As of December 31, 2014, the defined benefit obligation associated with Hydro's defined benefit plans was NOK 21.4 billion. The fair value of pension plan assets was NOK 12.0 billion, resulting in a net unfunded obligation relating to the plans of NOK 9.4 billion. In addition, termination benefit obligations and other pension liabilities amounted to NOK 0.6 billion, resulting in a total net unfunded pension liability of NOK 9.9 billion. Hydro's pension expense for 2014 amounted to NOK 0.5 billion. Cash outflows from operating activities in 2014 regarding pensions amounted to approximately NOK 0.7 billion. See note 36 Employee retirement plans in the consolidated financial statements for more information on Hydro's employee retirement plans.

Minority interest and shareholders' equity

Minority interest was NOK 5,911 million as of December 31, 2014, compared with NOK 5,283 million as of December 31, 2013. Shareholders' equity amounted to NOK 79,941 million at the end of 2014, compared with NOK 75,264 million at the end of 2013. The main items impacting shareholders' equity in 2014 and 2013 included net income, currency translation adjustments, remeasurement of post-employment benefits and dividends declared and paid. See the consolidated statements of changes in equity and note 38 Shareholders' equity to Hydro's consolidated financial statements for a detailed reconciliation of shareholders' equity.

Investments

Investments in 2014 amounted to NOK 3,625 million, compared with NOK 3,761 million in 2013.

Investments¹⁾

Amounts in NOK million	Year 2014	Year 2013	% change prior year
Bauxite & Alumina	701	1 198	(41) %
Primary Metal	1 606	1 093	47 %
Metal Markets	95	74	28 %
Rolled Products	783	617	27 %
Energy	364	689	(47) %
Other and eliminations	76	90	(16) %
Total	3 625	3 761	(4) %

1) Additions to property, plant and equipment (capital expenditures) plus long-term securities, intangible assets, long-term advances and investments in equity accounted investments. Excludes investments in discontinued operations.

In 2014, Hydro continued to focus on securing its liquidity position. Investments were mainly limited to maintenance activities to safeguard our production assets. A summary of the significant investments that were made in addition to maintenance activities for both 2014 and 2013 is included below.

Investments in Bauxite & Alumina included amounts relating to an expansion and modernization of the bauxite residue (red mud) deposit area at Alunorte. The project is expected to be finalized in 2016.

The increase in investments for Primary Metal compared to 2013 was mainly due to a normal cyclical increase in the relining of smelter cells which is done every 4-7 years for established smelters.

Investments for Rolled Products in 2014 included a new recycling line for used beverage cans at Hydro's smelter in Neuss, Germany, to be finalized in 2015, a new production line at Grevenbroich for aluminium car body sheet to be finalized in 2016 and upgrading of one of the lines at the AluNorf hot rolling mill. Investments for Rolled Products in 2013 included expenditures related to re-lining and ramp up activities for our Rheinwerk smelter in Germany.

In 2014 investments for Energy included amounts related to the major upgrade project at Rjukan in Telemark as well as upgrade projects in Røldal-Suldal. In 2013 investments for Energy included the acquisition of Vigeland power plant, a major upgrade project at Rjukan as well as upgrades of power stations in Røldal-Suldal.

Return on Capital Employed (RoaCE)

Hydro uses (underlying) RoaCE to measure the performance for the group as a whole and within its operating segments, both in absolute terms and comparatively from period to period. Management views this measure as providing additional understanding of the rate of return on investments over time in each of its capital intensive businesses, and in the operating results of its business segments.

(Underlying) RoaCE is defined as (underlying) "Earnings after tax" divided by average "Capital Employed." (Underlying) "Earnings after tax" is defined as (underlying) "Earnings before financial items and tax" less "Adjusted income tax expense." Since RoaCE represents the return to the capital providers before dividend and interest payments, adjusted income tax expense excludes the tax effects of items reported as "Financial income (expense), net" and in addition, for underlying figures, the tax effect of items excluded. "Capital Employed" is defined as "Shareholders' Equity", including minority interest plus long-term and short-term interest-bearing debt less "Cash and cash equivalents" and "Short-term investments." Capital Employed can be derived by deducting "Cash and cash equivalents," "Short-term investments" and "Short-term and long-term interest free liabilities" (including deferred tax liabilities) from "Total assets." The two different approaches yield the same value.

NOK million	Underlying		Reported	
	2014	2013	2014	2013
EBIT	5 692	2 725	5 674	1 663
Adjusted Income tax expense ¹⁾	(1 683)	(1 052)	(1 887)	(837)
EBIT after tax	4 009	1 674	3 787	826

NOK million	31 December		
	2014	2013	2012
Current assets ²⁾	24 888	19 790	28 353
Property, plant and equipment	55 719	52 855	54 204
Other assets ³⁾	34 627	32 788	24 409
Other current liabilities	(13 076)	(12 630)	(14 922)
Other long-term liabilities ⁴⁾	(22 088)	(18 223)	(18 262)
Capital Employed	80 069	74 579	73 781

Return on average Capital Employed (RoCE)	Underlying		Reported	
	2014	2013	2014	2013
Hydro	5.2 %	2.3 %	4.9 %	1.1 %
Business areas ⁵⁾				
Bauxite & Alumina	(0.1) %	(2.2) %	(0.1) %	(2.5) %
Primary Metal	10.4 %	3.9 %	10.4 %	2.3 %
Metal Markets	19.4 %	19.9 %	21.9 %	22.3 %
Rolled Products	5.3 %	5.2 %	8.6 %	0.7 %
Energy	17.4 %	36.1 %	17.4 %	36.1 %

1) Adjusted Income tax expense is based on reported and underlying tax expense adjusted for tax on financial items.

2) Excluding cash and cash equivalents and short-term investments.

3) Including deferred tax assets.

4) Including provisions for pension and deferred tax liabilities.

5) RoCE at business area level is calculated using 30% tax rate. For Energy, 55% tax rate is used.

Additional information

See note 8 to the consolidated financial statements for additional financial information relating to Hydro's operating segments. Following is a table of underlying EBITDA for each of the operating segments:

Underlying EBITDA	Year	Year	% change
NOK million	2014	2013	prior year
Bauxite & Alumina	1 747	662	>100 %
Primary Metal	5 745	3 293	74 %
Metal Markets	712	691	3 %
Rolled Products	1 398	1 293	8 %
Energy	1 360	1 803	(25) %
Other and eliminations	(662)	(435)	(52) %
Total	10 299	7 306	41 %

Notes and references

- 1) The all-in metal price refers to the LME aluminium price plus premiums.
- 2) Rolled Products incurs currency gains and losses on export sales from its Euro based operations mainly denominated in US dollars. These gains and losses impact the value of the margin contribution to underlying EBIT and can be significant. Offsetting gains and losses on internal hedges are reported as financial items.
- 3) Includes sales from integrated casthouses, remelters, Hydro's 51 percent share of Albras, and third party sources.
- 4) Prices are fixed mainly one month prior to production. As a result, and due to the hedging of product inventories, Hydro's realized aluminium prices lag LME spot prices by around 1.5 to 2 months.
- 5) Reintegra provides tax credits on the revenue generated from export of manufactured goods produced in Brazil. The rate may vary from 0.1% to 3%. Credits generated under the Reintegra program can be refunded in cash or offset against federal taxes and contributions.
- 6) Amounts relating to annual improvements achieved by the end of 2014 for the USD 180 per mt program are based on a comparison to cost and revenue levels in 2011. Amounts relating to the USD 300 per mt program are compared to 2009.

04: Risk review

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QUICK OVERVIEW

Hydro faces many risks and uncertainties within its worldwide business operations and the global marketplace. We are exposed to changing economic and market conditions and price and currency volatility can have a significant impact on Hydro's reported and operating results. Our primary smelting operations are highly dependent on securing substantial amounts of energy at competitive prices. Our operations are exposed to competition from China and we may not realize the benefits expected from our investments in Brazil. We could be adversely effected by disruptions to our operations and we may not be able to maintain sufficient insurance to cover all risks related to our operations

Risk management in Hydro is based on the principle that risk evaluation and mitigation is an integral part of all business activities. A core strategy to reduce the risks related to weak economic and unfavorable market developments is the continual improvement of our business in terms of operational efficiency, cost reductions and enhanced commercial strategies. Hydro's main strategy for mitigating risk related to volatility in cash flow is to maintain a solid financial position and strong credit worthiness.



Commodity price sensitivity +10%

NOK Million	EBIT
Hydro Group	
Aluminium	3 200

Currency sensitivities +10%

NOK Million	USD	BRL	EUR
Sustainable effect			
EBIT	3 230	(820)	(350)
One-off reevaluation effect			
Financial items	(1 130)	770	(1 500)

- Annual sensitivities based on normal annual business volumes, LME USD 2 000 per mt, Oil USD 500 per mt, petroleum coke USD 400 per mt, caustic soda USD 300 per mt, coal USD 60 per mt, NOK/USD 6.70, NOK/BRL 2.70, NOK/EUR 8.60
- Aluminium price sensitivity is net of aluminium price indexed costs and excluding unrealized effects related to operational hedging
- Excludes effects of priced contracts in currencies different from underlying currency exposure (transaction exposure)
- Currency sensitivity on financial items includes effects from intercompany positions

Risk factors

Risk management in Hydro is an integral part of all business activities. Business areas have the main responsibility for relevant risk management within their area. Corporate staff units establish policies and procedures for managing risk and coordinate an overall enterprise risk assessment.

Below is a description of certain risks that may affect our business, financial condition and the results of operations from time to time and, hence, our share price. All of the information in this report should be carefully considered, in particular, the risks described below.

A deterioration in global economic or market conditions could have an adverse effect on our operating results and liquidity

Following several years of weak economic developments and low LME prices, global aluminum markets have improved, with higher all-in metal prices¹⁾ due to a better supply and demand balance. Although these conditions are expected to continue during 2015, economic developments and changes in market demand are uncertain. Economic conditions have improved somewhat, but there are large regional differences which could impact demand for our products in key downstream markets. Europe, in particular, continues to be impacted by industrial overcapacity and high levels of unemployment. At the same time imports of semi-fabricated products from China have increased (see discussion on our exposure to competition from China later in this section). Inventories remain at high levels which can have a negative impact on market prices for primary metal. Changing market dynamics can also result in the release of inventories having a dampening effect on standard ingot premiums going forward.

Hydro's core strategy to reduce the risks related to weak economic and unfavorable market developments is the continual improvement of our business in terms of operational efficiency, cost reductions and enhanced commercial strategies. These efforts help us to partly offset the effects of low market prices and raw material cost increases. In order to secure our liquidity, we also maintain a strong balance sheet, with strong capital discipline and a continued focus on working capital.

We may be unable to maintain our operating costs at a competitive level in the marketplace

The majority of Hydro's upstream capacity is located in countries that have experienced strong currencies and/or inflationary pressures such as Norway, Australia, Brazil, Qatar and Canada. Although our major cost currencies have

weakened substantially recently, unfavorable developments can increase our operating costs significantly, and weaken our competitive position globally.

Our operations, and in particular our aluminium smelters, are dependent upon large volumes of energy. Our operations could be materially negatively affected by the inability to replace, on competitive terms, our long-term energy supply contracts when they expire, or our own electricity production, to the extent that concessions revert to the Norwegian state. See also the section in this report on Regulation and taxation for more information pertaining to the Norwegian regulatory system for hydroelectric production.

Our improvement initiatives are key strategies aimed at maintaining and improving our relative position on the industry cost curve. We are also engaged in a number of initiatives to identify and secure competitive energy supplies for our operations and are actively involved in promoting a sustainable energy policy in the regions where we operate. However, we may not succeed in making the cost reductions and improvements necessary on a timely basis, or they may be insufficient to achieve a sustainable level of profitability for our business operations in the event of an extended period of low aluminium prices, relatively high costs for key raw materials or weak market demand.

Our business is exposed to competition from China and other emerging or transitioning markets

China imposes duties designed to reduce the export of primary aluminium while also encouraging domestic production of more labor intensive semi-fabricated and finished aluminium products. Chinese production capacity for rolled product has increased despite widespread overcapacity in the Chinese market. These developments expose our downstream business to lower-priced exports from China.

Exports of semi-fabricated products from China have risen recently, driven by an increasing difference between SHFE (Shanghai Futures Exchange) prices and all-in LME metal prices. This has increased the price advantage of Chinese metal despite import duties and higher freight costs. An increase in the oversupply of primary metal in China could exacerbate this development and increase the export of primary aluminium.

Chinese authorities could reduce the level of duties imposed on primary aluminium exports. Duties and tariffs imposed on imports into other regions from China could be reduced or eliminated. See section Regulation and taxes – Aluminium regulation – EU Aluminium tariffs for further information.

Any reduction of such duties or further decline in SHFE market prices below LME prices would be a significant competitive threat to our business.

Other emerging or transitioning markets in countries with abundant natural resources, low-cost labor and energy, and lower environmental and other standards, have posed and may continue to pose a significant competitive threat to our business.

Hydro's reported results and competitive position are exposed to changes in currency exchange rates

Hydro has a substantial portion of its primary metal capacity based in Norway and its accounting and reporting currency is the Norwegian krone. Primary aluminium prices, alumina and certain product premiums as well as a major part of the raw materials for producing aluminium are denominated in US dollars. Roughly half of Hydro's capital employed is located in Brazil. Much of Hydro's downstream business is based in Europe and a large portion of the production is sold in Euro while export sales to other regions are typically denominated in US dollars. As a result of these exposures, the relative value of the Norwegian krone, US dollar, Brazilian Real and Euro are of high importance to Hydro's operating results. Changes in the value of these currencies can be significant and volatile. Periodic revaluation of foreign-denominated balances can have a significant impact on earnings. Revaluation upon realization of such balances can have a significant effect on both earnings and cash. The value of investments committed in foreign currencies is sensitive to currency movements.

See Market and commercial risk – Prices and currency later in this section for Hydro's policies and practices relating to hedging price and currency risk.

Price volatility can impact our operating costs and can also have a substantial effect on our reported operating results

Commodity price volatility in general has increased significantly in recent years and can have significant impact on our operating results. Commodity price volatility, including raw material commodities such as fuel oil, petroleum coke and coal, can significantly impact our operating costs directly and can also have a substantial effect on our reported operating results due to realized and unrealized gains and losses on derivative instruments. Underlying results for our trading and hedging operations are subject to substantial variations in periods of significant fluctuations of spot and forward prices for aluminium.

See Market and commercial risk – Prices and currency later in this section for Hydro's policies and practices relating to hedging price and currency risk.

Hydro may not realize the benefits expected from the investments in its business operations in Brazil

Hydro cannot be certain that it will realize the expected benefits from its investments in Brazil or that such results can be achieved in the time frame expected. Weak economic and market conditions and production disruptions could have a substantial negative influence on Hydro's business operations in Brazil.

Brazil is currently experiencing one of the worst droughts in its history with a deteriorating hydrological balance and weak hydroelectricity generation especially in the southern part of the country. Although the impact in the northern part of the country has been lower, the power supply could be affected via the transmission grid system. Depending on developments the situation could worsen in second half of 2015 and Hydro's Albras smelter could be impacted by potential mandatory power rationing. This would have a negative influence on production and deliveries to customers. Following real declines in GDP in the first half of 2014, Brazil's economy is expected to gradually recover. However, significant challenges continue due to tighter monetary and fiscal policies, weak external demand, low levels of investment and persistent infrastructure bottlenecks. These factors could have a negative impact on Hydro's operating environment and returns on its investment in Brazil. The tax system in Brazil is complex and volatile, with a broad range of direct and indirect taxes levied at the federal, state and municipal levels. As a result, there are normally a large number of tax disputes which can take substantial time for resolution.

Hydro's main operations in Brazil are located in the state of Pará which grants a deferral of ICMS taxes on certain goods and services. The ICMS deferral law in Pará has a duration until July 2015 and a dialogue is ongoing with the Pará authorities to renew the deferral. A discontinuation of the ICMS deferral law would further adversely affect Hydro's operating results from its Brazilian operations. See discussion on Hydro's operations in Brazil in the Regulation section earlier in this report for further information on taxation in Brazil.

Costs associated with operating a mine may increase rapidly as a result of, among others, production interruptions or delays, increased or new license requirements and fees, new or increased royalties and/or indirect taxes, changes or variations in geologic conditions, environmental hazards and weather and other natural phenomena, mining and processing equipment failures and unexpected maintenance problems and interruptions due to transportation delays.

Failure to comply with the requirements of the Brazilian Department of Mines with respect to exploration permits and mining concessions may result in a loss of title. Third parties (including, but not limited to, indigenous persons) may dispute title to mineral concessions or the right to conduct mining or exploration activities. In addition, such properties may be subject to undetected or undisclosed defects.

Hydro's bauxite reserves in Brazil and the estimated quantities of bauxite that Hydro expects can be economically mined and processed are subject to material uncertainties.

Our dedicated improvement programs are a key strategy to reduce the risk we face in realizing the benefits expected from our investments in Brazil, together with enhancing a culture of operational excellence through best practice sharing. This includes the implementation of the Bauxite & Alumina Business System (BABS) supported by knowledge and experience gained from our AMPS process in Primary Metal. We will also continue our systematic and constructive dialogue with key stakeholders focusing on the need for competitive, predictable framework conditions in the regions where we operate in Brazil.

Hydro may not realize the benefits expected from the Sapa joint venture

The Sapa joint venture is expected to provide a platform for improved profitability and potential for future growth for its extrusion business. The joint venture may fail to achieve a successful integration of the business operations and may not achieve the synergies expected reducing the value of Hydro's interest in the Sapa joint venture.

Business development has occurred and is more likely to occur in emerging and transitioning markets

Following the acquisition of the Vale aluminium business and the completion of the Qatalum smelter, the geographic distribution of Hydro's business has changed significantly. New primary smelter, alumina and bauxite capacity is expected to be mainly located in countries characterized as emerging and transitioning markets.

Investing in emerging and transitioning markets is demanding in terms of organizational capacity, cultural understanding, effort, knowledge and experience and Hydro may not be capable of succeeding in expanding its business in such markets.

Investments in emerging and transitioning markets may create exposure to economic structures that are generally less diverse and mature and may involve increased risks of severe inflation, fluctuation in currency rates, changing laws and

inconsistent judicial interpretations, disputes over ownership of land and other property, diverging financial, commercial or disclosure practices and more volatile tax systems. Legal, fiscal and regulatory systems in emerging and transitioning markets may be less stable and have a lower degree of transparency and predictability, making investment evaluation and any eventual implementation more difficult. Lower transparency may also create exposure to actual or perceived corruption, increasing the risk to the reputation of companies operating in such markets.

Conducting business in emerging and transitioning markets may be affected by political instability or unpredictability resulting from national or regional political transitions. Conducting business in emerging and transitioning markets may also be affected by government regulations with respect to restrictions on production, price controls, export controls, restrictions on repatriation of profits, payment of dividends, direct and indirect taxes, expropriation of property, environmental legislation and mine safety. The Brazilian government has in the past intervened in the Brazilian economy and has occasionally made substantial changes in policy.

Future acquisitions, mergers, or strategic alliances may adversely affect our financial condition

Hydro may undertake additional acquisitions in the future and may not be able to realize benefits expected for such transactions. Acquisitions may contain significant unidentified liabilities which could have a material adverse effect on our financial position.

Increasing investments in jointly owned entities reduces Hydro's ability to manage its business portfolio

Investment as a minority partner in jointly owned entities reduces Hydro's ability to manage and control this part of its portfolio. Investments in jointly owned entities, including those in which we hold a majority position also entail the risk of diverging interests between business partners, which could impede Hydro's ability to realize its objectives, repatriate funds from such entities and to achieve full compliance with Hydro's standards. At the end of 2014, around half of our smelter capacity was owned through interests in joint venture companies and our extrusion operations are owned through the 50/50 joint venture, Sapa.

We may not succeed in attracting and retaining sufficient skilled employees

In order to safeguard our operations and achieve future growth, we must recruit and retain qualified professionals.

We are highly dependent on the continuous development

and successful application of new technologies and require substantial capacity and competence in terms of complex management and critical business processes. We also emphasize diversity with regards to nationality, culture, gender and educational background in our recruiting practices and policies. Demand for personnel with the range of capabilities and experience required in our businesses is high. Failure to attract and retaining such employees could result in a decline in our competitive position and have a negative impact on our operating results and financial condition.

We strive to create a safe and appealing work environment to attract and retain competent, motivated people. We aim to develop competence and engagement through our employee development process "My Way" and "Hydro Monitor". Strategic workforce planning to secure future requirements for managers and technical specialists and to meet our diversity aspirations is also a priority.

We may not succeed in developing technological solutions to support our competitive position and future growth

Being at the forefront of technological development is important to remain competitive. Hydro is engaged in the development of new "next generation" cell and smelter technology together with key suppliers. We may fail to develop these technologies on a timely basis or they may not be commercially feasible, thereby resulting in a negative impact on our growth opportunities and competitive position.

Hydro could be adversely affected by disruptions of our operations and may not be able to maintain sufficient insurance to cover all risks related to its operations

Hydro's business is subject to a number of risks and hazards which could result in damage to properties and production facilities, personal injury or death, environmental damages, monetary losses and possible legal liability. Major accidents could result in substantial claims, fines or significant damage to Hydro's reputation. Breakdown of equipment, power failures or other events leading to production interruptions in our plants could have a material adverse effect on our financial results and cash flows. In 2013 power outages at our Alunorte alumina refinery resulted in significant production disruptions having a negative impact on operating results for the year. In 2012, the Qatalum joint venture experienced a fire in a power plant cooling tower leading to temporary cost increases.

Some of our operations are located in close proximity to sizable communities. Major accidents due to human error,

systems failures, deliberate sabotage, extreme weather or other natural disasters, could result in loss of life or extensive damage to the environment or communities. Such events could result in major claims, fines, penalties and significant damage to Hydro's reputation.

Although Hydro maintains insurance to protect against certain risks in such amounts as it considers reasonable and in accordance with market practice, its insurance may not cover all the potential risks associated with Hydro's operations.

In order to reduce the risk of disruptions of our operations and potential consequences, we perform regular risk assessment and engage in comprehensive emergency preparedness training for key managers and employees. We have also focused on increasing our robustness against power outages including automation of substations and power houses and improved back-up capacity facilities.

A deterioration of our financial position or a downgrade of our ratings by credit rating agencies could increase our borrowing cost and cost of capital and have an adverse effect on our business relationships

It is important for Hydro to maintain its investment grade credit rating for competitive access to capital and to support its business relationship with customers, suppliers and other counterparties. Our credit rating is also an important factor in making Hydro attractive as a joint venture partner for new growth initiatives. Any deterioration of our financial position or downgrade of our credit rating could increase our borrowing costs and have an adverse effect on our business relationships and attractiveness for major projects, contracts and other agreements.

Hydro has a strong focus on securing its investment grade credit rating by maintaining a strong balance sheet, capital discipline and a continued focus on working capital. Specific financial ratios are targeted over the business cycle aimed at ensuring a high degree of liquidity and strong credit profile. We also focus on increasing the robustness of our portfolio, through the ongoing operational improvements discussed above.

Hydro faces the risk of counterparty default

A significant downturn in the business or financial condition of a key customer or group of customers exposes us to the risk of default on contractual agreements and trade receivables, which would have a negative impact on our operational results. Weak and deteriorating economic conditions on a global, regional or industry sector level increases the risk of defaulting counterparties and may reduce or make prohibitively expensive credit insurance to cover such risk.

See Market and commercial risk – Liquidity risk later in this section for Hydro's policies and practices relating to mitigating counterparty risk.

Hydro could be negatively affected by legal proceedings or investigations

Hydro could be negatively affected by criminal or civil proceedings or investigations related to, but not limited to product liability, environment, health and safety, alleged anti-competitive or corrupt practices or commercial disputes. See also the section of this report on Viability for more information on issues relating to integrity and transparency. Violation of applicable laws and regulations could result in substantial fines or penalties, costs of corrective works and, in rare instances, the suspension or shutdown of our operations and substantial damage to the company's reputation.

Hydro has a comprehensive compliance system, including a Code of Conduct that applies to all employees, and regular and systematic compliance training. Our compliance system requires adherence with external laws and regulations as well as internal steering documents and is based on prevention, detection, reporting and responding. We are proactive in our interactions with counterparties and our supplier requirements regarding integrity and compliance form an integral part of our procurement process.

Hydro is subject to a broad range of laws and regulations

Hydro is subject to a broad range of laws and regulations in the legal jurisdictions in which we operate. These laws and regulations impose stringent standards and requirements and potential liabilities regarding accidents and injuries, the construction and operation of our plants and facilities, payment of taxes, air and water pollutant emissions, the storage, treatment and discharge of waste waters, the use and handling of hazardous or toxic materials, waste disposal practices, and the remediation of environmental contamination, among other things.

Environmental laws may impose clean up liability on owners and occupiers of contaminated property, including past or divested properties, regardless of whether the owners and occupiers caused the contamination or whether the activity that caused the contamination was lawful at the time it was conducted. Many of our present and former operations are and were located on properties with a long history of industrial use. See also the section in this report on Regulation and taxation for more information pertaining to Environmental matters.

We believe we are in material compliance with currently applicable laws and regulations and we have a systematic and constructive dialogue with key stakeholders focusing on the

need for competitive, predictable framework conditions in the regions where we operate. However, laws and regulations may change or new laws and regulations may be enacted requiring substantial costs for compliance, reducing profitability or having a negative impact on our competitive position.

Hydro is exposed to increasingly demanding legislation on reducing CO2 emissions

Aluminium production is an energy-intensive process that has the potential to produce significant environmental emissions, especially air emissions including CO2. An increasing number of countries have introduced, or are likely to in the near future to introduce, legislation with the objective of reducing CO2 emissions. Hydro has substantial smelter operations located in Europe and other regions as well as alumina refining operations located in Brazil.

Legislation regulating CO2 emissions has resulted in higher power prices for our European operations but to a lesser extent for our Norwegian smelters in the short to medium term, since most of our electricity consumption in Norway is covered by our own equity production or through long-term supply contracts. The EU has enacted emissions regulations that apply directly to CO2 emissions from our smelter operations in Norway and in the EU from 2013 onward. Although there will be some compensation available to aluminium producers, these regulations are more demanding than those being contemplated in most other regions of the world with aluminum production, and could negatively impact our competitive position. See also the section in this report on Regulation and taxation for more information pertaining to climate gases.

