



HYDRO

Financial statements and
Board of Directors' 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:</i> ^a		
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.

HYDRO'S REPORTING 2014

In addition to this separate document, Hydro's Board of Directors' report is included as an integral part of the company's "Annual Report - 2014".

The 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.

CONTENTS

BOARD OF DIRECTORS' REPORT	p.7
SHAREHOLDERS INFORMATION	p.24
NORWEGIAN CODE OF PRACTICE	
FOR CORPORATE GOVERNANCE	p.26
FINANCIAL STATEMENTS	p.F1

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



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

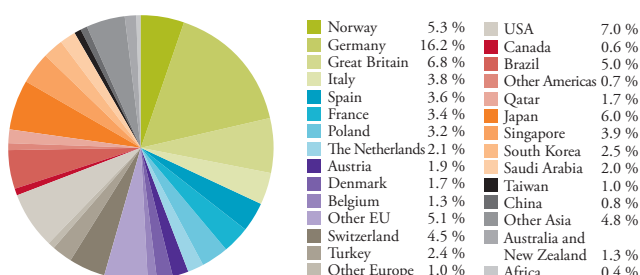
The Hydro Way is our approach to business, an approach that has existed within our company from the beginning and that has underpinned our success over the years. The Hydro Way defines our identity - our distinct set of characteristics - and constitutes a unique way of doing things that differentiates 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

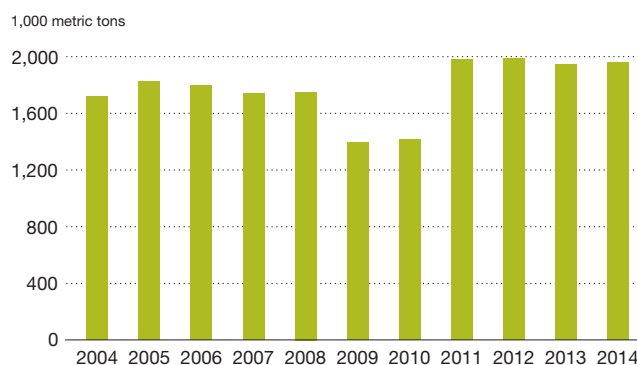
Hydro's organization is made up of about 13,000 employees involved in activities in 50 countries. These employees represent great diversity, in terms of competence, gender, age and cultural background. We see this diversity as a significant resource, not least to encourage innovation. To be able to pull 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 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

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' Climb

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 Para 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.

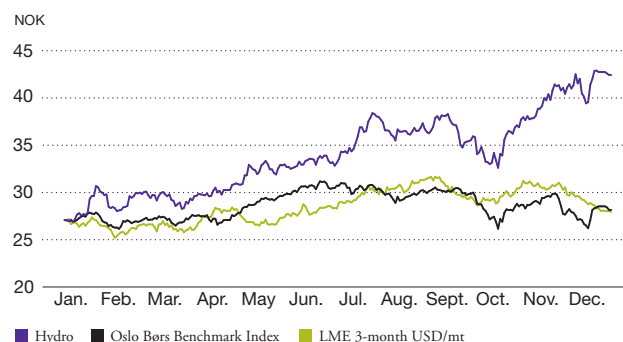
Hydro is committed to maintain the viability of the company's global business operations and is working systematically to ensure stable, predictable framework conditions in the countries where it operates.

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

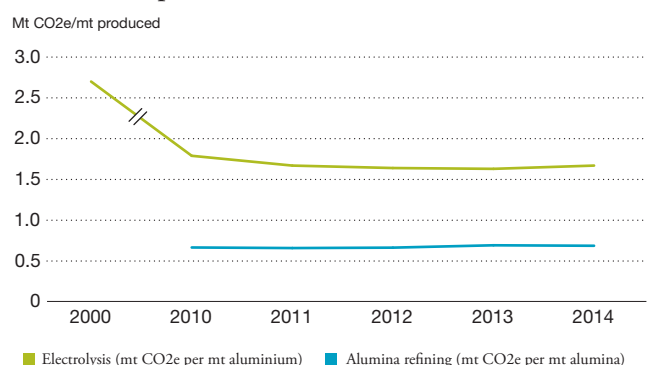
- Reducing CO₂ emissions through the use of our products
- Increasing the recycling of aluminium

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.