In addition to the risk of increasingly demanding legislation, the potential physical impacts of climate change on our facilities and operations is highly uncertain. Effects of climate changes may include changes in rainfall patterns, shortages of water or other natural resources, changing sea levels, changing storm patterns and intensities, and changing temperature levels. These effects may adversely impact the cost, production and financial performance of Hydro's operations. Hydro has been an active participant in the development of international frameworks on climate change and greenhouse gas emissions supporting the establishment of a level playing field for global aluminium production. We engage in significant R&D activities focused on reducing energy consumption and improving electrolysis efficiency including anode consumption which is the main source of CO2 emissions from our smelter operations.

Hydro may be subject to liabilities relating to businesses transferred to successor companies

Hydro has certain joint liabilities under Norwegian statutory regulations following from demergers. Under the Norwegian public limited companies act section 14-11, Hydro and Statoil are jointly liable for liabilities 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, Hydro and Yara International ASA are jointly liable for liabilities accrued before the demerger date of March 24, 2004, on the same conditions.

Rights and legal remedies may be limited for certain classes of shareholders

The exercise of shareholder rights such as voting and preferential subscription rights may not be available to beneficial shareholders whose shares are registered in a nominee account, and not in the shareholders' own names with the Norwegian Central Securities Depository, *Verdipapirsentralen* (VPS). Hydro cannot guarantee that beneficial shareholders will receive the notice for a general meeting in time to instruct their nominees to affect a re-registration of their shares. Hydro is organized under the laws of the Kingdom of Norway. It may be difficult for investors to effect service of process outside Norway upon Hydro or its directors and executive officers, or to enforce against Hydro or its directors and executive officers judgments obtained in other jurisdictions. Norwegian courts are unlikely to apply other than Norwegian law when deciding on civil liability claims under securities laws.

Market and commercial risk

Financial position

Our main strategy for mitigating risk related to volatility in cash flow is to maintain a strong balance sheet. Specific key financial ratio levels are targeted over the business cycle reflecting a solid financial position and strong credit worthiness. These include an adjusted net interest-bearing debt/equity ratio below 0.55 and a ratio of funds from operations to adjusted net interest-bearing debt above a level of 0.40. In addition, we have close follow-up of liquidity reserves and of the profile of installment payments on debt in order to secure our financial position.

Liquidity risk

Hydro's liquidity position at the end of 2014 is considered to be solid. We have an undrawn credit facility of USD 1.7 billion that has been extended by one year through 2019, with a one-year extension option remaining. Hydro continues to focus on cash flow and credit risk throughout

the organization. We take a proactive approach toward customers to reduce credit risk and also monitor the financial performance of key suppliers in order to reduce the risk of default on operations and key projects.

Prices and currency

Our operating results are primarily affected by price developments of its main products, aluminium, alumina and power, and of raw materials, in addition to fluctuations in the value of U.S. dollar, Norwegian krone, Euro, and Brazilian Real which are the most significant currencies for Hydro. Our main risk management strategy for upstream operations is to accept exposure to price movements, while at the same time focusing on reducing the average cost position of our production assets. In certain circumstances, derivatives may be used to hedge certain revenue and cost exposures.

Downstream and other margin-based operations are to a certain extent hedged to protect processing and manufacturing margins against raw material price fluctuations. An operational hedging system has been established to protect commercial contracts from aluminium price fluctuations.

To mitigate the U.S. dollar exposure, Hydro's policy is to raise funding in U.S. dollars. To reduce the effects of fluctuations in the U.S. dollar and other exchange rates, Hydro has used foreign currency swaps and forward currency contracts. In 2013, we entered into forward currency contracts to hedge a portion of the USD/BRL currency exposure in our Brazilian assets for the second half of 2013 and the full year 2014. No such forward contracts have been entered into for 2015.

An indication of the sensitivities regarding aluminium prices and foreign currency fluctuations for 2015 is provided in the table below. The table illustrates the sensitivity of earnings, before and after tax, to changes in these factors and is provided to supplement the sensitivity analysis required by IFRS, included in note 7 to the Consolidated Financial Statements.

In addition to the above sensitivities, the revaluation of derivative instruments and contracts classified as derivatives may influence reported earnings. For accounting purposes, derivative financial and commodity instruments are recognized at fair value, with changes in fair value impacting earnings unless specific hedge criteria are met. This can result in volatility in earnings, since the associated gain or loss on the related physical transactions may be reported in earnings in different periods. Please see note 7 and 41 to the Consolidated Financial Statements for a detailed description of Hydro's commercial and financial risk exposures and hedging activities related to such exposures.

Commodity price sensitivity +10%

NOK Million	EBIT
-------------	------

Hydro Group

Aluminium	3 200
-----------	-------

Currency sensitivities +10%

NOK Million	USD	BRL	EUR
-------------	-----	-----	-----

Sustainable effect

EBIT	3 230	(820)	(350)
------	-------	-------	-------

One-off reevaluation effect

Financial items	(1 130)	770	(1 500)
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Annual sensitivities based on normal annual business volumes, LME USD 2 000 per mt, Oil USD 500 per mt, petroleum coke USD 400 per mt, caustic soda USD 300 per mt, coal USD 60 per mt, NOK/USD 6.70, NOK/BRL 2.70, NOK/EUR 8.60

Aluminium price sensitivity is net of aluminium price indexed costs and excluding unrealized effects related to operational hedging

Excludes effects of priced contracts in currencies different from underlying currency exposure (transaction exposure)

Currency sensitivity on financial items includes effects from intercompany positions

In accordance with IFRS requirements, Hydro has chosen to provide information about market risk and potential exposure to hypothetical loss from its use of derivative financial instruments and other financial instruments, and derivative commodity instruments through sensitivity analysis disclosures. Please see note 7 to the Consolidated Financial Statements for more information, and for additional information on these disclosures.

Legal proceedings

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 it is not probable that the resulting liabilities, if any, will have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Notes and references

1) The all-in price refers to the LME aluminium price plus premiums

05: Shareholder information

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QUICK OVERVIEW

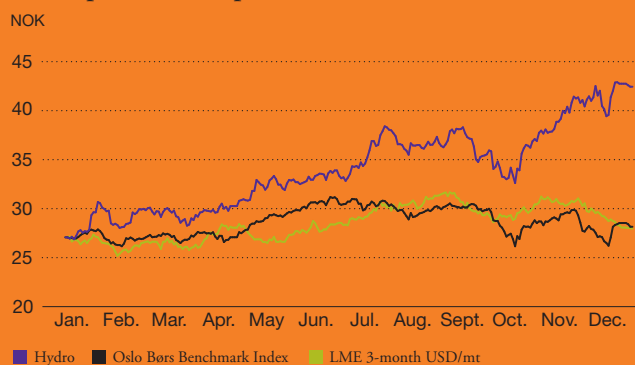
Hydro's share price closed at NOK 42.44 at the end of 2014. The return for 2014 was positive, amounting to NOK 15.37, or 56.78 percent. Hydro's Board of Directors proposes to pay a dividend of NOK 1 per share for 2014, for approval by the Annual General Meeting on May 6, 2015, reflecting the company's commitment to provide a cash return to its shareholders, operational performance for 2014, strong financial position and improved earnings outlook for 2015. Hydro's policy is to pay out, on average, 40 percent of net income as ordinary dividend over the cycle to our shareholders. This policy was revised by Hydro's Board of Directors in 2015, from 30 percent to 40 per cent of net income over the cycle.

There were 2,039,832,288 outstanding shares at the end of 2014. Hydro had 49,059 registered shareholders as per the Norwegian Central Securities Depository. The Ministry of Trade, Industry and Fisheries of Norway was the largest of these with a shareholding of 34.26 percent of the total number of ordinary shares authorized and issued.

Hydro's shares are, in addition to the Oslo Stock Exchange, also listed in London while our American Depositary Shares (ADSs) trade on OTCQX International in the U.S., the premium over-the-counter market tier.



Share price development in 2014



Introduction

Hydro's share price closed at NOK 42,44 at the end of 2014. The return for 2014 was positive with NOK 15,37, or 56,78 percent. Hydro's Board of Directors proposes to pay a dividend of NOK 1 per share for 2014, for approval by the Annual General Meeting on May 6, 2015, reflecting the company's commitment to provide a cash return to its shareholders, operational performance for 2014, strong financial position and improved earnings outlook for 2015.

There were 2,039,832,288 outstanding shares at the end of 2014. A total of 1.8 billion Hydro shares were traded on the Oslo Stock Exchange during 2014, representing 5.7 percent of the total turnover on the exchange in terms of share value.

Hydro's shares are, in addition to the Oslo Stock Exchange, also listed in London while our American Depositary Shares (ADSs) trade on OTCQX International in the US, the premium over-the-counter market tier.

Dividend policy

Long-term returns to shareholders should reflect the value created by Hydro. Shareholders' returns consist of dividends and share price development. Over time, value creation should be reflected to a greater extent by share price development than through dividends. Our policy is to pay out, on average, 40 percent of net income as ordinary dividend over the cycle to our shareholders. The policy was revised by Hydro's Board of Directors in 2015, from 30 percent to 40 percent of net income over the cycle. In setting the dividend for a specific year, we will take into consideration future earnings, future investment opportunities, the outlook for world commodity markets and our financial position. Share buybacks or extraordinary dividends will supplement ordinary dividends during periods of strong financials, due consideration being given to the commodity cycle and capital requirements for future growth. The total payout should reflect Hydro's aim to give its shareholders competitive returns benchmarked against alternative investments in comparable companies.

Hydro's Board of Directors normally propose a dividend per share in connection with the publication of our fourth quarter results. The Annual General Meeting then considers this proposal in May each year, and the approved dividend is subsequently paid to shareholders in May or June. Hydro pays dividends once each year. For non-Norwegian shareholders, Norwegian tax will be deducted at source in accordance with the current regulations.

Buyback of shares

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

Funding and credit quality

Maintaining a strong financial position and an investment grade credit rating are viewed as important risk mitigating factors, supporting Hydro's possibilities for strategic development of its businesses. Access to external financial resources is required in order to maximize value creation over time, balanced with acceptable risk exposure. To secure access to debt capital on attractive terms, we aim at maintaining an investment grade credit rating from the leading rating agencies.

Contributing toward this ambition to retain our credit rating, we intend to keep our funds from operations at a level no less than 40 percent of net adjusted interest-bearing debt, in addition to net adjusted interest-bearing debt at a ratio not higher than 0.55 to equity capital over time. In calculating these ratios, we include off-balance sheet pension obligations, operating lease commitments, share of net interest-bearing debt in equity accounted investments and certain other debt-like items. For a discussion of these adjustments see Note 39 - Capital Management in the Financial Statements section of this report.

Major shareholders and voting rights

As of December 31, 2014, Hydro had 49,059 registered shareholders as per the Norwegian Central Securities Depository (VPS). The Ministry of Trade, Industry and Fisheries of Norway was the largest of these with a shareholding of 34.26 percent of the total number of ordinary shares authorized and issued, and 34.75 percent of the total shares outstanding. As of the same date, The Government Pension Fund - Norway (Folketrygdfondet) owned 7.31 percent of the total number of ordinary shares issued and 7.41 percent of the total shares outstanding. There are no different voting rights associated with the ordinary shares held by the state.

Hydro's 20 largest shareholders, December 31, 2014

Shareholder	Number of shares	Ownership interest
Ministry of Trade, Industry and Fisheries	708 865 253	34.3%
Folketrygdfondet	151 143 273	7.3%
DNB Asset Management AS	46 304 784	2.2%
SAFE Investment Company Limited	40 991 017	2.0%
Skagen AS	37 599 789	1.8%
BlackRock Institutional Trust Company, N.A.	27 537 542	1.3%
Storebrand Kapitalforvaltning AS	27 054 588	1.3%
Manning & Napier Advisors, LLC	24 139 907	1.2%
KLP Forsikring	23 903 874	1.2%
Arrowstreet Capital, Limited Partnership	21 769 329	1.1%
Baillie Gifford & Co.	20 966 004	1.0%
Acadian Asset Management LLC	20 512 084	1.0%
The Vanguard Group, Inc.	20 423 072	1.0%
EARNEST Partners, LLC	19 219 269	0.9%
Statoil Kapitalforvaltning ASA	17 816 334	0.9%
JPMorgan Asset Management U.K. Limited	16 479 448	0.8%
State Street Global Advisors (US)	15 957 091	0.8%
JP Morgan Asset Management	15 028 521	0.7%
Legal & General Investment Management Ltd.	14 924 286	0.7%
Rasmussengruppen AS	13 900 000	0.7%
Nordea Funds Oy	13 536 803	0.7%

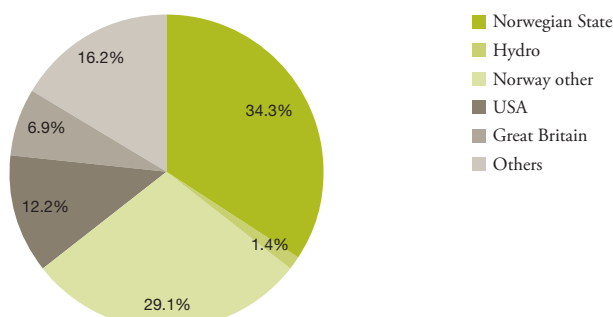
Source: The data is provided by Thomson Reuters through the Share Register Analyses service. The data is obtained through the analysis of beneficial ownership and fund manager information provided in replies to disclosure of ownership notices issued to all custodians on the Hydro share register. Whilst every reasonable effort is made to verify all data, Thomson Reuters can not guarantee the accuracy of the analysis. For a list of the largest shareholders as of December 31, 2014, from the Norwegian Central Securities Depository (VPS), see Note 13 in Notes to the financial statements Norsk Hydro ASA. Due to lending of shares, an investor's holdings registered in its VPS account may vary.

The Norwegian Ministry of Trade, Industry and Fisheries represents the Norwegian government in exercising the state's voting rights. The state has never taken an active role in the day-to-day management of Hydro and has for several decades not disposed of any of the ordinary shares owned by it, except when participating in the share buyback programs.

JPMorgan Chase & Co, as depositary of the ADSs, through its nominee company, Morgan Guaranty Trust Company, held interests in 12,443,881 ordinary shares, or 0.61 percent of the outstanding ordinary shares as of December 31, 2014. The interests are on behalf of 367 registered holders of ADSs.

All shares carry one vote. It is, however, a requirement of Norwegian legislation that a shareholder can only vote for shares registered in their name. Shares registered with a nominee account must be re-registered in the Norwegian Central Securities Depository before the Annual General Meeting in order to obtain voting rights. This requirement also applies to our US-traded ADSs.

Geographical ownership distribution of shares



Source: Norwegian Central Securities Depository (VPS)

Key figures for the Hydro share

	2014	2013 ¹⁾	2012 ²⁾	2011	2010
Share price high, Oslo (NOK)	42.90	29.09	34.24	48.24	50.30
Share price low, Oslo (NOK)	26.87	23.86	23.40	23.96	29.06
Share price average, Oslo (NOK)	34.03	25.89	27.84	36.92	38.75
Share price year-end, Oslo (NOK)	42.44	27.07	27.88	27.74	42.61
Earnings per share (EPS) (NOK)	0.39	(0.45)	(0.65)	3.41	1.33
EPS from continuing operations (NOK) ³⁾	0.39	(0.54)	(0.39)	3.41	1.33
Dividend per share (NOK) ⁴⁾	1.00	0.75	0.75	0.75	0.75
Pay-out ratio ⁵⁾	256%	-	-	22 %	56 %
Dividend growth	33%	0%	0%	0 %	50 %
Pay-out ratio five year average ⁶⁾	95%	86%	176%	77 %	57 %
Adjusted debt/equity ratio ⁷⁾	0.26	0.22	0.19	0.24	0.11
Credit rating, Standard & Poor's	BBB	BBB	BBB	BBB	BBB
Credit rating, Moody's	Baa2	Baa2	Baa2	Baa2	Baa2
Non-Norwegian ownership, year-end	35%	33%	42%	44 %	23 %
Outstanding shares, average	2 039 501 461	2 038 416 268	2 037 199 618	1 965 039 601	1 419 052 116
Outstanding shares, year-end	2 039 832 288	2 038 789 033	2 037 568 162	2 036 459 019	1 587 776 741

1) Figures for 2013 have been adjusted reflecting IFRS 11

2) Figures for 2012 have been adjusted reflecting IAS 19R

3) Extruded Products is included as discontinued operations from January 1, 2012 to August 31, 2013

4) 2014 dividend per share proposed by Board of Directors, dependent on approval from the Annual General Meeting May 6, 2015.

5) Dividend per share divided by earnings per share from continuing operations.

6) Dividend per share divided by earnings per share from continuing operations for last five years.

7) See note 39 to the Consolidated Financial Statements.

Information from Hydro

Hydro gives a high priority to communicating with the stock market, and aims to maintain an open dialogue with market participants. Our objective is to provide sufficient information on a timely basis to all market participants to ensure a fair valuation of our shares. Information that is considered price sensitive is communicated by news releases and stock exchange announcements. We host regular meetings for investors in Europe and the US. The major brokers in Oslo and London publish equity research reports on Hydro. All information about Hydro is published on our website: www.hydro.com

Our annual and quarterly reports are available on www.hydro.com, and our latest annual reports can also be ordered in printed versions from the website.

Two weeks before the announcement of quarterly results, Hydro practices a "closed period" meaning that contact with external analysts, investors and journalists is minimized. This is done to minimize the risk of information leaks and potentially unequal information in the marketplace.

Annual General Meeting

The Annual General Meeting will be held at the company's offices at Drammensveien 260, Oslo, Norway, on Wednesday, May 6, 2015, at 14:00 CET. Shareholders who wish to attend are asked to inform the registrar by 16:00 CET on Monday, May 4:

DNB Bank ASA
Registrar's Department
P.O.Box 1600 Sentrum
N-0021 Oslo, Norway

You may also register electronically on our website www.hydro.com/register or via VPS Investor Services. Any shareholder may appoint a proxy with written authority to attend the meeting and vote on his or her behalf. Voting rights are discussed under "Major shareholders and voting rights."

Change of address

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

Financial calendar 2015

April 29	First quarter results
May 6	Annual General Meeting
May 7	Shares traded ex-dividend
May 8	Record date for dividend
July 21	Second quarter results
October 21	Third quarter results
December 3 and 4	Capital Markets Day

06: *Corporate governance*

– including compliance with the Norwegian code of practice for corporate governance

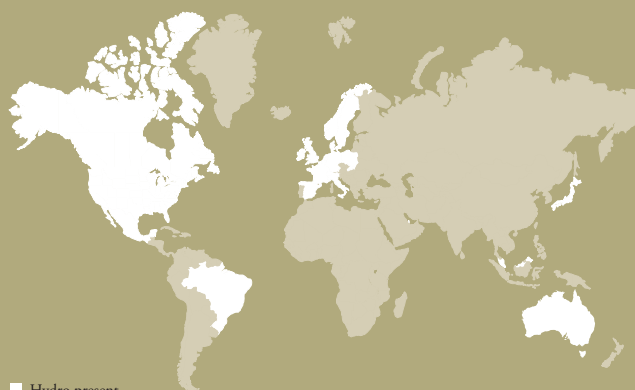
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QUICK OVERVIEW

Hydro is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Our corporate governance has been designed to provide a foundation for value creation and to ensure good control mechanisms. We maintain common requirements in the form of corporate directives that are mandatory for all parts of our organization.

Our corporate directives help ensure that all our employees carry out their activities in an ethical manner and in accordance with current legislation and Hydro standards. The board of directors has approved our Code of Conduct, which applies to all employees throughout the world, as well as to board members of Hydro and its subsidiaries. The code addresses compliance with laws and other matters such as handling of conflicts of interest and a commitment to equal opportunities for all employees. Our integrity program contributes to compliance with anti-corruption legislation and basic human rights.

Hydro follows the Norwegian code of practice for corporate governance of October 2014.



■ Hydro present

Based in Norway, Hydro employs 13,000 people involved in activities in 50 countries.

Introduction

Hydro is a public limited company organized under Norwegian law with a governance structure based on Norwegian corporate law. Our main share listing is on Oslo Børs, which subjects us to Norwegian securities legislation and stock exchange regulations. Hydro has a secondary listing on London Stock Exchange.

We have developed our governance structure through cooperation between our corporate management board and our superior governance bodies to secure compliance with relevant laws and regulations, Hydro's steering documents and to reflect business needs. Further development is a continuous process.

We follow the Norwegian Code of Practice for Corporate Governance of October 2014. A detailed description of our compliance - including deviations - is presented on page 162. Information regarding our shareholder policy can be found on page 147.

Hydro's strategic direction is described on page 10. More comprehensive information about our governance practices, policies and requirements can be found at www.hydro.com/governance

Global directives and Code of Conduct

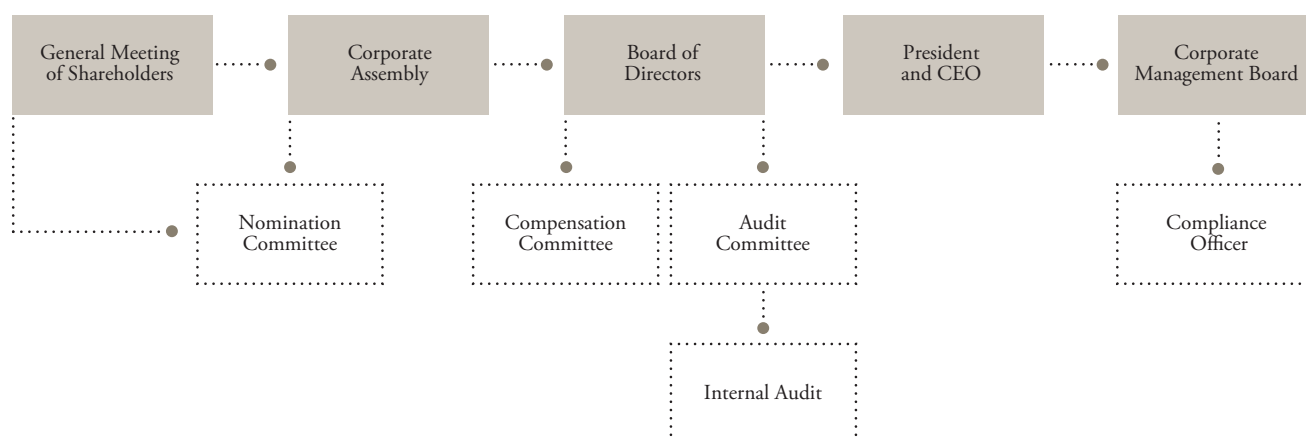
The Hydro Way represents our framework for leadership, organization and culture and is the foundation of our governance system. See page 64 for further information.

Our system is based on the delegation of responsibility to our business areas and to corporate functions whose duties include finance, tax and accounting, HSE, CSR, legal and compliance. In order to maintain uniformly high standards, we set common requirements in the form of constituting documents and global directives. Constituting documents are approved by Hydro's board of directors, the corporate assembly or the general meeting of shareholders, while global directives are approved by the President and CEO. These documents address a number of areas, including health, security, safety and environment (HSE), ethics and social responsibility, strategy and business planning, finance, risk management, and organizational and employee development. This information is made available to all employees. For legal entities where Hydro holds less than 100 percent of the voting rights, Hydro's representatives in the boards of directors shall act in compliance with Hydro's Code of Conduct and endeavor to implement the principles as laid down therein.

Hydro's Code of Conduct is a constituting document and applies to all Hydro employees throughout the world, as well as to board members of Hydro and its subsidiaries. The code was last updated in 2012. See page 72 for more information about Hydro's Code of Conduct, whistleblowing procedure and integrity program, and www.hydro.com/principles for more information regarding our corporate directives.

In Hydro, compliance is defined as adherence to applicable laws and regulations as well as Hydro's steering documents. Guidelines have been established to assist line management to adhere to Hydro's compliance requirements. Special emphasis is made on reducing the risk of non-compliance within finance, anti-corruption, competition, and health, security, safety and environment.

Governance bodies in Hydro



Business planning and risk management

Hydro's overall goal is to create shareholder value through satisfied customers and motivated and competent employees. We have defined two main processes to ensure that short and long-term targets are achieved.

The portfolio, strategy and business planning process involves strategic and operative planning and results monitoring. The planning, which reflects our ambitions and values, is the basis for the strategies and measures that form the business plans at all levels of our organization. We have defined key performance indicators for each unit, including financial, human resource, ethical and HSE objectives, in addition to unit-specific operating targets.

Hydro's people performance and development process, My Way, is designed to assess and develop our human resources, and includes appraisal dialog, individual development and follow-up, as well as talent planning and succession management. Its aim is to promote the potential of individual employees and of our organization as a whole and is integrated with our annual business planning process.

Risk management is also an integrated part of our planning and reporting process. Risk management deals with all aspects of value creation, including strategy, finance, commercial matters, organization, HSE, reputation, corporate responsibility, regulatory and legal matters. Hydro's board of directors regularly reviews and evaluates the overall risk management systems and environment within Hydro. We carry out risk assessments for defined exposure areas. Exposure to certain risks, particularly those threatening life and health, has been consistently reduced to very low levels. See also page 139 for a more detailed discussion of Hydro's risk management.

Controls and procedures

Hydro's Internal Control over Financial Reporting (ICFR) framework is primarily designed to provide reasonable

assurance to our management and the board of directors regarding the preparation and fair presentation of our Financial Statements.

We established our comprehensive ICFR framework in 2006 and continue to maintain it based on the principles established by "The Committee of Sponsoring Organizations of the Treadway Commission (COSO) internal control - integrated framework." The five interrelated COSO principles are: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring.

Our overall control environment relevant for financial reporting is covered by Hydro-Wide Controls (HWC). HWC reflects the tone set by the common attitudes, ethics, and values, and competence of top management and management, and all the rest of our employees.

Our ICFR model is implemented through a top-down and risk-based approach, which takes Hydro's main financial reporting risks as a starting point.

In addition, a standard and minimum level of controls is required for all reporting units, documented in an internal control handbook.

Hydro's disclosure committees assist the CEO and the CFO in ensuring fairness, accuracy, completeness and timeliness of Hydro's public reports and disclosures. The disclosure committee is an integral component of Hydro's disclosure controls and procedures and assesses Hydro's compliance initiatives pertaining to ICFR. The disclosure committee reports quarterly a summary of its activities to the audit committee.

Through reporting from the disclosure committee and internal audit, the audit committee takes an active role in ensuring the functioning of the ICFR framework. See page 161 and www.hydro.com/governance for additional details.

Pre-approval of audit services

The audit committee has a pre-approval policy governing the engagement of primary and other external auditors to provide audit and non-audit services to Hydro or any entity within the group. Under this pre-approval policy, the audit

Hydro's portfolio, strategy and business planning process



committee has defined and pre-approved subcategories of audit and non-audit services. The audit committee's pre-approval policy includes annual monetary frames for each of the following categories of services:

- Audit-related
- Tax
- Non-audit related

Within the scope of the pre-approval policy, all services have been pre-approved and all amounts for audit-related, tax and other non-audit related services are within the monetary frames established by the audit committee.

Transparency and communication

Hydro's corporate culture embodies the principles of transparency and respect for others. Our ability to operate efficiently in the Norwegian market and internationally requires consistent and professional communication. We adhere, therefore, to the principles of transparency, honesty and accountability when interacting with our stakeholders.

Management compensation

Information concerning remuneration and remuneration policies, share ownership, loans outstanding and loan policy relating to Hydro's board of directors and corporate management board is disclosed in note 9-11 of the consolidated financial statements.

Board of directors

Dag Mejdell, chairperson

- Position: President and CEO of Posten Norge AS
- Education: Master's degree in Business Administration from the Norwegian School of Economics and Business Administration (NHH).
- Current directorships: Chair of International Post Corporation, Chair of the Employers Association Spekter, deputy chair of SAS AB and directorships within the Posten group.
- No. of Hydro shares: 35 000.

Inge K. Hansen, deputy chairperson

- Position: Independent adviser
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH)
- Current directorships: Chair of the board of Harding AS, Troms Kraft AS, World Championship Biathlon 2016, Norsun AS, Gjensidige Forsikring ASA, Hotell og Restauranthuset Continental, Core Energy AS, Nets AS and Arctic Securities AS, and is a board member in Sissener AS and the Fram Museum.
- No. of Hydro shares: 12 000

Ove Ellefsen, employee representative

- Position: Project Supervisor / full-time union official representing the Central Cooperative Council (Sentralt Samarbeidsråd)
- Education: Certificate of apprenticeship in electrochemistry. Work supervisor training
- Current directorships: None
- No. of Hydro shares: 7 547

Billy Fredagsvik, employee representative

- Position: Process operator / full-time union official. Represents the Norwegian Confederation of Trade Unions (LO)
- Education: Trade school (mechanics)
- Current directorships: None
- No. of Hydro shares: 3 162

Name	Place of residence	Year of birth	Position	Board committee	Meetings attended ¹⁾	Director since	Term expires
Dag Mejdell	Oslo, Norway	1957	Chairperson ²⁾	Chairperson Compensation committee ⁴⁾	14	2012	2016
Terje Vareberg ³⁾	Stavanger, Norway	1948	Chairperson ²⁾	Chairperson Compensation committee ⁴⁾	3 (of 3)	2007	2014
Inge K. Hansen	Oslo, Norway	1946	Deputy Chairperson	Chairperson Audit committee	13	2008	2016
Ove Ellefsen	Håvik, Norway	1956	Director		14	2011	2015
Billy Fredagsvik	Høyanger, Norway	1956	Director	Audit committee	14	2007	2015
Finn Jebben	Oslo, Norway	1950	Director	Compensation committee	14	2007	2016
Sten Roar Martinsen	Kopervik, Norway	1962	Director	Compensation committee	14	2005	2015
Victoire de Margerie ³⁾	Paris, France	1963	Director		2 (of 3)	2012	2014
Eva Persson	Västra Frölunda, Sweden	1953	Director	Audit committee	14	2010	2016
Pedro José Rodrigues	Rio de Janeiro, Brazil	1953	Director		11	2012	2016
Irene Rummelhoff	Hafslund, Norway	1967	Director	Compensation committee	10 (of 11)	2014	2016
Liv Monica Stubholt	Lørenskog, Norway	1961	Director	Audit committee	13	2010	2016

1) Total number of board meetings were 14. Rodrigues abstained himself from discussions related to Vale due to his relationship with the company. Inge Hansen abstained himself from discussions related to power contracts due to his relationship with the Troms Kraft.

2) Dag Mejdell replaced Terje Vareberg as chairperson on 27 May 2014.

3) Stepped down from the board on 27 May 2014.

4) Mejdell became chairperson of the Compensation committee when Vareberg stepped down from the board.

Finn Jebben

- Position: Independent businessman
- Education: Master of Science in business from the Norwegian School of Economics and Business Administration (NHH). Master's degree in Business Administration from the University of California, Los Angeles.
- Current directorships: Chairperson of Kongsberg Gruppen ASA and Kavli Holding AS. Board member of A. Wilhelmsen AS, Norfund, Future Subsea AS and his wholly-owned company Fateburet AS.
- No. of Hydro shares: 53 406 including shares owned by Fateburet AS

Sten Roar Martinsen, employee representative

- Position: Process operator / full-time union official representing the Norwegian Confederation of Trade Unions (LO)
- Education: Certificate of apprenticeship in electrochemistry. Work supervisor training
- Current directorships: None
- No. of Hydro shares: 4 218

Eva Persson

- Position: Independent businesswoman
- Education: Master of Law from the University of Lund, Sweden
- Current directorships: Board member of Platzer Fastighets Holding AB, Deutz AG and appointed expert of the Swedish Securities Council (Aktiemarknadsnämnden)
- No. of Hydro shares: 0

Pedro José Rodrigues

- Position: Global Director of Vale S.A.
- Education: Chemical Engineer from Fundação Armando Álvares Penteado, São Paulo, Brazil
- Current directorships: None
- No. of Hydro shares: 0

Irene Rummelhoff

- Position: Senior Vice President Exploration Norway in Statoil
- Education: Master of Science in Geology/Geophysics from the Norwegian University of Science & Technology (NTNU)
- Current directorships: None
- No. of Hydro shares: 5 000

Liv Monica Stubholt

- Position: Partner, Hjort DA
- Education: Master's degree in law (cand. jur.), University of Oslo
- Current directorships: Chair of the board of the Russian-Norwegian Chamber of Commerce and board member of the German-Norwegian Chamber of Commerce, Solveig Gas AS, Broadnet AS and VNG Norge AS.
- No. of Hydro shares: 0

Number of Hydro shares is as per 31 December 2014.

For more extensive biographical information, please see www.hydro.com/governance

Corporate Management Board

Name	Place of Residence	Year of birth	Employed in Hydro since	Current position since	Position
Svein Richard Brandtzæg	Oslo, Norway	1957	1985	2009	President and Chief Executive Officer
Kjetil Ebbesberg ³⁾	Kolbotn, Norway	1971	2009	2015	EVP Rolled Products
Alberto Fabrini ²⁾	Belém, Brazil	1955	2013	2014	EVP Bauxite & Alumina
Eivind Kallevik	Oslo, Norway	1967	1998	2013	EVP and Chief Financial Officer
Anne-Lene Midseim	Oslo, Norway	1968	1998	2015	EVP CSR, Legal & Compliance
Arvid Moss	Oslo, Norway	1958	1991	2010	EVP Energy and Corporate Business Development
Inger Sethov	Høvik, Norway	1970	2005	2015	EVP Communication & Public Affairs
Hanne Simensen	Oslo, Norway	1967	1994	2015	EVP People & HSE
Hilde Merete Aasheim ¹⁾	Oslo, Norway	1958	2008	2008	EVP Primary Metal

EVP: Executive vice president

1) Aasheim also was employed in Hydro 2005-2007

2) Fabrini also was employed in Hydro 2009-2012

3) Ebbesberg also was employed in Hydro 1996-2007

Svein Richard Brandtzæg, President and CEO

- Key experience: Executive vice president and head of Aluminium Products. Head of Rolled Products. Head of Metal Products. Head of Magnesium
- Education: PhD, Norwegian Institute of Technology. Degree from the Norwegian School of Management
- External directorships: Council member of ICM, member of the steering committee of Bilderberg Meetings, chair of the Board of SAPA and of NTNU
- No. of Hydro shares: 160 565

Kjetil Ebbesberg

- Key experience: Managing director and Plant manager at Holmestrand rolling mill. CFO for Metal Products. Head of BU Foundry alloys and EVP Metal Markets. CFO for the Norwegian retail group Coop.
- Education: Master of Science in Business from Norwegian School of Economics and Business Administration (NHH).
- External directorships: Member of the Executive Committee and the Manage Committee of Eurometaux and member of the Executive Committee of the European Aluminium Association (EAA)
- No. of Hydro shares: 25 248

Alberto Fabrini

- Key experience: Head of B&A operations in Pará, Brazil. President at Albras, Hydro's 51 percent owned Brazilian aluminium smelter. Managing director Kurri Kurri. Managing director Jamalco. Managing director Alpart. Various management positions in Alcoa.
- Education: Bachelor in Mechanical Engineering, Mackenzie University, São Paulo, Brazil. Immersion Courses, York University and Thunderbird School of Global Management, Canada and USA.

- External directorships: Board member of Associação Brasileira de Alumínio and Instituto Brasileiro de Mineração.
- No. of Hydro shares: 0

Eivind Kallevik, CFO

- Key experience: Head of Finance Bauxite and Alumina. Responsible for integration planning of all functional areas in the Vale deal. Head of Corporate Financial Reporting, Performance and Tax. Head of Finance Aluminium Products. Head of Business Controlling Hydro Aluminium. Responsible for Trade Finance & Cash Management. Prior to Hydro, 6 years of Oil and Gas Financing in Christiania Bank og Kreditkasse.
- Education: Master of Business Administration from University of San Francisco
- External directorship: Board member in Sapa AS
- No. of Hydro shares: 21 075

Anne-Lene Midseim

- Key experience: Company Secretary. Head of Staffs in Bauxite & Alumina. Head of Corporate Social Responsibility and Legal Counsel. Resident Legal Advisor in East-Timor, Oil for development program, Lawyer for Norwegian Law firm Vogt & co, Executive Officer in the Ministry of Oil and Energy.
- Education: Master's degree in law (cand.jur.), University of Oslo.
- External directorships: None
- No. of Hydro shares: 3 403

Arvid Moss

- Key experience: Executive vice president and head of Corporate Strategy and Business Development. Project leader for the oil and gas merger agreement with Statoil. Head of Metal Products. Head of Automotive Structures.
- Education: Master of Science in business from the Norwegian School of Economics and Business Administration (NHH).
- External directorships: None
- No. of Hydro shares: 117 685

Inger Sethov

- Key experience: Head of Communication & Public Affairs in Hydro. Head of Media Relations in Hydro. 10 years of experience as journalist and correspondent for Reuters and Dow Jones news agencies.
- Education: BA Mass Communication & Journalism, California State University Fresno.
- External directorships: None
- No. of Hydro shares: 3 127

Hanne Simensen

- Key experience: Head of Energy Markets. Head of HR Energy. Head of Trading Energy. Head of LPG Shipping and Trading. 3 years experience from Rolled Products.
- Education: Master of Management from BI.
- External directorships: None
- No. of Hydro shares: 2 228

Hilde Merete Aasheim

- Key experience: Head of Staff Functions and Corporate Services in StatoilHydro. Head of the integration between Statoil and Hydro's oil and gas activities. Head of Leadership and Culture in Hydro. 20 years of service in Elkem, three last years as head of the Silicon Division
- Education: Master of Science in business, Norwegian School of Economics and Business Administration (NHH). Certified public accountant from NHH
- External directorships: Vice chairperson of Yara International, chairperson in the Board Audit committee in Yara and vice chairperson in Norsk Industri.
- No. of Hydro shares: 50 699

Johnny Undeli stepped down from the Corporate Management Board (CMB) on 31 May 2014. Alberto Fabrini was appointed executive vice president and head of Bauxite & Alumina 1 June 2014. Wenche Agerup and Oliver Bell stepped down from the CMB on 31 December 2014. Effective 1 January 2015, four new members were appointed executive vice president and members of the CMB: Kjetil Ebbesberg as head of Rolled Products, Hanne Simensen as head of People & HSE, Anne-Lene Midseim as head of CSR, Legal and Compliance, and Inger Sethov as head of Communication & Public Affairs.

Number of Hydro shares is as per 31 December 2014.

For more extensive biographical information, please see www.hydro.com/governance

Governance bodies

Description	Developments and events during the reporting year	References
<p>General meeting of shareholders</p> <p>Company shareholders exercise ultimate authority through the general meeting. Shareholders registered in VPS, the Norwegian Central Securities Depository, can vote in person or by proxy. Invitations are sent to shareholders or to the shareholder's security deposit bank.</p> <p>The general meeting of shareholders:</p> <ul style="list-style-type: none"> • Elects the shareholders' representatives to the corporate assembly • Elects the external auditor and determines the auditor's remuneration • Approves the report according to Norwegian requirements and financial statements, including the dividend proposed by the board of directors and recommended by the corporate assembly • Elects the nomination committee and determines their remuneration • Deals with any other matters listed in the notice convening the meeting • Determines the remuneration of the corporate assembly <p>Shareholders may, at least four weeks before an ordinary general meeting, request in writing that proposals for resolutions are submitted to the general meeting, or that items are added to the agenda.</p>	<p>General meeting in May</p>	<p>The protocols can be found at www.hydro.com/governance</p>
<p>Corporate assembly</p> <p>Normally eighteen members. Twelve are elected by the general meeting of shareholders, six are elected by and among the group's employees in Norway.</p> <p>In accordance with Norwegian law, the corporate assembly:</p> <ul style="list-style-type: none"> • Elects the board of directors and determines their remuneration • Nominates the external auditor to be elected by the general meeting of shareholders • Based on recommendations from the board of directors, makes decisions in matters relating to investments that are substantial in relation to Hydro's resources, and when closures and reorganizations will lead to significant changes for the workforce • Provides recommendations to the general meeting of shareholders with respect to approval of the board of directors' proposal regarding the financial statements and dividend 	<p>Four meetings. 92 percent meeting attendance.</p> <p><i>Members:</i> Terje Venold (chairperson), Susanne Munch Thore (deputy chairperson), Shahzad Abid, Rolf Arnesen, Nils Bastiansen, Anne Kverneland Boggsnes, Anne-Margrethe Firing, Idar Kreutzer, Bjørn Nedreaas, Birger Solberg, Unni Steinsmo, Svein Kåre Sund, Sten-Arthur Sælør, Eivind Torvik, Tove Wangensten, Bente Østlyngen, Bjørn Øvstetun</p> <p><i>Deputy members:</i> Jan Fredrik Meling, Ylva Lindberg, Berit Ledel Henriksen, Jorunn Johanne Sætre, Nancy Jorunn Holt, Trygve Eriksen, Leif Sundstrøm, Odd Arne Fodnes, Kjirsti Stø Eide, Line Melkild, Einar Øren, Jan Einan, Roar Jakobsen, Arne Eide, Olav Luggenes, Tone Hjelmtvedt, Per Ivar Kjennerud</p> <p>Leif Tekstum stepped down from the position as chairperson and member of the Corporate assembly 18 September 2014.</p>	<p>Note 11 to the consolidated financial statements for remuneration and share ownership</p> <p>Articles of association § 7-8 at www.hydro.com/governance</p>
<p>Nomination committee</p> <p>Normally four members appointed by the general meeting of shareholders. The chairperson of the committee and at least one of the other members shall be elected among the shareholder-elected corporate assembly members.</p> <p>Nominates candidates to the board of directors, the corporate assembly and the nomination committee, and proposes remuneration to the board, its sub-committees, the corporate assembly and the nomination committee.</p>	<p>21 meetings. 99 percent meeting attendance.</p> <p><i>Members:</i> Terje Venold (acting chairperson) Susanne Munch Thore Mette Wikborg</p> <p>The board of directors will propose to the general meeting of shareholders in May 2015 to change Hydro's Articles of Association when it comes to the number of members of the nomination committee from "four" to "minimum three, maximum four".</p> <p>Leif Tekstum stepped down from the position as chairperson and member of Nomination committee 18 September 2014. Terje Venold was appointed acting chairperson from the same date.</p>	<p>Articles of association § 5A and biographical information can be found at www.hydro.com/governance</p>
<p>Board of directors</p> <p>On 27 May 2014 the board was reduced from 11 to 10 members. Seven are elected by the corporate assembly, three elected by and among the company's employees in Norway, normally for a period of two years.</p> <p>In accordance with Norwegian law, the board of directors assumes the overall governance of the company, ensures that appropriate management and control systems are in place and supervises the day-to-day management as carried</p>	<p>14 meetings. 94 percent meeting attendance.</p> <p>The board of directors held 14 meetings in 2014 including extraordinary meetings related to the President & CEO succession, which was concluded with continuation of Svein Richard Brandtzaeg in the position.</p> <p>Terje Vareberg and Victoire de Margerie stepped down from the board of directors on 27 May 2014. From the same date</p>	<p>The board's mandate can be found at www.hydro.com/governance</p> <p>Biographical information on the board members on page 156</p>

Description	Developments and events during the reporting year	References
<p>out by the President and CEO.</p> <p>All shareholder-elected members are external. No members elected by employees are part of the company's executive management. Employee directors have no other service contractual agreements with the company outside of their employee contracts, though they are subject to their duties as board members.</p> <p>The board of directors has an annual plan for its work. It includes recurring topics such as strategy review, business planning, risk and compliance oversight, financial reporting, people strategy, succession planning as well as HSE and CSR</p>	<p>Dag Mejdell was elected new chairperson and Irene Rummelhoff new board member.</p> <p>The board of directors is closely following the market and macro-economic developments relevant for the aluminium industry. To learn more about Hydro's energy business, the board of directors visited in Hydro's power production facilities in the Rjukan area in Norway.</p> <p>The board conducted a dilemma training regarding gifts and hospitality.</p> <p>The board of directors conducts an annual self-assessment of its work, competence and cooperation with management and a separate assessment of the chairperson. Also the board audit committee performs a self-assessment. The reviews are facilitated by the corporate advisory firm Lintstock. The main conclusions of all assessments were submitted to the nomination committee, which in turn assessed the board's composition and competence.</p> <p>All shareholder-elected members except Rodrigues were in 2014 deemed to be independent according to the Norwegian standards. None of the company's non-employee board members had any other service contractual agreements with the company.</p>	<p>Note 11 to the consolidated financial statements for remuneration, share ownership and loans.</p>
<p>Compensation committee</p> <p>Consists of four of the board of directors' members.</p> <p>The committee reviews the performance of, and puts forward proposals regarding the compensation of the President & CEO to the board of directors. The committee assists in evaluating the compensation of the corporate management board and in determining performance-promoting schemes for management.</p>	<p>Eight meetings. Meeting attendance 97 percent.</p> <p><i>Members:</i> Dag Mejdell (chairperson) Finn Jebesen Irene Rummelhoff Sten Roar Martinsen¹⁾</p> <p>¹⁾ Martinsen is employed in Hydro and represents the employees through the Norwegian Confederation of Trade Unions (LO). We believe that such reliance does not adversely affect, in any material way, the ability of the compensation committee to act independently or to satisfy the other requirements.</p>	<p>The mandate can be found on www.hydro.com/governance</p>
<p>Audit committee</p> <p>Consists of four of the board of directors' members. The audit committee meets Norwegian requirements regarding independence and competence.</p> <p>The primary function of the Audit committee is to assist the Board in exercising its oversight responsibility, with respect to the integrity of the company's financial statements, the company's financial reporting processes and internal controls, the company's risk assessment and risk management policies, the qualifications, independence of the external auditor, the performance of the company's internal audit function, and the company's compliance system.</p> <p>To ensure the independence of the internal audit function, the head of Internal Audit reports functionally to the board through the audit committee.</p> <p>The audit committee maintains a pre-approval policy governing the engagement of the company's primary and other external auditors to ensure auditor independence.</p>	<p>Six meetings. Meeting attendance 96 percent. For self-assessment, see Board of directors above.</p> <p><i>Members:</i> Inge K Hansen (chairperson)</p> <p>Eva Persson Liv Monica Stubholt Billy Fredagsvik²⁾</p> <p>²⁾ Fredagsvik is employed in Hydro and represents the employees through the Norwegian Confederation of Trade Unions (LO). We believe that such reliance does not adversely affect, in any material way, the ability of the audit committee to act independently or to satisfy the other requirements.</p>	<p>The mandate can be found on www.hydro.com/governance</p> <p>Pre-approval of audit services on page 155</p>
<p>President & CEO and corporate management board</p> <p>According to Norwegian corporate law, the President & CEO constitutes a formal governing body that is responsible for the daily management of the company. The division of functions and responsibilities between the President & CEO and the board of directors is defined in greater detail in the rules of procedures established by the board.</p> <p>The Corporate Management Board (CMB), including the President & CEO, has a shared responsibility for promoting Hydro's objectives and securing the company's property, organization and reputation. Members of the CMB are also Executive Vice Presidents (EVPs) with responsibility for the respective business areas, Finance, and Corporate Staffs and Legal.</p>	<p>Met normally on a weekly basis.</p> <p>Johnny Undeli stepped down from the Corporate Management Board (CMB) on 31 May 2014. Alberto Fabrini was appointed executive vice president and head of Bauxite & Alumina 1 June 2014. Wenche Agerup and Oliver Bell stepped down from the CMB on 31 December 2014. Effective 1 January 2015, four new members were appointed executive vice president and members of the CMB: Kjetil Ebbesberg as head of Rolled Products, Hanne Simensen as head of People & HSE, Anne-Lene Midseim as head of CSR, Legal and Compliance, and Inger Sethov as head of Communication & Public Affairs.</p>	<p>Biographical information on page 158</p> <p>Note 9 and 10 to the consolidated financial statements for remuneration, share ownership and loans</p>

Further on the Norwegian code of practice for corporate governance

This chapter provides a detailed overview of how Hydro follows the Norwegian Code of Practice for Corporate Governance. Information that Hydro must provide in accordance with the Norwegian Accounting Act, section 3.3b, is also included. This overview should be seen in context with the general corporate governance report provided in Hydro's annual report for 2014.

All page numbers and notes to the financial statements refer to this report. All other references can be found at www.hydro.com/governance in table format.

Deviations from the Norwegian code of practice for corporate governance

In the board of directors' assessment, we have deviations from three sections in the code of practice:

Section 6, General meeting of shareholders:

Hydro has two deviations from this section. The entire board of directors has generally not participated in the general meeting. Matters under consideration at the general meeting of shareholders have not yet required this. The chairperson of the board of directors is always on hand to present the report and answer any questions. Other board members participate as needed. The board of directors considers this to be adequate.

The second deviation from section 6 concerns section 10 in Hydro's articles of association which states that the general meeting is chaired by the chairperson of the corporate assembly, or, in his or her absence, by the deputy chair. This arrangement has been approved by the company's general meeting.

Section 7, Nomination committee:

The nomination committee has no formal rules on rotation of its members. The nomination committee's mandate expresses, however, the intention to "over the course of time balance the need for continuity against the need for renewal in respect of each governing organ". The chairperson of the committee, who is also the chairperson of the corporate assembly, has been a member of the committee since 2012 and became chairperson in 2014. The two other members were elected to the nomination committee in 2008 and 2014.

Section 14, Takeovers:

The board of directors has chosen not to prepare explicitly formulated general principles for handling takeover bids. The reason for this is that the Norwegian state, represented by the

Ministry of Trade and Fishery, owns 34.3 percent of the Hydro shares (as of 31.12.2014) and has by virtue of the Active Ownership Report (Report to the Storting no. 27 (2013-2014)) expressed a long-term ownership perspective in the company for the purpose of retaining its head office and research activities in Norway.

1. Statement of corporate governance

Hydro follows the Norwegian Code of Practice for Corporate Governance of 2014. The Hydro Way represents our framework for leadership, organization and culture and is the foundation for our governance system, including our code of conduct. Hydro's Code of Conduct has been approved by the board of directors, which also oversees that Hydro has appropriate corporate directives for, among other things, risk management, HSE and corporate responsibility.

References: Learn more about The Hydro Way at www.hydro.com/principles

2. Hydro's business

Hydro is a global aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled products as well as recycling. Based in Norway, the company has 13,000 employees involved in activities in more than 50 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

The company's objectives, as stated in its articles of association, are to engage in industry, commerce and transport, to utilize energy resources and raw materials, and to engage in other activities connected with these objectives. Its business activities may also be conducted through participation in or in cooperation with other enterprises.

References: Hydro's articles of association are available at www.hydro.com/governance

3. Equity and dividend

In the opinion of the board of directors, Hydro's equity capital is appropriate to the company's objectives, strategy and risk profile.

Hydro's dividend policy, revised in February 2015, is to pay out an average of 40 percent of net income over the business cycle.

The board of directors may obtain authorization from the general meeting of shareholders to buy back Hydro shares in the market. In such cases, the board will normally request

that the shares are acquired in the open market, and that the authority lasts no longer than until the next general meeting.

When the general meeting of shareholders considers whether or not to authorize the board of directors to carry out share capital increases for multiple purposes, each purpose must be considered separately by the meeting. Such authorization will be limited in time, and will last no longer than until the date of the next general meeting. Authorization granted to the board of directors is restricted to specific purposes. One example of this is the Vale transaction in 2011, where the board was authorized to issue consideration shares to Vale.

The dividend per share is normally proposed by the board of directors, based on Hydro's dividend policy, and approved by the general meeting of shareholders.

See also item 4.

References: Learn more about Hydro's equity and dividend policy at page 147.

4. Equal treatment of shareholders

Hydro has one share class. All the shares have the same rights.

Transactions involving own shares are normally executed on the stock exchange. Buybacks of own shares are executed at the current market rate.

Shareholders who are registered in the Norwegian Central Securities Depository (VPS) may vote in person or by proxy. Invitations are sent to the shareholders or to the bank/broker where the shareholder's securities account is held.

Sales of shares to employees are conducted at a discount to market value. See also item 6.

Contact between the board of directors and the investors is normally conducted via the management. Under special circumstances the board, represented by the chairperson, may conduct dialog directly with investors.

Transactions with related parties

Hydro's Code of Conduct contains guidelines for, among other things, how any conflicts of interest that may arise should be dealt with. The code applies to all of Hydro's board members and employees. It is the opinion of the board of directors that there were no other transactions that were not immaterial between the group and its shareholders, board members, corporate management board or related parties in 2014 except those described under item 8 with Vale.

Regulation of share issues and preemptive rights are described in the company's articles of association.