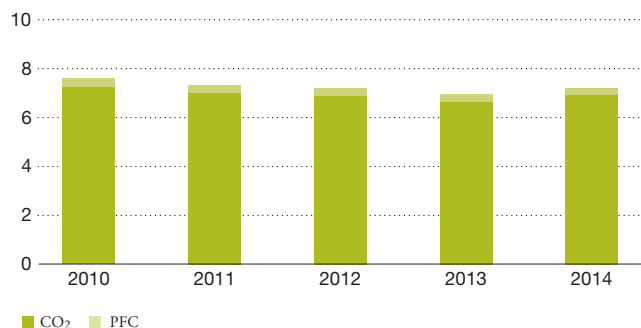
Our ambition is to take a strong position in aluminium recycling. In 2014, we recycled 1.1 million metric tons (mt) of aluminium on a combined basis compared to 1.2 million mt in 2013. Of this amount, 111,000 mt was post-consumer scrap, compared with 151,000 mt in 2013. Total volumes in 2013 included 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

Million metric tons CO₂e



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

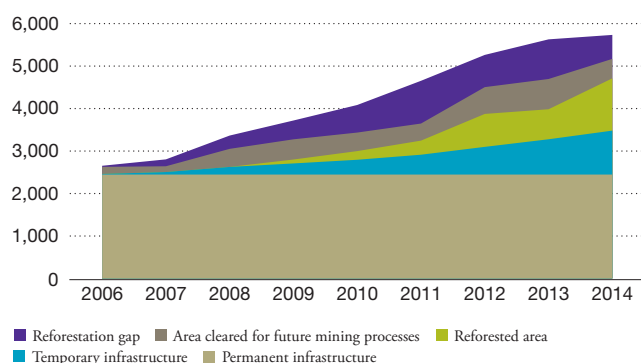
- Ecosystems and biodiversity
- Water use
- Waste and efficient resource use
- Product stewardship

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

Hectares



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.

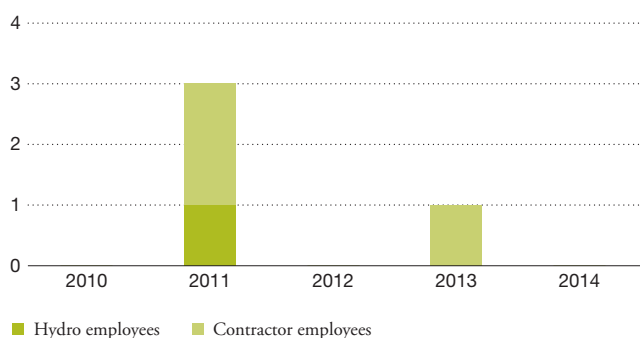
Our approach to improving safety performance is based on risk management, leadership qualities and shop floor engagement. An example is a company-wide, harmonized high-risk incident investigation and communication tool that was implemented in 2013.

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.

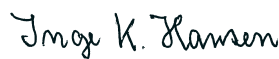
Hydro's Board of Directors proposes to pay a dividend of NOK 1 per share for 2014 reflecting the company's commitment to provide a cash return to its shareholders. The dividend reflects our operational performance for 2014, strong financial position, and improved earnings outlook for 2015.

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.

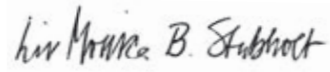
Oslo, March 10, 2015



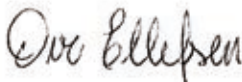
DAG MEJDELL
Chair



INGE K. HANSEN
Deputy chair



LIV MONICA BARGEM STUBBOLT
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

Shareholder information

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.

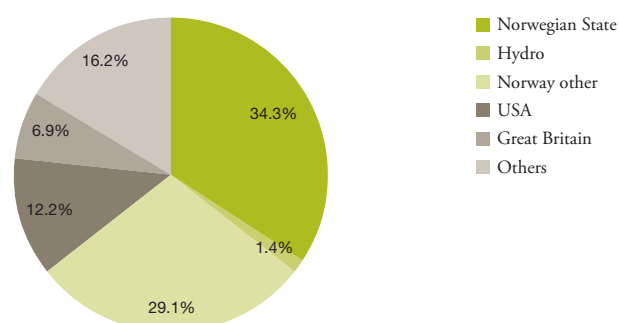
Buyback of shares

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.

Major shareholders and voting rights

An overview of Hydro's major shareholders as of December 31, 2014, is provided in note 13 in notes to the financial statements of Norsk Hydro ASA. In addition, further information is provided in the Shareholder information section in Hydro's Annual Report 2014.

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.

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

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 24.

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 24 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 in Note 12 to the consolidated financial statements (related party information) and under Investor relations at www.hydro.com

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 24.

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 26.

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. Nominations can be submitted electronically, also from www.hydro.com/governance

Deviations: See page 26.

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 www.hydro.com. 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 administrating 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 21. 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 13.

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. See also page 21.

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 24. A financial calendar is available on page 25 and under Investor relations at www.hydro.com 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 26.

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 F76 and note 46 to the consolidated financial statements.