State ownership

As of December 31, 2014 the Norwegian state, represented by the Ministry of Trade and Fishery, owned 34.3 percent of Hydro's issued shares. Hydro holds regular meetings with the Ministry, where topics discussed include Hydro's economic and strategic development, corporate social responsibility, and the Norwegian State's expectations regarding results and returns on investments. These meetings are comparable to what is customary between a private company and its principal shareholders. The meetings comply with the provisions specified in Norwegian company and securities legislation, not least with respect to equal treatment of shareholders. As a shareholder, the Norwegian state does not usually have access to more information than what is available to other shareholders. If state participation is imperative and the government must seek approval from the Norwegian parliament (Stortinget), it may be necessary to provide the Ministry with insider information. In such cases, the state is subject to the general rules that apply to the handling of such information.

References: Learn more about the Hydro share at page 147 and sale of the Hydro share to employees in note 15 to the consolidated financial statements. Hydro's code of conduct can be found on www.hydro.com/principles. Hydro's articles of association can be found on www.hydro.com/governance. Learn more about major shareholders at page 149 and note 12 to the consolidated financial statements (related party information)

5. Freely negotiable shares

The Hydro share is freely negotiable. It is among the most traded shares on the Oslo Stock Exchange and is subject to efficient pricing. As of December 31, 2014 the Norwegian state, represented by the Ministry of Trade and Industry, owned 34.3 percent of Hydro's shares, while the Government Pension Fund Norway owned 7.3 percent.

References: Learn more about the Hydro share at page 147.

6. General meeting of shareholders

Notice of a general meeting of shareholders with supporting information is normally published on www.hydro.com approximately four weeks in advance, and is sent to the shareholders at least three weeks before the meeting is held.

Notice of a general meeting of shareholders provides information on the procedures which shareholders must observe in order to participate in and vote at the meetings. Such notice also details:

- the procedure for representation by proxy, including the use of a form of proxy

- the right of shareholders to propose resolutions for consideration by the general meeting of shareholders.
- the website where the notice of the meeting and other supporting documents will be made available

The following information is available at www.hydro.com:

- information on the right of shareholders to propose matters for consideration by the general meeting of shareholders
- how to make proposals for resolutions for consideration by the general meeting or how to comment on matters for which no resolution is proposed
- form of proxy

Our aim is that resolution proposals and supporting information that are distributed are sufficiently detailed and comprehensive to enable shareholders to reach decisions on the matters to be considered at the meeting.

The notification deadline for shareholders wishing to attend the general meeting of shareholders is maximum five days prior to the meeting.

Shares registered in a nominee account must be re-registered in the Norwegian Central Securities Depository (VPS) and be registered in the VPS on the fifth working day before the general meeting of shareholders in order to obtain voting rights.

Shareholders who are unable to attend in person may vote by proxy. Hydro will nominate a person who will be available to vote on behalf of shareholders as their proxy.

The general meeting of shareholders votes for each candidate nominated for election to the company's corporate assembly and nomination committee.

To the extent possible, the form of proxy will facilitate separate voting instructions for each matter to be considered by the meeting and for each of the candidates nominated for election. It is possible to vote electronically in advance.

The general meeting of shareholders is chaired by the chair of the corporate assembly or, in his or her absence, by the deputy chair.

The chairperson of the board of directors, minimum one nomination committee representative, the President and CEO, and the auditor attend the general meeting.

References: Learn more about the general meeting of shareholders at www.hydro.com/investor

Deviations: See page 162.

7. Nomination committee

In accordance with Hydro's articles of association, the company must appoint a nomination committee. This committee comprises normally of four members who are either shareholders or shareholder representatives. The committee's chair and members are appointed by the general meeting of shareholders. At least two, including the chair, must be elected from among the representatives in the corporate assembly elected by the shareholders.

The general meeting of shareholders established in 2011 guidelines for the nomination committee. The general meeting determines the remuneration of the committee. All shareholders may propose candidates for the nomination committee at any time. In order to be considered at the next ordinary election, proposals must be submitted by the end of November in the year before the election year.

The recommendations of the nomination committee include details on the candidates' background and independence.

The nomination committee ensures that due attention is paid to the interests of the shareholder community and the company's requirements for competence, capacity and diversity. The nomination committee also takes account of relevant statutory requirements regarding the composition of the company's governing bodies.

According to its mandate, the Nomination Committee shall be receptive to external views and shall ensure that any deadlines for proposals regarding members of the Corporate Assembly, the Nomination Committee and the Board of Directors are published well in advance on the Company's website. In carrying out its duties the Nomination Committee should actively maintain contact with the shareholder community and should ensure that its recommendations are anchored with major shareholders.

All members of the nomination committee are independent of Hydro's board of directors, chief executive officer and other executive management staff. As the largest shareholder, the Norwegian state is represented on the nomination committee by department head Mette I. Wikborg.

References: Hydro's Articles of Association can be found at www.hydro.com/governance. More information about Hydro's nomination committee can be found at the same

site. Members of the nomination committee are listed on page 160. Nominations can be submitted electronically, also from www.hydro.com/governance

Deviations: See page 162.

8. Corporate assembly and board of directors: composition and independence

All board directors, members of the board committees and members of the corporate assembly are independent of the company's executive management and material business relationships. One member of the corporate assembly is dependent of major Hydro shareholders: Nils Bastiansen, who is an employee of the Government Pension Fund Norway, is a member of the corporate assembly. Pedro Jose Rodrigues, who is global director of Mergers and Acquisitions in Vale S.A., is a member of the board of directors. Until November 2013 Vale possessed 22 percent of Hydro's issued shares. Vale is also a significant supplier of bauxite to Hydro and was a significant supplier of electricity till the end of 2014. Rodrigues abstained himself from discussions related to Vale in Hydro's board of directors due to his relationship with the company. Inge K. Hansen abstained himself from discussions related to power contracts due to his relationship with Troms Kraft.

Two thirds of the corporate assembly and their deputies are elected by the general meeting of shareholders. The nomination committee nominates candidates with a view to obtain a broad representation by the company's shareholders and other relevant stakeholders with competence in, for example, technology, finance, and corporate social responsibility.

The corporate assembly elects the board of directors, including its chair and deputy chair.

In compliance with Hydro's articles of association, the board of directors consists of between nine and 11 members. These are elected for a period of two years.

The nomination committee aims to achieve a board composition whereby the members complement each other professionally and the board of directors is able to function as a corporate body.

As of December 31, 2014, seven of the board's directors own a total of 120,333 shares. Hydro has no share purchase program for board members, with the exception of employee representatives, who are entitled to buy shares through the employee share purchase scheme. All share purchase transactions are conducted in compliance with the Securities Trading Act.

References: The Government Pension Fund Norway is a significant shareholder in Hydro; see page 149. An overview of the members of the corporate assembly, the current composition of the board of directors and information about their independence as well as Hydro's articles of association can be found at www.hydro.com/governance

9. The work of the board of directors

The board of directors has established procedures for its own work and that of the company's management, with particular emphasis on clear internal division of responsibilities whereby the board has responsibility for supervising and administering the company and the company's management has responsibility for the general operation of the group.

If the chairperson of the board is or has been actively involved in a given case, for example in negotiations on mergers, acquisitions etc., another board director will normally lead discussions concerning that particular case.

The board of directors has an annual work plan, with particular emphasis on objectives, strategy and implementation.

Since 2001, Hydro has had an audit committee and a compensation committee. Both committees consist of three shareholder-elected and one employee-elected board member. The shareholder-elected members are all independent of the company. In the opinion of the board of directors, the audit committee meets the Norwegian requirements regarding independence and competence.

The board of directors conducts an annual self-assessment of its work, competence and cooperation with management and a separate assessment of the chairperson of the board. In addition, the audit committee performs a self-assessment. The assessment results are submitted to the nomination committee, which in turn assesses the board's composition and competence.

References: See page 24. The board of directors' mandate, information about the board of directors and its committees, and the board members' competence can be found at www.hydro.com/governance

10. Risk management and internal controls

The board of directors ensures that the company has sound internal controls and appropriate risk management systems through, for example, an annual review of the key risk areas and the company's internal controls. Internal audit corporate reports directly to the board of directors, but is for administrative purposes placed under the purview of the chief financial officer.

Hydro's internal control system includes all parts of our corporate directives, including our code of conduct and HSE and corporate social responsibility requirements. The annual report contains a more detailed description of the company's internal controls and risk management systems related to financial reporting.

References: A review of Hydro's main risks can be found at page 139.

11. Remuneration of the board of directors

The board directors elected by the shareholders perform no duties for the company other than their board duties.

Remuneration is determined by the corporate assembly, based on the recommendation of the nomination committee. The nomination committee recommends compensation with the intention that it should reflect the board's responsibility, competence and time commitment as well as the company's complexity and global activities compared with the general level of directors' fees in Norway. Remuneration of the board of directors is based neither on performance nor on shares.

References: All aspects of remuneration of the board of directors are described in note 11 to the consolidated financial statements. See also Hydro's articles of association.

12. Remuneration of the executive management

The board of directors has established guidelines for remuneration of members of the executive management. These guidelines are communicated to the general meeting of shareholders and included in the annual report. The guidelines for determining remuneration of the executive management are based on the main principles for Hydro's remuneration policy, which is that Hydro shall pay its employees a total compensation package that is competitive, but not among the highest, and in line with good industry standards locally. Where appropriate, compensation packages should also include a performance-based component, and the basic salary should reflect individual performance.

The guidelines are also intended to contribute to long-term value creation for the company's shareholders. A ceiling has been set on performance-based compensation. The company has share-based long-term incentive programs, but no share option scheme for its executive management. It is our understanding that this is in line with the Norwegian Government's guidelines for 2014 for executive remuneration.

The board of directors' statement on management remuneration is made public through note 9 to the

consolidated financial statements and sent forward to the general meeting of shareholders for advisory vote to the annual general meeting of shareholders.

References: The board's guidelines for management remuneration are described in note 9 to the consolidated financial statements. All aspects of remuneration of executive management are described in note 10. The employee share purchase plan is described in note 15. Hydro's remuneration policy is also described in Hydro's people policy which can be found at www.hydro.com/principles

13. Information and communication

Hydro has established guidelines for the company's reporting of financial and extra-financial information based on transparency and with regard to the requirement of equal treatment of all parties in the securities market. This also pertains to contact with shareholders outside of the general meeting of shareholders.

Shareholder information is available on www.hydro.com. The financial statements and annual report are sent free of charge to shareholders on request. Notice of general meeting of shareholders is sent directly to shareholders unless they have consented to receive these documents electronically. All information sent to the shareholders is made available at hydro.com when distributed. Presentation of the quarterly reports as well as the annual shareholder meeting are simultaneously broadcasted through web casts. All relevant information is sent to the Oslo Stock Exchange electronically for public storage.

Hydro has emergency plans that are regularly exercised. Rules for who can speak on behalf of the company are regulated through Hydro's code of conduct.

References: Learn more on page 82, 147 and 156. A financial calendar is available on page 151 and at www.hydro.com/ investor where also more information about web casts and the Hydro share can be found, including key legal information for shareholders in Norsk Hydro ASA. Hydro's code of conduct is available at www.hydro.com/principles

14. Takeovers

The board of directors will handle takeover bids in accordance with Norwegian law and the Norwegian Code of Practice for Corporate Governance. There are no defense mechanisms against acquisition offers in our articles of association or in any underlying steering document. Neither have we implemented any measures to limit the opportunity to acquire shares in the company. See also item 5.

Deviations: See page 162.

15. Auditor

The external auditor annually presents to the audit committee the main features of the plan for the audit of Hydro.

The external auditor participates in considering relevant matters at all meetings of the audit committee. The minutes from these meetings are distributed to all the board directors. This practice is in line with the EU audit directive. Each year the auditor expresses its opinion on internal control procedures to the audit committee including identified weaknesses and proposals for improvement.

The auditor participates in board meetings where the company's financial statements are discussed. In the meetings the auditor will review material changes in the company's accounting policies, assess material accounting estimates and any other material matters on which the auditor and management may disagree, and identify weaknesses in and suggest improvements to the company's internal controls. The board of directors and the audit committee at least annually hold meetings with the external auditor without members of the corporate management present.

Hydro places importance on independence and has clear guidelines regarding the use of services from external auditors. All use of services from an external auditor, including non-audit services, is subject to prior approval as defined by the audit committee.

Remuneration of the auditor is stated in the annual report. It is also included as a separate agenda item to be approved by the annual general meeting of shareholders.

On 4 May 2010, the general meeting of shareholders chose KPMG as new external auditor for the group with effect from the reporting period 2010.

References: Learn more about the external auditor on page 117, 155, 161, F76 and note 46 to the consolidated financial statements.

Revenue 2014

NOK MILLION

77,907

07: *Financial
statements*

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Consolidated financial statements

Consolidated income statements

Amounts in NOK million (except per share amounts). Years ended December 31	Notes	2014	2013
Revenue	8	77 907	64 877
Share of the profit (loss) in equity accounted investments	8, 29, 30	415	(240)
Other income, net	13	751	801
Total revenue and income		79 073	65 438
Raw material and energy expense	14	51 480	43 175
Employee benefit expense	15	8 089	7 360
Depreciation and amortization expense	16	4 565	4 544
Impairment of non-current assets	17	206	100
Other	18, 19	9 059	8 596
Total expenses		73 399	63 775
Earnings before financial items and tax	8	5 674	1 663
Financial income	20	347	402
Financial expense	20	(3 900)	(2 978)
Financial income (expense), net		(3 554)	(2 576)
Income from continuing operations before tax		2 121	(913)
Income taxes	21	(892)	(115)
Income (loss) from continuing operations		1 228	(1 029)
Income (loss) from discontinued operations	7	-	189
Net income (loss)		1 228	(839)
Net income (loss) attributable to minority interests		432	81
Net income (loss) attributable to Hydro shareholders		797	(920)
Basic and diluted earnings (loss) per share from continuing operations	38	0.39	(0.54)
Basic and diluted earnings (loss) per share from discontinued operations	38	-	0.09
Basic and diluted earnings (loss) per share attributable to Hydro shareholders	38	0.39	(0.45)

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	2014	2013
Net income (loss)		1 228	(839)
Other comprehensive income			
Items that will not be reclassified to income statement			
Remeasurement postemployment benefits, net of tax	38	(2 340)	(267)
Share of remeasurement postemployment benefits of equity accounted investments, net of tax	38	(150)	54
Total		(2 490)	(213)
Items that will be reclassified to income statement			
Currency translation differences, net of tax	38	7 004	2 753
Unrealized gain (loss) on securities, net of tax	38	90	(38)
Cash flow hedges, net of tax	38	9	(291)
Share of other comprehensive income that will be recycled to income statement in equity accounted investments, net of tax	38	666	388
Total		7 769	2 811
Other comprehensive income		5 279	2 598
Total comprehensive income		6 507	1 759
Total comprehensive income attributable to minority interests		959	(55)
Total comprehensive income attributable to Hydro shareholders		5 548	1 814

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

Consolidated balance sheets

Amounts in NOK million, December 31	Notes	2014	2013	2012
Assets				
Cash and cash equivalents		9 253	8 412	7 034
Short-term investments	22	1 786	2 480	4 343
Accounts receivable	23	11 703	9 539	8 640
Inventories	24	12 642	10 070	9 812
Other current financial assets	43	543	181	336
Total current assets		35 927	30 681	30 165
Assets held for sale	7	-	-	9 564
Property, plant and equipment	26	55 719	52 855	54 204
Intangible assets	27, 28	5 947	5 562	5 721
Investments accounted for using the equity method	29, 30	18 095	17 148	9 211
Other non-current assets	25, 43	6 227	5 783	5 892
Prepaid pension	36	2 881	3 595	3 080
Deferred tax assets	37	1 476	700	505
Total non-current assets		90 345	85 642	78 613
Total assets	8	126 273	116 324	118 342
Liabilities and equity				
Bank loans and other interest-bearing short-term debt	31	6 039	6 220	5 987
Trade and other payables	32	9 663	9 197	8 238
Provisions	34	1 125	999	852
Taxes payable		1 884	1 959	1 921
Other current financial liabilities	43	406	475	466
Total current liabilities		19 116	18 850	17 464
Liabilities in disposal groups	7	-	-	3 445
Long-term debt	33	5 128	3 986	3 674
Provisions	34	3 993	2 684	2 469
Pension liabilities	36	12 796	9 858	8 619
Other non-current financial liabilities	43	2 780	2 075	2 107
Other liabilities		842	753	991
Deferred tax liabilities	37	1 676	2 853	4 075
Total non-current liabilities		27 215	22 209	21 935
Total liabilities		46 332	41 060	42 844
Share capital	38	2 272	2 272	2 272
Additional paid-in capital	38	29 045	29 049	29 056
Treasury shares	38	(972)	(1 006)	(1 047)
Retained earnings		45 872	46 617	49 018
Other components of equity	38	(2 187)	(6 950)	(9 635)
Equity attributable to Hydro shareholders		74 030	69 981	69 663
Minority interests		5 911	5 283	5 835
Total equity		79 941	75 264	75 498
Total liabilities and equity		126 273	116 324	118 342

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	2014	2013
Operating activities			
Net income (loss)		1 228	(839)
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (income) from discontinued operations	7	-	(189)
Depreciation, amortization and impairment	8, 16, 17	4 771	4 644
Share of (profit) loss in equity accounted investments	8, 29, 30	(415)	240
Dividends received from equity accounted investments	29, 30	942	206
Deferred taxes		(713)	(1 314)
Gain on sale of non-current assets		(44)	(12)
Net foreign exchange loss	20	3 161	2 246
Net sales (purchases) of trading securities		(33)	340
Capitalized interest	20	(3)	(2)
Changes in assets and liabilities that provided (used) cash:			
Accounts receivable		(561)	458
Inventories		(1 451)	17
Trade and other payables		(184)	174
Commodity derivatives		(313)	79
Other items		(420)	(846)
Net cash provided by continuing operating activities	45	5 965	5 202
Investing activities			
Purchases of property, plant and equipment		(3 294)	(2 867)
Purchases of other long-term investments	45	166	(185)
Purchases of short-term investments		(1 500)	(1 250)
Proceeds from sales of property, plant and equipment		113	64
Proceeds from sales of other long-term investments		(10)	280
Proceeds from sales of short-term investments		2 250	3 050
Net cash used in continuing investing activities		(2 275)	(908)
Financing activities			
Loan proceeds		6 880	6 744
Principal repayments		(8 226)	(7 255)
Net increase (decrease) in other short-term debt		170	(241)
Proceeds from shares issued		21	56
Dividends paid		(1 943)	(1 975)
Net cash used in continuing financing activities		(3 098)	(2 671)
Foreign currency effects on cash and bank overdraft		387	183
Net cash used in discontinued operations	7	(139)	(431)
Net increase in cash, cash equivalents and bank overdraft		840	1 375
Cash, cash equivalents and bank overdraft at beginning of year		8 408	7 033
Cash, cash equivalents and bank overdraft at end of year	45	9 248	8 408

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, 2012		2 272	29 056	(1 047)	49 018	(9 635)	69 663	5 835	75 498
Treasury shares reissued to employees	38		(7)	41			33		33
Dividends	40				(1 529)		(1 529)	(528)	(2 057)
Capital contribution in subsidiaries								33	33
Items not reclassified to income statement in subsidiaries sold					49	(49)	-		-
Minority interests in subsidiaries sold								(1)	(1)
Total comprehensive income for the year					(920)	2 734	1 814	(55)	1 759
December 31, 2013		2 272	29 049	(1 006)	46 617	(6 950)	69 981	5 283	75 264
Treasury shares reissued to employees	38		(4)	35			31		31
Dividends	40				(1 530)		(1 530)	(331)	(1 861)
Items not reclassified to income statement in subsidiaries sold					(12)	12	-		-
Total comprehensive income for the year					797	4 751	5 548	959	6 507
December 31, 2014		2 272	29 045	(972)	45 872	(2 187)	74 030	5 911	79 941

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

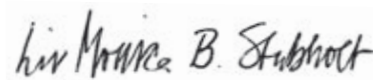
Oslo, March 10, 2015



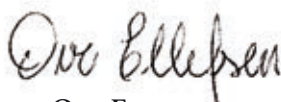
DAG MEJDELL
Chair



INGE K. HANSEN
Deputy chair



LIV MONICA BARGEM STUBBHOLT
Board member



OVE ELLEFSEN
Board member



BILLY FREDAGSVIK
Board member



FINN JEBSEN
Board member



STEN ROAR MARTINSEN
Board member



EVA PERSSON
Board member



PEDRO JOSÉ RODRIGUES
Board member



IRENE RUMMELHOFF
Board member



SVEIN RICHARD BRANDTZÆG
President and CEO

Notes to the consolidated financial statements

Note 1 - Reporting entity and basis of presentation

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 13,000 people in more than 20 countries. Hydro is a global supplier of aluminium with operations throughout the industry value chain. Operations include power production, bauxite extraction, alumina refining, aluminium smelting, remelting and recycling, as well as rolling activities. Through joint ventures Hydro is also engaged in extrusion activities in more than 40 countries and certain other activities. Hydro is listed on the Oslo and London stock exchanges.

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 5 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 and government grants are 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.

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

Note 2 - Significant accounting policies

The consolidated financial statements of Norsk Hydro ASA and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) and Norwegian authorities and are effective as of December 31, 2014. Hydro also provides the disclosure as specified under the Norwegian Accounting Law (Regnskapsloven).

The following description of accounting principles applies to Hydro's 2014 financial reporting, including all comparative figures. See note 1 Reporting entity and basis of presentation, note 4 Measurement of fair value, and note 5 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 IFRS 10 Consolidated 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 IFRS 10. No gain, loss or change of recognized assets, liabilities or goodwill is recognized as result of such transactions.

Investments in associates and joint ventures

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 affect Hydro's influence.

A joint arrangement 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 joint ventures using the equity method. Joint ventures are joint arrangement which represents a residual interest in the arrangement rather than an interest in assets and responsibility for liabilities. 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 joint ventures is included in Hydro's Other comprehensive income. Hydro's proportional share of unrealized profits resulting from transactions with associates and joint ventures, including transfer of businesses, is eliminated.

Accounting policies used by associates and joint ventures 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 joint ventures 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 joint operations and jointly owned assets

Jointly owned assets are arrangements where Hydro and the other partners have a direct ownership in specifically identified assets, but where joint control is not established. Joint operations are arrangements under contractually joint control where the joint operators have an interest in the assets; or benefits from the service potential of the assets; as well as have a direct

obligation for the liabilities of the joint arrangement. Joint operations can result from the legal form of the arrangement or other facts and circumstances resulting in an interest in the service potential of the asset and obligation for liabilities. Hydro recognizes its share of assets, liabilities, revenues, if any, and expenses of joint operations and jointly owned assets 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 for the asset group. 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 (loss) 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 with a functional currency other than Norwegian kroner (NOK) are translated into NOK. Assets and liabilities, including investment in associates and joint ventures and goodwill, are translated 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. Major 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.

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, insurance compensation, 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 exist, 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 CO₂ 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 CO₂ 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. CO₂ 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 remain on the balance sheet as intangible assets (mineral rights) 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 derivative 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, 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 as well as prior collection experience, 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, net of tax, 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 and are designated as hedge instruments. 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 immediately in the income statement. The interest component of the periodic cost is included in Financial expense. Remeasurement gains and losses are recognized in Other comprehensive income.

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 3 - Changes in accounting principles and new pronouncements

Changes in accounting principles

Hydro implemented IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities and the amended IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures as of January 1, 2014. The changes are made with retrospective application. The implementation of IFRS 11 Joint Arrangements resulted in changed accounting method for two jointly controlled entities, Aluminium Norf GmbH and Skafså ANS, which are deemed as joint operations under IFRS 11. In accordance with IFRS 11 Hydro reports its share of assets, liabilities, income and expenses in these entities, which were previously accounted for under the equity method. The main changes to previously reported numbers are shown in the table below. In addition there are minor changes to some other line items.

NOK million	Year 2013	
	Effect of IFRS 11	Adjusted
Share of the profit (loss) in equity accounted investments	71	(240)
Raw material and energy expense	232	43 175
Employee benefit expense	578	7 360
Depreciation and amortization expense	253	4 544
Other expenses	(972)	8 596
Total expenses	91	63 775
Earnings before financial items and tax (EBIT)	(12)	1 663
Financial income (expense), net	(26)	(2 576)
Income taxes	38	(115)
Net income	-	(839)
Other comprehensive income	-	2 598

NOK million	December 31, 2012		December 31, 2013	
	Effect of IFRS 11	Adjusted	Effect of IFRS 11	Adjusted
Current assets	7	30 165	(40)	30 681
Property, plant and equipment	1 996	54 204	2 184	52 855
Investments accounted for using the equity method	(1 023)	9 211	(1 062)	17 148
Total assets	985	118 342	1 088	116 324
Current liabilities	(58)	17 464	(32)	18 850
Non-current liabilities	1 043	21 935	1 120	22 209
Total liabilities	985	42 844	1 088	41 060
Equity	-	75 498	-	75 264
Total liabilities and equity	985	118 342	1 088	116 324

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.

- IFRIC 21 Levies; effective date January 1, 2014 (EU: January 1, 2015).
- IFRS 9 Financial Instruments - Classification and Measurement; effective date January 1, 2018.
- IFRS 15 Revenue from Contracts with Customers; effective date January 1, 2017.

As of the date of issue of Hydro's financial statements, IFRIC 21 was endorsed by the EU, while IFRS 9 and IFRS 15 were not endorsed by the EU.

The implementation of IFRIC 21 will impact how certain levies and indirect taxes are allocated between interim periods, with a limited impact to results. The change is not expected to impact the annual period.

Hydro is in the process of evaluating the potential accounting impact of IFRS 9 and IFRS 15. Preliminary assessment has not indicated any significant changes in timing of recognition or how to measure revenue, cost, assets or liabilities. There will be some changes to presentation and disclosures, however, the detailed effect has not yet been determined. It is likely that additional risk management strategies will qualify for hedge accounting, however, it has not been decided whether Hydro will utilize these additional possibilities.

Note 4 - Measurement of fair value

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 techniques. 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, such as for long-term commodity contracts in markets with few observations beyond the short or mid term period.

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, primarily cash flow based models. 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 5 - Critical accounting judgment and key sources of estimation uncertainty

The application of accounting policies requires that management makes 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.

Business combinations

In a business combination consideration, assets and liabilities are recognized at estimated 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 and thus uncertain.

Impairment of non-current assets

IAS 36 requires that Hydro assess conditions that could cause an asset or a Cash Generating Unit (CGU) 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. 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.

In accordance with IAS 36, goodwill and certain intangible assets are reviewed at least annually for impairment. 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, internal models used by Hydro for transactions involving the same type of assets or other relevant information. 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, operating expenses and tax and legal systems. 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 17 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 but decreasing 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 mortality.

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 60 percent of Hydro's defined benefit obligation (DBO) relates to Norway. The discount rate applied for Norwegian plans as of December 31, 2014 was 2.25 percent (2013: 4.00 percent). The discount rate is based on the yield on covered bonds ¹⁾ issued in Norway. 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 government bonds is about 0.3 percentage points below the rate derived from covered bonds, and would have resulted in a computed obligation about NOK 0.6 billion above the reported obligation at the end of 2014.

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. Changes in these assumptions can influence the net asset or liability for the plan as well as the pension cost as further described in note 36 Employee retirement plans.

Contingent assets and liabilities, uncertain assets and 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. Material contingent liabilities are disclosed unless a future payment is considered remote. Evaluation of uncertain liabilities and contingent liabilities and assets 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 facts.

Environmental liabilities

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 35 Contingent liabilities and contingent assets.

Taxes

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.

Indirect tax regimes are complex in many jurisdictions and cross-border. Basis for such taxes may differ from actual transaction prices. In some jurisdictions, including Brazil, significant credit amounts are generated for use against future indirect and/or direct tax payments, for which the value depends on future generation of taxes. Economic conditions and tax regulations may change and lead to a different conclusion regarding recoverability. Tax authorities may challenge Hydro's calculation of taxes and credits from prior periods. Such processes may lead to changes to prior periods' operating or financial expenses to be recognized in the period of change.

Insurance and other compensation

Compensation claims related to insurance and other arrangements are recognized when it is deemed to be virtually certain that Hydro will receive a compensation under the arrangement. Such determination requires 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 experts; and other relevant information. To recognize such claims Hydro normally expects 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.

1) Covered bonds (Obligasjoner med fortrinnsrett) are debt securities backed by cash-flow from mortgages.

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 2014 compared to previous years.

Commodity price risk exposure

Aluminium

Hydro produces primary aluminium, aluminium casthouse products 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 also participates in trading activities within strict volume and risk limits.

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.

Hydro's sales of primary aluminium, aluminium casthouse products and fabricated aluminium products include a premium above the LME aluminium price. The pricing of these premiums can be volatile, and is related to physical demand and supply, with regional and product-related differences. Over the later years, these premiums have become an increasing share of the revenue. There are limited possibilities for hedging future premiums.

In order to secure cash flow or margins for specific projects or special circumstances, Hydro might enter into futures contracts on a longer-term basis. In these cases, hedge accounting has normally been applied. See the section on cash flow hedges in note 44 Derivative instruments and hedge accounting.

Bauxite and alumina

Hydro's production of alumina exceeds the alumina consumption in its primary aluminium production. In addition, Hydro has entered into long-term agreements to purchase alumina from third parties. The majority of alumina purchase and sale contracts are priced as a percentage of the LME aluminium price, but material tonnages are also purchased and sold with reference to a spot market price index.

Hydro is a producer and consumer of bauxite. Hydro's 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. Bauxite is sold under medium and short-term contracts with prices linked to the alumina price index or open price negotiations. 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. Further, some power contracts in Norway are priced in Euro. There is no consensus that the Euro is a commonly used currency in the relevant market, the euros price clauses are thus accounted for separately as currency forwards.

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 mainly 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 and US 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 primarily in US dollar. To reduce the effects of fluctuations in the US dollar and other exchange rates, Hydro also uses 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 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, 2014 and December 31, 2013, 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, 2014 ¹⁾	Gain/loss from 10 percent increase in						
		Foreign currency exchange rates			Commodity prices		Interest	
		USD	EUR	Other	Aluminium	Other	rates	Other
Derivative financial instruments ²⁾	(854)	-	(648)	-	-	-	12	-
Other financial instruments ³⁾	3 503	(904)	330	55	-	-	(3)	29
Derivative commodity instruments ⁴⁾	(54)	(298)	3	(2)	(279)	(146)	(7)	(17)
Financial instruments directly to equity ⁵⁾	663	494	(56)	-	-	12	(118)	121

Amounts in NOK million	Fair value as of December 31, 2013 ¹⁾	Gain/loss from 10 percent increase in						
		Foreign currency exchange rates			Commodity prices		Interest	
		USD	EUR	Other	Aluminium	Other	rates	Other
Derivative financial instruments ²⁾	77	-	75	-	-	-	(1)	-
Other financial instruments ³⁾	3 340	(817)	230	54	-	-	(3)	29
Derivative commodity instruments ⁴⁾	(387)	(275)	1	(3)	50	11	(12)	18
Financial instruments directly to equity ⁵⁾	418	(252)	(47)	-	-	25	(88)	97

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 forward currency contracts and embedded currency derivatives.

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:

- 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 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 relates 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. Hydro has a revolving syndicated credit facility of USD 1.7 billion maturing in 2019, with one potential one-year extension remaining. The facility remained undrawn at year-end.

Repayments of long-term debt are disclosed in note 33 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 flows from derivatives accounted for as financial liabilities and financial assets, respectively, as of end of year:

Amounts in NOK million	December 31, 2014		December 31, 2013	
	Liabilities	Assets	Liabilities	Assets
2014			(5 685)	5 502
2015	(295)	562	(10)	9
2016	(28)	6	(6)	8
Total	(323)	568	(5 701)	5 519

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 44 Derivative instruments and hedge accounting.

Note 7 - Significant subsidiaries and changes to the consolidated group

The Hydro group consists of about 80 companies in about 20 countries. Most subsidiaries are 100 percent owned, directly or indirectly, by Norsk Hydro ASA. Restrictions in the ability to transfer dividend exist in most countries where we operate. In some countries there are also legal restrictions in our ability to integrate cash holdings in subsidiaries in the group's cash pool. 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 S.A. (Albras), which is part of Primary Metal. 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 3,332 million as of December 31, 2014, and NOK 2,820 million as of December 31, 2013. Funds held by the entity are not available to the group through cash pool arrangements. Dividends need to be approved by the shareholders jointly. The shareholder agreement supports transfer of dividend to the extent possible under statutory regulations. The smelter produces standard ingots, which are sold to its shareholders in proportion to ownership interest at a price based on prevailing aluminium prices at the London Metal Exchange and product premiums.

Slovalco

Hydro holds 55 percent of the total shares and 60 percent of the voting interest in the Slovak smelter Slovalco a.s, which is part of Primary Metal. 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 1,064 million as of December 31, 2014, and NOK 952 million as of December 31, 2013. Funds held by the entity are not available to the group through cash pool arrangements. Dividends need to be approved by the shareholders jointly. The shareholder agreement supports transfer of dividend to the extent possible under statutory regulations. The smelter produces metal products, of which the majority is sold to Hydro at a price based on prevailing aluminium prices at the London Metal Exchange and product premiums.

Alunorte

Hydro holds about 92 percent of the shares in the Brazilian alumina refinery Alumina do Norte do Brasil S.A. (Alunorte), which is part of Bauxite & Alumina. The minority owners have limited influence on the operational decisions. The minority interests in Alunorte amounted to NOK 1,326 million as of December 31, 2014, and NOK 1,319 million as of December 31, 2013. Funds held by the entity are not available to the group through cash pool arrangements. Dividends need to be approved by the shareholders jointly. The shareholder agreement supports transfer of dividend to the extent possible under statutory regulations. The refinery produces alumina, which is sold to its shareholders at a price based on prevailing aluminium prices at the London Metal Exchange, with a fixed minimum and maximum price introduced in June 2014.

The table below summarizes key figures for Albras, the only subsidiary with minority interests considered material, as included in the group financial statements. Fair value adjustments from Hydro's acquisition of the subsidiary are included.

Intercompany transactions and balances are included, and any internal profit and loss in inventory and fixed assets purchased from group companies are not eliminated in the numbers below.

Amounts in NOK million	Albras	
	2014	2013
Internal revenue	3 440	2 560
External revenue	3 310	2 589
Earnings before financial items and tax	1 391	212
Net income	851	98
Other comprehensive income	479	(314)
Total comprehensive income	1 330	(216)
Net cash flows from operating activities	1 817	661
Net cash flows from investing activities	(377)	(295)
Net cash flows from financing activities	(356)	(472)
Cash and cash equivalents	743	63
Other current assets	1 617	1 378
Non-current assets	6 897	6 912
Current liabilities	1 545	1 493
Non-current liabilities	914	1 105
Equity attributable to Hydro	3 465	2 935
Equity attributable to minority interests	3 332	2 820
Share of net income attributable to minority interests	417	48
Dividends paid to minority interests	135	306

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 Norwegian industrial group Orkla's fully-owned subsidiary Sapa. The new combined company named Sapa, was established on September 1, 2013 as a 50/50 jointly controlled entity owned by Orkla and Hydro. The units contributed included Hydro's Building systems activities, the Precision tubing activities and general extrusion activities, which comprised all of the Extruded Products segment. Extruded Products had production facilities in Europe, North and South America, and China and sold such products as aluminium extrusion and semi fabricated products for the building and construction, transportation and engineered products industrial sectors. Hydro delivers certain services to Sapa in a transition period, and will continue to deliver metal products to Sapa at market prices.

The Extruded Products business was reported as Assets held for sale and Discontinued operations as of mid October 2012. The results of operations in the businesses contributed to the joint venture were reported separately until completion of the transaction under the caption "Income (loss) from discontinued operations" for the prior period. 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 were reported as "Assets held for sale" and "Liabilities in disposal groups", respectively. The assets and related liabilities were carried at the lower of its value measured under the general principles, or its fair value as a disposal group. The gain on divestment of the Extruded Product business of NOK 150 million included a negative cumulative

translation difference of NOK 517 million as of completion of the transaction. According to Hydro's accounting policy 50 percent of the gain is considered unrealized and thus eliminated. Certain components of the gain were estimated as Hydro issued certain customary representations and warranties in the contribution contract, see note 29 Investments in joint arrangements.

Summary of financial data for discontinued operations

Amounts in NOK million	01.01 - 31.12	
	2014	2013
Revenue and other income	-	11 531
Share of the profit (loss) in equity accounted investments	-	10
Depreciation, amortization and impairment	-	-
Other expenses	-	11 347
Earnings (loss) before financial items and tax	-	194
Financial income (expense), net	-	(52)
Income (loss) before tax	-	142
Income tax expense	-	(28)
Gain on disposal	-	75
Income (loss) from discontinued operations	-	189
Net cash provided by (used in) operating activities	-	(238)
Net cash used in investing activities	(139)	(285)
Net cash provided by (used in) financing activities	-	(12)
Foreign currency effects on cash	-	11
Net increase in cash classified as assets held for sale	-	93
Net cash used in discontinued operations	(139)	(431)

Hydro acquired the remaining 50 percent ownership interest in the joint venture Søral, and through that acquisition established joint control with the previous associate Aluchemie.

Note 8 - 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 five business areas Bauxite & Alumina, Primary Metal, Metal Markets, Rolled Products, and Energy.

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, sheet ingot and standard 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, Hydro's investment in Sapa 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 fixed 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. The following exceptions apply for intersegment transactions: Internal commodity contracts may meet the definition of a financial instrument in IAS 39 or contain embedded derivatives that are required to be reported separately 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.

Beløp i millioner kroner	Salg til eksterne kunder		Salg til interne kunder		Andel resultat i selskap regnskapsført etter egenkapitalmetoden	
	2014	2013	2014	2013	2014	2013
Bauxite & Alumina	9 568	8 124	6 279	5 226	-	-
Primary Metal	6 397	3 866	21 667	19 413	728	108
Metal Markets	37 981	29 646	5 048	8 144	-	-
Rolled Products	21 345	20 286	109	(194)	-	-
Energy	2 492	2 830	3 810	3 449	-	-
Øvrige aktiviteter og elimineringer	124	124	(36 914)	(36 038)	(313)	(348)
Sum	77 907	64 877	-	-	415	(240)

Beløp i millioner kroner	Resultat før finansposter og skatt (EBIT) ¹⁾		Av- og nedskrivninger		EBITDA	
	2014	2013	2014	2013	2014	2013
Bauxite & Alumina	(39)	(1 178)	1 802	1 718	1 763	540
Primary Metal	3 928	855	1 794	1 855	5 736	2 726
Metal Markets	717	666	112	98	829	764
Rolled Products	1 121	83	845	677	1 966	761
Energy	1 193	1 657	162	150	1 355	1 807
Øvrige aktiviteter og elimineringer	(1 245)	(420)	55	146	(1 190)	(274)
Sum	5 674	1 663	4 771	4 644	10 460	6 323

Beløp i millioner kroner	Anleggsmidler		Totale eiendeler ²⁾		Investeringer ³⁾	
	2014	2013	2014	2013	2014	2013
Bauxite & Alumina	39 386	37 252	44 752	41 847	701	1 198
Primary Metal	29 051	26 311	39 168	33 310	1 606	1 093
Metal Markets	1 159	924	8 410	6 137	95	74
Rolled Products	6 834	6 558	15 770	13 542	783	617
Energy	5 328	5 110	6 308	5 911	364	689
Øvrige aktiviteter og elimineringer	8 588	9 487	11 865	15 577	76	90
Sum	90 345	85 642	126 273	116 324	3 625	3 761

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.

The identification of assets, long-lived assets and investments is based on 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		Non-current assets		Investments ³⁾	
	2014	2013	2014	2013	2014	2013
Norway	4 142	3 990	23 514	23 762	1 363	1 435
Germany	12 655	10 539	6 683	6 021	731	556
Great Britain	5 272	3 360	71	61	11	11
Italy	2 974	2 418	117	258	18	15
Spain	2 791	2 032	127	67	4	3
France	2 664	1 770	39	37	6	4
Poland	2 491	1 779	-	-	-	-
The Netherlands	1 621	1 388	948	645	70	-
Austria	1 490	919	-	-	-	-
Denmark	1 346	558	-	-	-	-
Belgium	1 029	886	-	-	-	-
Other	3 997	2 985	1 226	1 058	105	51
Total EU	38 330	28 634	9 211	8 146	944	640
Switzerland	3 505	4 326	183	173	-	-
Turkey	1 891	1 821	-	-	-	-
Other Europe	788	733	-	-	-	-
Total Europe	48 656	39 503	32 908	32 081	2 307	2 076
USA	5 424	5 662	573	358	20	26
Canada	463	55	1 858	1 557	166	116
Brazil	3 873	2 252	43 454	41 808	1 077	1 493
Other Americas	544	659	-	-	-	-
Qatar	1 351	1 444	10 799	9 074	-	-
Japan	4 652	3 875	2	2	-	-
Singapore	3 020	1 934	-	-	-	-
South Korea	1 928	1 646	-	-	-	-
Saudi Arabia	1 530	1 547	-	-	-	-
Taiwan	807	664	-	-	-	-
China	608	1 265	-	-	-	-
Other Asia	3 711	3 301	-	-	-	2
Australia and New Zealand	1 051	728	751	762	56	49
Africa	289	344	-	-	-	-
Total outside Europe	29 251	25 374	57 437	53 561	1 318	1 685
Total	77 907	64 877	90 345	85 642	3 625	3 761

Note 9 - 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.

From the Ministry of Trade, Industry and Fisheries the company has received "Retningslinjer for lønn og annen godtgjørelse til ledende ansatte i foretak og selskaper med statlig eierandel" (the Government's guidelines on remuneration of executive management in entities in which the Government has an ownership interest), amended with effect from 13.2.2015 (the Guidelines). On the basis of the Guidelines, as amended, which do not have retroactive effect, Hydro will in 2015 evaluate its remuneration principles applicable to new members of its executive management, and the Board of Director's statement for 2015 will account for changes made to the principles.

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 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 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.
- Advising the Board of Directors and the CEO in compensation matters which the committee finds to be of material or principal importance for Hydro.

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 2015. The Board of Directors proposes that the guidelines set forth below shall apply for 2015 and up until the annual shareholders' meeting in 2016.

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 labour 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 the other members of the Corporate Management Board on Norwegian terms of employment 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. 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). 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 strategic, operational and organisational key performance indicators (KPIs) including targets relating to safety and environment (HSE) and corporate social responsibility (CSR), (c) compliance with and the promotion of Hydro's core values ("The Hydro Way"), and (d) the Board of Director's overall discretionary assessment. Bonus payments are not taken into account when determining the basis for pensionable salary.

Long Term Incentive

The long-term incentive (LTI) is a compensation payable to the CEO and the other members of the Corporate Management Board of 30 percent respectively 25 percent of annual base salary. 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 relevant shares at or about the last day of employment. The LTI arrangement is re-evaluated annually. LTI payments are not taken into account when determining the basis for pensionable salary.

Other share-based bonuses

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 in note 15 Employee remuneration).

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

Pensions

There are two pension plans in Hydro in Norway, defined benefit and defined contribution. The defined benefit plan was closed to new entrants with effect from 1 March 2010 in connection with the company's decision to establish a defined contribution plan. All new hires after 1 March 2010 have the defined contribution plan.

In connection with the establishment of the defined contribution plan in 2010, all employees on defined benefit were offered voluntary transition to defined contribution. A cash compensation scheme was established for transiting employees for whom a deficit in pension capital resulting from the transit had been estimated. Hydro concluded the transition from defined benefit on 1 June 2014 when all employees born 1 June 1962 or later who were then members of the defined benefit plan were transferred to the defined contribution plan. Employees transferred in 2014 receive compensation on the basis of the model that was established in 2010, subject, as in 2010, to a deficit in pension capital resulting from the transfer having been estimated.

The defined contribution plan stipulates that 5 percent of salary between 1 and 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. As of 1 January 2015, just above 60 percent of the permanent employees in Norway, including five members of the Corporate Management Board, have the defined contribution plan.

Following the closure in 2010, slightly below 40 percent of the permanent employees in Norway, including the CEO and two members of the Corporate Management Board, are members of the defined benefit plan. In this plan, full pension entitlement is earned after minimum 30 years of employment in Hydro.

The normal retirement age in Hydro in Norway is 67 years. From this age the normal pension plans apply (defined contribution or defined benefit). The company has no early retirement plan, except for the two closed schemes mentioned in the following.

Until 2011, Hydro had an early retirement scheme for employees on certain levels offering a right to retire at the age of 65 with an entitlement to 65 percent of pensionable salary until the age of 67. All current Norwegian members of the Corporate Management Board were members of the scheme when it closed and are, thus, still comprised by it.

In addition, the CEO has a right to retire, and the Board of Directors may require him to do so, after the age of 62 with an entitlement to 60 percent of pensionable salary until the age of 65. From the age of 65, the entitlement is 65 percent of pensionable salary in accordance with the scheme described in the foregoing paragraph. In 2010, a similar early retirement scheme was established for the other Norwegian members of the Corporate Management Board. The scheme implies the right to retire at the age of 62 with an entitlement to 60 percent of pensionable salary until the age of 65, subject to at least five years of service on the Corporate Management Board between the ages of 50 and 60. This early retirement scheme was discontinued in 2012 and, thus, applies only to two of the current members of the Corporate Management Board.

The Board of Directors is continuously evaluating potential needs and alternative models related to early retirement for members of the Corporate Management Board.

The pensionable salaries of the CEO and of two members of the Corporate Management Board have been capped. The amounts (caps) are subject to annual adjustment in accordance with the adjustment of the Norwegian National Insurance basic amount. Following the adjustment as of 1 January 2015, the caps are NOK 6,918,957 for the CEO and NOK 4,243,836 for the two members of the Corporate Management Board.

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 for the other members of the Corporate Management Board, and two members are still comprised by this. In respect of members on Norwegian terms of employment appointed 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

For members of the Corporate Management Board outside Norway, base salary and other employment conditions are determined in accordance with Hydro's global human resources policy and local industry standards, and accords generally with the remuneration principles applicable to the other members of the Corporate Management Board.

One member of the Corporate Management Board, Alberto Fabrini, has variable pay schemes deviating from the description above. He is employed by Norsk Hydro Brasil Ltda in Brazil. These schemes entail a framework for variable pay of up to 8.8 months base salary for each of the elements (annual variable pay and long term incentive), both of which are performance based as described above. The Board of Directors' overall assessment is that Fabrini's total remuneration framework is in alignment with the market in Brazil.

Fabrini is covered by the share-based 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 other members of the Corporate Management Board for the financial year 2014 was based on the same guidelines as those described above.

In July 2014, the Board of Directors decided to increase the CEO's base salary by 2.5 percent, from NOK 5,739,540 to NOK 5,883,000 with effect from January 1, 2014. The base salary of the other members of the Corporate Management Board also increased by 2.5 percent in 2014.

Bonus payments for 2013 were determined and paid in 2014 on the basis of the principles described above (see also note 10 Management remuneration).

Bonus payments for 2014 were determined in March 2015 on the basis of the principles described above and will be paid during 2015.

Note 10 - Management remuneration

Corporate management board members' salaries and other other benefits, number of LTI-shares allocated, as well as Hydro share ownership as of December 31, 2014 and 2013 are presented in the table below. Unless otherwise stated, Hydro did not have any loans to or guarantees made on behalf of any of the corporate management board members in 2014 and 2013.

Name	Base salary 1) 2)	Maximum bonus potential 1) 2)	Salary paid 1) 3)	Other benefits paid 1) 3)	Compensation pension paid 1) 3)	Bonus earned 1) 3)	Long-term incentive (LTI) earned 1) 3)	Pension benefits 1) 4)	LTI-shares allocated	Hydro share ownership 5)
2014										
Svein Richard Brandtzæg	5 883	2 942	6 034	239	-	2 145	1 765	5 066	30 611	160 565
Eivind Kallevik ⁶⁾	2 839	1 136	2 923	208	102	857	710	946	11 285	21 075
Alberto Fabrini ⁷⁾	3 572	3 149	3 008	830	-	2 955	521	43	-	-
Hilde Aasheim	3 067	1 227	3 162	186	-	997	767	1 715	13 298	50 699
Oliver Bell ⁸⁾	4 692	1 877	4 694	132	-	817	1 173	11 855	19 922	70 553
Arvid Moss	2 860	1 144	2 927	241	-	824	715	2 054	12 400	117 685
Wenche Agerup ⁹⁾	2 839	1 136	2 907	246	237	749	710	1 024	12 311	55 034
Johnny Undeli ¹⁰⁾	6 375	548	4 903	200	-	251	-	2 422	14 253	53 194
2013										
Svein Richard Brandtzæg	5 740	2 870	5 880	290	-	1 712	1 722	3 902	32 284	129 618
Eivind Kallevik ¹¹⁾	2 770	1 108	3 105	241	96	672	635	1 348	-	9 454
Johnny Undeli	6 375	1 283	6 579	223	-	-	802	1 750	13 654	38 605
Hilde Aasheim	2 992	1 197	3 069	201	-	911	748	2 130	14 065	37 065
Oliver Bell	4 278	1 711	4 276	68	-	1 383	1 070	5 688	20 173	50 631
Arvid Moss	2 790	1 116	2 857	260	-	752	698	2 146	12 106	104 949
Wenche Agerup	2 770	1 108	2 837	263	-	672	693	(3 250)	11 840	42 387
Jørgen C Arentz Rostrup ¹²⁾	3 130	-	440	36	-	-	-	654	-	34 083
Hans-Joachim Kock ¹³⁾	4 653	532	4 444	1 556	-	-	239	(2 917)	16 520	43 475

- 1) Amounts in NOK thousand. Amounts paid by subsidiaries outside Norway have been translated to NOK at average exchange rates for each year.
- 2) Annual base salary 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.
- 3) Salary is the amount paid to the individual during the year presented, and includes vacation pay. Other benefits is the total of all other cash and 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. Compensation pension is the amount paid to compensate for future pension shortfall estimated at the time of transition from Hydro's defined pension benefit plans to the defined contribution plan in line with an arrangement applicable to all affected employees in Norway. Bonus is the amount earned in the year presented, including vacation pay, based on performance achieved as corporate management board member. The LTI plan benefit reflects gross (pre-tax) amounts earned in the year presented, and results in LTI shares allocated in the following year. For corporate management board members on net salary employment contracts, benefits have been converted to gross (pre-tax) amounts.
- 4) Pension benefits include the estimated change in the value of defined pension benefits, and 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, except Jorgen C. Arentz Rostrup, this is the estimated change from January 1 to December 31. In 2013, Rostrup's estimated change in value of pension benefits reflects that he left Hydro as of February 15, 2013. In addition, pension benefits also include contributions to defined contribution plans.
- 5) 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, except for Jorgen C. Arentz Rostrup. In 2013, Hydro share ownership for Rostrup is as of February 15, 2013.
- 6) In June 2014, Kallevik obtained a loan from Hydro of NOK 175 thousand at an interest rate of 7.5 percent. The loan was repaid in August 2014.
- 7) Alberto Fabrini became member of the Corporate Management Board as of June 1, 2014. In addition to the performance related pay arrangement for all members of the Corporate Management Board, Fabrini has a cash-paid long-term incentive which is payable over three years with payments partly dependent on salary levels and business results in the following two years, included in bonus. The reported bonus amounts represent estimates.
- 8) Oliver Bell stepped down from the Corporate Management Board and left Hydro as of December 31, 2014. In addition to the benefits included in the table above, Bell received termination benefits amounting to NOK 16,874 thousand in 2015. The long term incentive earned for 2014, will be settled in cash in 2015. Bell was not required to make any payments to Hydro for non-vested LTI shares at termination of employment.
- 9) Wenche Agerup stepped down from the Corporate Management Board and left Hydro as of December 31, 2014. In addition to the benefits included in the table above, Agerup will receive salary and other benefits during her six month notice period ending June 30, 2015, estimated to NOK 1,973 thousand. Agerup has no work obligations for Hydro in this period. From July 1, 2015, Agerup will receive severance pay for a period of 12 months, estimated to NOK 1,612 thousand in 2015, and with a similar amount to be received in 2016. Agerup was not required to make any payments to Hydro for non-vested LTI shares at termination of employment.
- 10) Johnny Undeli stepped down from the Corporate Management Board as of May 31, 2014.
- 11) Eivind Kallevik became a member of the Corporate Management Board as of February 15, 2013.
- 12) Jorgen C. Arentz Rostrup stepped down from the Corporate Management Board and left Hydro as of February 15, 2013. In addition to the benefits included in the table above, Rostrup received salary and other benefits during his 4.5 month notice period ending June 30, 2013, in which he had no work obligations for Hydro, amounting to NOK 1,427 thousand. From July 1, 2013, Rostrup received severance pay for a period of 12 months amounting to NOK 1,727 thousand in 2013 and NOK 1,722 thousand in 2014. Rostrup was not required to make any payments to Hydro for non-vested LTI shares at termination of employment.
- 13) Hans-Joachim Kock stepped down from the Corporate Management Board as of May 31, 2013. Under the long term incentive for 2013 settled in 2014, Koch received 7,191 shares.