Revenue 2014

NOK MILLION

77,907

Financial statements

CONSOLIDATED FINANCIAL STATEMENTS

F2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

F7

NOTE 1	REPORTING ENTITY AND BASIS OF PRESENTATION	F7
NOTE 2	SIGNIFICANT ACCOUNTING POLICIES	F7
NOTE 3	CHANGES IN ACCOUNTING PRINCIPLES AND NEW PRONOUNCEMENTS	F14
NOTE 4	MEASUREMENT OF FAIR VALUE	F16
NOTE 5	CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY	F16
NOTE 6	FINANCIAL AND COMMERCIAL RISK MANAGEMENT	F19
NOTE 7	SIGNIFICANT SUBSIDIARIES AND CHANGES TO THE CONSOLIDATED GROUP	F22
NOTE 8	OPERATING AND GEOGRAPHIC SEGMENT INFORMATION	F24
NOTE 9	BOARD OF DIRECTORS' STATEMENT ON MANAGEMENT REMUNERATION	F28
NOTE 10	MANAGEMENT REMUNERATION	F31
NOTE 11	BOARD OF DIRECTORS AND CORPORATE ASSEMBLY	F32
NOTE 12	RELATED PARTY INFORMATION	F33
NOTE 13	OTHER INCOME	F34
NOTE 14	RAW MATERIAL AND ENERGY EXPENSE	F35
NOTE 15	EMPLOYEE REMUNERATION	F35
NOTE 16	DEPRECIATION AND AMORTIZATION EXPENSE	F36
NOTE 17	IMPAIRMENT OF NON-CURRENT ASSETS	F36
NOTE 18	RESEARCH AND DEVELOPMENT	F38
NOTE 19	OPERATING LEASES	F38
NOTE 20	FINANCIAL INCOME AND EXPENSE	F39
NOTE 21	INCOME TAX EXPENSE	F39
NOTE 22	SHORT-TERM INVESTMENTS	F40
NOTE 23	ACCOUNTS RECEIVABLE	F40
NOTE 24	INVENTORIES	F40
NOTE 25	OTHER NON-CURRENT ASSETS	F41

NOTE 26	PROPERTY, PLANT AND EQUIPMENT	F41
NOTE 27	INTANGIBLE ASSETS	F42
NOTE 28	GOODWILL	F42
NOTE 29	INVESTMENTS IN JOINT ARRANGEMENTS	F43
NOTE 30	INVESTMENTS IN ASSOCIATES	F44
NOTE 31	BANK LOANS AND OTHER INTEREST-BEARING SHORT-TERM DEBT	F45
NOTE 32	TRADE AND OTHER PAYABLES	F45
NOTE 33	LONG-TERM DEBT	F45
NOTE 34	PROVISIONS	F46
NOTE 35	CONTINGENT LIABILITIES AND CONTINGENT ASSETS	F47
NOTE 36	EMPLOYEE RETIREMENT PLANS	F47
NOTE 37	DEFERRED TAX	F51
NOTE 38	SHAREHOLDERS' EQUITY	F52
NOTE 39	CAPITAL MANAGEMENT	F53
NOTE 40	DIVIDENDS	F55
NOTE 41	GUARANTEES	F56
NOTE 42	CONTRACTUAL COMMITMENTS AND OTHER COMMITMENTS FOR FUTURE INVESTMENTS	F56
NOTE 43	FINANCIAL INSTRUMENTS	F58
NOTE 44	DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING	F61
NOTE 45	CASH FLOW INFORMATION	F63
NOTE 46	AUDITOR REMUNERATION	F63

FINANCIAL STATEMENTS	
Norsk Hydro ASA	F64

NOTES TO THE FINANCIAL STATEMENTS	
Norsk Hydro ASA	F67

RESPONSIBILITY STATEMENT	F75
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AUDITOR'S REPORT	F76
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CORPORATE ASSEMBLY	F78
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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.

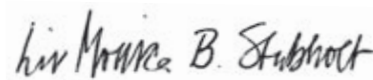
Oslo, March 10, 2015



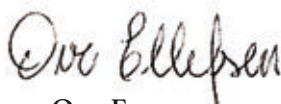
DAG MEJDELL
Chair



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 aquisition 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 aquisition of subsidiary reflects the holding loss on previously held shares in Soral, the gain on aquisition 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 Søral 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 Søral 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.

Financial statements Norsk Hydro ASA

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			
<i>Paid-in capital</i>			
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
<i>Retained earnings</i>			
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
Terminations 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

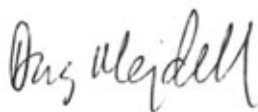
Amounts in NOK million	Paid-in capital	Retained earnings	Total equity
December 31, 2013	31 287	27 441	58 729
Net income		630	630
Remeasurement postemployment benefits		(487)	(487)
Dividend proposed		(2 040)	(2 040)
Dividend paid in 2014 not accrued ¹⁾		(1)	(1)
Treasury shares	(3)	34	31
December 31, 2014	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.

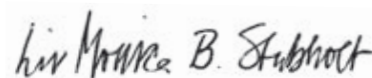
Oslo, March 10, 2015



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



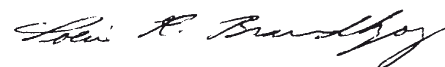
EVA PERSSON
Board member



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

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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HYDRO

Infinite aluminium