Note 11 - 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 and travel compensation. Travel compensation is paid to members living outside Scandinavia who attend meetings in person, with an amount of NOK 10,000 per meeting. 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 2014 for the chairperson of the board, deputy chairperson and directors are NOK 582,000 (2013: NOK 565,000), NOK 365,000 (2013: NOK 355,000) and NOK 319,000 (2013: NOK 310,000), respectively. The chairperson of the audit committee and the chairperson of the compensation committee receive an additional NOK 185,000 (2013: NOK 180,000) and NOK 106,000 (2013: NOK 103,000) annually in fees, respectively, and audit and compensation committee members receive NOK 120,500 (2013: NOK 117,000) and NOK 79,500 (2013: NOK 77,000) annually, respectively, for their participation on these committees.

Total board fees and individual board member fees for 2014 and 2013, and outstanding loans and board member share ownership as of December 31, 2014 and 2013, are presented in the tables below.

Board of Directors' fees

Amounts in NOK thousand	2014	2013
Fees and other remuneration - normal board activities	3 740	3 712
Fees - compensation committee	345	334
Fees - audit committee	547	531
Total fees for board services provided to Hydro during the year	4 631	4 577

Board member	Board fees ¹⁾		Outstanding loans ^{1) 2)}		Number of shares ³⁾	
	2014	2013	2014	2013	2014	2013
Dag Mejdell ⁴⁾	584	427	-	-	35 000	13 400
Inge K. Hansen ⁵⁾	550	535	-	-	12 000	12 000
Finn Jebesen ⁶⁾	399	387	-	-	53 406	53 406
Eva Persson ⁷⁾	440	427	-	-	-	-
Pedro Rodrigues	399	310	-	-	-	-
Irene Rummelhoff ⁸⁾	232	-	-	-	5 000	-
Liv Monica Stubholt ⁹⁾	422	387	-	-	-	-
Ove Ellefsen ^{10) 14)}	389	427	-	-	7 547	3 211
Billy Fredagsvik ^{11) 14)}	369	310	57	175	3 162	2 826
Sten Roar Martinsen ^{6) 14)}	399	387	-	-	4 218	3 882
Terje Vareberg ¹²⁾	295	670	-	-	28 391	28 391
Victoire de Margerie ¹³⁾	153	310	-	-	-	-
Total	4 631	4 577	57	175	148 724	117 116

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, 2014 and 2013 for board members as of December 31, 2014 and 2013; otherwise loans are as of the date the individual stepped down from the Board of Directors. At the end of 2014, the loan to Billy Fredagsvik had an interest rate of 7.5 percent, with a repayment period of eight months. 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, 2014 and 2013 for board members as of December 31, 2014 and 2013; 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.

4) Chairperson of the board as of May 27, 2014. Chairperson of the board compensation committee as of June 4, 2014. Member of the board audit committee until June 4, 2014.

5) Deputy chairperson of the board, and 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 as of May 27, 2014. Member of the compensation committee as of June 4, 2014.

9) Member of the board audit committee as of June 4, 2014. Member of the board compensation committee until June 4, 2014.

10) Member of the board audit committee until August 1, 2014.

11) Member of the board audit committee as of August 1, 2014.

12) Chairperson of the board until May 27, 2014. Chairperson of the board compensation committee until May 27, 2014.

13) Member of the board until May 27, 2014.

14) 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.

Corporate Assembly

Corporate Assembly members owned 114,100 shares as of December 31, 2014. 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 308 thousand as of December 31, 2014. The interest rates on these loans are 3.75 percent and 7.50 percent with a repayment period between three and five years.

Note 12 - Related party information

As of December 31, 2014, The Norwegian state had ownership interests in Hydro through the Ministry of Trade, Industry and Fisheries, and Folketrygdfondet, which manages the Government Pension Fund - Norway. The Ministry of Trade, Industry and Fisheries held 34.8 percent of total shares outstanding (2013: 34.8 percent). Folketrygdfondet held 7.4 percent (2013: 5.7 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.

Vale Austria Holdings GmbH, a wholly owned subsidiary of Vale S.A., sold all its shares in Norsk Hydro ASA in November 2013. Vale received its 22 percent holding in Hydro as consideration for Hydro's acquisition of Vale Aluminium in 2011. Hydro has concluded that Vale's shareholding represented significant influence in Hydro, and that Vale thus was a related party until the sale. The board member Pedro Rodrigues is employed by Vale.

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 supply arrangements for the acquired entities with Vale S.A and its subsidiaries were in place for such deliveries as energy supply and certain administrative and other services. 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 68 companies are managed by the ministries and covered by public information from the Ministry of Trade, Industry and Fisheries 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.

The public enterprise Enova, which supports new energy and climate-related technology development in Norway, decided in June 2014 to contribute NOK 1.5 billion to Hydro's planned pilot project for new electrolysis technology at Karmøy, Norway. The contribution was approved by the European Free Trade Association, EFTA, in February 2015 and is expected to be paid over the preparation and building period.

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 arrangement was priced based on market price benchmarks at inception and has a remaining life of around 6 years. Hydro has paid a total of NOK 201 million and NOK 196 million for 2014 and 2013, respectively related to the contract. In 2013, Hydro concluded that the rental contract was loss making and made a provision of NOK 312 million for future rental costs in excess of the benefit through sub rentals and own use of the premises. A provision of NOK 285 million remained at the end of 2014.

The members of Hydro's board of directors during 2014 and 2013 are stated in note 11 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 30 Investments in associates. Hydro's significant joint arrangements and transactions with those entities are described in note 29 Investments in joint arrangements. Hydro has joint 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

Note 13 - Other income

Amounts in NOK million	2014	2013
Gain on sale of property, plant and equipment	93	-
Gain on sale of subsidiaries, associates and jointly controlled entities	7	2
Net loss acquisition subsidiary ¹⁾	(38)	-
Revenue from utilities ²⁾	154	141
Rental revenue	286	253
Government grants	150	320
Other ³⁾	98	85
Other income, net	751	801

1) Net loss acquisition of subsidiary reflects the holding loss on previously held shares in Soral, the gain on acquisition of Soral, as well as the settlement of preexisting contracts with Soral.

2) Revenue from utilities include quay structures, pipe network, tank terminal, process water and grid rental.

3) Other includes royalties and insurance compensations.

Note 14 - Raw material and energy expense

Amounts in NOK million	2014	2013
Raw material expense and production related cost	52 035	43 239
Change in inventories own production	(667)	(182)
Write-downs of inventories	116	127
Reversals of write-downs of inventory	(4)	(9)
Raw material and energy expense	51 480	43 175

Raw material expense and production related cost include effect of commodity derivative instruments. See note 44 Derivative instruments and hedge accounting.

Note 15 - Employee remuneration

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. From 2014 each employee can purchase shares with a rebate of 50 percent for a value of NOK 12,500 or NOK 25,000, depending on shareholder return and the employee's choice.

Compensation expense related to the 2013 performance measurement period was accrued and recognized over the service period of December 31, 2013 through March 31, 2014, the final acceptance date of the offer. In 2014 and 2013 the participation rates of eligible employees in the employee share purchase plan were 82 and 77 percent, respectively. Details related to the employee share purchase plan are provided in the table below.

Employee share purchase plan			
Performance measurement period	2014	2013	2012
Total shareholder return performance target achieved	≥12%	<12%	<12%
Employee rebate, NOK	6 250/12 500	2 500	2 500
Employee rebate, percent	50%	25%	25%

Share purchase plan compensation		2014	2013
Award share price, NOK		29.70	27.19
Number of shares issued, per employee		336	367
Total number of shares issued to employees		921 984	1 085 219
Compensation expense related to the award, NOK thousand		6 848	7 377

Employee benefit expense

The average number of employees in Hydro's continuing operations for 2014 and 2013 was 12,653 and 12,932, respectively. As of year end 2014 and 2013, Hydro's continuing operations employed 12,922 and 12,564 people, respectively. Employees in joint operations are not included. The specification of employee benefit expenses for 2014 and 2013, including employee benefits in joint operations, is given in the table below.

Employee benefit expense

Amounts in NOK million	2014	2013
Salary	6 507	6 194
Social security costs	842	791
Other benefits	228	207
Pension expense (note 36)	512	168
Total	8 089	7 360

Note 16 - Depreciation and amortization expense

Specification of depreciation and amortization by asset category

Amounts in NOK million	2014	2013
Buildings	608	611
Machinery and equipment	3 880	3 867
Intangible assets	76	66
Depreciation and amortization expense	4 565	4 544

Note 17 - Impairment of non-current assets

Amounts in NOK million	2014	2013
Classification by asset category		
Impairment losses		
Property, plant and equipment	214	97
Intangible assets	(8)	3
Total impairment of non-current assets	206	100

Classification by segment

Impairment losses		
Bauxite & Alumina	44	-
Rolled Products	145	-
Primary Metal	-	1
Metal Markets	25	16
Energy	(8)	3
Other activities	-	80
Total impairment of non-current assets	206	100

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 9.5 and 15.5 percent (2013: 10.50-15.5 percent). Impairment losses have been recognized where the recoverable amount is less than the carrying value.

In 2014 we identified impairment indicators for Rolled Products' plant in Slim, Italy. The CGU was tested for impairment at the end of 2014. The recoverable amount was determined to be below the carrying value, and the assets were written down by NOK 145 million.

In addition certain assets were written down as impaired due to physical damage or obsolescence. Previously impaired CO₂ quotas regained some value, and a previous write-down was therefore partly reversed.

In 2013 we identified impairment indicators for Hydro Primary Metal's part-owned smelter Slovalco, Slovakia and shares in Sørø, Norway. The assets were tested for impairment at the end of 2013. The recoverable amount for both units were determined as the VIU based on Hydro's internal assumptions for aluminium prices, raw material prices including energy and currency exchange rates. Both tests showed positive margins but were sensitive to changes in aluminium prices, energy prices and currency exchange rates. As there were no impairment indicators for these assets in 2014 no updated tests were made.

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	2014	2013
Bauxite & Alumina Operations	2 875	2 694
Remelters sector (Metal Markets)	301	250
Total goodwill	3 177	2 945

Goodwill in Bauxite & Alumina was allocated to a CGU consisting of the Alunorte alumina refinery, the main bauxite source Paragominas and certain related activities. The recoverable amount has been determined based on a VIU calculation, and amounts to about NOK 44 billion. The value exceeds the carrying value of NOK 31 billion by about 40 percent. The calculation used cash flow projections in BRL based on internal plans approved by management covering a five-year period. All significant assumptions are internally derived based on external references. 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. The CGU is expected to remain in operation for at least the 40-year period. 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. Cash flows beyond the five-year period are inflated by the expected long-term inflation levels in Brazil and the main western economies.

The main assumptions, expressed in real 2015 values, to which the test is sensitive are shown in the table below:

	Assumptions	
	2015	Long-term
Exchange rate BRL/USD	2.50	2.50
Alumina price (USD/mt)	351	400
Inflation difference Brazil - main Western economies	3.4%	1.7%
Production volume alumina (million mt)	6.2	6.3
Discount rate nominal, pre-tax	15.5%	15.5%

Significant cash flows are denominated in US dollars. These are translated to BRL at a rate of 2.50 for 2015, 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 production cost is sensitive to ICMS and other indirect taxes in Brazil. The test is based on the assumption that such taxes for 2015 and future years will reflect a level similar to the 2014 regulation. A change in the tax regulation in Brazil is likely to influence our direct cost level. The sensitivity to this risk is expressed as a cost sensitivity, and is indicative for cost changes independent of whether it is caused by tax regime changes, local or international market prices.

If one of the key parameters were changed with no changes to the other assumptions, the estimated recoverable amount for the CGU would equal the carrying amount with the following long-term real 2014 assumptions over the entire 40-year period:

	% change	Value
Exchange rate BRL/USD	(14%)	2.14
Alumina price (USD/mt)	(8%)	321
Production volume alumina (million mt)	(11%)	5.5
Discount rate (% point)	26%	19.5%
Total production cost (million BRL 2014)	(10%)	(500)

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 5 Critical accounting judgment and key sources of estimation uncertainty for additional information about impairment testing.

Note 18 - Research and development

Total expensed research and development cost was NOK 277 million in 2014 and NOK 216 million in 2013. Research and development activities are aiming at making production of aluminium more efficient including further improving the operational and environmental performance of Hydro's electrolysis technology. The planned Karmøy Technology Pilot will be important for verifying the next generation electrolysis technology at an industrial level, which is necessary for reducing the risk of implementing new 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. The capitalized development costs was NOK 32 million in 2014 and NOK 28 million in 2013.

Note 19 - Operating leases

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

Amounts in NOK million	Less than 1 year	1-5 years	Thereafter	Total
Operating lease obligation 2014	318	1 104	1 072	2 494
Operating lease obligation 2013	306	1 124	1 402	2 831

Operating lease expense for office space, machinery and equipment amounts to NOK 341 million for 2014 and NOK 328 million for 2013.

Note 20 - Financial income and expense

Amounts in NOK million	2014	2013
Interest income	275	232
Dividends received and net gain (loss) on securities	71	170
Financial income	347	402
Interest expense	(438)	(421)
Capitalized interest	3	2
Net foreign exchange gain (loss)	(3 161)	(2 246)
Accretion	(353)	(372)
Other	48	59
Financial expense	(3 900)	(2 978)
Financial income (expense), net	(3 554)	(2 576)

Accretion represent the period's interest component for pension obligations, asset retirement obligations and other liabilities measured as present value of future expected payments.

Note 21 - Income tax expense

Amounts in NOK million	2014	2013
Income (loss) from continuing operations before taxes		
Norway	255	287
Other countries	1 865	(1 201)
Total	2 121	(913)
Current taxes		
Norway	566	798
Other countries	1 040	631
Current income tax expense	1 605	1 429
Deferred taxes		
Norway	255	119
Other countries	(968)	(1 433)
Deferred tax expense (benefit)	(713)	(1 314)
Total income tax expense (benefit)	892	115

Components of deferred taxes

Origination and reversal of temporary differences	(673)	(505)
Benefit tax loss carryforwards	(950)	(1 005)
Net change in unrecognized deferred tax assets	48	(62)
Tax (expense) benefit allocated to Other comprehensive income	863	258
Deferred tax expense (benefit)	(713)	(1 314)

Reconciliation of tax expense to Norwegian nominal statutory tax rate

Amounts in NOK million	2014	2013
Expected income taxes at statutory tax rate ¹⁾	573	(256)
Hydro-electric power surtax ²⁾	612	674
Equity accounted investments	(112)	67
Foreign tax rate differences	(125)	(419)
Tax free income	(37)	(100)
Losses, other tax benefits and deductions with no tax benefits, net	(17)	148
Income tax expense (benefit)	892	115

1) Norwegian nominal statutory tax rate is 27 percent.

2) A surtax of 31 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 22 - Short-term investments

Amounts in NOK million	2014	2013
Bank, time deposits	500	1 250
Equity securities	293	287
Debt securities	816	738
Other	178	205
Total short-term investments	1 786	2 480

Note 23 - Accounts receivable

Amounts in NOK million	2014	2013
Trade receivables	8 626	7 268
VAT and other sales taxes	1 170	948
Other receivables	1 981	1 408
Allowance for credit losses	(73)	(85)
Accounts receivable	11 703	9 539

Note 24 - Inventories

Amounts in NOK million	2014	2013
Raw materials	5 074	4 065
Work in progress	3 322	2 913
Finished goods	4 247	3 091
Inventories	12 642	10 070

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

Note 25 - Other non-current assets

Amounts in NOK million	2014	2013
Non-marketable equity securities	1 222	1 009
Other securities	537	536
Employee loans	144	152
Derivative instruments	59	179
Prepaid taxes and tax credits	3 706	3 403
Other receivables	558	504
Other non-current assets	6 227	5 783

Note 26 - Property, plant and equipment

Amounts in NOK million	Land	Buildings	Machinery and equipment	Plant under construction	Total
Cost					
December 31, 2012	814	20 005	72 681	2 940	96 439
Additions	2	102	1 727	1 617	3 448
Acquisitions through business combinations	-	72	188	5	264
Disposals	(1)	(159)	(1 475)	(32)	(1 668)
Transfers	-	272	1 172	(1 445)	-
Foreign currency translation effect	99	258	1 356	(62)	1 651
December 31, 2013	913	20 550	75 648	3 023	100 135
Additions	1	116	1 552	1 760	3 429
Acquisitions through business combinations	-	685	267	18	970
Disposals	(2)	(686)	(3 419)	(7)	(4 114)
Transfers	(43)	391	1 924	(2 272)	-
Foreign currency translation effect	73	936	4 891	164	6 065
December 31, 2014	942	21 993	80 863	2 687	106 485
Accumulated depreciation and impairment					
December 31, 2012	(2)	(8 645)	(33 562)	(26)	(42 235)
Depreciation for the year	-	(611)	(3 867)	-	(4 478)
Impairment losses	-	(42)	(39)	(16)	(97)
Disposals	-	66	1 452	16	1 534
Transfers	-	(7)	(17)	24	-
Foreign currency translation effect	-	(275)	(1 728)	(2)	(2 005)
December 31, 2013	(3)	(9 514)	(37 761)	(3)	(47 280)
Depreciation for the year	-	(608)	(3 880)	-	(4 489)
Impairment losses	(5)	(1)	(208)	-	(214)
Disposals	-	668	3 299	-	3 967
Transfers	-	(7)	3	4	-
Foreign currency translation effect	(1)	(390)	(2 359)	-	(2 750)
December 31, 2014	(9)	(9 852)	(40 906)	-	(50 766)
Carrying value					
December 31, 2013	911	11 036	37 888	3 020	52 855
December 31, 2014	934	12 141	39 957	2 687	55 719

Note 27 - Intangible assets

Amounts in NOK million	Intangible assets under development	Mineral rights	Waterfall rights	Software	Acquired sourcing contracts	Other intangibles assets	Total
Cost							
December 31, 2012	118	903	190	872	1 252	970	4 305
Additions	36	-	-	14	-	-	50
Acquisitions through business combinations	-	-	139	-	-	-	139
Disposals	-	-	-	(62)	-	(14)	(76)
Foreign currency translation effect	-	(38)	-	75	(52)	42	28
December 31, 2013	154	865	329	899	1 200	998	4 446
Additions	35	-	-	106	-	33	174
Disposals	-	-	-	(16)	-	(11)	(26)
Transfers	(12)	-	-	11	-	1	-
Foreign currency translation effect	-	58	-	57	81	47	243
December 31, 2014	176	924	329	1 058	1 281	1 069	4 836
Accumulated amortization and impairment							
December 31, 2012	-	-	(190)	(707)	(159)	(568)	(1 624)
Amortization for the year ¹⁾	-	-	-	(53)	(89)	(17)	(158)
Impairment loss	-	-	-	-	-	(3)	(3)
Disposals	-	-	-	61	-	-	61
Foreign currency translation effect	-	-	-	(65)	10	(50)	(105)
December 31, 2013	-	-	(190)	(763)	(237)	(638)	(1 829)
Amortization for the year ¹⁾	-	-	-	(61)	(89)	(17)	(167)
Reversal of impairment loss	-	-	-	-	-	8	8
Disposals	-	-	-	16	-	6	22
Foreign currency translation effect	-	-	-	(48)	(20)	(32)	(100)
December 31, 2014	-	-	(190)	(856)	(346)	(673)	(2 066)
Carrying value							
December 31, 2013	154	865	139	136	963	360	2 617
December 31, 2014	176	924	139	202	935	396	2 771

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

Mineral rights are not depreciated until extraction of the resources starts. Waterfall rights acquired in 2013 have indefinite life and are thus not depreciated.

Note 28 - Goodwill

Amounts in NOK million	Bauxite & Alumina	Metal Markets	Total
Cost			
December 31, 2012	2 811	228	3 040
Foreign currency translation effect	(117)	22	(95)
December 31, 2013	2 694	250	2 945
Foreign currency translation effect	181	51	232
December 31, 2014	2 875	301	3 177

See note 17 Impairment of non-current assets for information about the annual impairment testing of goodwill.

Note 29 - Investments in joint arrangements

Hydro is engaged in various arrangements on a joint basis with other companies. In assessing whether joint control exists for these arrangements we evaluate the legal framework and contracts governing the arrangement combined with an assessment of which decisions that significantly influence the return from the arrangement. Arrangements owned on a 50/50 basis and/or governed by unanimous decisions constitute the majority of our joint arrangements.

Most of our joint arrangements are joint production facilities supplying metal and other products for Hydro's value chain. Hydro is also engaged in one major downstream joint venture, Sapa. Hydro assesses whether joint arrangements are joint operations where Hydro has a direct interests in the assets and direct liability to settle obligations, directly or indirectly, or a joint venture where we have an interest in the net assets of the joint arrangement. In this assessment we evaluate the contracts governing the arrangement and the legal framework for the type of entity in which the arrangement is operated. Hydro is engaged in both joint arrangements that are considered joint ventures, and arrangements that are concluded to be joint operations.

Joint operations

Of our joint operations, two are classified as joint operations based on the legal form of the operations. These are Tomago, an aluminium smelter in Australia and Skafsa ANS, a power producer in Norway. Another two arrangements are classified as joint operations based on the contractual arrangements whereby all output is sold to the shareholders in proportion to their ownership interest at a cost based price formula. The major or sole sources of cash inflows for the joint arrangements are the owners, who are legally obliged to cover production costs. These are Aluminium Norf GmbH (Alunorf), a large rolling mill in Germany and Aluminium & Chemie Rotterdam B.V., Aluchemie, (from November 1, 2014), an anode producer in the Netherlands. None of the joint operations are considered material for Hydro.

Joint ventures

The following joint ventures are considered material for Hydro:

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 9,719 million in 2014 and NOK 8,627 million in 2013. Related payables amount to NOK 871 million at the end of 2014 and NOK 686 at the end of 2013. Sales from Hydro to Qatalum amounted to NOK 1,668 million in 2014 and NOK 1,904 million in 2013, primarily alumina. Related receivables amounted to NOK 36 million and NOK 83 million at the end of the periods. Qatalum is part of Primary Metal.

SAPA AS (Sapa) is a world leader in aluminium solutions established on September 1, 2013 by Hydro and Orkla ASA, a listed company in Norway. See note 7 Significant subsidiaries and changes to the consolidated group for further details related to the transaction. Hydro issued certain guarantees towards Sapa as part of establishing the company, primarily related to tax exposure. A provision of about NOK 100 million is recognized for these guarantees. Sapa delivers products within extrusion profiles, building systems and precision tubing and employs around 23,000 people in more than 40 countries. The company's headquarter is located in Oslo, Norway. Sapa is owned 50/50 by Hydro and Orkla. Hydro sells metal products to Sapa at market prices. Sales from Hydro to Sapa amounted to NOK 5,303 million in 2014 and NOK 1,349 million in the four months from establishment in 2013. Hydro's accounts receivables amounted to NOK 934 million and NOK 627 million at the end of 2014 and 2013, respectively. Sapa is part of Other Activities.

The table below summarizes key figures for these joint ventures for 2014 and 2013, for Sapa from September 1, 2013. The figures are on the same basis as used for inclusion in the group financial statements. Fair value adjustments from Hydro's contribution of assets and businesses to the joint ventures are included. Intercompany transactions and balances are included, and internal profit and loss in inventory and fixed assets purchased from group companies are not eliminated in the numbers below. All amounts are for the joint venture on 100 percent basis.

Amounts in NOK million	Qatalum		Sapa	
	2014	2013	2014	2013
Revenue	9 830	8 716	46 384	13 987
Depreciation and amortization	1 765	2 008	1 263	391
Earnings before financial items and tax	1 832	1 087	(316)	(814)
Financial income (expense), net	(383)	(376)	(266)	(52)
Income tax expense	-	(44)	(38)	168
Net income (loss)	1 449	755	(622)	(701)
Other comprehensive income	94	399	937	399
Total comprehensive income	1 346	1 127	315	(302)
Cash and cash equivalents	3 307	2 607	1 882	1 697
Other current assets	3 538	3 506	13 422	11 264
Non-current assets	32 452	27 892	12 295	11 270
Current financial liabilities	1 143	954	758	1 169
Non-current financial liabilities	15 176	13 445	3 205	2 519
Other liabilities	1 379	1 458	12 098	9 318
Net assets	21 599	18 149	11 538	11 225
Hydro's share of net assets	10 799	9 074	5 750	5 594
Goodwill in Hydro's investment	-	-	1 526	1 526
Carrying value of Hydro's equity investment	10 799	9 074	7 276	7 120
Loans extended to joint ventures	-	-	-	-
Total investment	10 799	9 074	7 276	7 120

Amounts in NOK million	Qatalum	Sapa	Søral	Other	Total
December 31, 2012	7 978	-	587	11	8 576
Investments (sale), net		7 225		(23)	7 202
Change in long-term advances, net				(2)	(2)
Hydro's share of net income (loss)	378	(347)	(257)	1	(225)
Hydro's share of other comprehensive income	199	242			441
Dividends and other payments received by Hydro	(206)				(206)
Foreign currency translation and other	725				725
December 31, 2013	9 074	7 120	330	(12)	16 512
Investments (sale), net			(340)		(340)
Hydro's share of net income (loss)	725	(313)	10		422
Hydro's share of other comprehensive income	47	468			515
Dividends and other payments received by Hydro	(942)				(942)
Foreign currency translation and other	1 896				1 896
December 31, 2014	10 799	7 276	-	(12)	18 062

Hydro acquired the remaining 50 percent ownership interests in Søral as of 1 November 2014. The transaction also included shares in Aluchemie, which was previously an associate of Hydro, see note 30 Investments in associates. As part of this transaction the shareholders' agreement was renegotiated to give Hydro joint control in significant decisions, and thus support a joint operation classification of Aluchemie.

Note 30 - Investments in associates

The previous associate Aluminium & Chemie Rotterdam B.V. (Aluchemie), an anode producer located in the Netherlands became a joint operation as of November 1, 2014, when the governing contracts were changed and Hydro acquired additional interests in Aluchemie. Until the change, Hydro owned 36.2 percent of the entity and had 21.2 percent of the voting rights. Other shareholders were Rio Tinto Alcan (53.3 percent) and Søral (10.5 percent). Hydro purchased anodes from Aluchemie amounting to NOK 594 million in the period January to October 2014 and NOK 749 million in 2013 based on a cost plus formula. Sales of anode butts and coke from Hydro to Aluchemie amounted to NOK 66 million in the period January to October 2014 and NOK 88 million in 2013. Hydro is committed to purchase a share of produced anodes based on its

ownership interest. The right and obligation to purchase differs for the product lines, as agreed between the shareholders. Aluchemie is part of Primary Metal. Hydro had ownership interests in associates with a combined carrying value of NOK 20 million as of December 31, 2014, and NOK 624 million as of December 31, 2013.

Note 31 - Bank loans and other interest-bearing short-term debt

Amounts in NOK million	2014	2013
Bank loans and overdraft facilities	5 242	5 475
Other interest-bearing short-term debt	198	316
Current portion of long-term debt	600	429
Bank loans and other interest-bearing short-term debt	6 039	6 220

Note 32 - Trade and other payables

Amounts in NOK million	2014	2013
Accounts payable	7 259	6 317
Payroll and value added taxes	1 422	1 276
Accrued liabilities and other payables	981	1 604
Trade and other payables	9 663	9 197

Note 33 - Long-term debt

Amounts in NOK million	2014	2013
USD	3 502	2 364
NOK	1 500	1 500
Total unsecured loans	5 002	3 864
Other long-term debt	725	551
Outstanding debt	5 727	4 415
Less: Current portion	(600)	(429)
Total long-term debt	5 128	3 986

Repayments of long-term debt including interest

Amounts in NOK million	Unsecured loans	Other	Interest	Total
2015	542	57	183	783
2016	1 697	53	173	1 923
2017	461	33	136	631
2018	338	27	129	493
2019	1 753	25	123	1 901
Thereafter	211	530	329	1 070
Total	5 002	725	1 074	6 801

Norsk Hydro ASA has a USD 1,700 million, revolving multi-currency credit facility with a syndicate of international banks, maturing in 2019, extended by one year in 2014, with one potential one-year extension option. 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, 2014.

Note 34 - Provisions

Amounts in NOK million	2014			2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
Warranties	39	3	42	54	-	54
Exit and disposal activities	25	-	25	70	-	70
Environmental clean-up and asset retirement obligations (ARO)	88	2 012	2 100	107	1 605	1 712
Employee benefits	272	433	705	246	413	659
Insurance	228	-	228	365	-	365
Unfavourable contracts and onerous contracts	225	1 261	1 485	63	249	312
Other	250	285	535	94	417	510
Total provisions	1 125	3 993	5 118	999	2 684	3 683

The following table includes a specification of changes to provisions for the year ending December 31, 2014 and the expected timing of cash outflows relating to the provisions.

Amounts in NOK million	Warranties	Exit and disposal	Environmental clean-up and ARO	Employee benefits	Insurance	Contracts	Other	Total
Specification of change in provisions								
December 31, 2013	54	70	1 712	659	365	312	510	3 683
Additions through business combinations	-	3	59	-	-	1 218	69	1 348
Other additions	100	3	187	353	103	3	139	888
Used during the year	(80)	(54)	(125)	(319)	(240)	(48)	(165)	(1 032)
Reversal of unused provisions	(35)	(2)	(63)	(26)	-	-	(54)	(181)
Accretion expense and effect of change in discount rate	-	-	209	12	-	1	-	221
Foreign currency translation	3	5	122	25	-	-	36	191
December 31, 2014	42	25	2 100	705	228	1 485	535	5 118
Timing of cash outflows								
2015	39	25	88	272	228	225	250	1 125
2016-2019	3	-	1 074	264	-	1 082	178	2 600
Thereafter	-	-	938	169	-	179	107	1 393
	42	25	2 100	705	228	1 485	535	5 118

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.

Provisions for 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.

Insurance provisions relate to insurance contracts issued by Hydro's captive insurance company, Industriforsikring AS, to external parties including associates and joint arrangements. Related reinsurance receivables included in Accounts receivables amounted to NOK 1 million and NOK 169 million as of December 31, 2014 and 2013, respectively.

Contracts comprises onerous contracts and unfavorable contracts. Onerous contracts relate to rental of premises. Unfavorable contracts and onerous contracts relate to power purchase contracts in Sørøst determined to be at unfavorable terms at the time of acquisition date.

Other include provisions for legal and other disputes.

Note 35 - Contingent liabilities and contingent assets

Hydro is involved in or threatened with various legal and tax matters arising in the ordinary course of business. See note 5 Critical accounting judgment and key sources of estimation uncertainty for additional information.

Hydro is involved in a significant number of tax cases related to various types of taxes. The majority of disputed cases relates to indirect taxes in Brazil. This includes cases in the administrative and legal dispute systems with various background and risk of loss. In total known cases amount to about NOK 3.5 billion. About half of the amount is covered by tax indemnifications from acquisition. The final outcome of these cases is not expected until several years into the future, and is highly uncertain. Hydro has provided for tax cases where the risk of loss is considered above 50 percent.

Hydro has environmental liabilities related to several sites and issues. Where remediation is acknowledged as Hydro's responsibility or a legal obligation is deemed to exist, a provision for the best estimate of costs to be incurred is established and disclosed in note 34 Provisions. Additional obligations may be identified in the future related to existing contamination or other factors.

Hydro is also exposed to legal cases based on contractual or other basis.

Hydro is of the opinion that it is not probable that the resulting liabilities, if any, will have a material adverse effect on its consolidated results of operations, liquidity or financial position.

Note 36 - Employee retirement plans

Hydro offers retirement plans that cover the majority of the employees. Plans and benefit levels varies between companies and countries. The majority of Hydro's employees are employed in Brazil, Germany and Norway. In Brazil, Hydro provides defined contribution plans. In Germany, the majority of employees are covered by unfunded defined benefit plans that offer benefits based on final salary level and the number of years in service. In Norway, the employees are either covered by defined contribution plans or funded defined benefit plans, together with unfunded complementary defined benefit plans. Defined benefit plans are also offered in certain other countries with a limited number of participants including Canada, the UK, Italy and the US. The plans provide cash pension payment, for the majority of members such payments are lifelong. A limited postemployment medical plan exists in Canada.

Amounts in NOK million	2014				2013			
	Norway	Germany	Other	Total	Norway	Germany	Other	Total
Pension expense								
Defined benefit plans	165	124	2	291	(190)	107	(2)	(85)
Defined contribution plans	48	-	32	80	29	-	27	56
Multiemployer plans	37	-	2	39	34	-	2	35
Termination benefits and other	29	4	14	47	102	2	14	118
Social security cost	55	-	-	55	43	-	1	44
Pension expense	334	128	50	512	17	109	42	168
Interest expense (income)	(8)	194	3	189	(5)	179	6	180
Remeasurement (gain) loss in other comprehensive income	1 693	1 502	67	3 262	326	19	23	369

Amounts in NOK million	2014				2013			
	Norway	Germany	Other	Total	Norway	Germany	Other	Total
Recognized defined benefit assets and liability								
Defined benefit obligation major plans	(13 278)	(8 040)	(87)	(21 405)	(11 681)	(6 000)	(69)	(17 751)
Plan assets	11 951	-	94	12 045	11 868	-	77	11 946
Reimbursement rights	344	-	-	344	309	-	-	309
Liability other plans	(52)	(36)	(269)	(357)	(116)	(45)	(166)	(326)
Social security cost	(542)	-	-	(542)	(440)	-	-	(440)
Net defined benefit liability	(1 577)	(8 076)	(262)	(9 915)	(60)	(6 045)	(158)	(6 263)
Recognized prepaid pension	2 826	48	7	2 881	3 543	45	7	3 595
Recognized pension liability	(4 403)	(8 124)	(269)	(12 796)	(3 602)	(6 090)	(166)	(9 858)
Net amount recognized	(1 577)	(8 076)	(262)	(9 915)	(60)	(6 045)	(158)	(6 263)

Other plans include some minor plans in various entities and countries, including some early retirement benefits in Norway. These plans may be funded or unfunded. None of these plans are considered material, neither individually nor combined.

Amounts in NOK million	2014				2013			
	Norway	Germany	Other	Total	Norway	Germany	Other	Total
Change in defined benefit obligation (DBO)								
Opening Balance	(11 681)	(6 000)	(69)	(17 751)	(10 760)	(5 193)	(72)	(16 025)
Current service cost	(155)	(111)	(3)	(269)	(191)	(101)	(3)	(296)
Past service cost and curtailment gain (loss)	-	(13)	-	(13)	390	(6)	8	392
Interest expense	(457)	(194)	(3)	(654)	(393)	(178)	(3)	(574)
Actuarial gain (loss) demographic assumptions	-	-	-	-	(1 456)	-	-	(1 456)
Actuarial gain (loss) economic assumptions	(2 125)	(1 521)	(8)	(3 654)	(7)	-	3	(4)
Experience gain (loss)	117	19	-	135	208	(14)	1	196
Payments from the plans	595	240	1	836	584	225	5	813
Termination benefits	(68)	-	-	(68)	(56)	-	-	(56)
Settlements	812	-	6	817	-	-	-	-
Business combinations	(315)	-	-	(315)	-	-	-	-
Effects of foreign currency translation	-	(459)	(10)	(469)	-	(733)	(8)	(740)
Closing Balance	(13 278)	(8 040)	(86)	(21 405)	(11 681)	(6 000)	(69)	(17 751)

Change in pension plan assets

Opening Balance	11 868	-	77	11 946	10 801	-	65	10 867
Interest income	471	-	3	474	404	-	2	407
Return on plan assets above (below) interest income	351	-	5	356	924	-	1	926
Contributions to plans	238	-	4	242	198	-	4	202
Payments from plans	(465)	-	(1)	(465)	(460)	-	(4)	(464)
Settlements	(812)	-	(6)	(818)	-	-	-	-
Business combinations	299	-	-	299	-	-	-	-
Effects of foreign currency translation	-	-	12	12	-	-	8	8
Closing Balance	11 951	-	94	12 045	11 868	-	77	11 946

Amounts in NOK million	2014				2013			
	Norway	Germany	Other	Total	Norway	Germany	Other	Total
Analysis of the defined benefit obligation (DBO)								
Active members	(3 899)	(3 845)	(44)	(7 788)	(4 291)	(2 587)	(36)	(6 914)
Deferred members	(696)	(648)	(17)	(1 361)	(421)	(457)	(14)	(891)
Pensioners	(8 683)	(3 547)	(25)	(12 256)	(6 970)	(2 957)	(20)	(9 946)
Defined benefit obligation	(13 278)	(8 040)	(87)	(21 405)	(11 681)	(6 000)	(69)	(17 751)
Weighted average duration (years)	13.9	18.6			12.5	16.6		

Contributions to funded pension plans, benefit payments from unfunded pension plans, and social security tax imposed on such contributions and payments amounted to a cash outflow of about NOK 700 million for 2014 and 2013. Hydro's cash impact is expected to remain at the same level over the next 3-5 years with a long-term declining trend.

Hydro's main pension plans are offered in Norway and Germany. The plans are described below:

Norway

In Norway the majority of plan members are covered by defined contribution plans. A significant share of the employees and retired employees are covered by defined benefit plans that offer benefits based on final salary level and the number of years in service, and include benefits for dependents. Contributions to plans providing benefits based on salaries up to a maximum level are subject to tax deduction. These plans are funded; all vested benefits are required by law to be funded for such plans. Benefits based on salaries above this level are covered by unfunded plans. These plans were closed for new members combined with an offer to voluntarily transfer to the defined contribution plans in 2010. In December 2013 Hydro decided to transfer additional employee groups to the defined contribution plans with effect from June 1, 2014. About 1,250 persons were transferred, resulting in a curtailment gain of NOK 390 million recognized in 2013. Employees who converted to the defined contribution plans are paid compensation for the calculated difference in pension capital at normal retirement date as a monthly cash amount. New employees and employees who converted to new plans are covered by defined contribution plans for salaries up to the tax deductible ceiling and unfunded contribution based plans for additional salaries. The main, funded plans are managed by Norsk Hydros Pensjonskasse, a separate, regulated legal entity. These plans complement the public pension schemes in Norway.

Hydro participates in a pension plan that entitles the majority of its Norwegian employees life-long benefits in addition to other pension benefits. 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 the 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.

Significant actuarial assumptions for the main Norwegian defined benefit plans include:

Assumptions	Benefit obligation	Benefit expense	Benefit obligation	Benefit expense
	2014	2014	2013	2013
Discount rate	2.25%	4.00%	4.00%	3.75%
Expected salary increase	2.25%	3.25%	3.25%	3.00%
Expected pension increase	1.00%	1.25%	1.25%	1.00%
Mortality basis	K2013	K2013	K2013	K2005

New mortality basis for Norway was developed during 2013, and is considered the best available basis to measure Hydro's plans. The new tables are dynamic, i.e. younger employees are expected to live longer than older employees. The K2013 mortality basis results in longer expected life for members of the plans.

The sensitivities shown in the table below have been calculated for the main Norwegian plans illustrating the effects of changing one assumption while keeping the other assumptions unchanged. Possible correlation between assumptions is not reflected in the calculations.

Sensitivities decrease (increase) benefit obligation year end		
Amounts in NOK million, except percent	2014	2014
Discount rate increase 0.5% point	7.0%	929
Salary increase 0.5% point	(1.5%)	(199)
Pension increase 0.5% point	(6.0%)	(797)
One year longer life all members	(4.0%)	(531)

The plan assets in the funded plans provided through Norsk Hydros Pensjonskasse were invested as follows at the end of 2014 and 2013:

Amounts in NOK million, except percent	2014	2014	2013	2013
Cash and cash equivalents	1.4%	162	1.7%	205
Equity instruments Norway	15.7%	1 881	15.2%	1 804
Equity instruments other countries	14.2%	1 692	12.3%	1 465
Debt instruments	39.2%	4 679	37.9%	4 500
Investment funds	9.8%	1 166	11.1%	1 322
Real estate	19.7%	2 359	21.7%	2 570
Other	0.1%	13	0.0%	2
Total	100.0%	11 951	100.0%	11 868

Real estate consists of office buildings in the Oslo area. A significant share of the buildings are leased by Hydro and occupied or subleased. Investment funds are primarily private equity funds investing in European unlisted companies across various industries, and infrastructure funds investing in the UK, continental Europe and the US. Equity instruments are held through liquid funds invested in listed companies in Norway and globally. Debt instruments are mainly bond issues with maturities up to 10 years and investment grade rating.

To match the shorter maturity of liabilities and high pay-out ratio from the schemes we plan to reduce amounts invested in investment funds and increase debt instruments.

Germany

In Germany, the majority of plan members are still covered by defined benefit plans that offer benefits based on final salary level and the number of years in service. The main plans are unfunded. Hydro's main plans were closed to new entrants in 2013, and all new employees are now offered benefits under new defined contribution-oriented plans. These plans are unfunded and treated as defined benefit plans for financial reporting purposes.

Significant actuarial assumptions for the main German plans include:

	Benefit obligation	Benefit expense	Benefit obligation	Benefit expense
Weighted-average assumptions	2014	2014	2013	2013
Discount rate	2.1%	3.3%	3.3%	3.3%
Expected salary increase	2.8%	2.8%	2.8%	2.8%
Expected pension increase	2.0%	2.0%	2.0%	2.0%
Mortality basis	RT 2005 G	RT 2005 G	RT 2005 G	RT 2005 G

The sensitivities shown in the table below have been calculated for the main German plans illustrating the effects of changing one assumption while keeping the other assumptions unchanged. Possible correlation between assumptions is not reflected in the calculations.

Sensitivities decrease (increase) benefit obligation year end

Amounts in NOK million, except percent	2014	2014
Discount rate increase 0.5% point	8.5%	681
Salary increase 0.5% point	(2.2%)	(177)
Pension increase 0.5% point	(6.3%)	(507)
One year longer life all members	(4.1%)	(330)

Note 37 - 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, 2014 and December 31, 2013:

Amounts in NOK million	Assets 2014	Liabilities 2014	Assets 2013	Liabilities 2013
Inventory valuation	296	(446)	143	(204)
Accrued expenses	1 069	(267)	626	(538)
Property, plant and equipment	4 701	(9 769)	4 171	(9 057)
Intangible assets	978	(1 042)	778	(443)
Pensions	2 512	(767)	1 754	(960)
Derivatives	531	(128)	174	(106)
Other	216	(1 011)	454	(796)
Tax loss carryforwards	4 966		3 626	
Subtotal	15 270	(13 429)	11 726	(12 104)
Of which not recognized as tax asset	(2 041)		(1 775)	
Gross deferred tax assets (liabilities)	13 229	(13 429)	9 951	(12 104)
Net deferred tax assets (liabilities)		(200)		(2 153)
Reconciliation to balance sheets		2014		2013
Deferred tax assets		1 476		700
Deferred tax liabilities		1 676		2 853
Net deferred tax assets (liabilities)		(200)		(2 153)

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

At the end of 2014, Hydro had tax loss carryforwards of NOK 14,348 million, primarily in Brazil, Australia, Norway and Spain. None of the losses carry forward expire before 2018. Of the total NOK 13,756 million is without expiration. Tax assets are recognized for about 70 percent of the tax losses.

Note 38 - Shareholders' equity

Share capital

Number of shares	Ordinary shares issued	Treasury shares	Ordinary shares outstanding
December 31, 2012	2 068 998 276	(31 430 114)	2 037 568 162
Treasury shares reissued to employees		1 220 871	1 220 871
December 31, 2013	2 068 998 276	(30 209 243)	2 038 789 033
Treasury shares reissued to employees		1 043 255	1 043 255
December 31, 2014	2 068 998 276	(29 165 988)	2 039 832 288

The share capital of Norsk Hydro ASA as of December 31, 2014 and 2013 was NOK 2,271,760,107 consisting of 2,068,998,276 ordinary shares at a par value of NOK 1.098 per share. All shares have equal rights and are freely transferable.

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, 2014 of NOK 972 million was comprised of NOK 32 million share capital and NOK 940 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 Income (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 2,039,501,461 for 2014 and 2,038,416,268 for the year 2013.

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 2014 and 2013.

Amounts in NOK million

2014

2013

Items that will not be reclassified to income statement:**Remeasurement postemployment benefits**

January 1	1 438	1 754
Remeasurement postemployment benefits during the year	(3 262)	(369)
Reclassified to retained earnings on sale of subsidiaries	(1)	(92)
Deferred tax offset	922	145
December 31	(903)	1 438

Remeasurement postemployment benefits equity accounted investments

January 1	40	(14)
Remeasurement postemployment benefits during the year	(150)	54
Reclassified to retained earnings on sale of subsidiaries	14	-
December 31	(96)	40

Items that will be reclassified to income statement:**Currency translation differences**

January 1	(9 455)	(12 208)
Currency translation differences during the year	6 734	2 256
Reclassified to Net income on sale of foreign operations	270	497
December 31	(2 451)	(9 455)

Unrealized gain (loss) on securities

January 1	(42)	(4)
Unrealized gain (loss) on available-for-sale securities	138	18
Reclassified to Net income on sale or impairment of available-for-sale securities	-	(51)
Tax benefit (expense)	(48)	(6)
December 31	47	(42)

Cash flow hedges - See note 44 Derivative instruments and hedge accounting

January 1	(354)	(63)
Period gain (loss) recognized in Other comprehensive income	(35)	(415)
Reclassification of hedging gain (loss) to Net income	55	4
Tax benefit (expense)	(11)	119
December 31	(345)	(355)

Other components of equity in equity accounted investments

January 1	(118)	(506)
Period gain (loss) recognized in Other comprehensive income	666	388
Reclassified to Net income	-	-
December 31	547	(118)

Total other components of equity attributable to Hydro shareholders as of December 31	(2 187)	(6 950)
Total other components of equity attributable to minority interests as of December 31	(1 014)	(1 542)

Note 39 - 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 2014 net cash provided by continuing 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. Hydro made no capital market transactions in 2014.

Hydro has a syndicated USD 1,700 million revolving credit facility maturing in 2019 with one potential one-year extension. As of December 31, 2014 there was no borrowing under the facility.

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 40 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 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 of its equity accounted investments, the adjustments are considered relevant as the debt and cash flow level in these entities affect Hydro's overall financial risk profile.

Adjusted net interest-bearing debt 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	2014	2013
Cash and cash equivalents	9 253	8 412
Short-term investments	1 786	2 480
Bank loans and other interest-bearing short-term debt	(6 039)	(6 220)
Long-term debt	(5 128)	(3 986)
Net interest-bearing debt	(127)	685
Cash and cash equivalents and short-term investments in captive insurance company ¹⁾	(1 091)	(1 092)
Net pension obligation at fair value, net of expected income tax benefit ²⁾	(8 170)	(5 469)
Operating lease commitments, net of expected income tax benefit ³⁾	(1 600)	(1 672)
Short- and long-term provisions net of expected income tax benefit, and other liabilities ⁵⁾	(2 598)	(2 536)
Net interest-bearing debt in EAI ⁴⁾	(7 295)	(6 625)
Adjusted net interest-bearing debt incl. net debt debt equity accounted investments	(20 882)	(16 709)
Total equity	(79 941)	75 264
Adjusted net interest-bearing debt including EAI / Adjusted equity	0,26	0,22
Adjusted funds from operations / Adjusted net interest-bearing debt including EAI	0,42	0,33

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) The expected income tax benefit related to the net pension liability is NOK 1,745 million and NOK 794 million, respectively, for 2014 and 2013.

3) Operating lease commitments are discounted using a rate of 1.41 percent and 2.65 percent for 2014 and 2013, 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 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 adjustment is related to Qatalum and Sapa.

Note 40 - 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 39 Capital management.

For fiscal year 2014 the Board of Directors has proposed a dividend of NOK 1.00 per share to be paid in May 2015. The Annual General Meeting, scheduled to be held May 6, 2015, will consider this dividend proposal. If approved, this would be a total dividend of approximately NOK 2,040 million. In accordance with IFRS, the fiscal year 2014 proposed dividend is not recognized as a liability in the 2014 financial statements.

Dividends declared and paid in 2014 and 2013 for the prior fiscal year, respectively, are as follows:

	Paid in 2014 for fiscal year 2013	Paid in 2013 for fiscal year 2012
Dividend per share paid, NOK	0.75	0.75
Total dividends paid, NOK million	1 530	1 529
Date proposed	February 10, 2014	February 11, 2013
Date approved	May 7, 2014	May 8, 2013
Dividend payment date	May 19, 2014	May 23, 2013

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

Note 41 - Guarantees

Amounts in NOK million	2014	2013
Guarantees related to jointly controlled entities	26	26
Sales guarantees	3 519	3 316
Total guarantees not recognized	3 545	3 342

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. A provision of about NOK 100 million is recognized related to the sales guarantee for Sapa, see note 29 Investments in joint arrangements.

Note 42 - Contractual commitments and other commitments for future investments

Amounts in NOK million	2015	Investments thereafter	Total
Contract commitments for investments in property, plant and equipment	1 986	109	2 095
Additional authorized future investments in property, plant and equipment	239	790	1 029
Contract commitments for other future investments	1	-	1
Total	2 226	899	3 125

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.

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, 2014 is as follows:

Amounts in NOK million	Bauxite, alumina and aluminium	Energy related	Other	Sales commit- ments
2015	7 172	7 523	2 186	(14 083)
2016	4 889	6 310	1 387	(6 811)
2017	3 544	5 826	1 018	(3 973)
2018	3 042	5 173	834	(1 047)
2019	3 079	5 162	670	(1 050)
Thereafter	37 038	24 125	4 527	(7 711)
Total	58 764	54 119	10 622	(34 675)

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 2015 and 13.8 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, see note 29 Investments in joint arrangements. 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 43 - 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 ²⁾	Non-financial assets and liabilities	Total
2014							
Assets - current							
Cash and cash equivalents	-	-	9 253	-	-	-	9 253
Short-term investments	1 108	-	678	-	-	-	1 786
Accounts receivable	-	-	9 327	-	-	2 376	11 703
Other current financial assets	543	-	-	-	-	-	543
Assets - non-current							
Investments accounted for using the equity method	-	-	4	-	-	18 092	18 095
Other non-current assets	59	-	705	1 757	-	3 706	6 227
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	6 039	-	6 039
Trade and other payables	-	-	-	-	5 825	3 838	9 663
Other current financial liabilities	301	105	-	-	-	-	406
Liabilities - non-current							
Long-term debt	-	-	-	-	5 128	-	5 128
Other non-current financial liabilities	909	455	-	-	1 416	-	2 780
2013							
Assets - current							
Cash and cash equivalents	-	-	8 412	-	-	-	8 412
Short-term investments	1 025	-	1 455	-	-	-	2 480
Accounts receivable	-	-	7 766	-	-	1 773	9 539
Other current financial assets	181	-	-	-	-	-	181
Assets - non-current							
Investments accounted for using the equity method	-	-	128	-	-	17 020	17 148
Other non-current assets	179	-	657	1 544	-	3 403	5 783
Liabilities - current							
Bank loans and other interest-bearing short-term debt	-	-	-	-	6 220	-	6 220
Trade and other payables	-	-	-	-	5 256	3 941	9 197
Other current financial liabilities	291	184	-	-	-	-	475
Liabilities - non-current							
Long-term debt	-	-	-	-	3 986	-	3 986
Other non-current financial liabilities	(668)	407	-	-	2 336	-	2 075

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

2) Items disclosed under this category are financial liabilities at amortized 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⁾
2014							
Income statement line item							
Revenue	(169)	(50)	-	-	-	-	(219)
Raw material and energy expense	456	95	-	-	-	-	551
Other expense	(122)	-	-	-	-	-	(122)
Financial income	(49)	-	-	(21)	-	-	(70)
Financial expense	931	-	-	-	-	-	931
Gain/loss directly in Other comprehensive income							
Recognized directly in Other comprehensive income (before tax)				(138)			
Removed from Other components of equity and recognized in the income statement				-			
2013							
Income statement line item							
Revenue	(127)	9	-	-	-	-	(118)
Raw material and energy expense	301	104	-	-	-	-	405
Other expense	(158)	-	-	-	-	-	(158)
Financial income	(109)	-	-	(66)	-	-	(174)
Financial expense	(75)	-	-	-	-	-	(75)
Gain/loss directly in Other comprehensive income							
Recognized directly in Other comprehensive income (before tax)				(18)			
Removed from Other components of equity and recognized in the income statement				51			

1) Amount indicates the total gains and losses to financial instruments for each specific income statement line item.

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	2014	Level 1	Level 2	Level 3	2013	Level 1	Level 2	Level 3
Assets								
Commodity derivatives	602	317	233	51	283	69	77	137
Currency derivatives	-	-	-	-	77	-	77	-
Cash flow hedges	-	-	-	-	-	-	-	-
Securities held for trading	1 109	314	788	6	1 025	304	712	9
Available for sale financial assets	1 222	-	-	1 222	1 009	-	-	1 009
Total	2 933	631	1 022	1 280	2 394	374	866	1 155
Liabilities								
Commodity derivatives	(655)	(70)	(46)	(539)	(670)	(91)	(44)	(535)
Currency derivatives	(855)	-	(277)	(578)	-	-	-	-
Cash flow hedges	(560)	-	-	(560)	(591)	-	(126)	(465)
Other non-current financial liabilities	300	-	-	300	1 047	-	-	1 047
Total	(1 770)	(70)	(323)	(1 378)	(214)	(91)	(170)	47

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

Amounts in NOK million	Commodity derivatives Assets	Commodity derivatives Liabilities	Currency derivatives Liabilities	Cash flow hedges	Available for sale financial assets	Other
December 31, 2012	528	(997)	-	(205)	918	816
Total gains (losses)						
in income statement	(352)	227	-	1	(55)	178
in Other comprehensive income	-	-	-	(261)	18	-
Purchases	-	-	-	-	10	-
Settlements	(36)	242	-	-	(3)	(20)
Currency translation difference	(2)	(8)	-	-	121	82
December 31, 2013	137	(535)	-	(465)	1 009	1 056
Total gains (losses)						
in income statement	(54)	(159)	(578)	4	-	124
in Other comprehensive income	-	-	-	(99)	138	-
Purchases	-	-	-	-	-	-
Settlements	(37)	170	-	-	-	(1 090)
Currency translation difference	5	(16)	-	-	75	216
December 31, 2014	51	(539)	(578)	(560)	1 222	306
Total gains (losses) for the period	(86)	(4)	(578)	(95)	138	124
Total gains (losses) for the period included in the income statement for assets held at the end of the reporting period	(47)	(4)	(578)	(95)	138	2

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. Changes in fair value for hedge instruments are reported in Other Comprehensive Income. Changes in fair value on available for sale assets are reported in Other Comprehensive Income while dividends received and realized gains and losses 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. Some of the instruments are sensitive to judgmental factors such as probabilities of certain future events and interpretation of contracts or legal issues. These are not reflected in the table below. 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. Effects shown below are largely also representative of increases in rates or prices by 10 percent but with the opposite sign convention. The following is an overview of such sensitivity:

Amounts in NOK million	Gain (loss) from 10 percent decrease in				
	USD	EUR	Aluminium	Other commodity	Interest rates
Commodity derivatives	325	-	99	146	9
Currency derivatives	-	648	-	-	(13)
Cash flow hedges	-	56	-	(12)	(2)
Available for sale financial assets	(494)	-	-	-	142

Note 44 - 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 2 Significant accounting policies.

Commodity derivatives

The following types of commodity derivatives were recorded at fair value on the balance sheet as of December 31, 2014 and December 31, 2013. 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	2014	2013
Assets		
Electricity contracts	63	56
Aluminium futures, forwards and options	538	228
Total	601	283
Liabilities		
Electricity contracts	(37)	(53)
Coal forwards	(658)	(863)
Aluminium futures, forwards and options	63	326
Other	(23)	(80)
Total	(655)	(670)

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 currency, 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 aluminium and alumina to be produced in the Brazilian plants Alunorte and Albras in 2013 and 2014. All of the remaining forward instruments had matured as of December 31, 2014.

Ineffectiveness amounting to NOK 4 million and NOK 1 million was recognized in the income statement in 2014 and in 2013 respectively.

The table below gives aggregated numbers related to the cash flow hedges for the period 2013 to 2014.

	2015	2014	2013
Expected to be reclassified to the income statement during the year (NOK million)	(99)	(52)	(25)
Reclassified to the income statement from Other components of equity (NOK million) ¹⁾		(33)	(2)

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

Liabilities of NOK 560 million and NOK 591 million were recognised as the fair value of cash flow hedging instruments for December 31, 2014 and 2013 respectively.

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 2014 and 2013, please see note 38 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 4 Measurement of fair value. See note 43 Financial instruments for a specification of the classification of derivative positions according to a fair value hierarchy.

Note 45 - Cash flow information

Reconciliation of cash and cash equivalents

Amounts in NOK million	2014	2013
Cash and cash equivalents	9 253	8 412
Bank overdraft	(5)	(4)
Cash, cash equivalents and bank overdraft	9 248	8 408

Cash disbursements and receipts included in cash from operations

Amounts in NOK million	2014	2013
Income taxes paid	1 814	1 138
Interest paid	473	437
Interest received	275	232
Other dividends received	21	33

In 2014, Purchases of other long-term investments amount to net proceeds of NOK 166 million, including cash and cash equivalents in Sørø at the date of acquisition which exceeded Hydro's payment for the shares.

Note 46 - Auditor remuneration

KPMG AS is the Group auditor of Norsk Hydro ASA.

The following table shows fees to KPMG for 2014 and 2013. For all categories the reported fee is the recognized expense for the year.

Amounts in NOK million	Audit	Audit related	Other ¹⁾ services	Tax related	Total
2014					
Norway	11	1	2	-	14
Outside Norway	11	-	-	-	11
Total	22	1	2	-	25
2013					
Norway	10	2	1	1	14
Outside Norway	10	-	-	-	10
Total	20	2	1	1	24

1) Other services mainly include KPMG's review of viability performance.

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Income statements

Amounts in NOK million	Notes	2014	2013
Revenue		229	201
Gain (loss) on sale of subsidiaries and associates, net		-	7
Total revenue and income		229	207
Employee benefit expense	2, 3	299	356
Depreciation and amortization expense	4, 5	17	30
Impairment of non-current assets	4, 5	(8)	83
Other		337	592
Total operating expenses		645	1 061
Operating loss		(416)	(854)
Financial income, net	6	1 412	2 821
Income (loss) before tax		996	1 967
Income taxes	7	(366)	33
Net income		630	2 000
Appropriation of net income and equity transfers			
Dividend proposed		(2 040)	(1 529)
Retained earnings		1 410	(471)
Total appropriation		(630)	(2 000)

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

Balance sheets

Amounts in NOK million, December 31	Notes	2014	2013
Assets			
Other intangible assets	5	39	40
Intangible assets		39	40
Property, plant and equipment	4	190	176
Shares in subsidiaries	8	56 666	56 666
Receivables from subsidiaries		15 892	22 400
Prepaid pension, investments and other non-current assets	2, 10	3 492	3 626
Total financial non-current assets		76 050	82 692
Receivables from subsidiaries		6 282	4 169
Prepaid expenses and other current assets		158	119
Short-term investments		500	1 250
Cash and cash equivalents		7 370	7 080
Total current assets		14 311	12 618
Total assets		90 590	95 527
Equity and liabilities			
Paid-in capital			
Share capital	13	2 272	2 272
Treasury shares	13	(32)	(33)
Paid-in premium	13	28 987	28 987
Other paid-in capital	13	57	61
Retained earnings			
Retained earnings	13	26 518	28 415
Treasury shares	13	(940)	(973)
Equity	13	56 862	58 729
Long-term provisions	2, 10	2 999	2 528
Long-term debt	12	2 976	2 941
Payables to subsidiaries		6 676	6 259
Other long-term liabilities		9 653	9 200
Bank loans and other interest-bearing short-term debt		575	524
Dividends payable		2 040	1 529
Payables to subsidiaries		17 799	21 585
Other current liabilities	7	662	1 431
Total current liabilities		21 075	25 070
Total equity and liabilities		90 590	95 527

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

Statements of cash flows

Amounts in NOK million	2014	2013
Net income	630	2 000
Depreciation, amortization and impairment	9	113
Net foreign exchange (gain) loss	(1 202)	821
Changes in receivables and payables, and other items	393	(287)
Net cash provided by (used in) operating activities	(170)	2 647
Purchases of short-term investments	(1 500)	(1 250)
Proceeds from sales of short-term investments	2 250	3 050
Net purchases of other investments	(30)	(91)
Net cash provided by investing activities	720	1 709
Dividends paid	(1 530)	(1 529)
Proceeds from shares issued	21	23
Other financing activities, net	1 038	(1 252)
Net cash used in financing activities	(471)	(2 758)
Foreign currency effects on cash	212	137
Net increase in cash and cash equivalents	291	1 735
Cash and cash equivalents at beginning of year	7 080	5 344
Cash and cash equivalents at end of year	7 370	7 080

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 2 Significant accounting policies 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 CO₂ emission allowances at cost as an intangible asset. The emission rights are not amortized, impairment testing is done on an annual basis. Sale of CO₂ 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 rental arrangements are expensed over the lease term.

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 2 Significant accounting policies 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 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 related to remeasurements of pension obligations are recognized directly in equity. 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. Other changes in deferred income tax assets and liability balances during the year represent the deferred income tax expense. Changes resulting from amendments and revisions in tax laws and tax rates are recognized when the new tax laws or rates are enacted.

Note 2 - Employee retirement plans

In Norsk Hydro ASA the majority of plan members are covered by either defined contribution or defined benefit plans that offer benefits based on final salary level and the number of years in service, and include benefits for dependents. Contributions to plans providing benefits based on salaries up to a maximum level are subject to tax deduction. These plans are funded; all vested benefits are required by law to be funded for such plans. Benefits based on salaries above this level are covered by unfunded plans. The defined benefit plans are closed for new members. New employees and employees who elected to convert to new plans in 2010 are covered by a defined contribution plan for salaries up to the tax deductible ceiling and unfunded contribution based plans for additional salaries. Employees who elected to convert are paid compensation for the calculated difference in pension capital at normal retirement date as a monthly cash amount. In December 2013, Hydro decided to transfer additional employee groups to the defined contribution plans with effect from June 1, 2014. About 80 persons were transferred, resulting in a curtailment gain of NOK 66 million recognized in 2013. The employees will receive compensation for calculated pension losses under the same principles as in the 2010 transfer. The main, funded plans are managed by Norsk Hydros Pensjonskasse, a separate, regulated legal entity. These plans complement the public pension schemes in Norway. The plans comply with minimum requirements for pension plans in Norway. Regulation of pension plans in Norway is in a period of change, however, the new regulations and effects on existing pension plans are not known.

Norsk Hydro ASA participates in a pension plan that entitles the majority of its employees life-long benefits in addition to other pension benefits. 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 the 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 contributions have increased since inception and are expected to increase further. The employer contributions are included in Multiemployer plans.

Pension cost

Amounts in NOK million	2014	2013
Defined benefit plans	41	(4)
Defined contribution plans	5	7
Multiemployer plans	4	4
Termination benefits and other	(3)	23
Social security cost	11	10
Pension expense	58	39
Interest expense (income)	(40)	(29)
Remeasurement (gain) loss directly to equity	667	(18)

Recognized defined benefit assets and liability

Amounts in NOK million	2014	2013
Defined benefit obligation major plans	(5 599)	(5 193)
Plan assets	5 900	5 970
Reimbursement rights	344	309
Liability other plans	(5)	(31)
Social security cost	(306)	(264)
Net defined benefit asset	334	791
Recognized prepaid pension	2 809	2 943
Recognized pension liability	(2 476)	(2 152)
Net amount recognized	334	791

Change in defined benefit obligation (DBO)

Amounts in NOK million	2014	2013
Opening Balance	(5 193)	(4 850)
Current service cost	(39)	(60)
Past service cost and curtailment gain (loss)	-	66
Interest expense	(191)	(176)
Actuarial gain (loss) demographic assumptions	-	(638)
Actuarial gain (loss) economic assumptions	(844)	(3)
Experience gain (loss)	54	145
Payments from the plans	323	330
Termination benefits	(15)	(7)
Settlements	307	-
Closing Balance	(5 599)	(5 193)

Change in pension plan assets

Amounts in NOK million	2014	2013
Opening Balance	5 970	5 472
Interest income	229	204
Return on plan assets above (below) interest income	130	488
Contributions to plans	40	45
Payments from plans	(234)	(240)
Settlements	(236)	-
Closing Balance	5 900	5 970

Analysis of the defined benefit obligation (DBO)

Amounts in NOK million	2014	2013
Active members	(1 170)	(1 431)
Deferred members	(413)	(278)
Pensioners	(4 016)	(3 484)
Defined benefit obligation	(5 599)	(5 193)

	Benefit obligation	Benefit expense	Benefit obligation	Benefit expense
Assumptions	2014	2014	2013	2013
Discount rate	2.25%	4.00%	4.00%	3.75%
Expected salary increase	2.25%	3.25%	3.25%	3.00%
Expected pension increase	1.00%	1.25%	1.25%	1.00%
Mortality basis	K2013	K2013	K2013	K2005

See note 36 Employee retirement plans in notes to the consolidated financial statements for information about sensitivities.

Note 3 - Management remuneration, employee costs and auditor fees

See note 10 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 11 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. Audit fees were NOK 7 million and NOK 6 million in 2014 and 2013, respectively. Audit related fees were NOK 2 million in 2013. Fees for other services were NOK 1 million in both 2014 and 2013.

The average number of employees in Norsk Hydro ASA was 227 in 2014 as compared to 418 in 2013. As of year end 2014 and 2013, Norsk Hydro ASA employed 231 and 400 employees, respectively.

Total loans given by Norsk Hydro ASA to Norwegian employees as of December 31, 2014 were NOK 130 million. Loans to employees consist of NOK 82 million secured loans (home and car loans) with the remainder unsecured. The unsecured loan balance as of December 31, 2014 related to the employee share purchase plan was NOK 5 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 Employee benefit expense. Payroll related expenses, on a net basis, are provided in the table below.

Amounts in NOK million	2014	2013
Employee benefit expense:		
Salaries	311	497
Social security costs	43	62
Social benefits	2	3
Pension expense (note 2)	58	39
Internal invoicing of payroll related costs	(115)	(244)
Total	299	356

Note 4 - Property, plant and equipment

Operating lease expense amounted to NOK 205 million in 2014 and NOK 200 million in 2013. The company has the following future operating lease commitments under non-cancellable leases: 2015: NOK 200 million, 2016: NOK 200 million, 2017: NOK 200 million, 2018: NOK 200 million, 2019: NOK 200 million and thereafter: NOK 231 million.

Amounts in NOK million	Land	Buildings	Machinery, etc	Plant under construction	Total
Cost December 31, 2013	6	189	236	3	433
Additions at cost	-	8	11	5	24
Retirements	-	-	(1)	-	(1)
Transfers	-	1	4	(5)	-
Accumulated depreciation December 31, 2014	-	(93)	(173)	-	(266)
Carrying value December 31, 2014	6	105	76	3	190
Depreciation in 2014	-	(2)	(7)	-	(9)

Note 5 - Intangible assets

Amounts in NOK million	Cost	Accumulated amortization	Carrying value
Balance December 31, 2013	90	(49)	40
Additions at cost	3		3
Disposals	(11)	6	(4)
Amortization for the year		(8)	(8)
Reversal of impairment loss		8	8
Balance December 31, 2014	82	(43)	39

Note 6 - Financial income and expense

Amounts in NOK million	2014	2013
Dividends from subsidiaries	57	3 167
Interest from group companies	594	862
Other interest income	94	121
Interest paid to group companies	(165)	(383)
Other interest expense	(146)	(169)
Net foreign exchange gain (loss)	1 202	(821)
Loss on loans to group companies	(288)	-
Other, net	64	44
Financial income, net	1 412	2 821

Note 7 - Income taxes

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

Amounts in NOK million	Temporary differences Tax effect	
	2014	2013
Short-term items	18	42
Pensions	(90)	(214)
Other long-term items	(518)	86
Tax loss carryforwards	315	-
Deferred tax assets (liabilities)	(275)	(86)

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 tax expense

Amounts in NOK million	2014	2013
Income (loss) before taxes	996	1 967
Expected income taxes at statutory tax rate	269	551
Permanent differences and other, net	97	(583)
Income taxes	366	(33)

Components of income tax

Current income tax	19	86
Change in deferred tax	347	(119)
Income tax	366	(33)

See note 21 Income tax expense and note 37 Deferred tax in the consolidated financial statements for further information.

Taxes payable were NOK 150 million per December 31, 2014 and NOK 778 million per December 31, 2013.

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
Hydro Energi 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
Hærøya Industripark AS	NOK	100.00	9 680	62
Norsk Hydro Plastic Pipe AS	NOK	100.00	10 000	34
Industriforsikring AS	NOK	100.00	20 000	20
Hærøya Nett AS	NOK	100.00	1 760	11
Hydro Kapitalforvaltning AS	NOK	100.00	2 500	4
Total				56 666

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.

Note 9 - Related party information

See note 12 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 is a related party to Norsk Hydro ASA as its shareholding represents a significant influence in Norsk Hydro ASA. Vale S.A. was a related party through its 22 percent shareholding until it sold all of its shares in Norsk Hydro ASA in November 2013.

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 was NOK 97 million in 2014 and NOK 185 million in 2013.

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 auditor fees and note 10 Management remuneration in the notes to the consolidated financial statements. For information on transactions with Board of Directors and Corporate Assembly see note 11 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	2014	2013
Securities	547	536
Prepaid pension	2 809	2 943
Associates and jointly controlled entities	3	8
Other non-current assets	132	139
Total prepaid pension, investments and other non-current assets	3 492	3 626
Pension liability	2 476	2 152
Deferred tax liabilities	275	86
Other long-term provisions	248	290
Long-term provisions	2 999	2 528

Other long-term provisions relate primarily to an onerous contract of office space, see note 12 Related party information in the notes to the consolidated financial statements.

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 41 Guarantees in the consolidated financial statements for additional information. All commercial guarantees are on behalf of subsidiaries.

Amounts in NOK million	2014	2013
Guarantees related to jointly controlled entities	48	47
Commercial guarantees	4 192	3 079
Total guarantees not recognized	4 241	3 126

Note 12 - Long-term debt

As of December 31, 2014, long-term debt amounted to NOK 2,976 million, of which NOK 211 million fall due after 2019. As of December 31, 2013, long-term debt amounted to NOK 2,941 million. See note 33 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, 2014 was NOK 2,271,760,107 consisting of 2,068,998,276 ordinary shares at NOK 1.098 per share. As of December 31, 2014 Norsk Hydro ASA had purchased 29,165,988 treasury shares at a cost of NOK 972 million. See Consolidated statements of changes in equity and note 38 Shareholders' equity for additional information.

The table shows shareholders holding one percent or more of the total 2,039,832,288 shares outstanding as of December 31, 2014, according to information in the Norwegian securities' registry system (Verdipapirsentralen).

Name	Number of shares
The Ministry of Trade, Industry and Fisheries of Norway	708 865 253
Folketrygdfondet	151 143 273
Clearstream Banking S.A. ¹⁾	65 052 988
Euroclear Bank S.A./N.V. ('BA') ¹⁾	37 037 913
State Street Bank and Trust Co. I ¹⁾	26 366 031
State Street Bank & Trust Co. II ¹⁾	24 558 555
State Street Bank and Trust Co III ¹⁾	21 846 663
The Bank of New York Mellon ¹⁾	21 669 029
Verdipapirfondet DNB Norge (Iv)	20 405 056

1) Nominee accounts.

Changes in equity

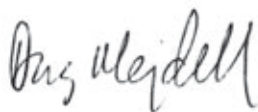
Amounts in NOK million	Paid-in capital	Retained earnings	Total equity
December 31, 2013	31 287	27 441	58 729
Net income		630	630
Remeasurement postemployment benefits		(487)	(487)
Dividend proposed		(2 040)	(2 040)
Dividend paid in 2014 not accrued ¹⁾		(1)	(1)
Treasury shares	(3)	34	31
December 31, 2014	31 285	25 578	56 862

1) Owners of shares sold from treasury shares in April 2014 received dividends for those shares in May 2014. However, this was not accrued in 2013.


Responsibility Statement

We confirm to the best of our knowledge that the consolidated financial statements for 2014 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 2014 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.

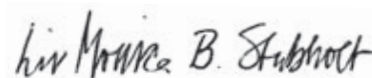
Oslo, March 10, 2015



DAG MEJDELL
Chair



INGE K. HANSEN
Deputy chair



LIV MONICA BARGEM STUBHOLT
Board member



OVE ELLEFSEN
Board member



BILLY FREDAGSVIK
Board member



FINN-JEBSEN
Board member



STEN ROAR MARTINSEN
Board member



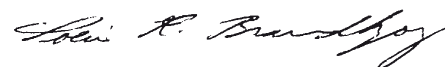
EVA PERSSON
Board member



PEDRO JOSÉ RODRIGUES
Board member



IRENE RUMMELHOFF
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 2014, 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 2014, and the income statement and the statement of other 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 2014, 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 2014, 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 the statements on Corporate Governance and Corporate Social Responsibility

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 in the statements on Corporate Governance and Corporate Social Responsibility 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, 10 March 2015

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 2014 and the Auditors' report have been submitted to the corporate assembly.

The corporate assembly recommends that the directors' proposal regarding the financial statements for 2014 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 2014 of Norsk Hydro ASA be appropriated as recommended by the directors.

Oslo, March 10, 2015

Terje Venold

Appendix

Terms and definitions

ADRs	American Depositary Receipts, evidencing a specified number of ADSs
ADSs	American Depositary Shares, each ADS representing one deposited ordinary share
AluNorf	Aluminium Norf GmbH
AMPS	Aluminium Metal Production System. Hydro's best practice system and standard for world-class production and improvement in our primary metal business
Articles of Association	The articles of association of the Company, as amended and currently in effect
Audit Committee	The audit committee of the Company's Board of Directors
BABS	Bauxite & Alumina's best practice system, based on AMPS (see above) and adjusted to B&A needs
BAT	Best Available Techniques for pollution prevention and control
B&A	Hydro's Bauxite & Alumina business area
CO ₂ equivalents (CO ₂ e)	A measure used to compare the emissions from various greenhouse gases based upon their global warming potential
Code	The U.S. Internal Revenue Code of 1986, as amended
Company	Norsk Hydro ASA, a Norwegian public company limited by shares, or Norsk Hydro ASA and its consolidated subsidiaries, as the context requires
Compensation Committee	The compensation committee of the Company's Board of Directors
Consolidated Financial Statements	The consolidated financial statements and notes included in the Company's annual report to shareholders
Corporate Assembly	The corporate assembly, a body contemplated by Norwegian companies' law, with responsibility, among other things, for the election of the members of the Company's Board of Directors and nomination of the external auditor
Corporate Management Board	The corporate management board established by the Company's President and Chief Executive Officer to assist him in discharging his responsibilities
CRU	CRU International Limited
CSR	Corporate Social Responsibility
Disclosure Committee	The disclosure committee of the Company, comprised of members of senior management, which is responsible for reviewing financial and related information before it is made public
EEA	European Economic Area
EEA Agreement	The European Economic Area Agreement
EFTA	European Free Trade Association
EU	European Union
HSE	Health, security, safety and environment
Hydro	Norsk Hydro ASA and its consolidated subsidiaries
Hydro Aluminium	The aluminium business of Hydro, comprising the sub-segments Metals, Rolled Products, and Extrusion and Automotive
Hydro Monitor	Hydro's employee satisfaction survey, performed for all employees every second year
kWh	Kilowatt hour
LME	London Metal Exchange
mm	Millimeter
My Way	The process we use at Hydro for employee feedback and development. This process consists of regular dialogues between employee and leader, as well as a system tool.
NOK	Norwegian kroner
Nomination Committee	The nomination committee provided for in the Company's Articles of Association and operating under a charter established by the shareholders' representatives in the Corporate Assembly
OSE	Oslo Stock Exchange
tonne, mt	One metric tonne (approximately 1,000 kilograms or 2,205 pounds)
TWh	Terawatt hour (one billion kilowatt hours)
US GAAP	Generally accepted accounting principles in the United States
VAW	VAW Aluminium AG
VPS or VPS System	The Norwegian Central Securities Depository, Verdipapirsentralen
WTO	World Trade Organization
Yara	Yara International ASA

Cautionary note in relation to certain forward-looking statements

Certain statements included within this annual report contain forward-looking information, including, without limitation, those relating to (a) forecasts, projections and estimates, (b) statements of management's plans, objectives and strategies for Hydro, such as planned expansions, investments or other projects, (c) targeted production volumes and costs, capacities or rates, start-up costs, cost reductions and profit objectives, (d) various expectations about future developments in Hydro's markets, particularly prices, supply and demand and competition, (e) results of operations, (f) margins, (g) growth rates, (h) risk management, as well as (i) statements preceded by "expected", "scheduled", "targeted", "planned", "proposed", "intended" or similar statements.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, these forward-looking statements are based on a number of assumptions and forecasts that, by their nature, involve risk and uncertainty. Various factors could cause our actual results to differ materially from those projected in a forward-looking statement or affect the extent to which a particular projection is realized. Factors that could cause these differences include, but are not limited to: our continued ability to reposition and restructure our upstream and downstream aluminium business; changes in availability and cost of energy and raw materials; global supply and demand for aluminium and aluminium products; world economic growth, including rates of inflation and industrial production; changes in the relative value of currencies and the value of commodity contracts; trends in Hydro's key markets and competition; and legislative, regulatory and political factors.

No assurance can be given that such expectations will prove to have been correct. Hydro disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Hydro is a global aluminium company with production, sales and trading activities throughout the value chain, from bauxite, alumina and energy generation to the production of primary aluminium and rolled products as well as recycling. Based in Norway, the company has 13,000 employees involved in activities in more than 50 countries on all continents. Rooted in more than a century of experience in renewable energy production, technology development and progressive partnerships, Hydro is committed to strengthening the viability of the customers and communities we serve.

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Infinite aluminium